

# LPPM Responsible Platinum and Palladium Guidance

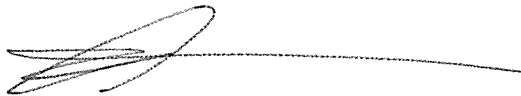
## Compliance Report

The LPPM Responsible Platinum and Palladium Guidance (hereinafter “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. (hereinafter “TKK”) has complied with the requirements of the Guidance.

### 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 December 2023
Date of Report	14 March 2024
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. (hereinafter “THD”), a holding company of the Tanaka Precious Metals Group (hereinafter “TKG”) which oversees all group companies, established the TANAKA Precious Metals Responsible Minerals Sourcing Policy (hereinafter “TKG Policy”) in June 2012.

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

TKG Policy was adopted to achieve responsible sourcing 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 Responsible Business Committee (hereinafter “RBC”) and is put into practice by the Compliance Officer who is the Managing Corporate Officer, Head of Corporate Sustainability & Communications Division of THD. The policy is written in Japanese and English and publicly available on the TKG web site ([https://www.tanaka.co.jp/english/sourcing\\_policy/](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 TKG Policy.

Authority and accountability for SCDD and the final decisions on high-risk transactions are assigned to RBC under delegation by the Board. RBC is also responsible for the measures to handle high-risk transactions.

The members of RBC have adequate experiences regarding the company’s responsible sourcing activities. In FY 2023, the training regarding the oversight on responsible sourcing with reflect to the Guidance ver.4 was provided to all RBC members by e-learning.

The current Compliance Officer has 4 years of experience of the oversight on responsible sourcing.

The Compliance Officer has an ultimate responsibility to implement SCDD through,

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

RBD, comprised of skilled staff nominated by the Compliance Officer, is assigned to develop processes to implement SCDD, to support and monitor the other relevant departments, and to draft an overall summary of DD activities to be presented for the annual management review.

The other relevant departments who play their respective roles in line with TKG’s SCDD regulation are those who execute transactions with precious metals suppliers, control and trace precious metals stock, or 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 FY 2023, the descriptions related to partial termination of cash transactions and UBO verification process were added to the e-learning material.

In FY 2023, 662 eligible participants were counted for the course and the completion rate was 100%.

In addition, an annual seminar for retail stores in Japan with which we have cooperative agreement for sales of our brand's bullion was held. In the seminar, the procedures for KYC checks were explained and the caution on suspicious transactions including ones with anti-social forces were requested.

#### 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. TKK has suspended cash transactions for amounts exceeding 1 million yen since 3 October 2022.

### **1.3. Traceability System**

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

- Suppliers' name, gross and net weight, place of shipment, type of materials, date of arrival and finalization, etc. are extracted from internal information systems such as TSP and ALPS.
- The information systems enable to trace precious metals or materials containing precious metals received at our group companies by lot and to identify the initial destination of Good Delivery products manufactured in our plants.
- Research about upstream suppliers (secondary suppliers), the origin of precious metals, transit points, means of transportation, nature of transaction and commercial distribution.
- Airwaybills, quotations, vouchers, etc. are stored for 5 years.

DD for individual suppliers are recorded in Microsoft FORMS and relevant data are stored on Microsoft One-Drive which include information on incoming precious metals, preliminary risk assessment, answered questionnaires, counterparties' identification, result of external monitoring, reference documents and conclusion of DD. Those records are stored for five years and shared with relevant parties.

In FY 2023, there was no issue found related to supplier's identification nor precious metals' country of origin and traceability.

### **1.4. Engagement with Suppliers**

Through annual dissemination of 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 TKG Policy and cooperate with our responsible sourcing. 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 TKG Policy from wholesale suppliers in FY 2023.

Since February of 2024, we have put in place the new procedure that suppliers should explicitly express their consent to TKG policy on signed LPPM questionnaire. This new procedure was introduced to enhance supplier's engagement.

As for our retail transactions, every customer must sign the application form where he/she agree to comply TKG Policy in addition to the law and regulations whenever selling or purchasing bullion or coins.

### **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 sourcing.

Our internal regulation stipulates that internal whistleblowing is mandatory action for directors and employees when a concern related to TKG's responsible sourcing 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\\_e/index.html](https://www.tanaka.co.jp/support/req/sourcing_policy_e/index.html)

Responsible Minerals Sourcing Inquiry and Report Desk

Anonymous reporting is 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 FY 2023, there was no grievance received related to responsible minerals sourcing. There were also no remaining grievances from the previous years that required closure.

## **Step 2: RISK IDENTIFICATION AND ASSESSMENT**

### **2.1. Risk Identification**

DD is conducted based on risk-based approach.

Supply chain risks are assessed in three categories of "location risk", "supplier risk", and "material risk". Using LPPM questionnaire, reliable market information, public information, corporate research service and online screening tools, etc. the following information is usually collected and examined.

#### **a) Location Risk**

- Origin of received material.
- Transit point(s) from the origin of the received material through our refineries

#### **b) Supplier Risk**

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

Note: The existence of the UBOs should, in principle, be verified with a photo identity document. In case that is highly difficult due to supplier's refusal or not having it, we investigate the corporate register or conduct in-person meetings/interviews.

#### **c) Material Risk**

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

RBD and the front departments 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.

RBD conducts a risk assessment based on the collected information and shares the conclusion with related departments via an internal database. General manager of RBD is authorized to approve the 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.

RBD staffs have sufficient skills to conduct risk assessments. Front department staffs are provided with adequate information to conduct continuous monitoring in cooperation with RBD. External screening services and corporate research services are also used as appropriate.

## 2.2. Classification of Identified Risks

Based on the information, tools, skills, and external information described in Step 2.1 and Step 2.2 of the Guidance general manager of RBD assesses three risks: Location Risk, Supplier Risk, and Material Risk.

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

For location-based high risks, the Recycled Platinum/Palladium:

- Originates from, has transited or has been transported via a CAHRA as defined by the TKG Country Risk Table.
- Is claimed to originate from a country through which Platinum/Palladium from CAHRAs is known, or reasonably suspected, to transit, and/or is unjustifiably claimed to have originated from a country that has limited exports of Platinum/Palladium.

For supplier-based high risks, the Platinum/Palladium -supplying counterparty or other known upstream companies:

- Operate in a money laundering high-risk country
- Have shareholders, or UBOs, or other Platinum/Palladium -supplying interests in one of the location-based high-risk criteria
- Have UBOs who are Politically Exposed Persons (PEPs)
- Have activities in a higher-risk business activity such as arms, gaming and casino industry, antiques and art, and sects and their leaders
- Have been known to have sourced Platinum/Palladium from a high-risk country in the last 12 months
- Have significant unexplained geographic routing from their supplier or counterparty in the supply chain.
- Have been involved in serious incidents related to environment, labor/human rights, and safety and health.

For type of material-based high risks, the Recycled Platinum/Palladium is:

- From an Intermediate Refinery or trader with a high-risk supply chain or a trading counterparty

sourcing from an Intermediate Refinery with a high-risk supply chain.

To assess 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 Franks. 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 Platinum/Palladium centres/transit hubs and on countries where there is a high risk of money laundering as specified in the Guidance.

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.

Regarding 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 TKG, 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 FY 2023, no supplier was identified as zero-tolerance or high risk.

### **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 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 shall be accurately documented and reported to the RBC which decides the transaction policy which is reported to the Board.

New supply chains rated as high risk should be approved by RBC and the Board 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 the high-risk intermediate refinery has undergone an external audit but any medium- or high-risk non-conformities are identified.

In FY 2023, 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, RBC 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.

We report a summary of high risk or zero-tolerance issues to the Board every half year even if there's no such a case. In FY 2023, no high-risk or "zero-tolerance" suppliers was identified. In FY 2023, there were no cases of cooperation with authorities or public authorities regarding suspicious transactions.

In November 2023, under the direction of the Compliance Officer, RBD conducted an internal audit and there was no non-conformance.

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

Before issuing this compliance report, the Compliance Officer reports a summary of SCDD as well as the identified high-risk supply chain together with implemented risk mitigation measures against them and their progress and effectiveness to the RBC. The preliminary result of the annual third-party audit is also reported.

In FY 2023, we concluded there were no critical risks or concerns identified.

#### **Step 4: INDEPENDENT THIRD-PARTY ASSURANCE**

KPMG AZSA Sustainability Co., Ltd. was selected as the assurance provider 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 is approved by the RBC.

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/sourcing\\_policy/certificate.html](https://www.tanaka.co.jp/english/sourcing_policy/certificate.html)

#### **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/sourcing\\_policy/certificate.html](https://www.tanaka.co.jp/english/sourcing_policy/certificate.html)

### **Table 3: Management conclusion**

In conclusion, TTK implemented effective management system, procedures, processes and practices to conform to the requirements of the Guidance, as explained above in Table 2, for the reporting year ended on 31 December 2023.

TTK 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 Guidance

### **Table 4: Other report comments**

If users of this report wish to provide any feedback to TTK with respect to this report, they can contact [rbd@ml.tanaka.co.jp](mailto:rbd@ml.tanaka.co.jp)