

LPPM Responsible Platinum and Palladium Guidance

Compliance Report

The LPPM Responsible Platinum and Palladium Guidance (“the Guidance”) have 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. Steps 1 through 5 of this report apply the Guidance in Version 3, and the Annex report follows the format prescribed in Version 4.

Table 1: 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 2023
Date of Report	23 June 2023
Compliance Officer	Akihide Hirao Managing Corporate Officer Group Corporate Sustainability Officer TANAKA HOLDINGS Co., Ltd.



Table 2: Summary of activities undertaken to demonstrate compliance

Step 1: COMPANY MANAGEMENT SYSTEMS

1.1 Supply Chain Policy

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

TKK, wholly owned by THD, has the Ichikawa Plant as a Platinum and Palladium Refinery.

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

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 the TKG web site (https://www.tanaka.co.jp/english/sourcing_policy/). TKG Policy is reviewed annually and updated when circumstances require. In addition, all relevant employees are informed of the policy through e-learning.

1.2. Internal Management Structure

Organizational Structure

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.

Authority and accountability for supply chain due diligence and final approval of decisions on high-risk transactions are assigned to the Group Management Committee appointed by the Board.

The Transaction Supervisory Committee is responsible for reviewing and deciding on measures for high-risk transactions.

The members of the Group Management Committee have gained experience in responsible sourcing through past responsibilities for overseeing the company’s responsible sourcing activities. In FY2022, training on the oversight of responsible sourcing including the contents of the Guidance ver.9 was provided to all members of the Group Management Committee through measures such as e-learning. A Compliance Officer with 3 years of experience in responsible sourcing has been appointed to take responsibility for the implementation of SCDD processes.

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, comprised of staff with a total of 5 years of experience in responsible sourcing, 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.

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 FY2022, 618 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.

Make and receive payments through official banking channels

TKK has established a policy for making payments through official banking channels for over-the-counter transactions with retail customers. We have suspended cash transactions for amounts exceeding 1 million yen since October 3, 2022.

1.3. Traceability System

The following measures are taken to ensure visibility and transparency of the supply chain:

- We have interviewed relevant departments to identify all sources of precious metals and identifying all counterparties through internal business systems such as TSP and ALPS.
- We have worked to identify upstream suppliers (secondary suppliers) by obtaining as much information as possible on origin, transit points, and means of transportation through questionnaires to suppliers, transaction information, and commercial distribution information.
- We have established a system that enables us to trace precious metals or materials containing precious metals received at our group companies by lot.
- We have established a system that enables us to identify the initial destination of Good Delivery products manufactured by our company.
- The counterparties, place of shipment, type of materials, date of arrival and finalisation, weight, etc. are extracted from internal business systems such as TSP and ALPS. Airwaybills, quotations, vouchers, etc. are also stored for 5 years.
- Identified suppliers are registered in Dezie, a document management system, and information on incoming precious metals, preliminary risk assessment and DD results, answered questionnaires, counterparties' identification, and related documents are stocked. Dezie's information and records are stored for five years and shared with relevant parties.

In FY 2022, there were no issues found related to counterparties' identification nor precious metals' country of origin and traceability.

1.4. Engagement with Suppliers

Through annual dissemination of the TKG Policy via email or other effective means (such as posting on a closed portal site with cooperative retailers), we request our precious metals suppliers to commit to the TKG policy and cooperate with us in our responsible sourcing efforts. We also ask them to contact us via the prescribed web form if they have any objections to this policy.

There were no objections to the TKG Policy from wholesale suppliers in FY2022. The retail business clearly states on the application form that when selling or purchasing bullion or coins in its stores, the customer is required to agree to the TKG Policy in addition to the law and regulations.

1.5. Grievance Mechanism

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 internal whistleblowing is mandatory action for directors and employees when a concern related to TKG's responsible procurement is identified.

Whistleblower may submit reports, etc. in Japanese or English by filling out a dedicated form on the TKG website: https://www.tanaka.co.jp/support/req/sourcing_policy/index.php

Anonymous reporting is also acceptable.

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.

If the whistleblower is named explicitly, the following shall be done without delay.

- If an investigation is to be initiated, notify the informant and request additional information, if necessary.
- If the whistleblower's report is accepted but it is determined that an investigation is not necessary, the whistleblower shall be notified of this.

Upon completion of the investigation, the Company shall notify the named whistleblower of the results of the investigation and corrective or recurrence prevention measures without delay to the extent that such measures do not interfere with the protection of trade secrets and personal information. The above reporting system is well known to employees and business partners, and internal regulations stipulate that whistleblowers shall not be disadvantaged or subject to retaliation.

In FY2022, there was no grievance received related to responsible minerals procurement. There were

also no remaining grievances from previous years that required closure.

Step 2: RISK IDENTIFICATION AND ASSESSMENT

2.1. Risk Identification

DD is conducted using a risk-based approach.

Risks are identified in three categories of "location risk," "supplier risk," and "material risk" through LPPM questionnaires to suppliers, reliable market information, and obtaining, evaluating, and collating public information.

We use the LPPM questionnaires and online screening tools to identify supply chain risks with the following information.

a) Location Risk

Origin of received material.

Transit point from the origin of the received material to our refinery.

b) Supplier Risk

Supplier's name, location, UBOs (10% or more of controlling interest), principal officers, and major shareholders.

c) Material Risk

1. Major business, products, customers, etc. of the counterparty
2. Outline of secondary suppliers (from whom the counterparty procures precious metals)
3. Types and shapes of precious metals procured by the counterparty
4. Type and location of facilities where the counterparty processes, refines, etc. precious metals
5. Existence of various policies and procedures (anti-money laundering, anti-corruption, responsible sourcing, etc.)
6. Existence or non-existence of intermediate refining companies in the supply chain

The Responsible Business Department and the sales front department cooperate to collect information necessary to conduct a risk assessment using questionnaire responses, commercial flow analysis, sales department interviews, external information, and external screening services.

Based on this risk information, the KYC section members examine the counterparty.

The Responsible Business Department communicates the conclusion of due diligence to front departments and related departments via an internal database. The general manager of RBD is authorized to approve start of transactions unless any risk issue is identified.

For new suppliers, DD is conducted prior to the start of business, and for existing suppliers,

periodical DD is conducted.

Risks are identified through annual risk assessments and ongoing monitoring.

The Responsible Business Department assigns staff with expertise to conduct risk assessments.

Front Office staff are provided with training and information to conduct continuous monitoring by the Responsible Business Department.

External screening services and corporate information providers are also used as appropriate.

2.2. Classification of Identified Risks

Based on the information, tools, skills, and external information, Director of Responsible Business Department assesses three risks: Location Risk, Supplier Risk, and Material Risk.

We conduct a risk assessment to determine if a supply chain is "high risk" according to the following criteria (minimum requirements):

·The Recycled Platinum/Palladium comes from a country where Platinum/Palladium from conflict-affected and human rights abuse high-risk areas are known, or reasonably suspected, to transit.

·Platinum/Palladium-supplying counterparty or other known upstream companies are located in a country representing high-risk for money laundering.

·Platinum/Palladium-supplying counterparty or other known upstream companies or their beneficial owners with significant influence over the Platinum/Palladium-supplying counterparty are politically exposed person.

·Platinum/Palladium-supplying counterparty or other known upstream companies are active in a higher-risk business activity such as arms, gaming and casino industry, antiques and art, sects and their leaders.

For Location Risk, TKG establishes and maintains the TKG Country Risk Table, which evaluates the origin and transit point of incoming goods. The TKG Country Risk Table is referenced against various sources such as Sanctions lists (US, UK, EU, UN, and relevant sanctions lists), Dodd Frank s. 1502, EU CAHRA list, Heidelberg Barometer, Fragile States Index or equivalent, UN Human Rights Office of the High Commissioner or equivalent, Reports (including relevant country reports) by the Financial Action Task Force (FATF), and Credible market intelligence on high-risk centres/transit hubs and on countries where there is a high risk of money laundering.

Supplier Risk is checked with respect to the name, location, controlling party, principal officers, and principal shareholders of suppliers, as well as sanctioned parties, money launderers, fraudsters, terrorists, anti-social forces, PEPs, etc.

For Material Risk, we check the main business, products, and customers of the counterparty, an overview of secondary suppliers, and the type and shape of precious metals procured by the counterparty.

For us, which do not procure any mined material, zero-tolerance supply chain means a transaction that violates international sanctions, or a transaction where a supplier, 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. In the case where zero-tolerance issues are identified we must not enter a business relationship or must terminate an existing relationship immediately.

- In FY2022, no suppliers were identified as zero-tolerance and one supplier was identified as high risk.

- The one supplier that was identified as high-risk was an over-the-counter transaction customer who was identified as an anti-social force. We decided to suspend further transactions and informed relevant regulators of this customer.

2.3. Enhanced Due Diligence

Suppliers that are determined to be high risk as a result of DD must undergo enhanced DD, including on-site investigation using the site visit report template included in the Refiner Toolkit prior to the start of the transaction or at least within 6 months of the start of the transaction. The origin of the precious metals, the supplier, transaction conditions, and the nature of the business shall be scrutinized. The results of the enhanced DD are accurately documented and reported to the Transaction Supervisory Committee which decides the transaction policy which is reported to the Group Management Committee and the Board of Directors.

New supply chains rated as high risk are approved by the Compliance Officer/Board of Directors and reviewed annually for a decision on whether to continue the business relationship.

If an intermediate refinery is identified in a "high risk" supply chain, even if it is upstream from the direct supplier, we shall check to see if the intermediate refinery has undergone an external audit in accordance with the OECD Due Diligence Guidance.

If not, we shall make a final decision on the high-risk counterparty in accordance with our internal regulations for dealing with high-risk suppliers as described in Step 3..

The same applies to cases where an intermediate refinery cannot be identified, even if it has undergone an external audit, if medium- or high-risk audit non-conformities are identified.

In FY2022, there were no intermediate refineries in the supply chain identified as "high risk"

Step 3: RISK MANAGEMENT

Our internal regulations stipulate procedures for dealing with suppliers identified as high risk. Reasons for continuing, suspending, or discontinuing business with a counterparty and management strategies are as follows.

1) Suspension of business relationship: When EDD concludes that there are known cases of the following :

- ▶ Money laundering
- ▶ Terrorist financing
- ▶ Serious human rights violations
- ▶ Direct or indirect support for illegal non-state armed groups
- ▶ Fraudulent misrepresentation of the origin of minerals

2) Temporary suspension of business relationship: When the EDD concludes that there is a suspicion of any of the following :

- ▶ Money laundering
- ▶ Terrorist financing
- ▶ Serious human rights violations
- ▶ Direct or indirect support for illegal non-state armed groups
- ▶ Fraudulent misrepresentation of the origin of minerals

3) Continuation of business relationship with an improvement plan: Where the EDD concludes that the counterparty is making reasonable and good faith efforts despite the fact that the EDD is not fully satisfactory or that there are known instances of the following:

- ▶ Money laundering
- ▶ Terrorist financing
- ▶ Serious human rights violations
- ▶ Direct or indirect support for illegal non-state armed groups
- ▶ Fraudulent misrepresentation of the origin of minerals

If a decision is made to continue the transaction, the risk is reassessed within six months, and based on the results of the reassessment, the Transaction Supervisory Committee decides whether to continue or discontinue the transaction under certain conditions.

Examples of conditions for continued transactions include the supplier's written pledge not to supply illegally smuggled goods, submission of invoices and other vouchers indicating collection locations, and continuous monitoring.

In FY2022, no high-risk or "zero-tolerance" suppliers were identified for corporate transactions, however there was one case of a supplier who was identified as an anti-social force in an over-the-counter transaction and future transactions have been suspended.

In FY2022, there were no cases of cooperation with authorities or public authorities regarding suspicious transactions.

In February 2023, under the direction of the Compliance Officer, RBD conducted an internal audit and issued 1 minor recommendation regarding delays in the examination of suppliers for

improvement. In March 2023, RBD shared this recommendation with the relevant departments. The improvement was implemented before the end of the fiscal year.

No material violation or deviation of/from internal DD process was identified.

Before issuing this compliance report, the Compliance Officer reported a summary of our DD activities, identified the high-risk supply chain implemented risk mitigation measures, and their progress and effectiveness to the Group Management Committee appointed by the Board of Directors and the preliminary results of the third-party audit for annual management review.

In FY2022, we concluded there were no critical risks or concerns identified.

Step 4: INDEPENDENT THIRD-PARTY ASSURANCE

The assurance provider KPMG AZSA Sustainability Co., Ltd. was selected because no other assurance provider is available in Japan, and non-Japanese assurance providers are difficult to work with due to language and geography. To ensure assurance provider independence, we confirmed that there is no capital relationship, no interlocking directors between TKG and KPMG AZSA Sustainability Co., Ltd., and no engagement of advisory services that compromise the independence of KPMG's assurance services. The selection was approved by the GMC and reported to the BoD.

■ Approval process for cash transactions of 1 million yen or less by the Compliance Officer

We stipulate that cash transactions of 1 million yen or less shall be permitted under certain conditions in accordance with the provisions of the LPPM Guidance in our internal regulations. The 'certain conditions' specified in the internal regulation included the collection of verifiable information. However, the 'certain conditions' did not include approval by the compliance officer nor who shall be delegated approval authority by Senior Management and approval for cash transactions of 1 million yen or less was found to be conducted by employees below the managerial level. As the LPPM Guidance requires that cash transactions should be supported by verifiable information and approved by Senior Management, approval of cash transactions of 1 million yen or less by a person to whom approval authority has not been delegated by Senior Management is considered an instance of non-conformance. Since multiple such cash transactions were identified, the non-conformance was judged as medium-risk.

In response to this, we revised our internal regulations to stipulate that cash transactions of 1 million yen or less shall be approved by employees to whom the compliance officer, a Senior Management personnel, delegates authority. In addition, it was decided that personnel to whom the compliance officer delegates authority should be those whose position is at least manager-level or who have sufficient experience to conduct approval on behalf of managers.

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>

Table 3: Management conclusion

In conclusion, TKK 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 31 March 2023.

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

Corrective Action Plans are communicated separately to the LPPM Executive, in its role as administrator of the LPPM Guidance.

Table 4: Other report comments

If users of this report wish to provide any feedback to TKK with respect to this report, they can contact rbd@ml.tanaka.co.jp