

LPPM Responsible Platinum and Palladium Guidance Compliance Report

The LPPM Responsible Platinum/Palladium Guidance (the 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 FURUYA METAL CO., LTD. (hereafter KFK) has complied with the requirements of the Guidance.

Table 1: Refiner's details


Refiner's name: Location: Reporting year-end: Date of Report: Senior management responsible for this report:	FURUYA METAL CO., LTD. 2-37-5 Minami Otsuka, Toshima-ku Tokyo, 170-0005, Japan 30 June 2020 11 November 2020 Kazuo Oishi Director of the Board, General Manager, General Affairs Dept. FURUYA METAL CO., LTD.
	

Table 2: Summary of activities undertaken to demonstrate compliance

Step 1: Establish strong company management systems
Compliance Statement with Requirement: We have fully complied with Step 1: Establish strong management systems.
1. Has the refiner adopted a company policy regarding due diligence for supply chains of platinum and palladium?
Comments and Demonstration of Compliance:

Yes. KFK has adopted the Furuya Metal Responsible Minerals Procurement Policy in June 2020 to establish a management system to perform appropriate due diligence for supply chains of platinum and palladium, which is consistent with the model set out in the Annex II of the OECD Due Diligence Guidance. In procuring platinum, palladium, tantalum, tungsten, tin, and gold, the policy of the KFK Group is to avoid procurement from not only countries of conflict and/or regions but also high risk areas associated with human rights violations such as child labor, complicity in conflict areas, terrorist funding, money laundering. Please refer to the link.

URL:<http://www.furuyametals.co.jp/english/strength/strength02.html>

2. Has the refiner set up an internal management structure to support supply chain due diligence?

Comments and Demonstration of Compliance:

Yes. An internal management system has been set up to define the governance, roles and responsibilities, internal audit, communication and senior management review as per the adopted policy. The Senior Management assigned with ultimate responsibility. The Compliance Officer is assigned to supervise the overall process of due diligence and report directly to the Senior Management. Metal business office takes a role to set up plans and procedures of due diligence and is responsible for supplier due diligence. Precious Metals Instrument Production office is responsible for traceability.

3. Has the refiner 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?

Comments and Demonstration of Compliance:

Yes. KFK has a robust traceability system that records supply chain information and documents for each provided material. Specific and relevant documentation as per its internal guidelines must be verified and approved before the processing of any precious metals.

4. Has the refiner strengthened company engagement with platinum and palladium supplying counterparties, and where possible, assisted platinum and palladium supplying counterparties in building due diligence capabilities?

Comments and Demonstration of Compliance:

Yes. KFK Compliance Officer has informed the company policy to the counterparties that supply recycled platinum and palladium.

5. Has the refiner established a company-wide communication mechanism to promote broad-based employee participation and risk identification to management?

Comments and Demonstration of Compliance:

Yes. The "Compliance Hotline", which enables employees to report anonymously has been set up for internal use. In addition, we have established a whistleblowing system on our website in the reporting year, allowing customers and other external stakeholders can anonymously voice concerns over supply chain risk or a newly identified risk. They can contact corporate relations on here.

URL:<https://reg18.smp.ne.jp/regist/is?SMPFORM=pdsb-lbphni-9b3f4094d1ccc981c0b6386a56e9e24b&inquiryType=5>

Step 2: Identify and assess risks in the supply chain

Compliance Statement with Requirement:

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

1. Does the Refiner have a process to identify risks in the supply chain?

Comments and Demonstration of Compliance:

Yes. KFK identifies and assesses risks in the supply chain. We have established a platinum and palladium supplier list in which we allocate a risk profile to individual suppliers according to our risk profile criteria. This process is now a formal requirement before entering into business relationship with any Platinum and Palladium supplying counterparty.

2. Does the refiner assess risks in light of the standards of their due diligence system?

Comments and Demonstration of Compliance:

Yes. KFK initially conducted supply chain due diligence comprising partial measures, but eventually on all measures required by the LPPM Responsible Platinum and Palladium Guidance. If a supplier is classified as high-risk, enhanced due diligence shall be carried out. In addition, we shall conduct appropriate scrutiny and monitoring of transactions undertaken through the course of the relationship.

3. Does the refiner report risk assessment to the designated manager?

Comments and Demonstration of Compliance:

Yes. The Compliance Officer provides a commentary report to the Senior Management annually. The Senior Management must determine whether to approve high risk

suppliers classified in our due diligence procedures. Senior management retains the ultimate control and responsibility for the platinum and palladium supply chain.

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

Compliance Statement with Requirement:

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

1. Has the refiner 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?

Comments and Demonstration of Compliance:

Yes. KFK shall perform risk management in the procurement of raw materials and shall immediately stop transaction when it is judged that minerals (platinum, palladium, tantalum, tungsten, tin, and gold) could be a source of funds for organizations linked to risks such as infringement of human rights, supply of funds to terrorists, money laundering and corruption, or to other forms of misconduct in conflict-affected and high-risk areas.

2. 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.

Comments and Demonstration of Compliance:

Necessary steps shall be taken in case of risk mitigation. However, we did not identify any platinum or palladium that could be a source of funds for organizations linked to risks such as infringement of human rights, supply of funds to terrorists, money laundering and corruption, or to other forms of misconduct in conflict affected an high-risk areas through reporting year.

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

Compliance Statement with Requirement:

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

Comments and Demonstration of Compliance:

KFK engaged the services of the assurance provider KPMG AZSA Sustainability Co., Ltd., and their independent reasonable assurance report is available on our website.

URL: https://ssl4.eir-parts.net/doc/7826/ir_material6/146626/00.pdf

Step 5: Report on supply chain due diligence

Compliance Statement with Requirement:

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

Our Furuya Metal Responsible Minerals Procurement Policy and this compliance report are available on our website.

Furuya Metal Responsible Minerals Procurement Policy

URL: <http://www.furuyametals.co.jp/english/strength/pdf/strength02.pdf>

Compliance report

URL: https://ssl4.eir-parts.net/doc/7826/ir_material6/148460/00.pdf

Table 3: Management conclusion

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

Yes. In conclusion, KFK implemented effective management systems, procedures, processes and practices to conform to the requirements of the LPPM Responsible Platinum and Palladium Guidance, as explained above in Table 2, for the reporting year ended 30 June 2020.

Table 4: Other report comments

If users of this report wish to provide any feedback to KFK with respect to this report, they can send an email to the following address

: furuyacomp@furuyametals.co.jp.