

Ishifuku LPPM Responsible Platinum/Palladium Guidance Compliance Report

The LPPM Responsible Platinum/Palladium Guidance (hereinafter referred to as the 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 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, 2021
Date of Report :	April 4, 2022
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 platinum and/or palladium?

We 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. We revised our Policy on Raw Material Procurement in 2019 to explicitly include platinum and palladium as materials for which we shall exercise due care in the procurement process. The policy is approved by the senior management as stipulated in the company's 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.

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

An internal management system for gold supply chain due diligence was originally set up in 2012 to define the governance, roles and responsibilities, communication and senior management review as per the adopted policy, as required by the London Bullion Market Association (LBMA) Responsible Gold Guidance. We have subsequently revised our supply chain due diligence management system, and in 2019, we expanded the scope to include platinum and palladium. The compliance officer is assigned to manage the process, and has a direct line of reporting to the senior management. 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". Each 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 2021 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.

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

We have a system in place to accept raw materials containing platinum and palladium. Acceptance requires the entry of specific documents and transaction details, which are registered in the transaction system for each lot received. In addition, each department involved in the procurement of materials containing platinum and palladium 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 LPPM'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.

An education and training plan is prepared, and the relevant contents are carried out for the target employees. In addition, internal audits are conducted at least once a year to confirm that the due diligence management system is operated and managed appropriately. In 2021, all of the 88 employees eligible for training were educated and trained on the revision of the LBMA Responsible Gold Guidance Version9. We are taking measures to move away from cash payment towards payment conducted through official banking systems. Also, any exceptional case shall have a clear reason supported by verifiable information and is approved by senior management.

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

We send a KYC questionnaire, which we have developed based on the LPPM's KYC questionnaires, and our "Raw Materials Procurement Policy" to suppliers, excluding individual suppliers from who we purchase materials over the counter, and request them understand, 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.

The Raw Materials Procurement Policy includes the following elements

Prohibition of funding for conflicts and terrorism

Prohibition of human rights violations

Prohibit payment of taxes, fees, and mining concession fees in conflict areas

Prohibition of money laundering

Environmental and sustainability responsibilities

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

Step1E Has the refiner established a company-wide communication mechanism to promote broad-based employee participation and risk identification to management?

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.

The same mechanism has been used from January 2019 onwards to solicit any concerns anonymously over the supply chain of platinum and palladium. In 2019, we set up the Raw Material Procurement Hotline in English so that non-Japanese speaking stakeholders can anonymously voice concerns.

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

In 2021, there were 2 reports received by the above mechanism, but both were sales emails, and there were no concerns or complaints regarding supply chain risk.

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.

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

Comments and Demonstration of Compliance:

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 2021, 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 platinum- and palladium-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 platinum- and palladium-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.

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

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 and nature of business, country of origin.

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

- Platinum- and palladium-bearing materials originate in or transit through countries we identify as CHARAs.
- A supplier's location falls under a country at high risk of money laundering or a specific country in the FATF statement.
- The beneficial owner of a supplier is a PEP.
- A supplier is involved in the business of weapons, gambling, casinos, antiques, art or cult groups.
- A supplier falls under the economic sanctions list maintained by Japan's Ministry of Finance.

Ishifuku reports risk assessment to the senior management.

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 platinum and palladium 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.

We have a strategy to respond to the identified risk. We assess platinum- and palladium-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.

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.

We did not identify any risks that would fall under money laundering, terrorist financing and human rights abuses in our supply chain during 2021.

In addition, we do not currently procure platinum and palladium from state-owned companies

operating in EITI countries.

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/policy_detail.html

Table 3: Management conclusion

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

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 2021.

Ishifuku is committed to continuous improvement, and any corrective actions identified shall 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
