


## TOKURIKI HONTEN CO., LTD. Responsible Platinum and Palladium 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 Tokuriki Honten Co., Ltd. has implemented the LPPM Responsible Platinum/ Palladium Guidance, and has complied with its requirements during the year 2022.

**Table 1: Refiner's details**

Refiner's name	Tokuriki Honten Co., Ltd.
Location	2-9-12 Kaji-cho Chiyoda-ku, Tokyo, Japan
Reporting year end	December 31, 2022
Date of Report	March 31, 2023
Senior Management responsible for this report	Jun Yamaguchi, President



Tokuriki Honten Co., Ltd.'s evaluation

**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 management systems.

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Has the Refiner adopted a supply chain policy regarding due diligence for supply chains of Platinum and/or Palladium?

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### Comments and Demonstration of Compliance:

In 2019, we revised our Conflict Minerals Control Policy (hereinafter, "the Policy") which we originally established in 2012, in order to accommodate requirements in the LPPM Platinum/Palladium Guidance. (hereinafter, "the Guidance").

We updated “the Policy” in response to LPPM Responsible Platinum/Palladium Guidance Ver.4(hereinafter “ the LPPM RPPG Ver.4”) on 13 December 2022 with the Board’s approval.

We review and update as needed.

“The Policy” is made available on our website as well as our intranet so that it can be accessed by all stakeholders.

We implemented risk management program in order to avoid procuring Platinum and Palladium bearing materials from “Conflict-Affected and High Risk Areas” (hereinafter “CAHRAs”), which could be contributing to human rights abuses such as genocide, ethnic cleansing, violence, ill-treatment, torture, enslavement, trafficking of persons and the worst forms of child labor and forced labor, and to avoid being directly or indirectly involved in terrorist financing, money laundering , environmental pollution and unfair business. Any transaction found to be involved in human rights abuses, terrorist financing, money laundering or unfair business shall be suspended immediately.

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**Has the Refiner set up an internal management structure to support supply chain due diligence?**

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**Comments and Demonstration of Compliance:**

“We established an internal management structure to support supply chain due diligence for Platinum and Palladium in 2019. The Compliance Officer was assigned by the Senior Management with a task of overseeing the whole process of supply chain due diligence.

The Compliance Officer has been assigned by the CEO and been approved by the Board since the day (13 December 2022) when the conflict minerals regulations were revised. The Compliance Officer has been involved in conflict minerals management for a long time and has responsibility for implementing the supply chain due diligence process. The Board has been assigned authority and accountability to conduct supply chain due diligence.

The Board is made up of members who has been involved in LPPM audits for a long time and the Board is regularly notified of information on changes in “the Guidance” so that can supervise responsible activities effectively.

Internal conflict minerals audit of relevant departments is conducted by the procurement division, and the results are reported to the Compliance Officer.

The Compliance Officer conducted reviews to confirm the effectiveness of the conflict

minerals policy, conflict minerals management system, and conflict minerals operations. The reviews by the Compliance Officer were conducted for the whole process of supply chain due diligence and the departments related to the process on 16 February 2023. The Compliance Officer reported the results of the reviews to the Board of Directors on 20 February 2023.

We provided the Board of Directors with briefing with materials related to “the Policy” and “the LPPM RPPG Ver.4” on 6 December 2022 so that they can effectively supervise our responsible procurement activities.

The revised conflict minerals management regulations were made known to all employees by putting them on the company’s intranet on 14 December 2022.

As a result of internal audits and management reviews, there were no due diligence issues found.

We conducted internal education and training on revision of conflict minerals management regulations accompanying “the LPPM RPPG Ver.4” by using company-wide training materials and having employees complete exercises.

88 employees from related departments took the course.

We eliminated cash transactions and replaced them with bank transfers in November 2022, except for transactions of less than 1 million yen, which shall be permitted through an internal approval process.

Cash transactions can be carried out with the approval of the chief or higher to whom the Compliance Officer has delegated authority.

But there were some cases in which approval was given by less than the chief and the cash transaction was substantially carried out without the approval of the Compliance Officer.

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**Has the Refiner established a traceability system over platinum and/or palladium supply chain, including chain of custody mapping and identification of supply chain actors?**

**Comments and Demonstration of Compliance:**

We revised the Risk Assessment Data Sheet in December 2022 and conducted a risk assessment corresponding to “the LPPM RPPG Ver.4” in 2023.

Whether or not to make a transaction with new suppliers, we obtain the approval by the Compliance Officer.

We make use of information on suppliers’ websites and reports produced by external research organizations when we determine risk.

We found no high-risk incidents in 2022.

We implemented the compliance checks of individual suppliers by obtaining answer as to whether they had serious violation of laws or regulations regarding of environment, child and forced labor and occupational health and safety for the past three years in the Customer Confirmation Form.

We introduced a conflict minerals information system in 2021 to better manage risk assessment information of corporate suppliers.

The system manages information on the supplier code, metals that can be purchased from a supplier and risk assessment status, among others, for each supplier.

No purchasing slip can be issued for a particular supplier before risk assessment of the supplier has been completed.

In terms of the due diligence of supply chain, the procurement division reviews Risk Assessment Data Sheets submitted by the related departments and conducts risk assessment, and obtains the approval of the Compliance Officer.

We identified the country of origin based on information in Risk Assessment Data Sheets and import documents including Air Way Bills, Packing Lists, and Invoices received from corporate suppliers.

We require ourselves to file and store Risk Assessment Data Sheets for 5 years.

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Has the Refiner strengthened company engagement with platinum and/or palladium supplying counterparties, and where possible, assisted platinum and/or palladium supplying counterparties in building due diligence capabilities?

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**Comments and Demonstration of Compliance:**

All the corporate suppliers are required to fill in and submit a “Certificate of Non-Use of Conflict Minerals” as an evidence for accepting our policy.

We held corporate policy briefing in March 2022 for 14 suppliers to which we outsourced fabricating, and explained our conflict minerals management effort to them.

We don't procure any raw materials from state-owned companies in EITI countries.

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Has the refiner established a company-wide confidential grievance mechanism?

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**Comments and Demonstration of Compliance:**

We implemented the communication mechanism by using our “Conflict Minerals Information Cards”, through which any suspicious information monitored or identified by our employees shall be reported to the Compliance Officer.

There were 5 inquiries on the Conflict Minerals Information Cards but no grievances in 2022.

In addition to the above, we established a grievance system which any employees or external stakeholders can use for reporting concerns anonymously on our website in English in 2022.

All the grievances are to be reviewed by the Compliance Officer and the Board, and measures are to be taken as necessary.

There was no concern and grievances regarding supply chain risk in 2022.

We established and announced Whistleblowing Policy in December 2022 in response to “the LPPM RPPG Ver.4”.

## **Step 2: Identify and assess risks in the supply chain**

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

We have fully complied with Step 2: Identify and assess risks in the supply chain.

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**Does the Refiner have a due diligence process to identify risks in the supply chain?**

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### **Comments and Demonstration of Compliance:**

We identify and assess risks in the supply chain.

We do not procure mined platinum or palladium. The raw materials that we handle are platinum and palladium bullion, and industrial products and jewelry containing platinum and/or palladium. We assess risks by identifying platinum and palladium suppliers' attributes, confirming their policies for both responsible minerals sourcing and anti-money laundering, and identifying our raw materials' country of origin. In addition to the above, we obtain agreement from platinum and palladium suppliers that any transactions are not related to conflict, human rights abuses, money laundering, environmental pollution and/or unfair business.

We conduct a risk assessment for our business counterparties with Risk Assessment Data Sheet prior to trading using company information based on external research organizations, websites and company information on Internet.

Then the Compliance Officer decides whether or not to proceed with the transaction. The judgement is based on high risk and zero tolerance criteria in accordance with the LPPM RPPG Ver.4 and other relevant guidance.

We conduct annual training including confirmation tests to ensure the understanding all employees involved in conflict minerals management so that risk assessment and monitoring can be carried out.

We revised the Conflict Minerals Management Regulations in December 2022 and revised high risk Criteria and newly established zero tolerance Criteria.

We identify the following as high risk as Location Risk, Supplier Risk, Raw Material Type Risk and zero tolerance.

**\*Location Risk**

- a. Mined Platinum/Palladium and the Recycled Platinum/Palladium originate from, have transited or have been transported via a conflict-affected or human rights abuse high-risk area.
- b. Mined Platinum and Palladium are claimed to have originated from a country that has limited known reserves, likely resources or expected production levels of Platinum and Palladium.
- c. Recycled Platinum and Palladium come from a country where Platinum and Palladium from conflict-affected and human rights abuse high-risk areas are known, or reasonably suspected, to transit.
- d. Mined Platinum/Palladium and the Recycled Platinum/Palladium are transported through illogical geographic routes.

**\*Supplier Risk**

- e. Platinum and Palladium-Supplying Counterparty or other known upstream companies are located in a country representing high-risk for money laundering.
- f. Platinum and Palladium-Supplying Counterparty or other known upstream companies or their Beneficial Owners with significant influence over the Platinum and Palladium-Supplying Counterparty are PEPs.
- g. Platinum and 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.
- h. Platinum and Palladium-Supplying Counterparty or other known upstream companies are known to have sourced Mined Platinum/Palladium and Recycled Platinum/Palladium from CAHRAs in the last 12 months.
- i. Platinum and Palladium-Supplying Counterparty or other known upstream companies have material discrepancies/inconsistencies in the documentation provided or have refused to provide requested documentation.
- j. Mined Platinum/ Palladium and Recycled Platinum/Palladium come from smelters that are widely against and raise serious concern for ESG factors.
- k. Mined or Recycled Platinum/Palladium supplying counterparties or other known upstream companies own a shareholder, beneficial owner or supply interest in a geographic area that meets high-risk criteria.

**\*Raw Material Type Risk**

- l. Mined Platinum/Palladium are derived from artisanal mining (ASM).

m. Mined Platinum/Palladium and Recycled Platinum/Palladium come from an intermediate Refinery or trading counterparties sourcing from high risk supply chain.

\*Zero tolerance

n. Mined Platinum/Palladium and Recycled Platinum/Palladium are derived from areas including world heritage.

o. Mined or Recycled Platinum/Palladium is known to be sourced in breach of international sanctions(including but not limited to those of UN,EU,UK and US).

p. The Mined or Recycled Platinum/Palladium supplying counterparty, other known upstream companies or their UBOs are known money launders, fraudsters or terrorists, or have been implicit in serious human rights abuses, or in direct or indirect support to illegitimate non-state armed groups.

q. Mined Platinum/Palladium and Recycled Platinum/Palladium origin from specified zero tolerance countries.

We also make use of information on suppliers' websites and reports produced by external research organizations when we determine risk.

We do not enter into a business relationship with zero-tolerance supplier and do not purchase zero-tolerance materials. When an existing supplier turns out to be a zero-tolerance supplier, we shall terminate the business relationship immediately.

We found no transaction determined as high-risk and zero tolerance in 2022.

Our latest revision of the list of CAHRAs was made in July 2022 based on information available from the Dodd Franks.1502, the EU CAHRAs list, the Financial Action Task Force on Money Laundering (FATF) and a precious metal trade association. We shall revise the list of CAHRAs at least once a year or as necessary.

We added Russia (Au) to the CAHRs List following G-7 decision in July 2022.

We made a decision when to start updating and need for change of CAHRAs list based on the information of the country of supply on raw materials and the transportation area on Risk Assessment Data Sheets.

We started the review of CAHRAs List in March 2023 and proceed the revision.

Based on information sources below.

Sources of such an integrated assessment must include, but not limited to

\*Sanction lists(US,UK,EU,and relevant sanction lists)

\*Dodd Franks. 1502

\*EU CAHRAs list

\*Heidelberg States Index or equivalent

\*Fragile States Index or equivalent

\*UN Human Rights Office of the High Commissioner or equivalent

\*Reports(including relevant countries reports) by the Financial Action Task

Force(FATF)

\*Credible market intelligence on high-risk gold centers/transit hubs on countries where there is a high risk money laundering.

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**How does the Refiner classify identified risks in light of the standards of its due diligence system?**

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**Comments and Demonstration of Compliance:**

We conduct a risk assessment based on “the Act on Prevention of Transfer of Criminal Proceeds” for suppliers of platinum and/or palladium materials purchased at our shops. For corporate suppliers, we perform risk assessment by using the “Risk Assessment Data Sheet”. Procuring departments assess the reliability of suppliers by confirming their identity and, where deemed necessary, obtaining a “Certificate of Non-Use of Conflict Minerals” before entering business relationship.

We conduct risk assessment based on information on supplies’ websites and reports produced by external research organizations and we did not conduct an enhanced due diligence(EDD) because high-risk and zero tolerance supply chains were not identified in 2022.

In the process of accepting materials in our factories, all materials delivered to our company shall be weighed and identified with the transactional details shared with procuring departments. In case any discrepancy is found, such materials shall be rejected.

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**Has the Refiner undertaken EDD measures for identified high-risk supply chains?**

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**Comments and Demonstration of Compliance:**

We conducted risk assessment of the supply chain with Risk Assessment Data Sheet based on external research organizations, websites and company information of Internet. In principle, we reassess the supplier's Risk Assessment Data Sheets every five years and whenever there is a significant change in the supplier's company information. Until the reassessment every five years, we perform annual checks to ensure that the risk assessment does not need reassessment.

If it is determined the risk is high in terms of supplier risk, location risk, or raw materials type risk, we require ourselves to conduct an on-site verification/visit as Enhanced Due Diligence (EDD).

Although there was no high-risk Recycled Platinum/Palladium from Intermediate Refiners with the high-risk supply chain in FY 2022, the EDD procedures for high-risk Recycled Platinum/Palladium from Intermediate Refiners with high-risk supply chain are shown below.

1. On-site verification/visits should be conducted before the transaction as much as possible.
2. Even if the transaction has already started, it should be carried out within 6 months after the transaction.
3. In principle, site visits should be conducted by positions and qualifications of assistant manager or higher. In addition, we can appoint the independent third-party consultants.

Employees and consultants are appointed based on suitability and credibility, report truthfully and accurately to the Compliance Officer or the Company-Wide general manager.

We use the assessment toolkit based on the Refiners toolkit of LPPM for on-site supply chain risk assessments.

We reassess the risk of suppliers identified as high risk once the situation has improved. We had no high risk Intermediate Refiners received independent assurance report in 2022.

No EDD/on site verification/visit was implemented as no suppliers were identified as high risk and zero tolerance in 2022.

**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.

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Does the Refiner have a process to respond to the identified risk by either (i) mitigating the risk while continuing to trade, (ii) mitigating the risk while suspending trade or (iii) disengagement from the risk?

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**Comments and Demonstration of Compliance:**

We determine the acceptance of supply chain actors in accordance with our internal rules and policies, and we are to take actions for risk mitigation when we identify any risk in our transactions as follows ;

- ① Any transaction found to be involved in conflict, human rights abuses or money laundering shall be stopped immediately.

- ② Any transaction found to be suspicious shall be suspended until accurate additional information/ data is acquired.
- ③ Transactions with honest and reliable suppliers having long business relationship shall be continued, if they use reasonable and good faith effort, aim a goal and endeavor to improve their practices within a fixed period of time. We can continue to refine platinum and palladium coming from this source provided that it adopts an improvement strategy, devised with input and engagement from the supplier, which clearly defines performance objectives within a reasonable timeframe, even if the assessment is not clear or satisfactory.

In the event that a risk mitigation strategy is taken, the Board of Directors must be regularly reported on subsequent improvement measures, monitoring of business execution, and ongoing implementation of regular risk assessments.

There were no cases of decisions to terminate relationship with suppliers in 2022.

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Where a management strategy of risk mitigation is undertaken, it should include measureable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk and regular reporting to designated Senior Management

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#### Comments and Demonstration of Compliance:

Necessary steps shall be taken in case of risk mitigation.

However, we did not find any case which required risk mitigation and there were no instances where we reported to the authorities during the reporting year.

#### 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 engaged the services of the assurance provider, KPMG AZSA Sustainability Co., Ltd. From the Responsible Approved Assurance Providers list of LPPM taking into account regional and language advantages with the approval of the Senior Management.

As a confirmation of independence, the Senior Management confirmed through the draft of contract whether the independence for auditing between Tokuriki and KPMG AZSA Sustainability Co.,Ltd. on 1 August 2022. We also confirmed that KPMG ZASA

Sustainability Co.,Ltd. does not provide any advisory services to us that compromise the independence of KPMG's assurance services.

The medium-risk non-conformance identified during the current audit cycle and how these are planned to be resolved is in Table 3: Management conclusion

No unmitigated moderate nonconformities identified during the previous audit process. A medium-risk non-conformity was pointed out, but since it is scheduled to be improved within 90 days in accordance with Corrective Action Plan, it was judged to be compliant as a whole.

Where the assurance report is publicly available is disclosed in Step 5: Report on supply chain due diligence.

Independent reasonable assurance report is attached hereto.

<http://www.tokuriki-kanda.co.jp/english/conflict/>

#### 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]

Our "Conflict Minerals Control Policy" is available on our company website.

<http://www.tokuriki-kanda.co.jp/english/conflict/>

Tokuriki Honten Co., Ltd.'s overall conclusion

<b>Table 3:Management conclusion</b>
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<b>Is the Refiner in compliance with the requirements of the LPPM Responsible Platinum and Palladium Guidance for the reporting period?</b>
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Not in the full extent.

##### [Comments]

In conclusion, Tokuriki Honten Co., Ltd. implemented effective management systems, procedures, processes and practices to conform to the requirements of the Guidance, as

explained above in Table 2, for the reporting year ended December 31, 2022 except for Step 1: Establish strong company management systems

We stipulated in our Conflict Minerals Management Regulations that cash transactions for purchases or sales below 1 million yen should be approved by a section chief or higher who has been delegated the authority by the Compliance Officer. However, there were some cases where cash transaction below 1 million yen were approved by those other than the delegated section chiefs.

We plan to add a new approval column to the slips and clarify the approval process for section chief and above.

And we plan to establish and practice a business flow that prevents cash transactions without this approval.

<b>Table 4: Other report comments</b>
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**[Comments]**

If anyone who wish to provide a feedback or comment to Tokuriki Honten Co., Ltd. with respect to this report, he or she may contact corporate relations by sending an e-mail to [conflict@tokuriki-kanda.co.jp](mailto:conflict@tokuriki-kanda.co.jp).