



FY 2023-2024 Compliance Report LBMA Responsible Gold and Silver Guidance

Foreword

Asahi Refining USA Inc. “ARUSA”, a wholly owned subsidiary of ARE Holdings (formerly known as Asahi Holdings Inc). a company listed on The Tokyo Stock Exchange. ARE Holdings maintains LBMA-certified London Good Delivery List refineries in Salt Lake City, Utah, USA and Brampton, Ontario, Canada. Additionally, the company operates a full-service precious metals minting facility in Florida, USA, operates a trading team based in Toronto and has recently opened a depository in New York State. These businesses serve a global client base from the mining, recycling, banking and bullion trading industries.

As a leader in the precious metals industry, ARUSA 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, other illegal activities and increasingly address wider ESG risks, publishing our first sustainability report in 2022 which was followed up by our second in this reporting period which included a case study on one of our supply chain partners.

Throughout 2023/24 ARUSA 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. We actively seek to increase the amount of ASM gold and silver in our supply chains and are an active partner in LBMA’s ASM taskforce.

As an LBMA Good Delivery Refiner, ARUSA monitors the source of all precious metals accepted into our Salt Lake City refinery to ensure that we comply with LBMA’s Responsible Gold Guidance (RGG) and Responsible Silver Guidance which are based on the OECD Due Diligence Guidance as well as other relevant legislation including, but not limited to, US KYC, Anti-Money Laundering and Combatting Terrorist Financing regulations, EU Conflict Minerals Legislation and particularly in the past two audit cycles the rapidly evolving sanctions landscape.

The following compliance report illustrates ARUSA’s continuous improvement activities within the time period of April 1, 2023 to March 31, 2024.

Table 1: Refiner's details

Refiner:	Asahi Refining USA Inc
Location:	SLC, Utah, USA
Reporting Year-end:	31 March 2024
Date of Report:	30 May 30, 2024
Audit Date	16 – 18 July 2024
Senior Manager Responsible:	Shohei Yasuda, President, North America (retired 1 April 2024)

Asahi Refining's Evaluation

The following tables highlights how Asahi Refining USA has addressed 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: Company Management Systems

ARUSA has complied with Step 1.

Adopt and commit to a policy for gold (and silver) supply chain due diligence

The compliance programme in North America is consistent across all operations in both Asahi Refining USA Inc. and Asahi Refining Canada Limited. We regularly review and where necessary update our Procurement Policies, the most recent change was implemented to reflect the new requirements of LBMA's Responsible Gold Guidance Version 9. The Precious Metal Procurement Policy is endorsed by senior management and addresses all OECD Annes II risks. The policy was last amended in May 2023 and is available on the company website (www.asahirefining.com). The policy is formatted in three sections:

Scope

- The businesses the policy covers
- The aims and objectives of the policy
- A high-level description of the Asahi's commitments
- A summary of the fundamentals of our management systems.

Commitments

- Regarding serious abuses associated with the extraction, transport or trade of minerals
- Regarding direct or indirect support to non-state armed groups
- Regarding public or private security forces
- Regarding bribery and fraudulent misrepresentation of the origin of minerals
- Regarding Money Laundering
- Regarding the payment of taxes, fees and royalties due to government
- Regarding ESG



- Risk Management
- Human Rights

Governance

- Confirmation that all Asahi employees, contractors, suppliers and other third parties comply with this policy
- Where issues are detected will take appropriate measures to protect our integrity and reputation

Copies of this policy are included in our KYC pack, which organizations must sign to acknowledge their compliance with our requirements, unless they have policies in place that conform with our requirements (for example policies aligned with World Gold Council's Responsible Gold Mining Principles or as a minimum are consistent with the OECD Annex II).

Establish management structures to support supply chain due diligence

The Senior Manager Precious Metal Supply Chain Assurance has been designated as Compliance Manager since May 2021 and is responsible for managing the Company's compliance program.. Our Compliance Analyst relocated to Mexico in late 2021 and as a native Spanish speaker performs the majority of Asahi Refining's mine and secondary client site audits. The Compliance Manager continues to have a direct reporting line to the President, and decisions on supply chain and due diligence are discussed via quarterly Compliance Committee meetings as well as on an ad-hoc basis if issues arise. The Company held four compliance meetings (July, October 2023 and January and April 2024) covering activities in this latest audit period. The Compliance Committee has the necessary authority to make decisions and monitors risks in our supply chains. The committee comprises the following:

- Compliance Manager, North America
- President, North America (Executive, Board Member)
- Global Head of Sales (Executive, Board Member)
- Director of Finance (Executive, Board Member)
- Chief Operations Officer (Executive, Board Member)
- Environmental Health and Safety Officer, North America
- Security Manager, North America

For the meeting to be quorate a minimum of 4 people must attend either in person or virtually.

We received independent legal advice during the previous audit cycle (2022 – 2023) that we should also include Security and Environment, Health & Safety alongside Responsible Sourcing. Consensus amongst participants was that this was a welcome addition and therefore this continued throughout 2023 – 2024.



The Asahi Compliance team has the necessary resources to support and monitor the due diligence process. In October 2021 we advised the then software provider that we would not be renewing our subscription and this duly lapsed in October 2022 with the new system going live on 23 September 2022. In preparation for the change of provider Asahi made a major investment in its compliance program investing almost \$100k in a bespoke on-line due diligence system provided by Ethixbase ([link](#)) Ethixbase was founded in 2011 and currently operates in nine locations globally. The system automatically checks detailed due diligence information on all our existing counterparties from over 11 million advanced risk records and 100,000+ sources daily covering:

- Politically Exposed Persons (PEPS)
- Sanctions, Watchlists & Enforcements
- Terrorism & Trafficking
- Conflict Minerals
- Environmental Crimes
- Human Rights
- And over 50 additional risk categories including – Business Crimes, Fraud, Gambling, Identity Theft, Organised Crime, Regulatory Action, Securities Violations and Tax Related Offences.

The coverage offered by Ethixbase is closely aligned with the expanded requirements of RGG V9, covering gaps in ESG that were present in our previous system. Additionally the system has a “human element” that removes false positives prior to any reports being submitted to Asahi.

The Ethixbase system was implemented in a phased approach:

- Phase 1 went live in September 2022 and comprised the daily due diligence checks on existing clients.
- Phase 2 was the addition of the Know Your Customer (KYC) forms for upstream counterparties (mines and recyclers), downstream clients (Banks/traders etc.) and service providers, up to the initial “predictive risk rating” calculation by the system. This went live in February 2023.
- Phase 3 which automated triggering of KYC forms and the final risk calculation after mitigation and review by Asahi’s compliance team was concluded in July 2023.
- Phase 4 comprised adding the specific Modern Slavery Module to the routine due diligence system which was completed in January 2024. This addition allowed Asahi to send modern slavery questionnaires (aligned to the requirements of Canada, The UK and Australia’s Modern Slavery Acts) to all upstream and downstream supply chain partners. To date almost 50% have completed and returned the questionnaire.

In the summer of 2023, we created an excel based modern slavery questionnaire aligned to the UN Human Rights Guiding Principles for Business and Canadian Modern Slavery Act which was sent this to all non-metal suppliers where we spent over \$100k annually, covering over 85% of our annual non-metal supply chain spend. Upon return these questionnaires were reviewed by our compliance team.



All relevant staff received refresher training of the requirements of our compliance programme, completion is monitored by the site's Master Control System. Training included the following areas:

- Aims and Objectives of the Compliance Programme
- Industry Initiatives (LBMA, RJC, RBA, WGC & ICMM)
- Background to LBMA Responsible Sourcing Programme and LBMA's latest 3-year Sustainability and Responsible Sourcing Strategy
- Location based risks
- Material risks
- Examples of Zero and high-risk supply chains
- Customer on-boarding process
- Routine due diligence and transaction monitoring
- How to report a concern (employees and third parties)
- Sustainability and Human Rights

After completing the training employees took a short test to demonstrate their understanding of the aims and objectives of the programme.

During the reporting period there were no material violations of our internal due diligence policies or procedures.

Asahi does not accept any cash payments (or accept crypto currency) from third parties purchasing our products, similarly we do not make any such payments when purchasing precious metal.

Establish a gold (and silver) traceability system.

The Senior Manager Precious Metal Supply Chain Assurance oversees the administration of Asahi's responsible gold and silver programs. Asahi Refining has a strong, well-established material traceability system for each client and lot received. Our system can pull client lot details dating back to the inception of the system. Date received, size and type of lot, transportation routes and method, weights, assay results, settlement data and description of lot are all included and stored indefinitely on the system. We are currently upgrading the Universe system to a new "NAV" platform which will remove a lot of manual data entry. This combined with the EthiXbase system will ensure consistency between compliance and production systems. Documentation is reviewed for each incoming lot to ensure compliance with both our internal handling procedures and our external supply chain procedures.

Asahi maintains a detailed compliance file for each of its clients. These files contain the KYC documentation completed by the client, corporate documents, such as articles or business licenses, permits or concessions, information regarding beneficial ownership and copy of ID's. Company policies, procedures, statements, financial records, media reports and a separate file dedicated to the due diligence information found during the on boarding process. In some cases these files may also include media reports and copies of emails between Asahi and the client.

Asahi ensures traceability via the initial on boarding process, during the relationship management between sales, compliance and client as well as the assay lot identification and tracking.



Prior to 2023 we used a manual system to on-board customers, we would send out PDF forms to be completed and returned however this resulted in many problems:

- Clients not completing every section
- Clients not attaching copies of relevant documentation (permits etc.)

In 2023 we switched to an on-line platform so forms are now completed on-line and prospective clients cant leave sections blank or proceed to the next section without uploading the required evidence

This system is a bespoke compliance software package provided by “EthiXbase” and as well as replacing the manual KYC system it also replaces the previous routine monitoring service:

- Receiving far fewer hits as false positives are being removed before transmission to us
- Security provider KYC also going onto the platform.

All customers have been registered, completed KYC and assessed for initial risk (perceived risk), phase III of implementation was completed in July 2023 which calculates the final risk of the counterparty.

When Asahi on boards a new client the traceability of the material to the mine is determined, recorded and verified. The verification process may include general knowledge of a known historical mine or a site visit for a lessor known mine located in a high-risk location or CAHRA. The Asahi traceability system maintains and analysis a wealth of detailed information from all historical shipments. This allows Asahi to compare and review historical data to ensure it aligns with shipping volumes, assay results and allows for red flag identification should historical mine site data change.

Strengthen company engagement with Gold (and sliver) supplying counterparties

During the audit period Asahi maintained its history of strong communication and relationship engagement with all of its existing and prospective clients and the wider industry as a whole. Some examples are as follows:

- Since the introduction of RGG V9 we have amended the language in our contracts about disclosure of issues to LBMA and possible reasons we could disengage from third parties
- If we receive “credible market intelligence” on a counterparty, either from our own due diligence process, third parties or the counterparty them selves we will conduct a thorough review of the facts.
- Our sales team hold regular business reviews with counterparties, and where relevant developments in responsible programmes are discussed.
- We participated in the production of SWISSAID’s “On The Trail of African Gold” being interviewed on several occasions, and provided as much information as we were allowed to by our contracts with counterparties
- We do not buy mined gold from State Owned entities in EITI countries.



Establish a confidential grievance mechanism

Asahi Refining maintains two separate grievance reporting tools, both of which are available to staff with one being solely for external parties. Grievances can be raised by email, phone and our company website. Emails sent via the web site reporting tool are directed the Asahi Compliance Manager to investigate and respond.

The first is provided via a 3rd party provider and allows Asahi employees to raise grievances or concerns directly to the 3rd party provider who then reports the grievance to the executive level management to investigate (the employee can chose to remain anonymous if they desire) posters are displayed across the refinery an in common areas such as the canteen. The Precious Metals Supply Chain Inquiry page is accessible via the Asahi Refining website (<https://www.asahirefining.com/corporate-responsibility/>) and can be used as a communication vehicle for basic questions around policy or as a confidential tool for reporting. Clear instructions are provided to ensure those who wish to remain anonymous can do so.

Throughout the 2022/2023 audit period we received over 30 general enquiries via our website reporting tool about supplying gold/silver to Asahi.

We did not receive any new grievances through this system during the reporting period, however one raised last year was only concluded during this audit period. In January 2023 we were contacted by an NGO Bufete Estudios Para la Dignidad or Witness for Peace and Solidarity over a long running dispute concerning the relocation of a cemetery neighboring Aura Minerals Inc's. San Andres mine in Honduras. We engaged directly with the NGO's representatives and offered them the opportunity to provide additional information and documentation in support their allegations.

We also engaged with Aura's Mineral's executive team and whist they very strongly refute the allegations they are actively assisting Asahi's review of the facts.

Additionally. Asahi informed LBMA of the allegations in accordance with our responsible sourcing policies.

We issued a public statement in February which can be found [here](#).

Following this Asahi engaged a local legal team to conduct a thorough independent review of the allegations and all relevant court documents. At the end of their review they confirmed Aura Minerals had at all times complied with all legal requirements and there was no basis to the complaints. Asahi fed this back to the NGO's via a conference call followed up in writing. Since then we have been contacted by other individuals and NGO's regarding these allegations and have chosen not to respond.

LBMA used this as an example of "Best Practice: Refiner Mitigation" in their Sustainability and Responsible Sourcing Report 2023.

Step 2: Identify and assess risks in the supply chain

Asahi Refining has complied with Step 2.

Conduct supply chain due diligence to identify potential risks

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, illegal activities as well as wider ESG concerns. 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 utilizes a seven-step process to on board clients, assess risk and continuous monitoring. Those steps are as follows:

Initial contact screening – in this step the sales team will have open dialog with a prospective client, asking leading questions to determine the legitimacy of the business. During this step a client may be sent a Prospective Client Declaration (PCD) form to allow Asahi to capture basic details about the company and the proposed business. The PCD is returned to Executive Management within the sales team who review the documentation and decide as to whether or not the business is a potential fit for Asahi. If the business is deemed a possible fit for Asahi, the sales team will pass the file to Compliance to proceed further with the compliance process. During the audit period Asahi Refining Sales team determined a number of prospective clients were not an acceptable fit and did not forward the clients on to compliance for step 2

Disclosure & KYC screening – In this 2nd step potential clients are asked to fill out, sign and return the Asahi know your customer (KYC) document. This document was updated at the start of 2022 to reflect the changes made in the transition to RGG V9 and is now completed via the EthiXbase system. Until the start of 2022 when RGG V9 came into force Asahi had stricter requirements around beneficial owners than required by LBMA as our threshold already stood at 10%. At this point potential clients are also asked to sign off on the Asahi Refining Precious Metals Procurement Policy. Potential clients are asked to provide copies of ID's for beneficial owners identified on the KYC, as well as operational documents such as mining permits, articles of incorporation and concessions. Permits for other items such as sanitation and water use are also requested along with policies pertaining to environmental, human rights, health and safety as well as AML. This should not be considered a complete list and can vary based on type of business and location.

Due Diligence screening – The 3rd step is largely a research step. Using the provided client information as a starting point, Asahi will verify the information while continuing to gather more using the potential client's website and basic internet searches. Once the compliance team has gathered all the appropriate



information and is satisfied with a good understanding of the potential business, a third-party screening software is then utilized. The annual subscription software provides Asahi will a tool to screen beneficial owners and top management against hundreds of global watch lists. The software also allows for Asahi to gather basic information on the company that can also be used to verify the information provided by the client. Typically, the software returns detailed reports of the company’s financials, officers and executives, ownership shares, company structure and affiliated companies as well as any adverse media regarding the company or individual that were searched.

Risk Assessment – Asahi has developed a risk matrix’s by which all potential clients are scored. It contains fifteen categories that are each scored from 0 to 4. Certain categories such as “country risk” carry a heavier weight on the scoring. Potential clients will receive a score and based on the score they are deemed to be “LOW RISK” “MEDIUM RISK or “HIGH RISK”. This score is now calculated via the Ethixbase system and during the audit period all existing clients were added. A “hypothetical” example is shown below:

Intake Form Fields	Country Risk (CAHRA)	Human Rights (Record)	Material Source	Identified High Risk Category	Transport Risk (CAHRA)	Human Rights (Country)	Environmental record	Ownership Type	Corporate Structure	Asahi Relationship	Offshore Banking	Other	Digital Footprint	Age of Company	Metal Reserves
Address:	Philippines (the)	No indication of issues	Small scale (formalized)		Philippines (the)	Philippines	Environmental related issues reported. Fines issued, confirmed cases shown in court of law	Private ownership with strong corporate structure, traded on minor exchange list		Known to Asahi via industry	Cayman Islands	Not Applicable	Negative media or complete lack of available info on line	10 plus years	Hard rock mining in country with known limited reserves
Preliminary Score	3	1	2	0	3	3	3	2	1	2	2	0	3	1	3
Part I	15														
Part II	24														
Part III	7														
PRI	3.066666667														
	HIGH														

Enhanced Due Diligence – All potential clients who are deemed Medium or High risk at the completion of the Risk Assessment step will require enhanced due diligence. Which could include a combination of Desk top audit or on-site audit. Typically, Medium risk clients will have a desktop rather than site audit, additionally we can order several types of enhanced due diligence reports from Ethixbase.

Enhanced Due diligence for high-risk clients will always include a site visit. These audits are very detailed, follow the LBMA Toolkit documentation and include a detailed site tour, a review of health and safety, review of environmental impacts, interviews with management and front-line staff, review of permits, signage, security, workers sleeping areas and when possible Asahi will try to engage with locals in the community to hear their feedback on the mining operation.

Final Approval is again based on the risk assessment. Potential clients who are deemed low risk can be approved by the compliance team. Potential clients who are deemed High Risk must be approved by Compliance, Sales and the President. This will include a detailed discussion of the potential client and any associated risks. If the Compliance team and the President are not in complete agreeance on the approval/or denial the file will be discussed with the Compliance committee and if needed a vote can occur, however the President has the right to deny a potential client even if the committee votes to add them as a client.

Ongoing Monitoring – Asahi subscribes to a 3rd party service provider to manage the daily monitoring of all Asahi clients. The software will check company and beneficial owners’ (reduced from 25% to 10%) against global watchlists (including sanctions) and databases every 24 hours. An email is sent to the



Asahi compliance team once the report is verified by the EthiXbase support team. These reports are reviewed and escalated if necessary.

On-boarding isn't the end of our due diligence checks, transaction monitoring occurs continuously as highlighted below:

- Checking volumes, types and concentrations of material for consistency with previous shipments
- Monitoring the actual transportation routing for each shipment
- Verifying physical shipment against shipping/transportation documents (assays, weights, serial numbers)
- Confirming that documents and materials are consistent with each other (purchase order, goods receipt, invoice) and with the KYC information (mine capacity, origin, sources).

Where material inconsistencies or suspicions are identified the following actions are taken:

- The gold/silver should be physically segregated and secured (until the inconsistencies are resolved)
- A thorough review is undertaken and documented
- Findings are reported to the Compliance Officer, who informs the Board and appropriate authorities, as applicable.

Classify supply chains based on risk profiles

Asahi continues to assess risk on an ongoing basis via 24-hour monitoring of adverse media through EthiXbase, the confidential grievance tool, review of daily shipments received from clients that can be compared to historical data to compare key analytics and via more traditional methods, such as industry experts, client self-reporting and on site visits by Asahi personal.

Third parties in need of further review are checked against 11 million records and over 100,000 sources. Areas assessed are:

- Politically Exposed Persons
- Corruption
- Conflict Minerals
- Human Rights
- Sanctions Watchlists and Enforcement
- Terrorism & Trafficking
- Environmental Issues
- Other (includes over 50 additional categories) including:
 - Money Laundering
 - Tax Related Offences
 - Money Services Businesses
 - Business Crimes



- Bribery & Corruption
- Gambling
- Organised Crime

We did not identify any zero tolerance supply chains or risks during the audit period. Examples of issues we consider zero tolerance are:

- The Mined Gold/Silver is known to originate from areas designated as World Heritage Sites
- The Mined or Recycled Gold/Silver is known to be sourced in breach of international sanctions (including but not limited to those of the UN, EU, UK and US)
- The Mined or Recycled Gold/Silver supplying counterparty, other known upstream companies or their UBOs are known money launderers, fraudsters or terrorists, or have been implicit in serious human rights abuses, or in direct or indirect support to illegitimate non-state armed groups.

Undertake enhanced due diligence measures for high-risk supply chains

Asahi's internal procedures for undertaking compliance checks on clients varies based on the client risk rating and location, we improved the risk rating process in 2021 to reflect the EU's CAHRA regional approach rather than assigning a blanket risk by country and again in 2022 to reflect the changes in RGG V9. This allowed us to target our site audit program and focus on counterparties who were correctly identified as being in a high-risk region or engaged in a high-risk activity (Location risk and material risk).

Asahi Refining uses a range of independent sources when assessing the risk of a country or region, these include, but are not limited to:

Objective Measures

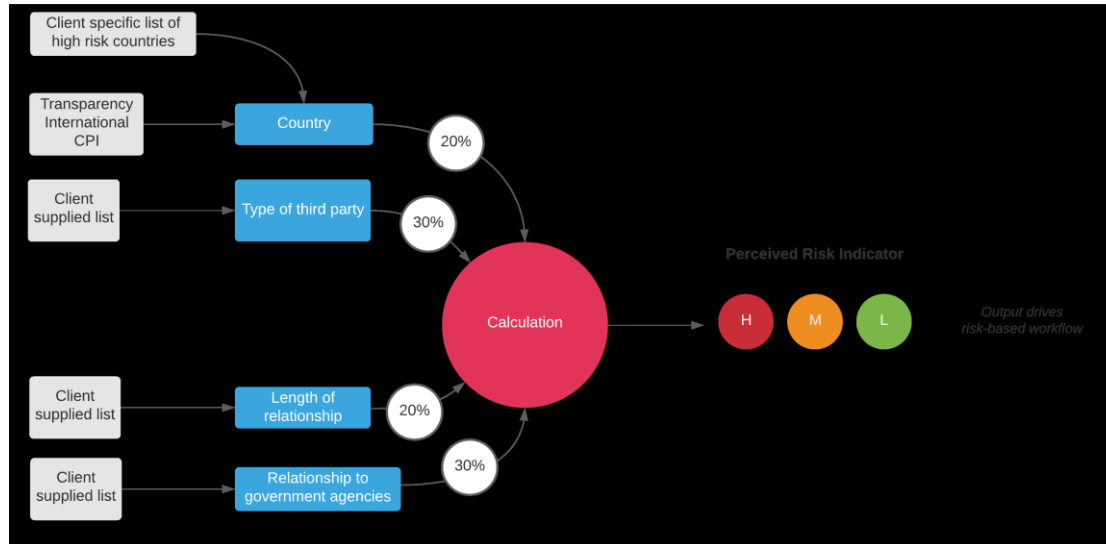
Reference Document	CAHRA Threshold
Sanctions lists (US, UK, EU, UN, and relevant sanctions lists)	
Dodd Frank section 1502	DRC plus covered countries
EU CAHRA list	Regions listed on www.cahralist
Heidelberg Barometer	Area or region ranked as 4 or 5
Fragile States Index	Score > 90

Subjective Measures

To add more context to the objective data provided by the sources listed above and to generate a greater understanding of the risks associated with a country or region Asahi Refining reviews the following sources:

- UN Human Rights Office of the High Commissioner
- Reports (including relevant country reports) by the Financial Action Task Force (FATF)
- Credible market intelligence

When assessing the material risk Asahi uses the relevant KYC Form from LBMA’s Toolkit. As highlighted previously these used to be sent out as PDF’s but in 2022 we started migrating to EthiXbase and the system (for due-diligence) has been fully operational since July 2023. The system automatically reviews the responses against information provided by Asahi and calculates a Perceived Risk” – see below for an illustrative example:



This will determine the frequency of checks and type of check which could be completed via email and phone communications, desktop review or as an in-person site visit.

When we originally set out the specification for the EthiXbase platform we provided the developers with our risk rating scoring methodology which included a weighted average calculation to assign risk, therefore even though a country could have regions designated by the EU as CAHRA’s this wouldn’t necessarily have resulted in the counterparty defaulting to high risk as the “country” was only one of thirteen factors. During last year’s audit this was spotted by our auditor. In the short term we implemented a temporary fix where we went into the system and manually adjusted risk ratings where necessary. The permanent fix was completed in July 2023 and has successfully replicated our old excel spreadsheet system since then.

Asahi Refining performs site audits to provide objective evidence that a counterparty’s due diligence policies and procedures are being effectively implemented on a daily basis and remain fit for purpose. Where non-conformances are identified we will work with the counterparty to implement corrective action plans aimed at continuous improvement. Audits will take place where the activity occurs, (for example at a mine site, warehouse, or pawnshop) and will be performed by trained personnel.

Our audit programme is an integral part of our due diligence system and verifies that our supply base is adhering to both industry standards as set by the law and independent organisations, and our own company standards. Our programme is designed to prevent:



- Systematic or widespread human rights abuses associated with the extraction, transport, or trade of gold, including worst forms of child labour, any forms of torture, inhuman and degrading treatments, widespread sexual violence, or other gross human rights violation forced or compulsory labour, war crimes, crimes against humanity or genocide

- Direct or indirect support to illegitimate non-state armed groups, public or private security forces which illegally control mines sites, traders, other intermediaries, transport routes through the supply chains or illegally tax or extort money or minerals through the supply chains (“illegitimate non-state armed groups, public or private security forces”)

- Bribery and fraudulent misrepresentation of the origin of gold

- Non-compliance with taxes, fees, and royalties due to Governments related to mineral extraction, trade and export from conflict affected and high-risk areas

- Money laundering or terrorism financing

In addition our programme has been expanded to assess the “ESG” performance of our primary supply base by reviewing

- Environmental policies and practices

- Health and safety policies and practices

- Labour policies and practices, if not already covered through other policies collected

- Community engagement programmes

- Ethics and business integrity policies and practices

- Determination of the general transportation routing of the gold source from origin to refinery.

- Verification that sourcing from the Country of Origin is not in breach of any international sanctions.

- Verification that the mine site is not located in a World Heritage Site (unless specifically Authorised as per RSG V2)

Asahi USA has a total of 16 high risk clients of which five are based in Mexico states that the EU classifies as CAHRA’s. No other CAHRA countries/states/regions supply Asahi USA. In the past financial year we performed 6 on-site in person audits, with a further three being virtual because of security issues on the

ground at a mine site level.

Our audit programme is risk based, the frequency of audit is determined by a counterparties profile, as a minimum we will audit clients as follows:

Risk Rating	Type of Audit	Target
High Risk	Site audit	All high-risk sites audited once every three years either in person or virtually
Medium Risk	Site audit/Desktop review/Self-Assessment	Site audit/Desktop review/Self-Assessment completed every 3 years
Low Risk	Self-Assessment	Self-Assessment completed every 5 years

Audits will be performed by competent personnel either from within Asahi or specialist contractors who are free from any conflict of interest. Site audits will take place where the activity occurs using the appropriate checklist and will be conducted and reported in a professional, factual, accurate and objective manner. In case of travel restrictions, or other logistical difficulties audits can be performed “virtually”. If any non-conformances are identified during the audit a corrective action plan should be agreed with the counterparty before the auditor leaves the site.

- If a zero-tolerance non-conformance is witnessed by the auditor, they must stop the audit and report the issue to the Compliance Officer immediately.
- Audit reports must be made using the appropriate form however photographs and a narrative report can be appended at the auditor’s discretion.
- World Gold Council, Mining Association of Canada, RJC & RMI audits are accepted as they are performed by specialist auditors to independent sets of principles, additionally RJC & RMI are aligned with OECD’s guidelines.

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

Asahi Refining has complied with Step 3.

Where appropriate, information gathered, and actual and potential risk identified in the supply chain risk assessment is communicated to Senior Management. While conversations with Sr management around Risk and Risk Mitigation are a common occurrence in the Asahi operation not all examples are documented, however it should be noted that the Compliance Committee maintains three executive board level members. In addition to this the President of Asahi Refining North America must approve all new accounts deemed high risk. During the audit period the compliance committee met four times.

Devise a risk management strategy for identified risk.

The Asahi Refining compliance policies and procedures outline the protocol where a risk is identified on a current client. The policy outlines a three-step process. Once risk is identified it is discussed with the Asahi Compliance Committee. The Committee will objectively listen to the known facts and determine whether Asahi should:

- 1) Continue business while investigating claims
- 2) Suspend business and receive no further shipments while investigating claims
- 3) Disengage from the client

During the previous audit year Asahi had one situation requiring review (highlighted earlier in this report) which was initially reported in January 2023). Again as previously reported this was closed and as the allegations were unfounded business continued as usual.

Asahi Refining has developed a specific risk mitigation procedure for its highest risk secondary material clients. Whilst 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, independent audits are now performed by the compliance analyst so that there is no potential for internal Asahi conflicts of interest.

Monitor the improvement plan

Asahi Refining senior management regularly review actions and issues arising from our due diligence system for the gold and silver supply chains. As part of our continuous improvement plan, and as we roll out compliance with RGG V9, we will continue to strengthen the documentation process of how we have followed these procedures including communication with existing clients.

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 SCS Global Services, an LBMA approved assurance provider, to provide a reasonable level of assurance over this Report.

SCS representatives arrive on site in SLC, Utah on 16 July to audit the refiner activities and transactions that occurred between April 1st, 2023 and March 31st, 2024.

LBMA granted an extension to the usual reporting timescales as they delisted the auditor originally engaged to perform this year's audit.

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. These reports are also available in the "group quality" section at www.asahiholdings.com.

Management conclusion

ARUSA is in compliance with the requirements of the LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance for the year April 1, 2023 to March 31, 2024

Asahi remains committed to developing a continuous improvement model to refine management systems, policies and procedures throughout 2024 and beyond.



Tomonobu Furuta
President
Asahi Refining USA Inc.