

LPPM Responsible Platinum/Palladium Guidance 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 combating terrorist financing practice.

This report summarizes how Matsuda Sangyo Co., Ltd. (hereinafter referred to as “we”) has complied with the requirements of the LPPM Responsible Platinum/Palladium Guidance.

Table 1: Refiner’s details


Refiner’s name	Matsuda Sangyo Co., Ltd
Location	Shinjuku Nomura Bldg. 6th fl., 1-26-2, Nishi-Shinjuku, Shinjuku-ku, Tokyo, Japan
Reporting period	From 1 April 2021 to 31 March 2022
Date of Report	30 June 2022
Senior management responsible for this report	 Takehiro Ueda Executive Officer

Table 2: Summary of activities undertaken to demonstrate compliance

Step 1: Establish strong company management systems

Compliance statement with requirement:

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

1. Adoption of a company policy regarding due diligence for supply chains of platinum and palladium.

Comments and Demonstration of Compliance:

In April 2014, we developed “Management Policy for Conflict Minerals”, which was consistent with the Model Policy set forth in Annex II of the OECD Due Diligence Guidance. In July 2019, we developed the new company policy “Policy for Responsible Management of Precious Metals” (hereinafter referred to as “the Company Policy”) to replace “Management Policy for Conflict Minerals”, and added silver, platinum and palladium to the scope. On December 1, 2020, revisions were made to the Company Policy to: ① add a description of environmental and sustainability responsibilities; ② expand the range of responses to high-risk assessments; and ③ clarify how transactions are monitored.

2. Setting up of an internal management structure to support supply chain due diligence.

Comments and Demonstration of Compliance:

We have established a framework for managing due diligence for the platinum and palladium supply chain in our “Management Procedure for Sourcing Responsible Precious Metals “(enacted in 2014, final amendment in December 2020). The Senior Management in charge of the internal system of due diligence is the executive officer of the bullion

market department. The general manager of the bullion market department is appointed by the Senior Management as a Compliance Officer who is responsible for for all matters relating to the precious metals supply chain, particularly the following matters, and reporting on the implementation of the supply chain due diligence.

- Reviewing the implementation of supply chain due diligence, assessing whether due diligence has been conducted appropriately and determining whether we should require additional documentation or information
- Implementation of appropriate measures for transactions with high-risk supply chains
- Drafting a revised Company Policy on responsible procurement of precious metals
- Providing appropriate information to supervising managers and training employees on responsible supply chains

Due diligence is conducted by the Metals / Environment Sales Division, Metals / Environment International Business Division, Precious Metals Recycling Division, and related subsidiaries, and monitoring is conducted by the Bullion and Commodity Operations Dept. and the Quality Assurance Dept.

Sales representatives communicate the Company Policy orally or in writing to business partners and other interested parties, requesting for a written consent to the Company Policy. Issues related to supply chain due diligence and the presence or absence of failures in its conduct are to be reviewed through internal audit and are reported to the Senior Management. During the reporting period, however, there were no DD failures or issues found through internal audit.

3. Establishment of a strong internal system of due diligence, controls and transparency over the platinum and palladium supply chain, including traceability and identification of other supply chain actors.

Comments and Demonstration of Compliance:

We use proprietary computerized systems to ensure traceability and identify precious metal raw materials and their upstream supply chains. Records related to supply chain due diligence as specified in the " Management Procedure for Sourcing Responsible Precious Metals " are kept for more than five years. We identify all suppliers of precious metals up to the country of origin based on contracts with suppliers.

We renovated the system in January 2022 so that we would not be able to register or start trading with a new supplier before we obtain a written consent from the supplier to the Company Policy and prepare specific records of due diligence. However, with regard to our existing suppliers prior to the renovation of the system, we have been unable to determine whether all the suppliers that should be subject to due diligence in the reporting period have been comprehensively evaluated by all divisions that procure precious metal raw materials.

When we identify issues relating to counterparties' identification, origin, and traceability of precious metals, they are immediately reported to the Compliance Officer, and the transaction with the supplier and the processing of accepted raw materials are instructed to be temporarily suspended until the doubts are resolved at the discretion of the Compliance Officer or a risk management strategy for the identified issues is finalized.

There were no high-risk incidents related to compliance checks during the reporting period.

We request our suppliers to establish or improve mechanisms related to supply chain due diligence. However, during the reporting period, the compliance officer did not hold training sessions or briefings for suppliers regarding the implementation of DD, and there were no items requiring particular attention.

Every year, all employees who handle platinum and palladium are supposed to be trained as stipulated in the "

Management Procedure for Sourcing Responsible Precious Metals", and the head office notifies each precious metal procurement division of the revision of training materials and internal regulations related to responsible precious metal procurement via e-mail. However, although we also received a report from each department that we had received and deployed the email, we had not kept a record that would allow us to verify that all the people involved were actually receiving the education.

The Compliance Officer oversees all processes related to due diligence and reports the results to the senior management. Payments are made by bank transfer in principle, and in the case of cash payments, they are made within the scope of internal rules and with the approval of a site manager who has been delegated by the senior management.

4. Strengthening engagement with platinum and palladium supplying counterparties, and where possible, assisting platinum and palladium supplying counterparties in building due diligence capabilities.

Comments and Demonstration of Compliance:

In December 2020, the " Management Procedure for Sourcing Responsible Precious Metals " was revised to clarify how to communicate the Company Policy. In this procedure, it is stipulated that the department in charge of precious metal raw material procurement should promptly communicate the revision of our policy to suppliers, seek a written consent to the policy, and collect the consent letter. However, for the reporting period, we could not ascertain how many companies we had sent the Company Policy to and how many suppliers had sent back a written consent to us.

5. Implementing a confidential grievance mechanism

Comments and Demonstration of Compliance:

On 1 July, 2020, we revised our Compliance Rules and related regulations to create a company-wide whistle-blowing system that allows external and internal parties to report to the Compliance Officer and Senior Management any concerns or potential issues that are relevant to the platinum and palladium supply chain. Internal parties can access the reporting system provided by external vendors, and external parties can implement public interest reporting by accessing our website. There were no public interest reports in the reporting period.

Step 2: Identify and assess risks in the supply chain

Compliance statement with requirement:

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

1. Process to identify risks in the supply chain

Comments and Demonstration of Compliance:

We procure precious metals from manufacturers of electrical and electronic components and jewelry, jewelry purchasers and dental clinics. In December 2021, the "Management Procedure of Sourcing Responsible Precious Metals " was revised so that the scope of risk assessment was extended to include all corporations and sole proprietors supplying precious metals and raw materials containing precious metals.

Risk assessment is conducted by requesting suppliers to complete a LPPM KYC Toolkit questionnaire and due diligence is performed in accordance with our company's "Precious metal supply chain risk assessment procedure" based on the responses. The division in charge of these precious metal raw materials and product procurement operations conducts

risk assessments of suppliers and identifies high-risk supply chains. Pursuant to internal regulations, sole proprietorships are required to submit official identification cards and "Business Partner Registration Cards" and conclude basic sales contracts and memorandums of understanding concerning the elimination of smuggling and anti-social forces. Risks are assessed in light of our "Evaluation Criteria for Procurement of Precious Metals from Individuals and Individual Business Operators." If submission of documents is refused by the supplier, or if it was confirmed that the beneficial owner of the counterparty turns out to be a PEP, then the supplier is considered to be high-risk.

For other entities supplying platinum and palladium, we assess risks based on where precious metal raw materials we purchase originate, whether suppliers, intermediaries and/or our subsidiaries are located in any of the CAHRAs, and whether suppliers have violated applicable regulations in relation to the environment and sustainability. We request our suppliers to complete a questionnaire we prepared after the LPPM KYC Toolkit and perform a risk assessment based on the information provided in accordance with our "Management Procedure for Sourcing Responsible Precious Metals". The criteria for risk assessment shall be as follows.

- (1) Whether responses to the questionnaire have been obtained and descriptions in it are sufficient.
- (2) Whether officers, major shareholders and/or owners who do not participate in the management of the supplier are PEPs.
- (3) Whether the business operations of the supplier include arms, games and casinos, bones and art, religious relations (hereinafter referred to as "high-risk business activities").

Suppliers that are evaluated as "M" or "H" in the comprehensive risk assessment for suppliers of precious metal raw materials are identified as high-risk supply chains.

2. Risk assessment in light of the standards of their due diligence system

Comments and Demonstration of Compliance:

No supplier was identified as high-risk in the reporting period and therefore no on-site inspection was conducted, and no risk mitigation measures were implemented for any suppliers. We prepared our CAHRAs list based on the regions included in the EU CAHRAs list, taking into account information available in the LBMA Responsible Sourcing Newsletter, and used it as a material for risk assessment. At the end of the reporting period, 293 regions were identified as CAHRAs. In light of the raw materials being procured (recycled raw materials), we have determined that there are no risks related to "non-government armed groups," "public or private security forces," "bribery and mineral origin fraud," and "payment of taxes, fees, and lease fees to the government," and they have been removed from the criteria for risk assessment.

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. 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:

The "Guidelines for Procurement Control of Conflict Minerals" was revised in December 2020 to "the Management

Procedure for Sourcing Responsible Precious Metals” to set forth procedures for conducting enhanced due diligence of high-risk supply chains. If a supplier is considered to be high risk, on-site inspection shall be conducted to collect more facts to determine if the supplier is truly high-risk. However, no suppliers were identified as high-risk during the reporting period, so no on-site inspection was conducted, and no risk mitigation measures were implemented for any suppliers. There were no cases either in which a decision was made to suspend transactions or to sever relations as a result of risk assessment.

2. Management strategy of risk mitigation that includes measureable 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:

We cooperate appropriately with the administrative authorities in accordance with our internal regulations. But there were no such events in the reporting period. When conducting business continuity with suppliers judged to be high-risk, it is necessary to formulate risk mitigation measures that clarify the objectives and evaluation indicators for improvement.

3. Reporting of risk assessment to the designated manager

Comments and Demonstration of Compliance:

The Compliance Officer reported the results of the risk assessment within the reporting period to the Senior Management and informed that there were no suppliers considered high risk within the reporting period.

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 KPMG AZSA Sustainability Co., Ltd. to conduct an assurance engagement of the compliance report for this reporting period, and the reasonable assurance report is attached to this compliance report.

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 and Demonstration of Compliance:

We have prepared this Compliance Report and the Countries of Origin Annexes. We have also formulated the corrective action plan for high- and medium-risk deviations from the LPPM Responsible Platinum/Palladium Guidance reported in this Compliance Report. The Compliance Report, together with our "Policy for Responsible Management of Precious Metals", is available on our website: <https://www.matsuda-sangyo.co.jp/about/policy/conflictminerals.html>.

Table 3: Management conclusion

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

No.

Comments and Demonstration of Compliance:

We have high-risk and medium-risk deviations from the LPPM Responsible Platinum/Palladium Guidance (the "LPPM Guidance") described below for the reporting period. Otherwise, we followed the LPPM Guidance for the reporting period through effective control systems, procedures, processes, and implementation.

(High risk)

Step2-1: A mechanism has not been established to demonstrate that supplier assessment has been conducted comprehensively.

(Medium risk)

Step1-4: We are not able to ascertain how many companies we have sent our supply chain policy to and how many suppliers have sent us back a written consent.

Step1-3: We have not maintained records to demonstrate that all the relevant employees have actually been trained.

Table 4: Other report comments

If users of this report wish to provide any feedback to us with respect to this report, they can send an email to the following email address: 20780000@matsuda-sangyo.co.jp