



## Independent Assurance Report

To the Management of Asahi Pretec Corp.

We were engaged by Asahi Pretec Corp. (the “Company”) to undertake a reasonable assurance engagement of its LPPM Responsible Platinum and Palladium Guidance Compliance Report (the “Compliance Report”) for the year ended 31 March 2020. The assurance scope consists of the Company’s Compliance Report.

### **The Company’s responsibility**

The management of the Company is responsible for the preparation and fair presentation of its Compliance Report in accordance with the requirements of the LPPM Responsible Platinum/Palladium Guidance (the “Guidance”). This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived. The criteria identified by the management as relevant for demonstrating compliance with the Guidance are the activities described within the Company’s Compliance Report.

### **Our responsibility**

Our responsibility is to carry out a reasonable assurance engagement in order to express a conclusion based on the work performed. We conducted our assurance engagement in accordance with International Standard on Assurance Engagements ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board and the guidance set out in the LPPM Responsible Sourcing Programme - Third Party Audit Guidance for ISAE 3000 Auditors (the “Audit Guidance”).

This report has been prepared for the Company for the purpose of assisting the management in determining whether the Company has complied with the Guidance and for no other purpose. Our assurance report is made solely to the Company in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than the Company for our work, or for the conclusions we have reached in the assurance report.

### **Inherent limitations**

Non-financial information, such as that included in the Company’s Compliance Report, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The methods used by Refiners to comply with the Guidance may differ. It is important to read the Company’s precious metals supply chain policy available on the Company’s website: <https://www.asahiprettec.com/responsible-sourcing/>.

### **Conclusion**

In our opinion, the Company’s Compliance Report for the year ended 31 March 2020, in all material respects, describes fairly the activities undertaken during the year to demonstrate compliance, and management’s overall conclusion contained therein is in accordance with the requirements of the Guidance.

### **Independence, quality control and competency statement**

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

In conducting our engagement, we confirm that we satisfy the criteria for assurance providers as set out in the Audit Guidance to carry out the assurance engagement.

*KPMG AZSA Sustainability Co., Ltd.*

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

29 September 2020

## LPPM Responsible Platinum and Palladium Guidance Compliance Report

The LPPM Responsible Platinum/Palladium Guidance (the “LPPM 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 Asahi Pretec Corp. (“Asahi Pretec”) has complied with the requirements of the LPPM Guidance.

### Table 1: Refiner’s details

Refiner’s name:	Asahi Pretec Corp.
Location:	Sapia Tower 11F, 1-7-12 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan
Reporting year-end:	March 31, 2020
Date of Report:	September 29, 2020
Senior management responsible for this report:	Hiroyuki Nakanishi, Representative Director and President

Asahi Pretec’s evaluation

### Table 2: Summary of activities undertaken to demonstrate compliance

#### Step 1: Establish strong company management systems

##### **Compliance Statement with Requirement:**

Asahi Pretec has fully complied with Step 1: Establish strong company management systems

#### **1. Adopt a company policy regarding due diligence for supply chains of platinum and palladium**

We have adopted due diligence policy and procedures for supply chain of precious metals. In 2012, we completed and started applying the Basic Policies for Handling of Conflict Metal, which were consistent with the model set out in the Annex II of the OECD Due Diligence Guidance, based on our corporate philosophy “Asahi Way”.

In 2018, we revised our policy and renamed it the “Responsible Precious Metals Management Policy” (the “Policy”) to accommodate requirements in the LBMA Responsible Gold and Silver Guidance. In 2019, we revised the Policy to accommodate requirements in the LPPM Guidance. This sets out our responsibility for promoting responsible precious metals management in the precious metals supply chain in order to avoid human rights violations in high-risk areas including conflict zones, money laundering and fraudulent transactions or financing terrorists.

#### **2. Set up of an internal management structure to support supply chain due diligence**

We have set up an internal management system to support supply chain due diligence in 2012. This internal system has been set up to define the governance, roles and responsibilities, internal review, communication and senior management review as per the adopted policy.

The compliance officer, who is a chairman of the Responsible Precious Metals Management Committee (the “Committee”), has been assigned to manage the process of due diligence and report directly to senior management. The compliance officer is tasked with setting up due diligence procedures and providing training to all relevant employees. General Managers of our Business Units are responsible for supplier due diligence. Site Managers of our Plants are responsible for traceability.

In the internal review we conducted in fiscal 2019, we confirmed that we performed supply chain due



diligence, provided training to all employees concerned, and maintained records of due diligence, in accordance with our policies and rules.

**3. Establish 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**

We have adopted a robust material receipts process. All the materials collected by the persons in charge or delivered by the suppliers shall be weighted and identified with the transactional details (such as transaction number, customer name, type of material) shared with our Sales team and/or our Plants receiving the materials before we process the materials containing precious metals.

We have provided training to all employees involved in the supply chain of precious metals. In addition, training designed for each Business Units was provided to the employees involved in collecting or receiving the materials containing precious metals.

**4. Strengthen company engagement with platinum and palladium supplying counterparties and, where possible, assist platinum and palladium supplying counterparties in building due diligence capacities**

We communicate the Policy, verbally or in writing, to our suppliers to obtain their understanding of, and consent to, the Policy. We sent KYC Forms and RPM Consent Forms to all of our suppliers that we required to confirm that they consented to the Policy.

We explained to our suppliers why we need to confirm that they and their material to be supplied have no connection with conflict, human rights violations, money laundering, financing terrorists and fraudulent transactions.

**5. Establish a confidential grievance mechanism**

A confidential grievance mechanism has been implemented to allow any employee or external stakeholder to anonymously report concerns over the supply chain of precious metals or any identified risk directly to senior management. Whenever senior management receives a grievance, it shall set up an investigation team composed of members in an impartial position.

**Step 2: Identify and assess risk in the supply chain**

**Compliance Statement with Requirement:**

Asahi Pretec has fully complied with Step 2: Identify and assess risk in the supply chain

**1. Identify risks in the platinum and palladium supply chain.**

We identified risks of the material and suppliers in the supply chain of precious metals.

We do not accept mined platinum and mined palladium. We only accept industrial, jewelry and dental recycled materials.

We have established our criteria for risk categories based on the suppliers' industry sector and nature of business, country of origin, quantity of supply, and systematically apply them to all our suppliers. Our due diligence process is carried out on a risk-based approach and follows our requirements as outlined in our Responsible Precious Metals Management Manual. In order to determine conflict, human rights violations, money laundering, financing terrorists, fraudulent transactions, we use several reliable and independent information providers.

We shall immediately suspend the transaction when a high-risk supply chain is identified and when there are no measures in place to mitigate the risk.

**2. Assess risks in light of the standards of their supply chain due diligence system.**

We assessed risks of the material and suppliers in the supply chain of precious metals according to the material type-specific criteria we specify. All risk assessments were conducted by the Business Units (Administration and Sales team) and/or the Committee members. All risk assessments were reviewed by the compliance officer and senior management.

We constantly monitor all transactions which take place through the course of the entire business relationship and we conduct appropriate scrutiny and monitoring of the suppliers on a regular basis.

### **3. Report risk assessment to designated senior management**

Any information related to high-risk supply chain of precious metals shall be reported to the compliance officer and senior management. No business is allowed when a high-risk supplier or material is identified. When any doubt or concern of risks other than high risk is identified, the General Manager of Business Unit in charge shall require further investigation in order to determine to terminate or to continue the business relationship. Identified risks shall be reported to and approved by the compliance officer and senior management.

Any high-risk supplier or material was not identified in the reporting year ended March 31, 2020.

The compliance officer reported the results of the due diligence for the reporting year ended March 31, 2020, to the senior management in July 2020.

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

#### **Compliance Statement with Requirement:**

Asahi Pretec has fully complied with Step 3: Design and implement a management system to respond to identified risks

- 1. Devise 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.**

We determine the acceptance of the materials according to our internal management system as follows;

- a. We shall immediately terminate business relationship if high risk is identified.
- b. We shall suspend any transaction with the supplier if any risk or doubt of risk is identified until confirming the risk level.
- c. We shall continue the transaction with the supplier if high risk is not identified and any risk or doubt of risk is not identified as the result confirming the risk level.

- 2. Where a management strategy of risk mitigation that includes measurable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk and regular reporting to designated senior management.**

We did not identify any risks of conflict, human rights violations, money laundering, financing terrorists, fraudulent transactions for the reporting year ended March 31, 2020.

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

#### **Compliance Statement with Requirement:**

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

We engaged the services of the assurance provider, KPMG AZSA Sustainability Co., Ltd. and their Independent Assurance Report is attached hereto.



**Step 5: Report on supply chain due diligence****Compliance Statement with Requirement:**

Asahi Pretec has fully complied with Step 5: Report on supply chain due diligence

The Policy and this compliance report are available on <https://www.asahipretec.com/responsible-sourcing/>.

**Table 3: Management conclusion**

**Is the Refiner in compliance with the requirements of the Guidance for the reporting period?**

Yes. In conclusion, we implemented effective management systems, procedures, processes and practices to conform to the requirements of the LPPM Guidance, as explained above in Table 2, for the reporting year ended March 31, 2020.

We are committed to continuous improvement, and any corrective actions identified will be monitored internally on a regular basis.

**Table 4: Other report comments**

If users of this report wish to provide any feedback to us with respect to this report, they can contact our Compliance Officer on [pms\\_asahi@asahipretec.com](mailto:pms_asahi@asahipretec.com).



Hiroyuki Nakanishi

Representative Director and President