

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. Steps 1 through 5 described in this report comply with LPPM Responsible Platinum/Palladium Guidance Version 3, and the Countries of Origin Annex is prepared in the formats designated in LPPM Responsible Platinum/Palladium Guidance Version 4.

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 2022 to 31 March 2023
Date of Report	29 June 2023
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:

This report covers all divisions including our precious metal recycling business, including our subsidiaries (Metals / Environment Sales Division, Metals / Environment International Business Division and its overseas subsidiaries, Japan Medical Technology Co., Ltd., Hokkaido Aoki Kagaku Co., Ltd., Precious Metals Recycling Division : Recycling Business Department, Precious Metals Recycling Department, Precise Treatment Department, Environmental Solution Division : Solution Business Department, Precious Metals Material Division : Business Management Department, Production Control Division : Production Management Department, Bullion and Commodity Operations Department, and Quality Assurance Department).

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. In addition, the December 2022 revision added a description of sustainability responsibilities, including ESG elements, and a description defining a business partner with any of the risks specified in the Annex II to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas or risk of affecting an adverse impact on ESG factors as high risk.

Our "Policy for Responsible Management of Precious Metals" (<https://www.matsuda-sangyo.co.jp/en/policy/conflictminerals.html>) has been established and revised by the Board of Directors. This policy is reviewed annually and revised in response to changes in the external environment surrounding us, so that resources and skills necessary to support and monitor the due diligence process are sufficiently secured. This policy is published in the Japanese/English language on our website and is notified by e-mail to all relevant employees at the time of revision. Interested parties such as business partners are notified of the revision by e-mail or mail, or directly by our sales representatives during visits.

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

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, last revised in December 2022). The Board of Directors is responsible for the decision-making and oversight of important matters, and the Executive Officer in charge of the Bullion and Commodity Operations Department is designated as the Compliance Officer, and the Bullion and Commodity Operations Department is designated as the Promotion Secretariat. Board members are trained internally to effectively supervise responsible precious metal procurement and have sufficient knowledge and experience to effectively supervise responsible precious metal procurement activities. The Compliance Officer is responsible for the implementation of supply chain due diligence and shall conduct management reviews at the Board of Directors. Due diligence is conducted by the Metals / Environment Sales Division, Metals / Environment International Business Division, the Recycling Business Division, the Environmental Solution Division, and related subsidiaries. Monitoring is conducted by the Bullion and Commodity Operations Department and the Quality Assurance Department.

During the reporting period, 97% of employees involved in the platinum and palladium supply chains, excluding local employees of overseas subsidiaries, were trained on the background of responsible precious metal procurement. However, education could not be provided to local employees of overseas subsidiaries because educational materials corresponding to the languages normally used by them could not be prepared during the reporting period. No internal sanctions or penalties were imposed on the due diligence process during the reporting period.

Basically, the payment to the supplier is made by remittance to the bank account. When a cash transaction exceeding \$10,000 exclusive of taxes occurs, ID of the payee is obtained in advance (a certificate of all historical matters if the company is a corporation, or an ID with a public photograph if the person is an individual) and executed with the approval of the Compliance Officer. A photocopy of the ID is stored in the Sales Division in charge in accordance with the internal rules for handling personal information. At the time of payment, receipts are received from the supplier and shared with the Promotion Secretariat. The Secretariat monitors cash payment records in excess of \$10,000 before tax.

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, invoices, packing lists and airway bills with the raw materials of precious metals. At the time of acceptance of raw materials for precious metals at each factory, the name of the supplier, name of raw materials for precious metals, date of raw materials collection, weight, etc. are obtained from the Sales Division (Shipping statement, Precision cleaning checklist), and they are registered in the system. After the completion of refining, the first destination of the shipment of precious metals contained in each raw material is also managed. (Product account book)

When any issue in relation to the identification of suppliers of precious metals, the country of origin or the traceability, or any other high-risk finding is identified, the Compliance Officer must be informed of it immediately, who then instructs suspension of businesses with suppliers and/or processing of raw materials accepted until the doubt is resolved at the discretion of the Board of Directors or until the risk management strategy for the finding is determined.

There were no high-risk findings identified in the above process during the reporting period.

The Compliance Officer shall cooperate with requests from suppliers for the establishment of mechanisms or implementation of improvements related to supply chain due diligence, if any. However, no such requests were received during the reporting period.

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 2022, the "Management Procedure of Sourcing Responsible Precious Metals " was revised. Previously, the Company Policy had been communicated to the supplier prior to the first business and at the time of the revision to collect the agreement, but instead of obtaining the agreement, the mechanism was changed to the one where we ask a supplier if there is an objection, and if we receive no reply, we understand the supplier agreed with the Company Policy. We do not procure any mined platinum or mined palladium.

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. The internal party has access to a whistleblowing system operated by an external vendor, and the external party has access to our website so that whistleblowing can be implemented, and there is an option for either party to report anonymously.

The Legal Department is in charge of this whistle-blowing system, and the Legal Department regularly examines the status of use of the whistle-blowing system to improve its appropriateness, neutrality, fairness, and effectiveness. In addition, the Legal Department shall notify those who use the whistleblowing system of the investigation results of the violation, corrective measures, and prevention of recurrence to the extent appropriate, while giving due consideration to the honor and privacy of the persons involved in the investigation. In the reporting period, there were no whistleblowing reports on the responsible procurement of precious metals, and there were no unresponsive whistleblowing reports.

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. We also added the revaluation criteria, and if applicable, the company and sole proprietor shall be reevaluated.

Risk assessment is conducted by requesting suppliers to complete the 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 "Precious Metal Supply Chain Risk Assessment Procedures". 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, antiques and art, religious relations (hereinafter referred to as "high-risk business activities").

The overall risk assessment is conducted by the Secretariat, the members of which are trained in advance in accordance

with the "Precious Metal Supply Chain Risk Assessment Procedures". The results of the evaluation are reviewed by other Secretariat members and finally approved by the Manager of Precious Metals Section. The results of the assessment are reflected in DD Implementation Control Sheet, and if no issues are found, the transaction is approved by entering "no risk." If due diligence cannot be completed because some of the questions have not been answered, DD Implementation Control Sheet indicates which items should be reconfirmed, and the person in charge of sales reconfirms those items. In the reporting period, due diligence was not completed for some existing counterparties, partly due to un-answered questionnaires and some questions not yet answered. Concomitant with this, the identification of suppliers that should be zero-tolerance or high-risk, the identification of suppliers that should be subject to EDD, and the confirmation of the necessity of implementing risk mitigation measures were not completed. With regard to new business partners, the management system was modified so that a new supplier cannot be registered, and the transaction with that supplier cannot be initiated until the creation of a due diligence implementation record. However, it has turned out that, if a supplier is a new supplier for precious metals but an existing, registered supplier for other goods, the transaction with such a supplier can be commenced before the completion of due diligence, and in fact, there were cases in which transactions were commenced before the completion of due diligence during the reporting year.

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

Comments and Demonstration of Compliance:

The degree of risk is divided into "zero tolerance," "high risk," and "no risk" as overall risk assessment for suppliers of precious metal raw materials. Suppliers rated "zero tolerance" or "high risk" are identified as "at risk" supply chains.

The criteria for "at risk" are as follows.

- ① Recycled precious metals are known to be procured in breach of international sanctions (including, but not limited to, UN, EU, UK, US sanctions).
- ② Recycled precious metals supplying counterparties, other known upstream companies, or their UBOs, are known as money launderers, fraudsters or terrorists, or are implicitly involved in serious human rights violations or in direct or indirect support to illegitimate non-state armed groups.
- ③ Recycled precious metals originate from a CAHRA, pass through a CAHRA or are transported via a CAHRA.
- ④ Recycled precious metals are claimed to originate from a country through which recycled precious metals from CAHRAs are known, or reasonably suspected, to transit, and/or are unjustifiably claimed to have originated from a country that has limited exports of recycled precious metals.
- ⑤ Recycled precious metals supplying counterparties operate in countries with high risk of money laundering.
- ⑥ Recycled precious metals supplying counterparties have shareholders, or UBOs, or other precious metals-supplying interests in one of the location-based high-risk criteria.
- ⑦ Recycled precious metals supplying counterparties have UBOs who are Politically Exposed Persons (PEPs).
- ⑧ Recycled precious metals supplying counterparties carry out higher-risk business activities such as weapons, games and casino industries, antiques and arts, and religions and their leaders.
- ⑨ Recycled precious metals supplying counterparties have been known to have sourced precious metals from a high-risk country in the last 12 months.

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- ⑩ There is a significant unexplained geographic routing in the supply chain.
- ⑪ Recycled precious metals are from an Intermediate Refinery or trader with a high-risk supply chain or a trading counterparty sourcing from an Intermediate Refinery with a high-risk supply chain.

It is a "zero tolerance" supply chain if ① or ② applies and a "high risk" supply chain if any of ③ to ⑪ applies.

No supplier was identified as high risk in the reporting period and therefore no site visits or risk mitigation measures were implemented for suppliers. When some questions have not been answered by a supplier, we completed the KYC questionnaire by asking the questions directly to the supplier or collecting information on our part. We prepared our CAHRAs list based on the region listed in EU CAHRAs list and relevant industry newsletters etc., and used it as a material for risk assessment. At the end of the reporting period, 313 regions were identified as our CAHRAs.

3. Undertake Enhanced Due Diligence measures for high-risk supply chains

Comments and Demonstration of Compliance:

In December 2022, the "Management Procedure for Sourcing Responsible Precious Metals" and the "Precious Metal Supply Chain Risk Assessment Procedures" were revised to provide the following procedures for implementing EDD for identified high risk supply chains.

- Visit the supplier to check whether there is any high risk determined using the check sheet for the site visit.
- Conduct a site visit before the transaction occurs or at least within six months of the commencement of the business relationship.
- Employees with competence or independent third-party consultants who have no conflict of interest with the supplier shall perform a site visit. Everyone who makes a site visit must commit to reporting sincerely and accurately.
- Where applicable, consult relevant internal and external stakeholders (e.g., local or central authorities, upstream enterprises, international or civil society organizations, or affected third parties).
- Completely and accurately document findings in the site visit check sheet.
- Follow up according to the number and severity of problems identified and documented in the improvement plan.
- If identified as riskless, the results of the supply chain due diligence shall be "No risk".
- In the event that it is judged as high risk as a result of the EDD, the business relationship with the supplier shall be determined by the Board of Directors.

None of the suppliers were identified as high risk requiring EDD during the reporting period.

We shall renew risk assessment within one year from the completion date of risk mitigation measures for high risk supply chains and every three years for other supply chains.

However, in the case of a supplier judged no risk and meets the following criteria, we do not send a questionnaire because the risk of being judged from the answers to KYC questionnaire is considered to be low.

- A corporation listed on a stock exchange and which discloses its policies on procurement from Conflict-Affected and High-Risk Areas.
- Corporations more than 50% owned by the above mentioned corporations.
- Medical corporations or dental clinics supplying only precious metals derived from waste dental materials (dental alloys and their removal crowns) specified in the Pharmaceuticals and Medical Devices Act.

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:

In the Precious Metal Supply Chain Risk Assessment Procedures revised in December 2022, the criteria used to determine business relationships with "at risk" suppliers are set out in the following table.

Type of risk	Degree	Correspondence policy
<ul style="list-style-type: none">• Money laundering• Terrorism financing• Serious human rights violations• Direct or indirect support to illegitimate non-state armed groups• Fraudulent misrepresentation of the origin of minerals	Determined that there is a risk	Immediately stop refining of the precious metal raw materials provided
<ul style="list-style-type: none">• Money laundering• Terrorism financing• Serious human rights violations• Direct or indirect support to illegitimate non-state armed groups• Fraudulent misrepresentation of the origin of minerals	Determined that there is a possibility of a risk	Temporarily suspend the refining of the precious metal raw materials provided until the results of enhanced due diligence or additional information or data to deny this determination are obtained
<ul style="list-style-type: none">• Insufficient due diligence• Direct or indirect support to public or private security forces• Bribery• Non-fraudulent misrepresentation of the origin of minerals• Compliance violations with taxes and royalties• Significant breaches of environmental, safety and health, occupational and community-related local laws and regulations, and/or ESG risks that are highly likely to have a very negative impact	Determined that there is a risk	Refining of precious metal raw materials can be continued by adopting risk reduction measures that clearly define the following improvement targets <ul style="list-style-type: none">• Reflect our opinion and commitment• Clearly documented, including performance objectives and/or quantitative and/or qualitative performance metrics• Be approved by Compliance officers and/or the Board of Directors

If any recycled precious metals are known to be sourced in breach of international sanctions, or a recycled precious metals supplying counterparty, other known upstream companies or their UBOs are known money launderers, fraudsters or terrorists, or have been implicit in serious human rights abuses, or in direct or indirect support to illegitimate non-state armed groups, the supply chain is deemed to be "zero tolerance" and we must immediately terminate the business relationship.

The number of suppliers subject to due diligence was 2,432, and the risk assessment completed at 1793 of that suppliers during the reporting year. There was no supplier which we required to adopt an improvement plan or which we terminated the business relationship with during the reporting year, since no supplier was determined "zero tolerance" or "high-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 cooperate appropriately with the administrative authorities in accordance with our internal regulations. In the reporting period, we responded to a questionnaire survey from the Ministry of Economy, Trade and Industry on the status of implementation of the Act on the Prevention of Transfer of Criminal Proceeds. The Compliance Officer reports to the Board of Directors any suppliers identified as high risk, and the Board of Directors determines whether to terminate, suspend, or continue business with an improvement plan. If a continuation of a transaction is decided after an improvement plan is taken, the Compliance Officer shall submit a report on the progress and effectiveness of the improvement plan to the Board of Directors, assess whether a risk reassessment is to be carried out when the risk mitigation plan is completed, and obtain the approval of the Board of Directors.

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 at a Board of Directors meeting and informed that no supplier was judged to have a high risk within the reporting period that required the determination of continuation of the business relationship.

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 decided to engage KPMG AZSA Sustainability Co., Ltd., a third-party auditing firm with a thorough understanding of the nature of our business, to conduct an assurance engagement for this reporting period. The Board of Directors also approved the conclusion of the contract based on the past performance. The Board of Directors is also responsible for ensuring the independence of the assurance provider by confirming that we did not procure any advisory services from KPMG AZSA Sustainability that could undermine the independence of its assurance services. The reasonable assurance report issued as a result thereof is attached to this compliance report.

Regarding the implementation status of supply chain due diligence that was pointed out as a high-risk non-conformance in the previous year's assurance engagement, a DD control table was prepared for each sales division, and a mechanism was put in place for the secretariat to monitor the implementation status of due diligence. However, some suppliers did not respond to the questionnaire, and the completion rate of due diligence did not reach 100%.

Regarding the insufficiency in training of personnel pointed out as a medium-risk non-conformance in the previous year's assurance engagement, educational materials were prepared and training was conducted for the relevant persons, and the record of attendance was also kept. However, as mentioned above, we were unable to prepare educational materials for the language used by local employees of the overseas subsidiaries, and as a result, education for them was not provided.

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-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/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 high-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.

Step2-1: Transactions were commenced for some new and existing suppliers before the completion of due diligence during the reporting year.

Step1-2: Local employees of overseas subsidiaries were not 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: spma@matsuda-sangyo.co.jp