

## Ishifuku LBMA Responsible Gold and Silver Guidance Compliance Report

The LBMA Responsible Gold Guidance and the LBMA Silver Guidance (hereinafter referred to as 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, to comply with high standards of anti-money laundering and combating terrorist financing practice. In addition, the Guidance has been developed to recognize the increasing importance of having strong corporate governance and addressing environmental and sustainability responsibilities.

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

### Table 1: Refiner's details

Refiner's name :	Ishifuku Metal Industry Co., Ltd.
Location of Head Office:	3-20-7 Uchikanda, Chiyoda-ku, Tokyo, Japan
Location of Refinery:	2-12-30 Aoyagi, Soka-shi, Saitama-ken, Japan
Reporting year-end :	December 31, 2022
Date of Report :	March 31, 2023
Senior management responsible for this report:	Motonari Komiya, President

### Ishifuku's Evaluation



### 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.

#### Step1A Has the refiner adopted a supply chain policy regarding due diligence for supply chains of gold and/or silver?

Ishifuku Metal Industry Co., Ltd., which oversees gold and silver refining at its Soka Plant, established our Policy on Raw Material Procurement in 2012, which was consistent with the model set out in the Annex II of the OECD Due Diligence Guidance. The policy is approved by an in-house committee delegated authority and accountability from the board as stipulated in the company's regulations. We review the policy annually along with the internal regulations. The policy is available to all internal and external stakeholders at the following URL.

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

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, and subsequently revised it in January 2019 to include platinum and palladium in the scope to meet the requirements in the London Platinum & Palladium Market's Responsible Platinum/Palladium Guidance. We revised the Policy in July 2020 so that it extended to our responsibilities towards the environment and sustainability. And in December 2022 with the update of the LBMA Responsible Gold Guidance to Version 9, it was updated to comply with it by including all OECD Annex II risks as threat financing risks and including them in the identification of high-risk suppliers. Also, the policy was updated to stipulate that an in-house committee was established and delegated authority and accountability from the Board of Directors

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**Step1B Has the refiner set up an internal management structure to support supply chain due diligence?**

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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 members of senior management consist of the heads of the factory, sales, and administration departments and are fully familiar with the operations of their respective departments. With the revision of internal regulations in line with the renewal to the LBMA Responsible Gold Guidance to Version 9, authority and accountability for supply chain due diligence have been delegated to an in-house committee appointed by the board (the in-house committee). The compliance officer is appointed by the in-house committee that handles related tasks and is charged with managing the process and has a direct line of reporting to the President and the Board of Directors. He also reports on the operation of the supply chain management system and has the authority and responsibility to identify and assess risks in the supply chain, maintain and inspect the system, and train employees and so on. Members from procurement, sales and production make up a conflict minerals team, which plays a supporting role in our internal management structure. Information on due diligence is provided and shared with each interested party through communication of the "Raw Materials Procurement Policy".

Internal regulations concerning our Policy on Raw Material Procurement also require that information about high-risk supply chains be reported to the government and other authorities. In 2022, we have not reported any high-risk supply chains to the government or authorities. Each relevant department is checked once a year through internal audits to ensure that due diligence is being implemented properly. When a "nonconformity" is identified in an internal audit, corrective action shall be taken, and the effectiveness of the action shall be measured in a follow-up audit. An internal audit in 2022 found no cases of "nonconformity". The status of due diligence implementation, including the results of these internal audits, is reported at biannual meetings consisting of executives, and shared with management. Training is planned and conducted for all staff involved in the gold/silver supply chain at least once a year. In 2022, all of the 79 employees eligible for training were educated and trained on the revision of internal regulations based on the LBMA Responsible

Gold Guidance Version9. There is currently no formal training program on responsible procurement for members of the in-house committee and the MR committee, the latter of which is participated by all Board Directors. But since the results of the implementation of our management system have been reported to them biannually, they have gained experience in responsible procurement through past responsibilities for overseeing the company's responsible procurement activities.

We are taking measures to move away from cash payment towards payment conducted through official banking systems. Since October 2022, transactions exceeding 1 million yen are no longer settled in cash for both payment and receipt. Also, any exceptional case shall have a clear reason supported by verifiable information and is approved by the in-house committee. There were no exceptional cases in FY2022.

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**Step1C Has the refiner established a strong internal system of due diligence, controls and transparency over gold and/or silver supply chains, including traceability and identification of other supply chain actors?**

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We have a traceability system in place to accept raw materials containing gold and silver. The range to ensure traceability is from raw material input to products. In addition, gold and silver shall be included in the above scope, including those involved upstream in the supply chain, identification of origin, and even identification of the initial destination of the shipped product. Acceptance requires the entry of specific documents, such as the airway bill, certificate of analysis and packing list registered in the trading system for each lot received, as well as the details of the transaction such as the customer and origin.

The following information is collected:

- Origin Information
- Lot number from material acceptance to shipment
- Type of gold and silver material (Distinction between raw, dissolved and industrial by-products)
- Weight and analytical value
- shipping and transportation documents verifying the distribution process
- Date of material acceptance to factory, date of completion of analysis
- Import and export certificate \* In case of high risk supply chain

Our internal regulations require that information on traceability be kept for five years.

In addition, each department involved in the procurement of materials containing gold and silver evaluates suppliers. The country of origin is identified from the documents (contract documents containing delivery conditions, etc.) accompanying the materials delivered by the suppliers.

Information needed to conduct supply chain due diligence is obtained from external research firms, suppliers themselves through KYC questionnaires we have developed based on the LBMA's KYC questionnaires, persons in charge at suppliers and suppliers' websites. We use the information obtained to determine whether to continue or initiate transactions. The information obtained in this

process is shared within the company. The documents and assessment sheets used for due diligence are stored on the company intranet. In FY 2022, there were no issues raised related to identification, country of origin and traceability of counterparties.

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**Step1D Has the refiner strengthened company engagement with gold and/or silver supplying counterparties, and where possible, assisted gold and/or silver supplying counterparties in building due diligence capabilities?**

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We send a KYC questionnaire, which we have developed based on the LBMA's KYC questionnaires, and our "Raw Materials Procurement Policy" to suppliers, and request them to commit to our policy and cooperate with us in our responsible sourcing efforts to prevent human rights abuses, avoid conflict and anti-money laundering, prevent terrorist financing, and fulfil our responsibilities regarding environmental sustainability. In our KYC questionnaire, we request suppliers to inform us in case they do not agree with our "Raw Materials Procurement Policy". In 2022, there were no suppliers that informed us that they do not agree with our policy. We obtain consent from individual customers who visit our stores directly by informing them of our policy through an application form that must be filled out when purchasing bullion and other materials at our company stores and obtaining signatures.

There were no suppliers/counterparties which were specifically engaged during the reporting period concerning due diligence issues.

Our Policy on Raw Material Procurement stipulates that the following items should be managed.

Human rights violations related to the mining, transportation, and trade of minerals.

Direct or indirect support for nongovernmental armed groups

An illegal act by a public or private security force

Bribery and impersonation of mineral origin

Money laundering

Payment of taxes, fees, and mining royalties to the government

In addition, we do not currently procure raw materials from state-owned companies operating in EITI countries.

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**Step1E Has the refiner 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 established a grievance mechanism on our website in 2018, where customers, other external

stakeholders and employees may raise concerns on our gold and silver supply chain anonymously. In 2019, we set up the Raw Material Procurement Hotline in English so that non-Japanese speaking stakeholders can anonymously voice concerns. A hotline e-mail address is posted on the website to allow internal and external stakeholders to anonymously report concerns about our supply chain. The information provided is sent to the Procurement department and General Affairs department, which will investigate together with the relevant departments, depending on the nature of the concern.

The status of the response to the concern shall be reported to the informant in a timely manner. In addition, information on such concerns and examples of actions taken shall be shared with the relevant departments through education and training to improve the situation and prevent reoccurrence.

URL: <http://www.ishifuku.co.jp/english/about/hotline/index.php>

In 2022, the above mechanism generated 6 reports, 3 of which were sales pitch emails and 3 of which were internal operational test emails, with no concerns or complaints about supply chain risks which would require corrective or preventative actions. There were also no remaining grievances from previous years that required closure.

The situation is reported to senior management with or without complaints.

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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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**Step2A Does the refiner have a process to identify risks in the supply chain?**

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Comments and Demonstration of Compliance:

Supply chain risk assessment is conducted by the personnel in charge of each department who attend the education and training mentioned in Step 1C, and the status of suppliers is investigated based on the KYC Questionnaire forms which we have developed based on the LBMA's KYC questionnaires. Supply chain risks are identified with the following information.

### Location Risks

- Origin of the recycled gold/silver/platinum/palladium
- Monitoring of the general transportation routes of gold/silver/platinum/palladium from its country of origin
- Verification that sourcing from the country of origin does not constitute a violation with respect to international sanctions
- Verification that the mine is not located on a World Heritage site
- In identifying location risks, reliable market information is also taken into account.

## Supplier Risks

- Identification and verification of supplier names, addresses, and registration/licensing information from reliable sources
- Identification and verification of UBOs and authorized signers using government-issued photo identification
- Verification of whether suppliers and UBOs are listed on government lists as money launderers or terrorists
- Obtaining details of business activities and financial information of business partners

## Material Risks

- Main markets, products, and customer segments of the suppliers
- Basic information on suppliers and customers
- Types and forms of precious metals procured by suppliers
- Countries of origin of the gold and precious metals processed by the counterparty's facilities
- Type and location of the facility operated by the counterparty
- Import and export licenses (if applicable)
- Policies and initiatives regarding anti-money laundering and terrorist financing
- Anti-Bribery and Corruption Policy and Initiatives
- Responsible sourcing policies and processes

A reliable and neutral source is used to verify information on suppliers, and when it is difficult to obtain information from external research firms, supplier's websites, a person in charge conducts a hearing survey. The results of the supplier evaluation are prepared by each department, approved by the procurement department, which is responsible for revision of internal regulations and education and training, and then uploaded to the company's intranet. In the case of new suppliers, the assessment of suppliers is carried out before the start of the transaction, and the assessment of existing suppliers (including the identification of risks) is updated annually in the case of high risk and every three years in the case of others, depending on the level of risk, the assessment for the fiscal year is concluded every January of that fiscal year. However, in the event of a change in commercial distribution or merger of companies, a reassessment must be conducted in a timely manner. For over-the-counter purchases, a self-assessment is conducted at each transaction.

When we know that any of the factors shown in Step 2B below applies while we assess a supplier's risks, accept material, or obtain information from internal and external stakeholders, we shall determine if we should suspend, continue, or cancel the transaction. 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. In 2022, we identified no high-risk suppliers, and hence no site visits were conducted.

We revised the list of Conflict-Affected and High-Risk Areas (CAHRAs) in March 2021 based on information available from the US Department of the Treasury, RMI and other external sources. We

shall collect that information on a monthly basis and revise it as necessary.

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.

When accepting gold, silver, platinum or palladium, the person in charge of the receiving department checks the following points.

- Confirmation of weight, type and grade
- Monitoring actual transportation routes for shipments
- Verification of shipping and transportation documents with physical cargo (Analysis value, weight and serial number)
- Consistency with documents (Purchase orders, goods receipts, and invoices) and KYC information (Mining capacity, country of origin, and origin)

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**Step 2B Does the refiner assess risks in light of the standards of their due diligence system?**

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Comments and Demonstration of Compliance:

We identify and assess risks of each supplier. We assess risks by referring to information obtained from external research firms, suppliers themselves through KYC questionnaires, persons in charge at suppliers and supplier's websites. Factors we consider in our risk assessment include the geography, nature of business, country of origin, and whether there is any violation of laws and regulations related to the environment and sustainability. Our internal regulations, which specify how we conduct supply chain risk assessment are reviewed once a year, and updates are made as needed. It was last updated in December 2022.

We consider a supply chain as high-risk if any of the following applies:

- Whether the material is in the zero-tolerance supply chain

Location Risks

- Whether or not the material in question is recycled gold/silver/platinum/palladium originating from or passing through CAHRAs
- Whether or not the material in question is recycled gold/silver/platinum/palladium from countries where gold/silver/platinum/palladium derived from CAHRAs is known to pass, or is reasonably suspected to pass

Supplier Risks

- Whether suppliers and upstream companies in the supply chain are located in countries with a high risk of money laundering
- Whether the company has a shareholder, substantial controlling interest, or other interest in the supply of gold with a supply chain that is determined to have a high location risk
- Whether there are any public figures in the upstream companies of the supply chain or beneficial owners with significant influence over the suppliers of gold/silver/platinum/palladium
- Whether or not suppliers and upstream companies in the supply chain are involved in business activities such as arms, gambling and casino industries, antiques and fine arts, cults, cult leaders, etc

#### Material Risks

- Whether the company is an intermediate refiner or trading company with a high-risk supply chain, or sources materials from an intermediate refiner with a high-risk supply chain
- Whether or not the company is or is likely to be failing to meet its environmental and sustainability responsibilities, including violations of environmental and sustainability laws and regulations
- Whether the form of the incoming material constitutes a mixed material

No suppliers were identified as zero-tolerance or high-risk supply chain in 2022. In the case where zero-tolerance issues are identified we must not enter a business relationship or must terminate an existing relationship immediately.

The definition of a zero-tolerance supply chain is as follows.

- Gold known to originate from World Heritage-listed areas
- Gold known to have been procured in violation of international sanctions (including, but not limited to, the UN, EU, UK, and US)
- Gold whose primary suppliers, other known upstream companies, or their beneficial controllers are known money launderers, fraudsters, or terrorists, or are known to have committed serious human rights abuses, or gold that is implicit in direct or indirect support for illegal non-governmental armed groups

In the case where a high risk supply chain is identified an Enhanced Due Diligence (EDD) shall be conducted.

The EDD procedure includes an on-site visit which is described in Step3

The on-site visit should be conducted by an employee who has no direct interest in the supplier or by an independent third-party consultant, and should use the templates specified by the LBMA and LPPM.



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Step3: 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 in-house committee and the MR committee, the latter of which is participated by all Board Directors. The in-house committee retains the ultimate control and responsibility for the gold and silver supply chain. Information to be reported to the in-house committee and the MR committee participated by all Board Directors are as follows.

- Relevant statistics on high-risk supply chains
- Counterparty under risk mitigation strategies and status of risk mitigation strategies
- Reports on the progress and effectiveness of improvement plans.

In 2022, there were no reports that corresponded to the above three points regarding gold and silver.

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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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**Step3: Has the refiner reported supply chain risks to senior management and 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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The criteria for determining whether to continue, temporarily suspend, or dissolve transactions with suppliers are as follows.

- Termination

In the case of a zero-tolerance supply chain.

In the case of money laundering, terrorist financing, serious human rights violations, direct or indirect support for illegal non-governmental armed groups, or misrepresentation of the origin of minerals.

- Suspend

If we suspect money laundering, terrorist financing, serious human rights violations, direct or indirect support for illegal non-governmental armed groups, or misrepresentation of the origin of minerals, or if there is a catastrophic risk to ESG.

- Continue to do business with the company

Factual ESG risk of bribery, non-fraudulent misrepresentation of mineral origin, non-compliance with government taxes, fees or royalties, material violation of local laws related to environment, health, safety, labor and community or very likely adverse impacts, but judged to be being addressed in a reasonable and good faith manner If the company is determined to be taking reasonable and good

faith action.

In 2022, there were no transactions that corresponded to the above.

In addition, there were no examples of cooperation with national or local authorities.

When resuming business with a supplier that we have suspended or terminated the transaction, an on-site visit is conducted prior to the start of the transaction or within six months from the date when the supplier is identified as high-risk. The purpose of the site visit is to confirm the accuracy of the KYC information and the reasons for which the supplier was identified as high-risk. A high-risk questionnaire is prepared based on the collected information. Either additional information and data proving that the high-risk assessment was in error or an improvement plan for remediating the high-risk must be obtained from the supplier.

The transaction shall only be resumed after having approval of the Compliance Officer.

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 the in-house committee.

In addition, we do not currently procure gold and silver from state-owned companies operating in EITI countries.

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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.

In Japan, there is no other assurance provider on LBMA's Approved Service other than KPMG AZSA Sustainability Co., Ltd., and the company has requested KPMG AZSA Sustainability to provide assurance services because of its ability to communicate in Japanese. The selection of KPMG AZSA Sustainability Co., Ltd. was approved by Senior Management after an internal approval process. As a confirmation of independence, we confirm that there are no interlocking directors between Ishifuku and KPMG AZSA Sustainability Co., Ltd, and we do not engage KPMG AZSA Sustainability Co., Ltd. to provide us with any advisory services that compromise the independence of KPMG's assurance services.

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

There were no high and medium-risk non-conformances identified during the current or previous audit cycle.

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.

URL: [http://www.ishifuku.co.jp/english/about/policy\\_detail.html](http://www.ishifuku.co.jp/english/about/policy_detail.html)

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#### Table 3: Management conclusion

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Is the Refiner in compliance with the requirements of the Guidance for the reporting period?

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Yes.

In conclusion, Ishifuku 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 31 December 2022.

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)

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