

# LPPM Responsible Platinum and Palladium Compliance Report

The LPPM Responsible Platinum and 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 summarises how Materials Eco-Refining Co., Ltd. has complied with the requirements of the LPPM Responsible Platinum and Palladium Guidance.

Table 1: Refiner's details

Refiner's name	Materials Eco-Refining Co.,Ltd.
Location	15-1, Aza-Fukimatsu, Onahama, Iwaki, Fukushima, 971-8101 JAPAN
Reporting year-end	31 March 2021
Date of Report	24 June 2021
Senior management responsible for this report	Koji Iwami President

  
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## Materials Eco-Refining Co.,Ltd. evaluation

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.

Has the Refiner adopted a company policy regarding due diligence for supply chains of Platinum/Palladium?

Comments and Demonstration of Compliance:

In fiscal 2019, we established our Responsible Minerals Control Policy, which is consistent with the model policy set out in the Annex II of the OECD Due Diligence Guidance. This sets out our responsibility for conducting risk-based due diligence, screening and monitoring of transactions and governance structures in place. In fiscal 2020, our Responsible Minerals Control Policy remain unchanged.

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Has the Refiner 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 governance, roles and responsibilities, internal audit, communication and senior management review as per the adopted policy. The compliance officer has been assigned to manage the process, and has a direct line of reporting to the senior management. In fiscal 2020, we conducted internal audit and reported the results to the senior management.

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Has the Refiner established a strong internal system of due diligence, controls and transparency over Platinum/Palladium supply chain, including traceability and identification of other supply chain actors?

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Comments and Demonstration of Compliance:

We have a 'lot' receipts process, and specific documents must be received and transactional details entered before we process the platinum- and palladium-bearing material. We only use bank transfers as a payment method to our precious metals suppliers. We do not use cash as a payment method.

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Has the Refiner 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 sent a letter of notification on our "Responsible Minerals Control Policy" to our new suppliers in fiscal 2020 and requested them to cooperate with us in our responsible sourcing system and asked them to adopt a similar policy as ours.

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Has the Refiner 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:

We established a functional mailbox to which employees can send any concerns over the platinum and palladium supply chain or a newly identified risk anonymously. In addition to this, we established a grievance mechanism on our website in 2019, where customers and other external stakeholders may raise concerns on our platinum and palladium supply chain anonymously.

## **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.

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

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Comments and Demonstration of Compliance:

We identify and assess risks in the supply chain. For every supplier of materials containing platinum



and palladium, we have established a client database and evaluate the risk level according to our risk assessment criteria. This process is now a formal requirement before entering any business relationship with a platinum and palladium supplying counterparty. We revised the list of Conflict-Affected and High-Risk Areas (CAHRAs) in April 2021 based on information available from the Export Trade Control Order, Financial Action Task Force and other external sources. We shall review the list regularly and revise it as necessary.

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Does the Refiner assess risks in light of the standards of their due diligence system?

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Comments and Demonstration of Compliance:

Supply chain due diligence comprising all measures required by the LPPM Responsible Platinum and Palladium Guidance is performed before entering a business relationship with any platinum and palladium supplying counterpart. We shall perform enhanced due diligence for higher-risk supply chains, which include those where platinum or palladium originates from or transits via a conflict-affected or human rights abuse high-risk area. In addition, we conduct scrutiny and monitoring of transactions undertaken through the course of the relationship.

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Does the Refiner report risk assessment to the designated manager?

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Comments and Demonstration of Compliance:

The Compliance officer provides a commentary report to the senior management on an annual basis. The senior management must approve all new suppliers classified as high risk. 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.

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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?

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Comments and Demonstration of Compliance:

We have a strategy to respond to the identified risk. We assess platinum- and palladium-bearing materials and their suppliers. If it is discovered that there is a possibility of procuring raw materials from high-risk suppliers, risk mitigation shall be undertaken, and in case it is impossible to mitigate risk, the 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 negate high-risk factors through a site visit. The transaction shall only be resumed after having approval of the senior management.

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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:

As a result of risk assessment on the platinum- and palladium-containing materials which we purchased during the reporting year, we have determined that we did not purchase any materials which were classified as high risk in fiscal 2020.

#### **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:

We engaged the services of the assurance provider KPMG AZSA Sustainability Co., Ltd. and their independent limited assurance report is attached hereto.

#### **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

[Comments]

Further information and specific details of how MERC's systems, procedures, processes and controls have been implemented to align to the specific requirements in the LPPM Responsible Platinum and Palladium Guidance have been set out in our Responsible Minerals Control Policy which is available on our company website[<http://www.mercompany.co.jp/en/pdf/mineralscontrolpolicy.pdf>].

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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 and Palladium Guidance for the reporting period?

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Yes. [Comments]

In conclusion, MERC 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 31 March 2021.

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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 MERC with respect to this report, they can contact the Compliance Officer on [nikoma@mmc.co.jp](mailto:nikoma@mmc.co.jp).