



Independent Assurance Report

To the Management of ASAHI METALFINE, Inc.

We were engaged by ASAHI METALFINE, Inc. (the “Company”) to undertake a reasonable assurance engagement of its LBMA Responsible Gold and Silver Guidance Compliance Report (the “Compliance Report”) for the year ended 31 March 2023. 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 and the LBMA Responsible Silver 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 reasonable 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”).

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.

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 Responsible Precious Metals Management Policy available on the Company’s website: www.asahimetalfine.com/en/responsible-sourcing/.

Conclusion

In our opinion, the Company’s Compliance Report for the year ended 31 March 2023, in all material respects, describes fairly the activities undertaken during the year to demonstrate compliance, and management’s overall conclusion contained therein is in accordance with the requirements of the 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.

Kazuhiko Saito, Partner, Representative Director
KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan
14 July 2023

LBMA Responsible Gold and Silver Guidance Compliance Report

The LBMA Responsible Gold Guidance version 9 and the LBMA Responsible Silver Guidance version 1 (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. (formerly known as Asahi Pretec Corp.) has complied with the requirements of the LBMA Guidance.

Table 1: Refiner’s details

Refiner’s name:	ASAHI METALFINE, Inc. (formerly known as Asahi Pretec Corp.)
Location:	Sapia Tower 11F, 1-7-12 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan
Reporting year-end:	March 31, 2023
Date of Report:	June 30, 2023
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 for gold, and in Saijo 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 Asahi Holdings Inc which is listed on the Tokyo Stock Exchange.

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.

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 several times in response to the revisions to relevant industry guidance. The last revision to the Policy was on April 1, 2023.

This 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.

- 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, a chairman of the Committee, 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 Unit Manager is responsible for counterparty/supplier due diligence. The Plant Manager is responsible for traceability.

All due diligence processes are conducted by the Business Unit (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 programs in fiscal 2022.

- 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 Units as of June 1, 2022, as well as the employees engaged in Administration Departments at Head Office.
- Procedures of customer due diligence to Board members and all employees engaged in collecting of precious metals at Sales Offices and Business Units as of October 31, 2022.

Cash transaction over one million in JPY for purchasing bullion by the Precious Metal Sales Dept. is not allowed. Cash transaction over one million in JPY for purchasing precious metal scrap and plates by the Business Units is required to be provided a government-issued identification and receipt from counterparty. Any cash transaction should have a rational reason and be approved in advance by the delegated person by senior management.

No due diligence issues were identified for the reporting year.

1.3. Establish a gold and silver traceability system

We have adopted a material receipt and inspection process. We record all transactions with a unique identification number assigned for each material collected by the persons in charge or delivered by the suppliers. Each material shall be weighted and identified with the transactional details (transaction number, date, customer name, shipping information, country of origin, type of material) shared by our Sales team

before processing received materials. We also record quantity and assay in the 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.

Each step of the process from receipt of material containing precious metals at the Plant until production of precious metals, as well as the first destination of each product shipment, are recorded in the system.

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 communicate the Policy, verbally or in writing, to our counterparties/suppliers to obtain their understanding of, and consent to, the Policy. We sent KYC Forms or RPM Consent Forms to our counterparties/suppliers that were required to be consented to the Policy in accordance with our KYC procedures.

In addition, we have published the newsletters periodically and explained to our counterparties/suppliers why we need to confirm that they and their materials to be supplied have no connection with conflict, human rights abuses, money laundering, financing terrorists, corruption, fraudulent transactions, and non-compliance with environmental and sustainability legal requirements in fiscal 2022.

1.5. Establish a confidential grievance mechanism

A confidential grievance mechanism has been implemented to allow any employee or stakeholder to anonymously report concerns over the supply chain of precious metals or any identified risk directly to senior management through the inquiry form on our website (<https://www.asahimetalfine.com/en/contact/>) or a whistleblower hotline. 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 process 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.

We have established our criteria for risk categories based on the suppliers' 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.

In order to define the Conflict Affected and High-Risk Areas (the "CAHRAs"), we have established 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). The CAHRAs List is reviewed quarterly by the Committee and approved by the Compliance Officer.

In addition, we have established the “Amber List” which includes the countries, not defined as high-risk but having a potential high-risk of conflict, governance, human rights and money laundering. Any transaction with counterparty/supplier or material originating from the Amber List countries shall be approved by the Compliance Officer. The Amber List is also reviewed quarterly by the Committee and approved by the Compliance Officer.

We provide the online training programs for the customer due diligence to all employees engaged in collecting of precious metals at Sales Offices and Business Units to secure experienced and skilled personnel.

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 whenever 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, 2023, to senior management in May 2023.

2.2. Classify supply chains based on risk profiles

We assess risks of the counterparties/suppliers and 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 use several reliable and independent information providers. All risk assessments are conducted by the Business Unit (Sales team) and/or the Committee members. All risk assessments 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
- The material 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 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”.

- The material from an Intermediate refinery with a high-risk supply chain
- The material 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
- Have been known to have sourced gold from a high-risk country in the last 12 months
- Have significant unexplained geographic routing from counterparty/supplier

When a high-risk supply chain is identified, the Business Unit Manager in charge is required 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 and senior management.

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.

No counterparties/suppliers required to be conducted an EDD were identified for the reporting year. We did not undertake on-site visits to high-risk counterparties/areas for risk assessment purposes 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 will 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, cancelled or mitigated for the reporting year.

3.2. Monitor the improvement plan

No relationships were suspended or cancelled 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 at least once a year the result to senior management. The Compliance Officer is whenever 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 in fiscal 2021 and 2022.

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, 2023.

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.



Nobuo Tajima
Representative Director and President