



## **FY 2019-20 Compliance Report LBMA Responsible Gold and Silver Guidance**

### **Foreword**

Asahi Refining “Asahi”, a wholly owned subsidiary of Asahi Holdings Inc., is a leading precious metal refiner, trader, and bullion product manufacturer. The company maintains LBMA-certified London good delivery refineries in Salt Lake City, Utah, USA and Brampton, Ontario, Canada. Additionally, the company operates a full-service precious metals minting and carbon treatment facility in Florida, USA. The businesses serve a global client base from the mining, recycling, banking and bullion trading industries.

As a leader in the precious metals industry, Asahi Refining recognizes the unique opportunity that it must play in the development, implementation and continuous improvement of systems designed to detect and prevent commercial activities that contribute to the financing of armed groups, human rights abuses, money laundering, terrorist financing and other illegal activities.

Throughout 2019 Asahi Refining engaged and invested in projects designed to scope, analyze, and provide solutions for increased transparency and responsibility within the global gold and silver supply chain.

Asahi Refining is a member of the Responsible Artisanal Gold Solutions (RAGS) Forum, a multi-stakeholder coalition seeking to learn about and address barriers and challenges in setting up a responsible and transparent supply chain in the African Great Lakes Region. The group consists of other LBMA refiners, NGOs, Government Organizations, Jewelry Manufacturers and Electronics Manufacturers, among others.

Asahi participates in the Responsible Mineral Initiative’s Risk Readiness Assessment program. This program provides further transparency in supply chain mapping. Asahi Refining was contacted by several international manufacturers to share RRA details to create a complete supply chain map.

Asahi Refining has assigned organizational responsibilities and outlined requirements for due diligence, transaction monitoring, training, records and reporting, as detailed in our Precious Metals Procurement and Compliance Procedures.

As an LBMA Good Delivery Refiner, Asahi Refining, monitors the source of all precious metals accepted into our Salt Lake City and Brampton refineries to ensure that we comply with LBMA’s Responsible Gold Guidance (RGG) and Responsible Silver guidance which is based on the OECD Due Diligence Guidance as well as Swiss and US KYC, Anti-Money Laundering and Combatting Terrorist Financing regulations.

The following compliance report illustrates Asahi Refining’s continuous improvement activities within the time period of April 1, 2019 to March 31, 2020.

## Table 1: Refiner's details

Refiner:	Asahi Refining Canada Limited
Location:	Brampton, Canada
Reporting Year-end:	31 March 2020
Date of Report:	14 April 2020
Audit Date	December 2020
Senior Manager Responsible:	Shohei Yasuda, President, North America <a href="mailto:Shohei.yasuda@asahirefining.com">Shohei.yasuda@asahirefining.com</a>

## Asahi Refining's Evaluation

The following table lists the minimum requirements that must be satisfied by Refiners in accordance with the LBMA Responsible Gold and Silver Guidance to demonstrate compliance.

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

### Step 1: Establish strong company management systems

Asahi Refining has complied with Step 1.

#### 1. Adopt a company policy regarding due diligence for supply chains of gold and silver

In 2019 Asahi reviewed and revised the compliance and due diligence policies. In addition to the compliance policies, Asahi also created all new anti-money Laundering policies and guidelines to be followed at all Asahi facilities. Following the development of the new policies and procedures, Asahi refining Brampton engaged an independent 3<sup>rd</sup> party auditor to complete an AML system test of all policies.

The due diligence policies and procedures are consistent with the model set out in LBMA's Responsible Gold Guidance and Annex II of the OECD Due Diligence Guidance. In combination, these set out our responsibility for conducting risk based due diligence, screening and transaction monitoring.

#### 2. Set up an internal management structure to support supply chain due diligence

Asahi Refining has implemented an internal management system to support supply chain due diligence. Duties, roles, authorities and responsibilities for implementing the policy and to manage the Due Diligence process are clearly defined. A Compliance Officer has been assigned to manage and oversee the process.

The Asahi Refining compliance program functions under the umbrella of corporate security and risk management. The Security & Compliance Manager, North America is supported by a compliance committee made up of managers and executive management. This position works closely with the



Global Head of Refining Sales, the Global Business Development Manager and has a direct reporting line to the President of Asahi Refining, North America.

In 2019, Asahi added an industry experienced ACAMS certified compliance analyst to the team. This role adds a dedicated knowledge base and expertise in KYC, due diligence, and precious metals regulation.

**3. Establish a strong internal system of due diligence, controls and transparency over gold supply chains, including traceability and identification of other supply chain actors.**

The Asahi Refining's Compliance officer oversees the administration of its responsible gold and silver programs. Asahi Refining has a strong, well-established material traceability system for each client and lot received. Documentation is reviewed for each incoming lot to ensure compliance with both our internal handling procedures and our external supply chain procedures.

Asahi Refining maintains many long-standing relationships with its clients. Asahi maintains transactional history along with know-your-customer (KYC) documentation for all clients in its legacy software system. The new compliance analyst has worked to update legacy client records using the current LBMA best practice standards.

All new refining customers are currently onboarded using the LBMA Best Practice Toolkit as a minimum standard. The compliance officer uses collected KYC data to perform risk assessment and due diligence for each client. This includes screening clients using a 3<sup>rd</sup> party compliance software system.

**4. Strengthen company engagement with supplying counterparties and, where possible, assist supplying counterparties in building due diligence capacities.**

Asahi Refining has built dynamic relationships with its gold and silver supply counterparties. During routine client visits, LBMA's Responsible Gold and Silver Guidance, Asahi Refining's Compliance Policies, and industry compliance news is shared and addressed with said clients. Where applicable, Asahi Refining consults clients on strengthening due diligence capacities.

Furthermore, Asahi often facilitates meetings with its clients in high risk areas and industry organizations to demonstrate its commitment to supply chain awareness, transparency, and continuous improvement.

Asahi has participated in industry-wide initiatives such as consultation on the Responsible Artisanal Gold Solutions Forum (RAGS). Asahi Refining also hold membership on the IPMI SECAMS and an IPMI Board Member seat. In 2019 Asahi also had representatives at the OECD Responsible Mineral Supply Chain Conference, Responsible Mineral Initiative conference, Mid-Atlantic Anti Money Laundering Conference, LBMA Precious Metals Conference, the 13<sup>th</sup> Annual Latin America ACAMS and AML Conference as well as multiple IPMI events and other key industry events. These events are a great opportunity for Asahi staff to strengthen their industry knowledge, but also allows for greater opportunity to meet with supplying counterparties.

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

Asahi Refining has a confidential and anonymous grievance mechanism in place for its employees to voice any concerns over supply chain issues or any other newly identified risk. Asahi Refining widely distributes training and references to this system across business units.

Asahi Refining's procurement policies are posted for all to read. Relevant managers are trained in identifying and communicating risk to their subordinates.

Relevant employees are trained to identify "red flags" and escalate any concerns to their immediate supervisor.

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

Asahi Refining has complied with Step 2.

### **Identify risks in the gold and silver supply chain.**

As a leader in the precious metals industry, Asahi Refining recognizes the unique opportunity that we have to play in the development, implementation and continuous improvement of systems designed to detect and prevent commercial activities that contribute to the financing of armed groups, human rights abuses, money laundering, terrorist financing and other illegal activities. Asahi Refining works with our suppliers of precious metals to ensure they are aware of our Precious Metals Procurement Policy and that the materials they deliver to Asahi Refining do not contribute to such illegal activities. Asahi Refining has assigned organizational responsibilities and outlined requirements for due diligence, transaction monitoring, training, records and reporting, as detailed in our Precious Metals Procurement Procedures.

### **2. The refiner assesses risks considering the standards of its supply chain due diligence system.**

Asahi takes a risk-based approach when managing its supplying counterparties. As such it uses modified versions of the LBMA best practice toolkit in certain circumstances. Asahi has developed its own KYC documents to address intake from segments of the market not addressed by the LBMA best practice toolkit.

Asahi Refining has a detailed Risk Assessment Matrix to help identify and assess risks in the supply chain. The Matrix evaluates several criteria which establish a risk profile for each client to define the due diligence to be performed. The risk Assessment Matrix is reviewed annually. As a result, in 2019 several improvements were implemented to strengthen the assessment.



Additionally, Asahi Refining keeps abreast of market developments through networking, industry events, and its longstanding contacts within the industry. Asahi's sales team assesses the risk of engaging with clients when scoping and filtering a prospective client's nature of business.

The company often uses a standard client declaration form as a first step to gather information from potential clients not previously known to Asahi. Risk and viability are assessed considering data gathered from the inquiring company's declaration.

The sales and compliance teams regularly gather industry research through participation in conferences such as the annual the LBMA Conference and IPMI Conferences, among others. The team also gathers research and risk publications from industry consultants and partners in secure logistics.

Supply chain due diligence comprising scoping and filtering as required by the LBMA Responsible Gold and Silver Guidance is performed before entering a relationship with a counterpart. Enhanced due diligence is performed on high-risk counterparties, especially where their gold or silver originates from or transits through a conflict-affected or high-risk region. In addition, ongoing transaction monitoring is undertaken on all client transactions.

Ongoing transactional risk is mitigated through red flag identification, regular communication between the sales, executive, and compliance teams as well as detailed analyzation by the operations and lab team.

In cases where a potential unique high-risk transaction is identified or proposed, Asahi will engage the compliance committee made up of senior managers and/or executive directors to review details of the proposed transactions and provide guidance for authorization.

### **3. Report risk assessment to designated Senior Management.**

All risk assessments are conducted by the Compliance officer and are shared with the Sales and Business Development team for discussion. High-risk new clients are approved by the Asahi Compliance Officer and President of Asahi Refining, North America. In some instances, the compliance committee is engaged to help assess the risk and ultimately make the decision on potential new high-risk clients.

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

Asahi Refining has complied with Step 3.

### **1. Report findings to designated Senior Management**

Where appropriate, information gathered, and actual and potential risk identified in the supply chain risk assessment is communicated to Senior Management.

**2. Devise a strategy for risk management of an identified risk by either (i) mitigation of the risk while continuing trade, (ii) mitigation of the risk while suspending trade, or (iii) disengagement of the risk.**

Our Procurement Procedures outline the protocol where a risk is identified on a current client. Once the presence of the risk is confirmed and whether it is deemed high-risk, or non-high risk the appropriate steps to mitigate that risk are taken.

**3. 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.**

Asahi Refining's risk mitigation process includes

- confirmation and assessment of the risk level
- agreement of steps to be taken
- ongoing transaction monitoring to ensure the agreed outcome with periodic reassessment
- reporting outcome to senior management.

Asahi Refining has developed a specific risk mitigation procedure for its highest risk secondary material clients. The appropriate relationship manager visits each client on a regular basis to discuss responsible procurement practices and survey the client on any related business changes. The relationship manager writes a full report of each visit and submits the reports directly to senior management.

Asahi Refining senior management regularly review actions and issues arising from our due diligence system for the gold and silver supply chains. As we move forward, we will continue to strengthen the documentation process of how we have followed these procedures.

**4.Undertake additional fact and risk assessments for risk requiring mitigation, or after a change of circumstances.**

Asahi continuously gathers information from its suppliers. In situations where new data changes the risk profile of a client or supply, Asahi begins an investigation which may require site visits and additionally reporting. Upon analyzing new data Asahi proceeds according in its risk mitigation procedures.

**Step 4: Arrange for an independent third-party audit of the supply chain due diligence.**

Asahi Refining has complied with Step 4.

Asahi Refining has engaged the services of RCS Global, an LBMA approved assurance provider, to provide a reasonable level of assurance over this Report.

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

Asahi Refining has complied with Step 5.

Asahi Refining has published its LBMA Responsible Gold and Silver Independent Assurance Reports along with its relevant policies in the 'about us' section on its website [www.asahirefining.com](http://www.asahirefining.com). These reports are also available in the "group quality" section at [www.asahiholdings.com](http://www.asahiholdings.com).

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

#### **Is the refiner in compliance with the requirements of the LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance for the reporting period?**

Asahi Refining is in compliance with the requirements of the LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance for the year April 1, 2019 to March 31, 2020 and is committed to developing a continuous improvement model to refine management systems, policies and procedures throughout 2020 and beyond.



Shohei Yasuda  
President  
Asahi Refining, North America