

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: The Senior Management responsible for this report:	FURUYA METAL CO., LTD. 2-37-5 Minami Otsuka, Toshima-ku Tokyo, 170-0005, Japan June 30, 2023 October 20, 2023 Tsutomu Nishimura General Manager, General Affairs & CSR Dept. FURUYA METAL CO., LTD.
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Table 2: Summary of activities undertaken to demonstrate compliance

Step 1: Establish strong company management systems

Compliance Statement with Requirement:

KFK has 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 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 conflict-affected countries and regions but also high risk areas associated with human rights violations such as child labor, complicity in conflict areas, terrorist funding, and money laundering. Please refer to the link.

During the reporting year under review, we revised the expression in Clause 4 of the procurement policy slightly to reflect our intention more clearly and released it as Furuya Metal Responsible Minerals Procurement Policy version 2 on January 11, 2023.

(URL:<https://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. PGM Control Office at Tsukuba Plant 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 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. The internal

procedure adopted previously continued to work effectively through the reporting year in terms of timely due diligence.

As for payment to suppliers, KFK prohibits cash payments in the business transactions as a corporate policy. Payment for platinum and palladium is no exception and is made 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. The RPPG Compliance Officer has communicated the company policy to all new counterparties that supply recycled platinum and palladium in the reporting year.

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 anonymous reporting by the employees, has been set up for internal use. In addition, we have a whistleblowing system, which is posted on the same page of our web site as Furuya Metals Responsible Minerals Policy is posted so that it is easily accessible to the whistleblowers. It allows 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://www.furuyametals.co.jp/english/ir/pdf/whistleblowing_desk.pdf](https://www.furuyametals.co.jp/english/ir/pdf/whistleblowing_desk.pdf)

Compliance Committee functions as the corporate window to receive consultations and/or complaints to KFK and has strengthened governance and management over both internal and external whistleblowing in accordance with the “Rules of Compliance.” There was no event reported from the employees or external parties in the reporting year.

Step 2: Identify and assess risks in the supply chain

Compliance Statement with Requirement:

KFK has 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 March 2023 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:

Yes. KFK conducted supply chain due diligence 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 unless the RPPG Compliance Officer judges at that timing it is not appropriate to conduct, or continue to conduct, business with such party and ask the Senior Management for the final decision. If the Senior Management decides not to enter or continue the business relationship with such party, the RPPG Compliance Officer shall not carry out enhanced due diligence. 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 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) 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 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, 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 and 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:

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

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

Compliance report

URL:

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

Table 3: Management conclusion

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

Yes. In the reporting year, 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 2023.

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
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FURUYA METAL CO., LTD.

