

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 "Matsuda") 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 2020 to 31 March 2021
Date of Report	30 September 2021
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:

Matsuda has 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:

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 April 2014.

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.

In December 2020, we have added to the Company Policy the description regarding environment and sustainability responsibilities, the criteria to define high-risk supply chains, and the description regarding the monitoring of transactions.

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

Comments and Demonstration of Compliance:

Under our internal policy "Management Procedure for Sourcing Responsible Precious Metals" (hereinafter referred as "the Internal Policy") , which was established in 2014 and last revised in December 2020, we have defined the

management system of our due diligence for supply chains of platinum and palladium, and appointed the compliance officer according to the Internal Policy. However, we have not clearly defined in the Internal Policy the frequency of re-evaluation of suppliers. We also understand that the criteria for screening suppliers to which we send a questionnaire are not sufficiently in consistent with what the LPPM Responsible Platinum/Palladium Guidance requires.

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 implemented our internal system to secure the traceability and identify each material of platinum and palladium, and those upstream supply chain. We maintain records related to supply chain due diligence specified in the Internal Policy for more than five years, as required in the Internal Policy. The Company provides annual training for all employees who engaged in the purchasing and handling of platinum and palladium, as required in the Internal Policy. The compliance officer, who oversees the whole process of supply chain due diligence of platinum and palladium, reported the results to the senior management. In principle we make payment for platinum and palladium through official banking channels. Cash payment is only allowed under the circumstances specified in the Internal Policy and with permission from managers. However we are going to eliminate cash transactions in the near future. We cooperated fully and transparently with government authorities and provided full access to records and information as appropriate.

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, we have revised the Internal Policy by clarifying how to make the Company Policy known to platinum and palladium supplying counterparties. In accordance with its procedure, we inform our supplying counterparties and ask their consent to the Company Policy.

5. Implementing a confidential grievance mechanism

Comments and Demonstration of Compliance:

We had established the confidential grievance mechanism allowing any employee to voice concerns over the platinum and palladium supply chain or newly identified risk toward the compliance officer or the senior management. In July 2020, we have revised the internal regulation to ensure anonymity by handling its information to the minimum necessary unless informers agree to disclose expressly. The informers will not suffer from any disadvantages regardless whether or not they are anonymous. We did not have any grievances over the reporting period.

Step 2: Identify and assess risks in the supply chain

Compliance statement with requirement:

Matsuda has 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:

Our main suppliers of platinum and palladium are manufacturers of electronic components and jewelry goods, jewelry purchasers, and dental clinics and laboratories. For self-employed suppliers, we requested identity verification documents (e.g. Personal Identification) to assess their risk. For the other corporations, we asked for answers to "Questionnaire for the Precious Metals Supplier" (hereinafter referred to as "the Questionnaire") which is created based on LBMA KYC Questionnaire, and performed supply chain due diligence based on these answers in compliance with "Evaluation procedure for precious metals supply chain ". However, we do not have a system to confirm the comprehensiveness suppliers who should be subject to the supply chain due diligence procedure for FY2020.

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

Comments and Demonstration of Compliance:

We assessed risks of the platinum and palladium supplying counterparties based on the evaluation criteria, which is set according to the Internal Policy including our own CAHRA's list created and regularly updated referencing the areas described in the Indicative, non-exhaustive list of CAHRAs by the European Commission and LBMA Responsible Sourcing Newsletter. In consideration of the sources of recycled materials, we judged that there should be no risks of "non-state armed groups", "public or private security forces", "bribery and fraudulent misrepresentation of the origin of minerals" and "payment of taxes, fees and royalties due to governments", and we excluded these risks from our evaluation criteria.

3. Reporting of risk assessment to the designated manager

Comments and Demonstration of Compliance:

The compliance officer reported the results of risk assessment for the period to the senior management.

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

Compliance statement with requirement:

Matsuda has 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:

By revising the Internal Policy in December 2020, we have specified the strategy for risk management of an identified risk. When a supply chain is evaluated as medium-risk of high-risk, we conduct enhanced due diligence, and manage the risk by establishing and implementing the risk mitigation by either while continuing to trade, suspending trade, or disengagement, according to the identified risk.

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 have defined in the internal regulation that the senior management is supposed to determine whether or not we continue to trade with suppliers who are assessed as high-risk. When the senior management decides to continue with

these business relationships, we are supposed to establish the improvement strategy which mentions clear performance objectives including qualitative and /or quantitative indicators in order to measure improvement. But we did not have any suppliers who are assessed as high-risk for the reporting period.

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

Compliance statement with requirement:

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

Comments and Demonstration of Compliance:

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

Step 5: Report on supply chain due diligence

Compliance statement with requirement:

Matsuda has fully complied with Step 5: Report on supply chain due diligence.

Comments and Demonstration of Compliance:

The Company Policy, "Policy for Responsible Management of Precious Metals", is available on our website.

<https://www.matsuda-sangyo.co.jp/en/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 a medium-risk these deviations from the LPPM Responsible Platinum/Palladium Guidance for the reporting period, which are described as below. However, we have implemented effective management systems, procedures, processes and practices to conform to the requirements of the LPPM Responsible Platinum/Palladium Guidance for the reporting period except for these deviations.

- Step1-2 : We have not clearly defined in the Internal Policy the frequency of re-evaluation of suppliers.
- Step1-2 : The criteria for screening suppliers to which we send a questionnaire are not sufficiently in consistent with what the LPPM Responsible Platinum/Palladium Guidance requires.
- Step 2-1: We do not have a system to confirm the comprehensiveness of suppliers who should be subject to the supply chain due diligence procedure for the reporting period.

We are committed to complete corrective actions for non-conformances stated in the Corrective Action Plan within the defined period.

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