



## Independent Assurance Report

To the Management of ASAHI METALFINE, Inc.

We were engaged by ASAHI METALFINE, Inc. (the “Company”) to undertake a limited assurance engagement of its LBMA Responsible Gold and Silver Guidance Compliance Report (the “Compliance Report”) for the year ended 31 March 2024. 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 Version 9 and the LBMA Responsible Silver Guidance Version 1 (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 the ‘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 Sourcing Programme - Third Party Audit Guidance (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 visits to the Head Office and Bando 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 and Silver 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 LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance available on the Company’s website: <https://www.asahimetalfine.com/en/responsible-sourcing/>.



## **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 March 2024 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 Guidance.

## **Independence, quality management 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 Management 1, we design, implement and operate a system of quality management including policies or 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.

A handwritten signature in black ink, appearing to read 'Kazuhiko Saito'.

Kazuhiko Saito, Partner, Representative Director

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

21 June 2024

## LBMA Responsible Gold and Silver Guidance Compliance Report

The LBMA Responsible Gold Guidance version 9 and the LBMA Responsible Silver Guidance version 2 (collectively the “LBMA 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.

This report summarizes how ASAHI METALFINE, Inc. has complied with the requirements of the LBMA Guidance.

### **Table 1: Refiner’s details**

Refiner’s name:	ASAHI METALFINE, Inc.
Location:	Sapia Tower 11F, 1-7-12 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan
Reporting year-end:	March 31, 2024
Date of Report:	June 21, 2024
Senior management responsible for this report:	Nobuo Tajima, Representative Director and President

ASAHI METALFINE’s evaluation

### **Table 2: Summary of activities to demonstrate compliance**

#### **Step 1: Establish strong company management systems**

##### **Compliance Statement with Requirement:**

ASAHI METALFINE has fully complied with Step 1: Establish strong company management systems

##### **1.1. Adopt and commit to a policy for supply chain due diligence**

Original Asahi Pretec had its Head Office in Tokyo and operated precious metal refining and manufacturing in Bando, Ibaraki for gold, and in Saijo, Ehime for silver. In addition, Asahi Pretec had the sales offices for collecting materials containing precious metals and the plants for treatment in Japan. Original Asahi Pretec was split into three entities effective from April 1, 2023. The environmental preservation business was transferred to Japan Waste Corporation, the precious metal refining, manufacturing and trading business were transferred to ASAHI METALFINE Inc, and the sales offices for collecting materials containing precious metals and the plants for treatment were succeeded by New Asahi Pretec. All entities are 100% owned by ARE Holdings Inc which is listed on the Tokyo Stock Exchange.

On April 1, 2023, ASAHI METALFINE succeeded refining and manufacturing business at Bando Plant for gold and Ehime Plant for silver, as well as sales and trading business at Tokyo Head Office. The LBMA Good Delivery status for gold and silver was transferred to ASAHI METALFINE. On July 1, 2023, silver refining and manufacturing facility at Ehime Plant moved to Bando Plant and started its operation.

ASAHI METALFINE has its Head Office in Tokyo and operates precious metal refining and manufacturing of gold and silver at Bando Plant. We have sourced the materials containing precious metals through New Asahi Pretec for the reporting year.

We have adopted our policy and procedures regarding due diligence for supply chain of precious metals, which are consistent with the model set out in the Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (the “OECD Guidance”).

In 2012, we completed and started applying the Basic Policy for Handling of Conflict Metal, which was based on our Code of Conduct “Asahi Way”. In 2018, we revised our policy and renamed it the “Responsible Precious Metals Management Policy” (the “Policy”), and have made changes to the Policy regularly in response to the revisions to relevant industry guidance. The latest revision to the Policy was on March 1, 2024.

The Policy sets out our responsibility for promoting responsible precious metals management in the precious metals supply chain in order to avoid contributing to conflict, human rights abuses, money laundering, financing terrorists, corruption, fraudulent transactions, and non-compliance with environmental and sustainability legal requirements.

We make clear in the Policy that we will avoid the following OECD Annex II risk factors and ESG factors.

- Human rights abuses associated with the extraction, transport or trade of minerals
- Direct or indirect support to non-state armed groups
- Direct or indirect support to illegitimate public or private security forces
- Bribery and fraudulent misrepresentation of the origin of minerals
- Money laundering
- Non-compliance with taxes, fees and royalties due to governments
- Other risks that adversely affect sustainability including ESG factors (Environmental, Social, Governance)

The Policy is approved by senior management, and updated if necessary in response to the revisions to relevant industry guidance. The Policy is communicated by providing online training programs to all relevant employees and the latest version of the policy is available in English on our website (<https://www.asahimetalfine.com/en/responsible-sourcing/>).

### **1.2. Establish management structures to support supply chain due diligence**

We have set up an internal management system to support supply chain due diligence to define the governance, roles and responsibilities, internal review, communication and senior management review.

Senior management retains the ultimate control and responsibility over the precious metals supply chain. We have established the Responsible Precious Metals Management Committee (the “Committee”) composed of the Compliance Officer and experienced members. The Compliance Officer has been assigned by senior management to manage the process of due diligence and report directly to senior management. The Committee is responsible for an ongoing assessment, monitoring, and providing training to Board members and all relevant employees. The Business Division Manager is responsible for counterparty/supplier due diligence. The Plant Manager is responsible for traceability.

All due diligence processes are conducted by the Business Division (Sales team) and/or the Committee members, and the results are reviewed by the Compliance Officer and senior management.

We have provided the following online training program for the reporting year.

- Internal regulatory update on our responsible precious metal management to Board members and all employees engaged in collecting, refining or producing of precious metals at Sales Offices, Plants, Business Divisions as of July 1, 2023, as well as the employees engaged in Administration Departments at Head Office.

Cash transaction for purchasing bullion is not allowed.

No due diligence issues were identified for the reporting year.

### **1.3. Establish a gold and silver traceability system**

We source from only recycled precious metals supply chains. No mined precious metals supply chains are allowed. We source mainly industrial, jewelry and dental recycled materials.

Our traceability system has been well established on the grounds of our material receipt process and internal traceability program.

According to our material receipt process, inspection is performed whenever materials are received. After that, a unique identification number will be assigned to each material. Those individual numbers with all material information verified after inspection are input into our internal traceability program. All individual numbers are traceable throughout the whole manufacturing process with record retained in our internal traceability program.

Each step of the process, starting from receiving at the Plant until the first destination of each product shipment, is monitored in our internal traceability program and information of transaction number, date, customer name, shipping information, country of origin, type of material, quantity and assay could be retrieved anytime.

No traceability issues related to the identification of counterparty and the origin of material over the supply chain were identified for the reporting year.

#### **1.4. Strengthen company engagement with gold and silver supplying counterparties**

We established a KYC Procedure which is based on our RPM Policy and reviewed it regularly.

We communicate the Policy, verbally or in writing, to our counterparties/suppliers to obtain their understanding and consent to it. We request all our counterparties/suppliers to consent to the Policy in accordance with our KYC procedures.

#### **1.5. Establish a confidential grievance mechanism**

We have established two types of confidential grievance mechanism.

##### **( i ) ASAHI Hotline**

The "ASAHI Hotline" allows all our group employees including overseas group companies to anonymously report organizational or individual concerns regarding violations on laws, corruption, human rights abuses including harassment, etc. It includes both internal and external contact points. The external contact point is at an external law firm to ensure the independency where anonymous reports are also accepted. On the other hands, the internal contact point is set up for prevention purpose which every employee could feel free to use. No disadvantage on reporting to both internal and external contact points shall be resulted. All reported cases shall be kept confidential.

##### **( ii ) Inquiry Form on our website (<https://www.asahimetalfine.com/en/contact/>)**

An external reporting point on our website that can be used anonymously by internal and external stakeholders for any concerns or issues related to "Responsible Precious Metals Management" has been established. Whenever senior management receives a grievance, it shall set up an investigation team composed of members in an impartial position.

No grievance related to concerns or identified risks over the supply chain was received for the reporting year and there were no remaining concerns to be closed out.

### **Step 2: Identify and assess supply chain risks**

#### **Compliance Statement with Requirement:**

ASAHI METALFINE has fully complied with Step 2: Identify and assess supply chain risks

#### **2.1. Conduct supply chain due diligence to identify potential risks**

We identify risks of the material, location and counterparty/supplier in the supply chain of precious metals.

Our due diligence is carried out on a risk-based approach and follows our requirements as outlined in the Responsible Precious Metals Management Manual (the “Manual”) before entering any business relationship. We obtain the information on origin of material, nature of business, beneficial owners, financials and other information of our potential counterparty/suppliers.

We conduct risk assessment based on our risk categories. Risk level is distinguished by assessing the industry sector and nature of business, country of origin, quantity of supply, and systematically apply them to all our counterparties/suppliers. We collect such information through the KYC Form, shipping documents and credit research service, etc.

On the other hand, we define the Conflict Affected and High-Risk Areas (the “CAHRAs”) and the “Amber List” by establishing a Country/Region Score Table based on the criteria of Conflict, Governance, Human Right, AML-CFT and Sanction. We use several reliable and independent information such as the Heidelberg Conflict Barometer, the Fragile States Index, the Human Freedom Index, the KnowYourCountry Ratings Table, the EU CHARA List, the US/UK/EU/UN Sanction Lists, the Section 1502 of the US Dodd-Frank Act, the Financial Action Task Force (FATF) and the Office of the High Commissioner for Human Rights (OHCHR) for analysis. Moreover, the Sourcing Advisory provided by LBMA has also been taken into account when constructing our CAHRAs and Amber list. The Amber list includes countries that are not defined as high-risk but having a potential high-risk of conflict, governance, human rights and money laundering. These lists are reviewed quarterly by the Committee and approved by the Compliance Officer.

According to the Manual, any transaction with counterparty/supplier or material originating from the countries listed on the CAHRAs and Amber list shall be approved by the Compliance Officer.

The Compliance Officer is responsible for monitoring and reviewing the effectiveness of our management system, and is required to report at least once a year the result to senior management. The Compliance Officer is required to report any information related to prohibited transaction or high-risk supply chain of precious metals to senior management.

The Compliance Officer reported the results of the due diligence for the reporting year ended March 31, 2024, to senior management in May 2024.

## **2.2. Classify supply chains based on risk profiles**

We assess the risks of our counterparties/suppliers and their materials in the supply chain of precious metals according to the material type-specific criteria we specify. In order to assess risks for our supply chain, we make use of several reliable and independent information providers. All risk assessments are conducted by the Business Division (Sales team) and/or the Committee members. Corresponding results are reviewed by the Compliance Officer and senior management.

We consider the following materials, locations and counterparties/suppliers as “prohibited transaction (zero-tolerance)”.

- Mined material
- Smuggled material
- Material that originates from or has been transported through the Democratic Republic of the Congo and nine surrounding countries listed in Section 1502 of the US Dodd-Frank Act (the “DRC and surrounding countries”)
- Counterparty/supplier located in the DRC and surrounding countries
- Counterparty/supplier or their beneficial owner listed in the antisocial forces or sanctions lists
- Counterparty/supplier that has connection with conflict, human rights abuses, money laundering, financing terrorists, fraudulent transactions, or environmental destruction

We consider the following materials, locations and counterparties/suppliers as “high-risk supply chain”.

- Material from an Intermediate refinery in CAHRAs
- Material that originates from or has been transported through CAHRAs
- Counterparty/supplier or their beneficial owner located in CAHRAs
- Counterparty/supplier in higher risk industry such as arms, gaming and casino industry, etc.
- Counterparty/supplier or their beneficial owner classified as PEPs
- Counterparty/supplier that has been known to have sourced gold from a high-risk country in the last 12 months
- Counterparty/supplier that has significant unexplained geographic routing from counterparty/supplier

When a high-risk supply chain is identified, the Business Division Manager in charge is required to implement further investigation in order to determine whether to terminate or continue the business relationship. Identified risks shall be reported to and approved by the Compliance Officer

We constantly monitor all transactions which take place through the course of the entire business relationship and we conduct appropriate scrutiny and monitoring of the counterparties/suppliers on a periodic basis.

No zero-tolerance and high-risk supply chain were identified for the reporting year.

### **2.3. Undertake enhanced due diligence measures for high-risk supply chains**

We perform enhanced due diligence (EDD) for high-risk supply chain. Where EDD is triggered, we undertake an on-site visit conducted by competent personnel, joint assessment team or external consultant, using the LBMA on-site toolkit for the reporting. For the intermediate refiners with high-risk supply chain, they are required to perform its supply chain due diligence procedures in line with the OECD guidance and obtain an independent third-party assurance on its supply chain due diligence. They are also required to be provided a government-issued identification of their representative and beneficial owner.

The counterparties/suppliers defined as high-risk are reviewed annually and required to be approved by the Compliance Officer. The counterparties/suppliers defined as not high-risk are also reviewed on a periodic basis by the Committee. All counterparties/suppliers are reviewed on an event trigger basis, such as ownership change and adverse media identified.

As no counterparties/suppliers required to be conducted an EDD were identified for the reporting year, we did not undertake on-site visits during the reporting year.

## **Step 3: Design and implement a management strategy to respond to identified risks**

### **Compliance Statement with Requirement:**

ASAHI METALFINE has fully complied with Step 3: Design and implement a management strategy to respond to identified risks

### **3.1. Devise a risk management strategy for the identified risk**

We determine the acceptance of the materials according to our internal management system as follows;

- (a) We shall immediately terminate business relationship with counterparty/supplier if any prohibited transaction is identified.
- (b) When a high-risk supply chain is identified, we shall suspend the transaction and conduct an enhanced due diligence in order to determine whether to terminate or continue the business relationship. We continue the transaction if we are able to mitigate the risk. We shall terminate the transaction if we are

unable to mitigate the risk.

- (c) When any doubt or concern of prohibited transaction or high-risk supply chain is identified, we shall suspend the transaction and conduct necessary investigation in order to determine the risk level. We shall continue the transaction if any doubt or concern of risk is not identified as the result of confirming the risk level.
- (d) Even if the transaction is identified as not high-risk supply chain, we shall mitigate the risk when any concern of negative impact on the supply chain is identified.

No instances to be reported to local government authorities were identified during the reporting year.

No relationships were suspended or cancelled for the reporting year.

### **3.2. Monitor the improvement plan**

Our risk mitigation steps for high-risk supply chain are as follows;

- (a) Approach counterparty or supplier to obtain further information regarding the operation and development of AML-CFT, sustainability and ESG activities.
- (b) Based on the results of the required additional inspection, an improvement plan is established and the counterparty or supplier will be required to implement the corrective action plan within a specified period.
- (c) If we determine that the counterparty or supplier has made good faith efforts to remedy the identified risk and has already mitigated the risk, we continue business relationship with approval of the Compliance Officer.
- (d) If we determine that mitigation action is required for the identified risk, we continue business relationship with approval of the Compliance Officer, subject to be provided that the supplier implements a corrective action plan with a reasonable timeline and objectives.
- (e) When mitigating the risk while continuing business relationship, the progress in implementing the corrective action plan shall be monitored and reported regularly to the Compliance Officer, and additional measures shall be implemented as necessary in accordance with the progress.
- (f) When the specified deadline arrives, we reassess the risk based on the progress and determine whether to continue or terminate business relationship.

No corrective action plan was implemented to be monitored for the reporting year.

### **3.3. Report findings to the Board Committee**

The Compliance Officer is responsible for monitoring and reviewing the effectiveness of our management system, and is required to report the result to senior management at least once a year. The Compliance Officer is required to report any information related to prohibited transaction or high-risk supply chain of precious metals to senior management.

### **3.4. Continuously monitor adequacy of risk management strategies**

We conduct appropriate scrutiny and monitoring as part of our ongoing customer due diligence procedures and undertake KYC updates and compliance checks on a periodic basis.

## **[Step 4: Obtain independent third-party assurance on supply chain due diligence practices](#)**

### **Compliance Statement with Requirement:**

ASAHI METALFINE has fully complied with Step 4: Obtain independent third-party assurance on supply chain due diligence practices



We engaged the services of the assurance provider, KPMG AZSA Sustainability Co., Ltd. and their Independent Assurance Report is attached hereto.

In order to ensure the independence of audit, the assurance service contract refers to the independence and no conflict of interest between us, and is approved by senior management.

No high and medium-risk non-conformances were identified for the reporting year.

### **Step 5: Report annually on supply chain due diligence**

#### **Compliance Statement with Requirement:**

ASAHI METALFINE has fully complied with Step 5: Report annually on supply chain due diligence

Our compliance report for the reporting year and related assurance report are available on our website (<https://www.asahimetalfine.com/en/responsible-sourcing/>).

#### **Table 3: Management conclusion**

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

Yes. In conclusion, we implemented effective management systems, procedures, processes and practices to conform to the requirements of the LBMA Guidance, as explained above in Table 2, for the reporting year ended March 31, 2024.

#### **Table 4: Other report comments**

If users of this report wish to provide any feedback to us with respect to this report, they can contact our Compliance Officer on [certification@asahimetalfine.com](mailto:certification@asahimetalfine.com).



Nobuo Tajima  
Representative Director and President