

## Aida Chemical Industries 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 to combat terrorist financing practice.

This report summarizes how Aida Chemical Industries Co., Ltd. has complied with the requirements of the LPPM Responsible Platinum/Palladium Guidance.

Table 1: Refiner's details

Refiner's name	Aida Chemical Industries Co., Ltd.
Location	15-13, 6-chome, Minami-cho, Fuchu-shi, Tokyo, Japan
Reporting year-end	31 March 2023
Date of Report	26 June 2023
Senior management responsible for this report	Tatsuo Sato, Au division general manager
Aida Chemical's evaluation	<u>Tatsuo Sato</u>

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

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### Step 1: Establish strong company management systems

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Compliance Statement with Requirement:

We have fully complied with Step 1: Establish strong management systems.

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Aida Chemical has adopted a company policy regarding due diligence for supply chains of platinum and palladium.

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Comments and Demonstration of Compliance:

Since 2020, we have maintained a responsible sourcing policy that meets the requirements of the LPPM Platinum / Palladium Guidance.

This sets out our responsibility for conducting risk-based due diligence, education and training, monitoring and record keeping of transactions, and arrangement of third party audit with the aim of avoiding raw material procurement related to human rights violations, financing terrorists, money laundering, fraudulent transactions, and contributing to conflicts.

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Aida Chemical has set up an internal management structure to support supply chain due diligence.

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Comments and Demonstration of Compliance:

An internal management system has been set up to define the Management structure, roles and responsibilities, risk assessment procedures, transaction monitoring, communication, internal audit and senior management review. The compliance officer has been assigned to manage the platinum and palladium supply chain due diligence processes, and has a direct line of reporting to the senior management.

We have established a monthly communication mechanism from the internal audit department to senior management and compliance officers. This enabled faster and more accurate communication of findings in the internal audit.

We provide employees involved in supply chain due diligence of minerals with training on responsible minerals sourcing every year. The latest training was conducted in March 2023.

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Aida Chemical has established 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.

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Comments and Demonstration of Compliance:

We have a platinum- and palladium-bearing material receipts process.

A receipt slip is issued for every platinum- or palladium-bearing material when it is received from a supplier. Transaction details, including the supplier's name, the weight and assay, and the type of material received, are entered into our transaction database before the platinum- or palladium-bearing material is refined.

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Aida Chemical has strengthened company engagement with platinum/palladium supplying counterparties, and where possible, assisted platinum and palladium supplying counterparties in building due diligence capabilities.

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Comments and Demonstration of Compliance:

We send the revised policy to all of our suppliers at the time of the first transaction after the policy revision by using a receipt or a request form for providing information regarding conflict minerals (information request form). Suppliers sign a receipt or information request form, acknowledging that the transaction did not violate our policy. We currently pay in cash to some suppliers upon request, but we are taking measures to move away from cash payment towards payment conducted through official banking systems.

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Aida Chemical has established a company-wide communication mechanism to promote broad-based employee participation and risk identification to management.

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Comments and Demonstration of Compliance:

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Aida Chemical has established a functional mail box allowing employees to

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anonymously voice concerns over the platinum and palladium supply chain.

Any external stakeholders can also anonymously raise concerns over our platinum and palladium supply chain from our website. During the reporting year, we did not receive any concerns over our platinum and palladium supply chain either from employees or external stakeholders.

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Step 2: Identify and assess risks in the supply chain

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Compliance Statement with Requirement:

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

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Aida Chemical has a process to identify risks in the supply chain.

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Comments and Demonstration of Compliance:

We have formalized a process to identify and assess risks in the supply chain in the "Platinum and Palladium Due Diligence Manual" and the "Platinum and Palladium Due Diligence implementation rules". Our Conflict-Affected and High-Risk Areas (CAHRAs) identification procedures are included in the Due Diligence Manual.

Based on the following sources of information, we identify countries / regions at high risk of human rights violations, political corruption, liberation wars, rebellions, armed conflicts such as civil war, widespread violence or harm to people:

- (A) Countries stipulated by the Dodd-Frank Act of the United States (DFA 1502)
- (B) Countries where the strength of NATIONAL AND INTERNATIONAL LEVEL in Heidelberg Conflict Barometer (<http://www.I.hiik.de/?lang=en/>) corresponds to 5.WAR or 4. LIMITED WAR
- (C) Countries included in the EU indicative CAHRAs list (<https://www.cahraslist.net/cahras>) (EU2017 / 821)
- (D) Global Human Development Index (HDI) of 0.63 or less in UNITED NATIONS DEVELOPMENT PROGRAMME Human Development Reports (<http://hdr.undp.org/en>).
- (E) CORRUPTION PERCEPTIONS INDEX of 49 or less in-Transparency International (<https://www.transparency.org/en/>).

The thresholds for (D) and (E) were reviewed and revised on 20 October 2022.

We shall perform enhanced due diligence if the material originates from or has been transported through a CAHRA. The compliance officer determines whether the supplier is a high-risk supplier based on the results of the enhanced due diligence and reports it to the senior management.

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Aida Chemical has assessed risks in light of the standards of its due diligence system.

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Comments and Demonstration of Compliance:

Risks were assessed against all of our business partners with transaction in fiscal 2022

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against high-risk criteria in accordance with the LPPM guidance. All the results of the risk assessment evaluated in fiscal 2022 were reported by the compliance officer to the senior management.

As a result, one of the suppliers of platinum/palladium-bearing raw material, which was based in one of the CAHRAs, was judged to be high risk in fiscal 2022.

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Aida Chemical reports risk assessment to the senior manager.

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Comments and Demonstration of Compliance:

The process and results of our risk assessment activities conducted in fiscal 2022 were reported from the compliance officer to the senior management for management review in March 2023.

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

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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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Aida Chemical devised 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.

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Comments and Demonstration of Compliance:

Aida Chemical has a strategy for risk management of identified risks. If risk assessment of platinum- and palladium-bearing materials and suppliers reveals that they may be involved in human rights abuses, contributing to conflicts, or money laundering, risk mitigation shall be undertaken. If risk mitigation is not possible, transaction shall be immediately suspended.

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Where a management strategy of risk mitigation is undertaken, it should include measurable 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:

We have been trading with one supplier located in one of the CAHRAs since fiscal year 2021, and we have carried out enhanced due diligence before the first transaction in each fiscal year to consider whether we should continue to purchase platinum- and palladium-bearing raw material from this supplier. Due to the Covid-19 pandemic, enhanced due diligence was carried out by telephone, video call and e-mail. Based on the results of the enhanced due diligence conducted, the senior manager determined that we could procure platinum/palladium-bearing raw material from this supplier.

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

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Compliance Statement with Requirement:

We have fully complied with Step 4: Arrange for an independent third-party audit of the supply chain due diligence.

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Comments and Demonstration of Compliance:

Aida Chemical engaged the services of the assurance provider KPMG AZSA Sustainability Co., Ltd., and their independent reasonable assurance report can be viewed on <https://www.aida-j.jp/wordpress/wp-content/uploads/compliancereport.pdf>

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Step 5: Report on supply chain due diligence

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Compliance Statement with Requirement:

We have fully complied with Step 5: Report on supply chain due diligence

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[Comments]

This compliance report and our policy are available on our company website

<https://www.aida-j.jp/wordpress/wp-content/uploads/assurance-report.pdf>

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**Aida Chemical's overall conclusion**

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**Table 3: Management conclusion**

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Is the Refiner in compliance with the requirements of the LPPM Responsible Platinum/Palladium Guidance for the reporting period?

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Yes

[Comments]

In conclusion, Aida Chemical implemented effective management systems, procedures, processes and practices to conform to the requirements of the LPPM Responsible Platinum/Palladium Guidance, as explained above in Table 2, for the reporting year ended 31 March 2023.

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**Table 4: Other report comments**

[Comments]

If users of this report wish to provide any feedback to Aida Chemical with respect to this report, they can contact corporate relations on [\[conflictfree@aida-j.jp\]](mailto:conflictfree@aida-j.jp).

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## Independent Assurance Report

To the Management of Aida Chemical Industries Co., Ltd.

We were engaged by Aida Chemical Industries Co., Ltd. (the “Company”) to undertake a reasonable assurance engagement of its Responsible Platinum and Palladium Compliance Report (the “Compliance Report”) for the year ended 31 March 2023. 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 the ‘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 (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 Responsible materials procurement policy available on the Company’s website: [www.aida-j.jp/english/Policy/index.html](http://www.aida-j.jp/english/Policy/index.html).

### **Conclusion**

In our opinion, the Company’s Compliance Report for the year ended 31 March 2023, 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 management 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 Management 1, we design, implement and operate a system of quality management including policies or 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.

Kazuhiko Saito, Partner, Representative Director  
KPMG AZSA Sustainability Co., Ltd.  
Tokyo, Japan  
26 June 2023