



## Independent Assurance Report

To the Management of Ishifuku Metal Industry Co., Ltd.

We were engaged by Ishifuku Metal Industry Co., Ltd. (the “Company”) to undertake a limited assurance engagement of its LBMA Responsible Gold Guidance Compliance Report (the “Compliance Report”) for the year ended 31 December 2017. The assurance scope consists of the Company’s Compliance Report.

### **The Company’s responsibility**

The management of the Company is responsible for the preparation and fair presentation of its Compliance Report in accordance with the requirements of the LBMA Responsible Gold Guidance (the “Guidance”). This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived. The criteria identified by the management as relevant for demonstrating compliance with the Guidance are the activities described within the Company’s Compliance Report.

### **Our responsibility**

Our responsibility is to carry out a limited assurance engagement in order to express a conclusion based on the work performed. We conducted our assurance engagement in accordance with International Standard on Assurance Engagements ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board and the guidance set out in the LBMA Responsible Gold Programme - Third Party Audit Guidance for ISAE 3000 Auditors (the “Audit Guidance”).

The extent of evidence-gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.

This report has been prepared for the Company for the purpose of assisting the management in determining whether the Company has complied with the Guidance and for no other purpose. Our assurance report is made solely to the Company in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than the Company for our work, or for the conclusions we have reached in the assurance report.

We planned and performed our work to obtain all the evidence, information and explanations considered necessary in relation to the above scope. These procedures included:

- Inquiring management to gain an understanding of the Company’s processes and risk management protocols in place
- Inquiring relevant staff responsible for the preparation of the Compliance Report
- Site visit to the Soka Plant
- Assessing the suitability of the policies, procedures and internal controls that the Company has in place to conform to the Guidance
- Reviewing a selection of the supporting documentation, including gold supplier counterparty due diligence file and transaction’s documentation
- Testing a selection of the underlying processes and controls that support the information in the Compliance Report
- Reviewing the presentation of the Compliance Report to ensure consistency with our findings

### **Inherent limitations**

Non-financial information, such as that included in the Company’s Compliance Report, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The methods used by Refiners to comply with the Guidance may differ. It is important to read the Company’s gold supply chain policy available on the Company’s website: [www.ishifuku.co.jp/english/about/index.html](http://www.ishifuku.co.jp/english/about/index.html).



## **Conclusion**

Based on the limited assurance procedures performed, as described above, nothing has come to our attention that would lead us to believe that the Company's Compliance Report for the year ended 31 December 2017 does not, in all material respects, describe fairly the activities undertaken during the year to demonstrate compliance, and management's overall conclusion contained therein is not in accordance with the requirements of the LBMA Responsible Gold Guidance.

## **Independence, quality control and competency statement**

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

In conducting our engagement, we confirm that we satisfy the criteria for assurance providers as set out in the Audit Guidance to carry out the assurance engagement.

*KPMG AZSA Sustainability Co., Ltd.*

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

30 March 2018

## 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, 2017
Date of Report :	March 30, 2018
Senior management responsible for this report:	Motonari Komiya, 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. It was not revised in 2017.

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.

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**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.

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Ishifuku has strengthened company engagement with gold supplying counterparties, and where possible, assisted gold 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 new suppliers in 2017 and requested them to cooperate with us in Conflict Free 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 supply chain risk. Internal reporting mailbox has been established which is reviewed by the compliance officer.

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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-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 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-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. 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-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 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-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 measureable 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 2017.

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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 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>

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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**

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Is the Refiner in compliance with the requirements of the LBMA Responsible Gold 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 LBMA Responsible Gold Guidance, as explained above in Table 2, for the reporting year ended 31 December 2017.

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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