

Ishifuku LBMA Responsible Gold Guidance Compliance Report

The LBMA Responsible Gold 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 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.

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, 2015
Date of Report :	March 29, 2016
Senior management responsible for this report:	Tatsuto Nagata, Director

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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.

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

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.

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-bearing materials in order to raise their awareness for our responsibility for the gold supply chain.

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

Comments and Demonstration of Compliance:

Ishifuku has a robust gold-bearing materials receipts process. Specific documents must be received and transactional details entered before we process the gold-bearing material. 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-bearing materials.

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

Comments and Demonstration of Compliance:

We sent a letter of notification on our policy to our new suppliers and requested them to cooperate with us in Conflict Free System and asked them to adopt a similar policy as ours.

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

Comments and Demonstration of Compliance:

We have developed a mechanism allowing employees to voice concerns over gold supply chain risk. Internal reporting mailbox has been established which is reviewed by the compliance officer.

Step 2: Identify and assess risks in the supply chain

Compliance Statement with Requirement:

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

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

Comments and Demonstration of Compliance:

We identify and assess risks in the supply chain. For every gold-bearing materials supplier, we have established a client database and evaluate the risk level according to internal assessment criteria. We will immediately suspend our material procurement if the transaction with counterparty is deemed to be high-risk in the gold supply chain.

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

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-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-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-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. All the gold-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.

Ishifuku reports risk assessment to the senior management.

Comments and Demonstration of Compliance:

The compliance officer, based on our monitoring activities, reports annually 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 supply chain.

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

Compliance Statement with Requirement:

We have fully complied with Step 3: Design and implement a management system to respond to identified risks.

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.

Comments and Demonstration of Compliance:

We have a strategy to respond to the identified risk. We assess gold-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, transaction shall be suspended or halted depending on the risk level.

Where a management strategy of risk mitigation is undertaken, it should include measureable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk and regular reporting to designated senior management.

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 2015.

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

Compliance Statement with Requirement:

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

Comments and Demonstration of Compliance:

Ishifuku engaged the services of the assurance provider KPMG AZSA Sustainability Co., Ltd., and their independent limited 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>

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:

This compliance report and our Policy on Raw material Procurement are available on our website.

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

Table 3: Management conclusion

Is the Refiner in compliance with the requirements of the LBMA Responsible Gold 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, as explained above in Table 2, for the reporting year ended 31 December 2015.

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

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