

## Ishifuku LBMA Responsible Gold/Silver Compliance Report

The LBMA Responsible Gold Guidance and the LBMA Responsible Silver 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, to comply with high standards of anti-money laundering and combating terrorist financing practice.

This report summarizes how Ishifuku Metal Industry Co., Ltd (hereinafter referred to as Ishifuku) has complied with the requirements of the LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance.

Table 1: Refiner's details

Refiner's name :	Ishifuku Metal Industry Co., Ltd.
Location :	3-20-7 Uchikanda, Chiyoda-ku, Tokyo, Japan
Reporting year-end :	December 31, 2018
Date of Report :	March 29, 2019
Senior management responsible for this report:	Motonari Komiya, Director

### Ishifuku's Evaluation

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Table 2: Summary of activities undertaken to demonstrate compliance

#### Step 1: Establish strong company management systems

##### Compliance Statement with Requirement:

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

Ishifuku has adopted a company policy regarding due diligence for supply chains of gold and silver.

##### Comments and Demonstration of Compliance:

We established our Policy on Raw Material Procurement in 2012 and have made necessary modifications to be consistent with the model set out in the Annex II of the OECD Due Diligence Guidance. This sets out our responsibility to set up, implement and monitor our internal management system to avoid contributing to terrorist financing, human rights abuses and money laundering on raw material procurement. We revised our Policy on Raw Material Procurement in 2018 to explicitly include silver as one of the materials for which we shall exercise due care in the procurement process.

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

##### Comments and Demonstration of Compliance:

An internal management system was set up in 2012 to define the governance, roles and responsibilities, communication and senior management review as per the adopted policy. The compliance officer is assigned to manage the process, and has a direct line of reporting to the senior management. Members from procurement, sales and production make up a conflict minerals team, which plays a supporting role in our internal management structure. Education and training are

provided every year to employees who are involved in the purchasing and handling of gold- and silver-bearing materials in order to raise their awareness for our responsibility for the gold and silver supply chain.

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Ishifuku has established a strong internal system of due diligence, controls and transparency over gold and silver supply chain, including traceability and identification of other supply chain actors.

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Comments and Demonstration of Compliance:

Ishifuku has a robust gold- and silver-bearing materials receipts process. Specific documents must be received and transactional details entered before we process the gold- and silver-bearing materials. Each lot received is accurately registered in our transactional system. We evaluate our suppliers at each department that is engaged in the procurement of gold- and silver-bearing materials.

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Ishifuku has strengthened company engagement with gold and silver supplying counterparties, and where possible, assisted gold and silver supplying counterparties in building due diligence capabilities.

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Comments and Demonstration of Compliance:

We sent a letter of notification on our policy to our all suppliers in 2018, requested them to cooperate with us in our Responsible Sourcing System and asked them to adopt a similar policy as ours. For our retail customers, we ask them to read and agree to our procurement policy before any transactions are made.

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Ishifuku 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:

We have developed a mechanism allowing employees to voice concerns over gold and silver supply chain risk. Internal reporting mailbox has been established which is reviewed by the compliance officer. In addition to this, we established a grievance mechanism on our website in 2018, where customers and other external stakeholders may raise concerns on our gold and silver supply chain.

URL: [https://www.ishifuku.co.jp/company/conflict\\_minerals/hotline/index.php](https://www.ishifuku.co.jp/company/conflict_minerals/hotline/index.php)

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

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Compliance Statement with Requirement:

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

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Ishifuku has a process to identify risks in the supply chain.

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Comments and Demonstration of Compliance:

We made clearer the criteria for determining high-risk areas associated with our supply chain within our management regulations in 2016. By doing so, we are able to better monitor and manage the high-risk areas. For every gold- and silver-bearing materials supplier, we have established a client database and evaluate the risk level according to internal assessment criteria. We shall immediately suspend its material procurement if the transaction with counterparty is deemed to be high-risk in the gold and silver supply chain.

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Ishifuku assess risks in light of the standards of their due diligence system.

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Comments and Demonstration of Compliance:

We assess risks thereof based on reports by a reliable, independent research institute and information given by the person in charge of counterparty. In order to ensure that gold- and silver-bearing materials come from legitimate, ethical source, and that they have not been associated with money laundering, we assess risks involved in the purchase of gold- and silver-bearing materials (except for those purchased over the counter) based on public domain information, reports obtained from a reliable, independent research institute, etc. We also engage in over-the-counter purchases of gold- and silver-bearing materials from the general public and understand that it needs cautious treatment. Hence, we collect customer information in writing at the time of purchase to implement personal identification.

The Act on Prevention of Transfer of Criminal Proceeds was amended and implemented in 2016. Our risk management in the over-the-counter purchase was further strengthened in response to the tightened regulations in 2016.

All the gold- and silver-bearing materials delivered shall be weighed and identified with the transactional details shared with procuring department. In case any discrepancy is found, such materials shall be rejected.

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Ishifuku reports risk assessment to the senior management.

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Comments and Demonstration of Compliance:

The compliance officer, based on our monitoring activities, reports biannually the results of the implementation of our management system to the senior management. The senior management retains the ultimate control and responsibility for the gold and silver supply chain.

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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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Ishifuku 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:

We have a strategy to respond to the identified risk. We assess gold- and silver-bearing materials and their suppliers. If it is discovered that there is a possibility of procuring raw materials from high-risk suppliers, risk mitigation shall be undertaken, and in case it is impossible to mitigate risk, the transaction shall be suspended or halted depending on the risk level.

If we are to resume such a transaction, it is necessary to acquire additional information or data that negate high-risk factors through a site visit. The transaction shall only be resumed after having approval of the Compliance Officer.

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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 did not identify any risks that would fall under money laundering, terrorist financing, human rights abuses in our supply chain during 2018.

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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:

Ishifuku engaged the services of the assurance provider KPMG AZSA Sustainability Co., Ltd., and their independent reasonable assurance report is attached hereto.

The assurance report is also available on our website at the following URL.

<http://www.ishifuku.co.jp/english/about/index.html>

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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 on Raw Material Procurement are available on our website.

<http://www.ishifuku.co.jp/english/about/index.html>

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**Table 3: Management conclusion**

Is the Refiner in compliance with the requirements of the LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance for the reporting period?

Yes.

In conclusion, Ishifuku implemented effective management systems, procedures, processes and practices to conform to the requirements of the LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance as explained above in Table 2, for the reporting year ended 31 December 2018.

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

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**Table 4: Other report comments**

If users of this report wish to provide any feedback to Ishifuku with respect to this report, they can send an email to the following email address: [shizai@ifk.co.jp](mailto:shizai@ifk.co.jp)