

LPPM Responsible Platinum and Palladium Guidance

Compliance Report

The LPPM Responsible Platinum and Palladium Guidance (“the 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 and to comply with high standards of anti-money laundering and combating terrorist financing practice.

This report summarizes how Tanaka Kikinzoku Kogyo K.K. (“TKK”) has complied with the requirements of the Guidance.

Refiner’s details

Refiner’s name	Tanaka Kikinzoku Kogyo K.K.
Location	7-3 Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-6422, Japan
Reporting year-end	31 March 2022
Date of Report	22 June 2022
Compliance Officer	Akihide Hirao Managing Corporate Officer Head of Corporate Sustainability & Communications Division TANAKA HOLDINGS Co., Ltd.

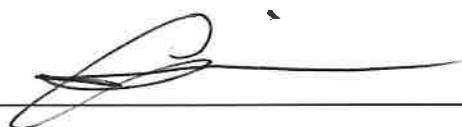


Table 1: Summary of activities undertaken to demonstrate compliance

Step 1: COMPANY MANAGEMENT SYSTEMS

Compliance Statement with Requirement:

We have fully complied with Step1: COMPANY MANAGEMENT SYSTEMS

1.A Supply Chain Policy

TANAKA Holdings Co., Ltd. (“THD”), a holding company of the Tanaka Kikinzoku Group (“TKG”) which oversees all group companies, established the TKG Responsible Minerals Management Policy (“the TKG Policy”) in June 2012.

The TKG Policy was adopted to achieve responsible procurement of minerals. It addresses all risks identified in Step 1 of the Guidance and Annex II of the OECD Due Diligence Guidance considering

risks related to CAHRAs, the environment, human rights and sustainability. TKG Policy is approved at a senior level by the Group Management Committee and is put into practice by the Compliance Officer who is the Managing Corporate Officer, Head of Corporate Sustainability & Communications Division of TANAKA HOLDINGS Co., Ltd. The policy is written in Japanese and English and publicly available on TKG web site.

1.B. Due Diligence Internal Management

Comments and Demonstration of Compliance:

Organization

THD has established an organizational structure to conduct supply chain due diligence (hereinafter, supply chain due diligence and due diligence are abbreviated as “SCDD” and “DD” respectively) in accordance with the TKG Policy.

Compliance Officer has an ultimate responsibility for SCDD through,

- (1) Providing Responsible Business Department (“RBD”) with necessary resources and measures to implement SCDD.
- (2) Approving the annual management review on SCDD and reporting it to the Group Management Committee.

RBD is assigned to develop processes for implementation of SCDD, to support and monitor the other relevant departments, and to draft a summary of our DD activities presented for annual management review.

The other relevant departments which play their respective roles in accordance with our SCDD internal regulation include those that execute transactions with precious metals suppliers, control and trace precious metals stock, and conduct metal refining.

Communication

The TKG Policy is disseminated to precious metals suppliers by e-mail from our relevant departments or through other effective methods (i.e. posted on a closed portal site with cooperative retailers)

The letter attached when sharing the TKG Policy to our precious metals suppliers requests our suppliers to communicate any objection to our policy through a designated web form. In FY2021, we have not received any objections to the TKG Policy from our suppliers. In our retail business, over the counter sale or purchase of bullions or coins, the application form requests customers to agree to the TKG Policy as well as laws and regulations. As for our staff, all relevant directors and employees are educated on the TKG Policy through the annual internal training programs.

Whistleblowing

Our internal regulation stipulates that internal whistleblowing is mandatory action for directors and employees when finding a concern related to TKG's responsible procurement is identified. There is also a publicly available web form "Inquiries on Responsible Mineral Management Policy" at our web site for external parties to anonymously whistle blow.

Being well-known to all employees, our internal regulation assures that whistleblowers never suffer from any disadvantages or retaliation.

In FY2021, there was no case of internal or external whistleblowing regarding responsible minerals procurement or effectiveness of our SCDD.

Internal audit

In February 2022, under the direction of the Compliance Officer, RBD conducted an internal audit and issued two recommendations for improvement. In March 2022, RBD shared these recommendations with the relevant departments.

Both of which were resolved before the end of the fiscal year.

Overall review and reporting

Before issuing this compliance report, the Compliance Officer reported a summary of our DD activities to the Group Management Committee and the preliminary results of the third-party audit for annual management review.

In FY2021, we concluded there was no critical risks or concerns identified.

1.C. Systems of Control and Transparency

Comments and Demonstration of Compliance:

Preliminary risk assessment

In FY2021, the preliminary risk assessment procedure was re-designed to enhance a risk-based approach. In the new procedure, we first classify our precious metals suppliers according to their sector (i.e. public organization, research/academic institution, manufacturer, general trading company, metal trader, waste recycler, jeweler, retailer, refiner). Secondly, we took into consideration the country risk, sustainability concerns, sanction screening and past DD results of each supplier. According to this preliminary risk assessment we decided on the frequency for when individual DD of existing suppliers will be updated where suppliers with potential risk will undergo DD more frequently than those with less risk.

Control enhancement on initiation of business relation with Counterparties

In FY2021, with the implementation of the "HANA VI project", an internal project to enhance controls over counterparties, it has become fully assured that no system registration of a new counterparty will precede KYC screening.

Information system

The Dezie, a documents management system, is continuously used to stock information on suppliers and incoming precious metals, records of preliminary risk assessment and DD. The information and records in Dezie are stored for five years and shared with relevant parties.

Training

Annually, all officers and employees involved in SCDD are required to take an e-learning course that refers to the Guidance, TKG policy, DD procedures and key considerations for daily operations. In FY2021, 547 eligible participants were counted for the course and the completion rate was 100%. In addition, we conducted an annual seminar for retail stores in Japan with which we have cooperative agreement for sales of our brand's bullion. In the seminar, we explained procedures for KYC checks and requested caution on suspicious transactions including ones with anti-social forces.

Cash payments

We are taking measures to move away from cash payment towards payment conducted through official banking systems. Also, any exceptional case shall have a clear reason supported by verifiable information and is approved by senior management.

1.D. Engagement with Suppliers

Comments and Demonstration of Compliance:

Through annual dissemination of the TKG Policy and requiring submission of the LBMA/LPPM questionnaire, we communicate our expectations about DD to precious metals suppliers. This process encourages our suppliers to understand the Guidance and to develop their own DD system.

As a leading company in Japan, we had been taking the lead in the industry to disseminate the Guidance. Our efforts include individual visits to dozens of influential large manufacturing companies in the past FY.

1.E. Grievance Mechanism

Comments and Demonstration of Compliance

As stated in section 1.B, internal and external grievance mechanisms are established to allow

employees or external counterparties to anonymously report any concerns about our precious metal procurement.

Our internal regulation stipulates that an impartial internal committee addresses reports received and that a special investigation team should be set up to take corrective action.

In FY2021, there was no grievance received related to responsible minerals procurement.

Step 2: RISK IDENTIFICATION AND ASSESSMENT

Compliance Statement with Requirement:

We have fully complied with Step 2: RISK IDENTIFICATION AND ASSESSMENT.

2.A. Risk Identification

Comments and Demonstration of Compliance:

We collect information on precious metal suppliers using LBMA/LPPM questionnaire as well as external information sources to identify and assess risks.

In accordance with our risk assessment procedure named "Rule of investigation on counterparties", we apply the following steps:

1. Country risk screening
2. Legality check
3. Compliance check,
4. Sustainability check,
5. Due diligence as stipulated in the LPPM Guidance

For country risk screening, we check whether a supplier's location or origin of incoming precious metal is deemed as a "country restricted from accepting bullion", "country requiring caution" or "country with trading restrictions" as defined in our country risk table. If a country risk is detected, the risk profile of the specific country and the corporate profile of the supplier is analyzed to judge whether it is a high risk supplier or not.

Since January 2021, we refer to information from leading NGOs and the EU CAHRAs list to identify CAHRAs included in our country risk table.

Our country risk table is reviewed biannually on a regular basis and on an ad hoc basis when there is a critical change of risk environment. Lately, a temporary review was made in light of the Russia-Ukraine conflict in February 2022.

In FY2021, there were no procurements originating from or through CAHRAs.

Remark:

The following information is collected to perform country risk screening

(1) the location of the head office, headquarters, and branches and sales offices of TKG's counterparties; (2) the country of actual activity; (3) the country of delivery, transit, and final consumption of products and bullion to be sold; (4) the country of loading, transit, and origin of the spent precious metals and bullion to be accepted; and (5) the location of the bank from which the money was transferred for sales or the bank to which the money was transferred for purchases (location of account).

Legality checks confirm that a corporate counterparty is legally established.

Compliance check is the check using Dow Jones Risk & Control's monitoring service to identify applicable sanctions and critical violation of law regarding a supplier and its ultimate beneficial owners.

We also conduct the sustainability check to identify any serious violations of laws or regulation related to the environment, human rights, and health and safety. For that purpose, we use Dow Jones Risk & Control's Adverse Media Check.

In addition to step 1 to 4, we apply specific LPPM requirements if necessary.

If a supplier is assessed as high risk, special approval by the "Transaction Supervisory Committee" is required to initiate or continue a business relationship with such a supplier.

In FY2021, we paid special attention to the sanctions applied by USA, EU and Japan, so that we can avoid critical risks related to political and/or geopolitical matters as well as critical human rights abuses.

Since February 2022, in light of the conflict between Russia and Ukraine, our business relationship policy toward several suppliers who have relation to Russia or Belarus was carefully reviewed by the Transaction Supervisory Committee. In FY2021, no high risk cases requiring suspension of business related to Russia or Belarus were identified and these conclusions were timely reported to the Group Management Committee, the ultimate decision body of TKG.

2.B. Risk Assessment

Comments and Demonstration of Compliance:

Suppliers identified as high risk as a result of DD should be subject to enhanced DD including on-site inspections. The origin or source of precious metals, the conditions of collection and business profile are to be scrutinized. The result of expanded DD is reported to the Transaction Supervisory Committee to determine a transaction policy. In FY2021, no suppliers were subject to enhanced DD.

Step 3: RISK MANAGEMENT

Compliance Statement with Requirement:

We have fully complied with Step 3: RISK MANAGEMENT.

Comments and Demonstration of Compliance:

The "Rules of investigation on counterparties" and its bylaws stipulate procedures for dealing with suppliers identified as high risk. If a supplier is identified as high risk, the Transaction Supervisory Committee is held to determine whether to continue, suspend, or discontinue business with such a supplier. If a decision is made to continue doing business, the risk is reassessed within six months, and based on the results of the reassessment, a decision shall be made by the Transaction Supervisory Committee on whether to continue business under specific conditions or to disengage.

Note: An example of conditions to continue transactions is continuous monitoring with submission of a supplier's written pledge that declares not to supply illegally smuggled materials, and provision of invoices or other vouchers showing where materials were collected. The conclusion of reassessment shall be reported to the Group Management Committee. In FY2021, no high risk suppliers were identified.

Since March 2021, transactions with an European catalyst recycler has been suspended due to a lack of sufficient information to conduct a comprehensive DD because our request for evidence for non-involvement to illegal cross-border transactions remains unmet by the supplier.

In FY2021, there was no occasion in which we cooperated with authorities or public agencies regarding suspicious transactions.

Step 4: INDEPENDENT THIRD-PARTY AUDIT

Compliance Statement with Requirement:

We have fully complied with Step 4: INDEPENDENT THIRD-PARTY AUDIT

Comments and Demonstration of Compliance:

We engaged the services of the assurance provider KPMG AZSA Sustainability Co., Ltd. Our compliance report and independent reasonable assurance report are available on our website.

<https://www.tanaka.co.jp/english/about/csr/index.html#lppm>

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

Step 5 annual reporting is conducted through the compliance report and the assurance report.

Above reports are available on our website.

<https://www.tanaka.co.jp/english/about/csr/index.html#lppm>