

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: The Senior Management responsible for this report:	FURUYA METAL CO., LTD. 2-37-5 Minami Otsuka, Toshima-ku Tokyo, 170-0005, Japan 30 June 2021 28 September, 2021 Tsutomu Nishimura General Manager, General Affairs & CSR Dept. FURUYA METAL CO., LTD.
<hr style="width: 80%; margin-left: 20px;"/>	

Table 2: Summary of activities undertaken to demonstrate compliance

Step 1: Establish strong company management systems

Compliance Statement with Requirement:

KFK has partially 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 The Senior Management review as per the adopted policy. The Senior Management is assigned with ultimate responsibility. The RPPG Compliance Officer is assigned to supervise the overall process of due diligence and report directly to the Senior Management. General Affairs and CSR Dept. assumes 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:

KFK has a 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. In the reporting year, however, timely due diligence was not conducted with some of the suppliers before entering business relationship, which we believe was due mainly to the inadequacy of the procedure for conducting due diligence.

As for payment to suppliers, KFK is committed to a process of moving away from the use of cash payments and towards payments for Platinum/Palladium only through official banking channels.

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 RPPG 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, allowing customers and other external stakeholders to 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>

“The Rules of Compliance”, a new internal rule implemented in April 2021, has replaced the previous reporting flow. A newly-established Compliance Committee functions now as the corporate window to receive consultations and/or complaints to KFK and has strengthened governance and management over both internal and external whistleblowing than before.

Step 2: Identify and assess risks in the supply chain

Compliance Statement with Requirement:

KFK has partially 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. We revised the list of Conflict-Affected and High-Risk Areas (CAHRAs) in July 2021 based on the information available from the Financial Action Task Force, Export Trade Control Order, Heidelberg Conflict Barometer and other external sources. We shall review the list regularly and revise it as necessary.

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

Comments and Demonstration of Compliance:

No. KFK conducted supply chain due diligence on all measures required by the LPPM Responsible Platinum and Palladium Guidance, except that we were unable to perform timely due diligence before entering business relationship with some of the suppliers. 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 RPPG 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. The 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 has a strategy to respond to the identified risks. We shall perform risk management in the procurement of platinum and palladium-bearing materials and their suppliers. If it is discovered that there is a possibility of procuring those 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, risk mitigation shall be undertaken, and in case it is impossible to mitigate the risks, transaction shall be suspended or halted depending on the risk level. If we are to resume such a transaction, it is necessary to acquire additional information or data that would negate high-risk factors through a site visit. The transaction shall only be resumed after having approval of the Senior Management.

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 the Senior Management.

Comments and Demonstration of Compliance:

Necessary steps shall be taken in case of risk mitigation. In the reporting year, 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 limited assurance report is available on our website.

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

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

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: www.furuyametals.co.jp/english/strength/strength02_back.html

Table 3:Management conclusion

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

No. 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 2021, except that we were unable to perform timely due diligence before entering business relationship with some of the suppliers.

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.



Tsutomu Nishimura

General Manager, General Affairs & CSR Dept.
FURUYA METAL CO., LTD.