

## Ishifuku LPPM Responsible Platinum/Palladium Compliance Report

The LPPM Responsible Platinum/Palladium 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 LPPM Responsible Platinum/Palladium 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, 2019
Date of Report :	March 26, 2020
Senior management responsible for this report:	Motonari Komiya, Director

### 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 platinum and palladium.

##### Comments and Demonstration of Compliance:

We established our Policy on Raw Material Procurement for gold, tin, tungsten and tantalum 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. We revised our Policy on Raw Material Procurement in January 2019 to explicitly include LPPM platinum and palladium as materials for which we shall exercise due care in the procurement process.

Ishifuku has set up an internal management structure to support supply chain due diligence.

##### Comments and Demonstration of Compliance:

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 LPPM platinum and palladium.

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 were provided in 2019 to employees who were involved in the purchasing and handling of platinum- and palladium-bearing materials in order to raise their awareness for our responsibility for the platinum and palladium supply chain.

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

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#### Comments and Demonstration of Compliance:

Ishifuku has a robust platinum- and palladium-bearing materials receipts process. Specific documents must be received and transactional details entered before we process the platinum- and palladium-bearing materials. Each lot received is accurately registered in our transactional system. We evaluate our suppliers at each department that is engaged in the procurement of platinum- and palladium-bearing materials.

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

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#### Comments and Demonstration of Compliance:

We sent a letter of notification on our revised policy to all of our suppliers in 2019, requested them to cooperate with us in our Responsible Sourcing 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 originally developed and subsequently revised a mechanism allowing our employees and external stakeholders to voice concerns over the supply chain of gold and silver, as required by the LBMA Responsible Gold Guidance and the LBMA Silver Guidance. The same mechanism has been used from January 2019 onwards to solicit any concerns over the supply chain of platinum and palladium.

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

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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 have originally developed and subsequently revised a process to identify and assess risks in the gold and silver supply chain, as required by the LBMA Responsible Gold Guidance and the LBMA Silver Guidance. The same process has been used from January 2019 onwards to identify and assess risks in the platinum and palladium supply chain. For every platinum- and palladium-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 platinum and palladium 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 platinum- and palladium-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 platinum- and palladium-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 platinum- 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.

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.

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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 platinum and palladium 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 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.

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 2019.

**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 reasonable 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 LPPM Responsible Platinum/Palladium Guidance for the reporting period?

Yes.

In conclusion, Ishifuku implemented effective management systems, procedures, processes and practices to conform to the requirements of the LPPM Responsible Platinum/Palladium Guidance as explained above in Table 2, for the reporting year ended 31 December 2019.

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