

BUREAU
VERITAS

June 2013

**LBMA Responsible Gold Guidance –
Summary Assessment Report
For third-party audits based on ISO19011:2011**

| | |
|-------------------------------------|-----------------------------------|
| Company Name: | MATSUDA SANGYO CO., LTD. |
| Reference Standard: LBMA RGG | Other ref.: ISO 19011:2011 |

| Audit Team | |
|---------------------|---------------------|
| Team Leader: | Team Member: |
| Akinori Sugimura | N/A |
| | |

| Type of Audit | Date of Opening Audit | Date of Closing Audit | Total n° of man/days |
|-----------------------|-----------------------|-----------------------|----------------------|
| Full assessment Audit | 16th Jun. 2014 | 20th Jun. 2014 | 5 MD |
| Assessment Review | | | |
| Follow-up Assessment | | | |

| | |
|--------------------------------|--|
| Site(s) address(es): | 5-7-17, Ogimachiya, Iruma, Saitama, 358-0022 JAPAN |
| | |
| | |
| | |
| Refiner Contact Person: | Mr. Takashi YAMANOI |
| Name, Title: | Quality Assurance Sect. Precious Metals Division |
| Email: | hinshou@matsuda-sangyo.co.jp |
| Phone: | +81 (0)4-2960-5088 |

| | Non Compliance – risk level | | | | |
|---|-----------------------------|-----|--------|------|----------------|
| | Compliant | Low | Medium | High | Zero Tolerance |
| Based on the assessment conclusions, the overall rating of the Refiner's performance is determined to represent: | | ✓ | | | |

| | | |
|---|-----|--------------------------|
| Is a follow up visit required? (in case of high risk non-compliance) | Yes | No |
| Date(s) of follow up visit: | - | Assigned auditor: |

| AUDIT SUMMARY | |
|--|--|
| Basic Inputs | It was re-confirmed that information provided in the application for LBMA audit. The number of gold supplying counterparties is 4,118 and the average number of deliveries of gold bearing material is around 3,000 per month. |
| Description of the company activities [mandatory for all audits]: | The company refines scrap gold from electric, semiconductor, dentistry, and jewelry industries and produces gold |



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bullion, gold plating solution, and granulated gold. They have EICC-GeSI certification and the period of validity is 8th July 2014.

Manual adequacy:

It was confirmed that key clauses in LBMA Responsible Gold Guidance are addressed.

Assessment of level of compliance of Refiner's systems, processes, procedures and practices according to the LBMA Responsible Gold Guidance:

Step 1: Establish strong Refiner management systems

The company has developed the LBMA compliance policy regarding due diligence for supply chain of Gold in compliance with LBMA Responsible Gold Guidance. This policy is published in the company web site available to public <http://www.matsuda-sangyo.co.jp/en/policy/conflictminerals.html>, <http://www.matsuda-sangyo.co.jp/about/policy/conflictminerals.html>. The policy provides an overview of the management system governing the due diligence policy for gold supply chain. Trainings for key persons as well as management team are also provided. The refiner has assigned person responsible for the implementation of due diligence, a compliance officer, implemented internal and external communications provisions. They use unique reference numbers to identify incoming / outgoing gold and the traceability was verified during this audit. The refiner has asked Gold supplying counterparties to commit to and acknowledge in writing compliance with the Refiner's own Gold supply chain policy. The policy has not been communicated to all counterparties. Refiner will communicate policy to all counterparties. This will be completed within 3 month.

The refiner has a communication mechanism that allows employees to voice concerns over the Gold supply chain or any newly identified risk and it allows to be voiced anonymously. Refiner maintain documentation regarding its implementation of the LBMA Responsible Gold Guidance since Apr. 2013. Requirement for 5 years document maintenance has not been formalized in the Refiner's record-keeping policy, it was formalized as 3 years. This will be amended.

STEP 2: Identify and assess risk in the supply chain

Risk assessment process was established in their "Assessment procedure" and implemented annually. Risk assessment for 99% gold suppliers were conducted since the gold supply chain due diligence policy was established. And they already have plan to conduct assessment for remaining 1% suppliers (that are dental scrap providing individuals / dental patients). They use "Supplier (customer) chart" to collect information of all counterparties. They do not receive mined gold and ASM gold. They receive recycled gold and bullion that are sourced from LBMA Good Delivery refiners. Risk assessment reporting and results were presented to the top management. The risk assessment procedures are clearly defined as part of the Compliance Officer's tasks and a member of Senior Management is responsible for approving each new supply chain that is assessed as high risk. And the Senior Management reviews these high risk supply chains on an annual basis in order to determine whether to continue the business relationship. There are documented consequences if the risk assessment reporting tasks are not completed and it has been communicated to relevant departments and personnel (sales, customer service, shipping/receiving).

STEP 3: Design and implement a management strategy to respond to identified risks

Risk mitigation strategy is established formally in Refiner's procedure. Senior Management provides support for this strategy and the responsibility to carry out is clarified. The refiner adopts an improvement strategy for lacking information of dental scrap providing individuals (patients). They set performance objectives and deadlines to improvement. The advancement in the plan regularly reviewed and communicated to senior management.

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

This is the first LBMA Third Party Audit for the refiner. The Refiner plans to undergone third-party audits once a year. Their EICC-GeSI certification periods cover whole of the LBMA assessment period.

STEP 5: Report on supply chain due diligence



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This is the first LBMA Third Party Audit for the refiner. The Refiner plans to publish the LBMA Summary Report and company policy regarding gold supply chain.

| ASSESSMENT CONCLUSIONS | | | | | | |
|---|-------------|-----------|-----------------------------|--------|------|----------------|
| CATEGORY | SUBCATEGORY | Compliant | Non compliance – risk level | | | |
| | | | Low | Medium | High | Zero Tolerance |
| General Information | | ✓ | | | | |
| Step 1: Establish strong Refiner management systems | 1.1 | | ✓ | | | |
| | 1.2: | | ✓ | | | |
| | 1.3 | | ✓ | | | |
| | 1.4 | ✓ | | | | |
| | 1.5 | ✓ | | | | |
| Step 2: Identify and assess risk in the supply chain | 2.1 | ✓ | | | | |
| | 2.2 | ✓ | | | | |
| | 2.3 | ✓ | | | | |
| Step 3: Design and implement a management strategy to respond to identified risks | 3.1 | ✓ | | | | |
| | 3.2 | ✓ | | | | |
| Step 4: Arrange for an independent third-party audit of the supply chain due diligence | 4.1 | ✓ | | | | |
| Step 5: Report on supply chain due diligence | 5.1 | ✓ | | | | |
| Based on the above assessment conclusions, the overall rating of the Refiner's performance is determined to represent: | | | ✓ | | | |

Assessment scope:

| | |
|---|--|
| <i>Refiner location(s) included in the assessment scope</i> | 5-7-17, Ogimachiya, Iruma, Saitama, 358-0022 JAPAN |
|---|--|

| | |
|--------------------------|--|
| <i>Assessment Period</i> | from 1 st Apr. 2013 to 20 th Jun. 2014 |
|--------------------------|--|

Assessment methodology:

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Each area of the LBMA Responsible Gold Guidance was verified by documentation review and



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management/employee interviews, as well as observation during the facility tour.

- *The evidence of compliance that was reviewed included:* Documented policy, Procedures (for Due diligence, for Risk assessment, for Hotline, for Compliance, for Ethical standard, for Supplier evaluation, for Sales & contract, etc.), Records (Transaction, Education, Risk assessment result, Corrective action, Internal audit, Production, Material receiving, etc.), Lot traceability computer system.
- *The following areas of the facility were visited during the tour:* R&D center, Iruma factory, Iruma 2nd factory, Musashi factory, Musashi 2nd factory
- *The following interviews were conducted with management:* Mr. Yoshitaka Tashiro, Director
- *The following interviews with employees were conducted:*
Mr. Hikaru Hayashi (legal dept. deputy general manager),
Mr. Takashi Yamanoi (quality assurance sec.),
Mr. Atsushi Yoshinari (legal dept. general manager),
Mr. Hideto Imai (product sec. manager),
Mr. Takahide Kurotake (quality & environmental control sec. manager),
Mr. Takeshi Yoshizaki (business management sec. manager),
Mr. Yasuyuki Senda (sales manager)

Any significant or inherent limitations or areas not covered that were within the assessment scope:

Click here to enter text.

None

Assessment criteria:

Click here to enter text.

- *The auditor or assessment team took into account all relevant objective evidence provided by the Refiner. Relevant evidence was either qualitative or quantitative in as far as it is appropriate and sufficient to support the auditor or assessment team's conclusions. Appropriate evidence is evidence that is relevant and reliable. Sufficient evidence refers to the amount of evidence provided to allow the auditor or assessment team to reach a conclusion.*

Any actual or potential gaps in the Refiner's systems in regards to the LBMA requirements are rated in accordance to the level of risk each presents to the credibility and integrity of the LBMA Responsible Gold Programme for the responsible sourcing of gold-bearing materials.

The Auditors confirm that:

- ✓ The information provided by the Refiner is true and accurate to the best knowledge of the Auditor(s) preparing this report.
- ✓ The findings are based on verified Objective Evidence relevant to the time period for the assessment, traceable and unambiguous.
- ✓ The Auditor(s) have acted in a manner deemed ethical, truthful, accurate professional, independent and objective.
- ✓ The Auditor(s) are properly qualified to carry out the assessment at this Refiner's facility.

Lead Auditor: Akinori Sugimura



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Signature: Akinori Sugimura

Date: 20th Jun. 2014

Reviewed by Bureau Veritas Italy, International Competence Center.

Date: 30th June 2014

Claudia Strasserra