

## Aida Chemical Industry Co., Ltd Responsible Platinum and Palladium Compliance Report

The LPPM Responsible Platinum/Palladium Guidance has been established for Good Delivery Refiners to adopt high standards of due diligence in order to combat systematic or widespread abuses of human rights, to avoid contributing to conflict, to comply with high standards of anti-money laundering and to combat terrorist financing practice.

This report summarizes how Aida Chemical Industry Co., Ltd has complied with the requirements of the LPPM Responsible Platinum/Palladium Guidance.

Table 1: Refiner's details

|                                               |                                                     |
|-----------------------------------------------|-----------------------------------------------------|
| Refiner's name                                | Aida Chemical Industry Co., Ltd.,                   |
| Location                                      | 15-13, 6-chome, Minami-cho, Fuchu-shi, Tokyo, Japan |
| Reporting year-end                            | 31 March 2021                                       |
| Date of Report                                | 30 June 2021                                        |
| Senior management responsible for this report |                                                     |



Tatsuo Sato, Au division general manager

Aida Chemical's evaluation

### Table 2: Summary of activities undertaken to demonstrate compliance

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#### Step 1: Establish strong company management systems

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Compliance Statement with Requirement:

We have fully complied with Step 1: Establish strong management systems.

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Aida Chemical has adopted a company policy regarding due diligence for supply chains of platinum and palladium.

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Comments and Demonstration of Compliance:

Since we established our Responsible Materials Procurement Policy in January 2020, which applies to platinum, palladium and gold we procure and meets the requirements of the LPPM Platinum / Palladium Guidance, we have implemented the policy. This sets out our responsibility for conducting risk-based due diligence, education and training, monitoring and record keeping of transactions, and arrangement of third party audit with the aim of avoiding raw material procurement related to human rights

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violations, financing terrorists, money laundering, fraudulent transactions, and contributing to conflicts

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Aida Chemical has set up an internal management structure to support supply chain due diligence.

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Comments and Demonstration of Compliance:

An internal management system has been set up to define the Management organization, roles and responsibilities, internal audit, risk assessment procedures, transaction monitoring, communication and senior management review. The compliance officer has been assigned to manage the platinum and palladium supply chain due diligence processes, and has a direct line of reporting to the senior management.

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Aida Chemical has established a strong internal system of due diligence, controls and transparency over platinum and palladium supply chain, including traceability and identification of other supply chain actors.

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Comments and Demonstration of Compliance:

We have a platinum- and palladium-bearing material receipts process. A receipt slip is issued for every platinum- or palladium-bearing material when it is received from a supplier. Transaction details, including the supplier's name, the weight and assay, and the type of material received, are entered into our transaction database before the platinum- or palladium-bearing material is refined.

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Aida Chemical has strengthened company engagement with platinum/palladium supplying counterparties, and where possible, assisted platinum and palladium supplying counterparties in building due diligence capabilities.

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Comments and Demonstration of Compliance:

We communicated in fiscal 2020 our Responsible Materials Procurement Policy to suppliers by using a receipt or a request form for providing information regarding conflict minerals (information request form) for each transaction. The suppliers signed a receipt or information request form, acknowledging that they would not violate our policy.

We currently pay in cash to some suppliers upon request, but we are taking measures to move away from cash payment towards payment conducted through official banking systems.

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Aida Chemical has established a company-wide communication mechanism to promote broad-based employee participation and risk identification to management.

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Comments and Demonstration of Compliance:

Aida Chemical has established a functional mail box allowing employees to anonymously voice concerns over the platinum and palladium supply chain. Any external stakeholders can also anonymously raise concerns over our platinum and palladium supply chain from our website. During the reporting year, we did not receive any concerns over our platinum and palladium supply chain either from employees or external stakeholders.

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Step 2: Identify and assess risks in the supply chain

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Compliance Statement with Requirement:

We have fully complied with Step 2: Identify and assess risks in the supply chain.

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Aida Chemical has a process to identify risks in the supply chain.

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Comments and Demonstration of Compliance:

We have formalized a process to identify and assess risks in the supply chain in the "Platinum and Palladium Due Diligence Manual" and the "Platinum and Palladium Due Diligence implementation rules". Our Conflict and high-risk areas (CAHRAs) identification procedures and the list of CAHRAs are included in the Due Diligence Manual. We shall revise the list of CAHRAs at least once a year or as necessary. Our latest revision of the list of CAHRAs was made in January 2021, based on information available from the Heidelberg Conflict Barometer and Geneva Academy Rule of Law in Armed Conflicts.

Since January 2020, we have been operating a mechanism that requires suppliers to declare that they are not involved in fraudulent or illegal activity using receipts or information request forms. This process is now a formal requirement before entering any business relationship with a platinum / palladium supplying counterparty.

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Aida Chemical has assessed risks in light of the standards of its due diligence system.

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Comments and Demonstration of Compliance:

Risks were assessed against all of our business partners with transaction and platinum and palladium raw materials in FY2020 against high-risk criteria in accordance with the LPPM guidance. As a result, one of the new suppliers of palladium-bearing raw material was judged to be high risk in fiscal 2020.

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Aida Chemical reports risk assessment to the senior manager.

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Comments and Demonstration of Compliance:

The results of risk assessment conducted in fiscal 2020 were reported from the compliance officer to the senior management in June 2021.

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**Step 3: Design and implement a management system to respond to identified risks**

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Compliance Statement with Requirement:

We have fully complied with Step 3: Design and implement a management system to respond to identified risks.

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Aida Chemical devised a strategy for risk management of an identified risk by either (i) mitigation of the risk while continuing to trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk.

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Comments and Demonstration of Compliance:

Aida Chemical has a strategy for risk management of identified risks. If risk assessment of platinum- and palladium-bearing materials and suppliers reveals that they may be involved in human rights abuses, contributing to conflicts, or money laundering, risk mitigation shall be undertaken. If risk mitigation is not possible, transaction shall be immediately suspended.

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Where a management strategy of risk mitigation is undertaken, it should include measurable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk and regular reporting to designated senior management.

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Comments and Demonstration of Compliance:

For transactions of platinum- and palladium-bearing materials during the reporting year, we did not identify any case for which risk mitigation was needed.

We conducted enhanced due diligence of a new overseas supplier that met the criteria for high-risk suppliers in fiscal 2020. Due to the Covid-19 pandemic, enhanced due diligence was carried out by telephone and e-mail. Based on the results of the enhanced due diligence conducted, the senior manager determined that we could procure palladium-bearing raw material from this supplier.

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**Step 4: Arrange for an independent third-party audit of the supply chain due diligence**

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Compliance Statement with Requirement:

We have fully complied with Step 4: Arrange for an independent third-party audit of the supply chain due diligence.

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Comments and Demonstration of Compliance:

Aida Chemical engaged the services of the assurance provider KPMG AZSA Sustainability Co., Ltd., and their independent limited assurance report can be viewed

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on <https://www.aida-j.jp/wordpress/wp-content/uploads/compliancereport.pdf>

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**Step 5: Report on supply chain due diligence**

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Compliance Statement with Requirement:

We have fully complied with Step 5: Report on supply chain due diligence

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[Comments]

This compliance report and our policy is available on our company website.

<https://www.aida-j.jp/wordpress/wp-content/uploads/compliancereport.pdf>

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**Aida chemical's overall conclusion**

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**Table 3: Management conclusion**

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Is the Refiner in compliance with the requirements of the LPPM Responsible Platinum/Palladium Guidance for the reporting period?

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Yes

[Comments]

In conclusion, Aida Chemical implemented effective management systems, procedures, processes and practices to conform to the requirements of the LPPM Responsible Platinum/Palladium Guidance, as explained above in Table 2, for the reporting year ended 31 March 2021.

Aida Chemical is committed to continuous improvement, and any corrective actions identified will be monitored internally on a regular basis.

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**Table 4: Other report comments**

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[Comments]

If users of this report wish to provide any feedback to Aida Chemical with respect to this report, they can contact corporate relations on [\[conflictfree@aida-j.jp\]](mailto:conflictfree@aida-j.jp).

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