



## Independent Reasonable Assurance Report

### To the Board of Directors and Management of Asahi Refining Canada Limited

We have carried out a reasonable assurance engagement on the London Bullion Market Association (“LBMA”)’s Responsible Gold Programme Compliance Report for Asahi Refining Canada Limited’s Brampton refinery (“BTN”) for the period from 1 January to 31 December, 2015.

#### **Subject matter and criteria**

The subject matter consists of BTN’s Compliance Report (“the Report”), which includes a description of BTN’s responsible gold program that has been designed and implemented in accordance with the LBMA Responsible Gold Guidance v6 (“the Guidance”). Our review assessed the design effectiveness of BTN’s program in meeting the requirements of LBMA.

The criteria used to evaluate the subject matter consisted of the relevant information contained within the Guidance.

#### **BTN’s management responsibilities**

The management of BTN is responsible for the preparation and presentation of the Report in accordance with the Guidance. This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived. The criteria identified by management as relevant for demonstrating compliance with the Guidance are the activities described within the Report.

#### **Our responsibilities**

Our responsibility is to carry out a reasonable assurance engagement and to express a conclusion based on the work performed. Our assurance engagement has been planned and performed in accordance with the International Standard on Assurance Engagements ISAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information* and the guidance set out in the *LBMA Responsible Gold Program - Third Party Audit Guidance for ISAE 3000 Auditors* (the “Audit Guidance”).

Our procedures were designed to obtain a reasonable level of assurance on which to base our conclusions.

## Inherent limitations

Non-financial information, such as that included in the 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 each gold refiner to comply with the Guidance may differ.

## Independence and competency statement

In conducting our engagement, we have complied with the applicable requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.

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.

## Conclusion

In our opinion, BTN, in all material respects, describes fairly management's activities with respect to the responsible gold program and management's conclusion contained therein, for the assessment period 1 January 2015 to 31 December 2015, which have been designed and implemented in accordance with the requirements of the *LBMA Responsible Gold Guidance v6*.



Chartered Accountants  
Licensed Public Accountants

Toronto, Canada  
August 9, 2016



## Compliance Report LBMA Responsible Gold Guidance

### Foreword

The LBMA Responsible Gold Guidance has been established for Good Delivery Refiners to adopt high standards of due diligence in order to combat systematic or widespread abuses of human rights, to avoid contributing to conflict, to comply with high standards of anti-money laundering and combating terrorist financing practices.

On March 5, 2015 Asahi Holdings acquired the Johnson Matthey Gold & Silver refining business. The acquisition includes the refineries located in Salt Lake City, Utah, USA and Brampton, Ontario, Canada.

The Salt Lake City, USA and Brampton, Canada refineries are now collectively operated as “Asahi Refining.”

At purchase Johnson Matthey’s LBMA London Good Delivery status was transferred to Asahi Refining for each gold and silver refinery. Asahi Refining adopted many responsible gold policies and procedures from Johnson Matthey during the transition. In 2015, Asahi Refining began a process of transitioning and modifying the existing program to align with the new entity’s strategies, capabilities, and competencies. This transition resulted in some challenges maintaining our due diligence procedures, which Asahi Refining is committed to resolving in 2016 and beyond.

The following compliance report is prepared by Asahi Refining to certify LBMA Responsible Gold compliance for the 2015 calendar year.

### Table 1: Refiner’s details

Refiner:	Asahi Refining Canada Ltd..
Location:	Brampton, Ontario, Canada
Reporting Year-end:	31 December 2015
Date of Report:	9 August 2016
Audit Date	May-August 2016
Senior Manager Responsible:	Grant Angwin, President <a href="mailto:grant.angwin@asahirefining.com">grant.angwin@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 Guidance to demonstrate compliance.

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

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

Asahi Refining has fully complied with Step 1.

As part of its transitional business activities, Asahi Refining is currently in the process of developing new policies and procedures to address LBMA's Responsible Gold Guidance. Asahi Refining's General Legal counsel is reviewing policies and procedures and will be making recommendations for improvement and development throughout 2016 and beyond.

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

Throughout 2015 Asahi Refining relied on existing Johnson Matthey formal precious metal supply chain policies and procedures, which had been initially developed in 2012. These are consistent with the model set out in 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 and has a direct line of reporting to Senior Management.

Asahi Refining's Executive team has tasked legal counsel to assess and modify existing policies and procedures, originally developed under Johnson Matthey's ownership, to specifically address the company's responsibilities and accountabilities under LBMA's Responsible Gold Guidance.

##### **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.**

Asahi Refining has designated a compliance officer to oversee the administration of its responsible gold program. Asahi Refining has a strong, well-established material traceability system for each lot received. Documentation is reviewed for each incoming lot to ensure compliance with both our internal handling procedures and our external supply chain procedures.

As part of the acquisition of the business from Johnson Matthey, Johnson Matthey completed a final round of AML training for relevant Asahi Refining employees in late 2015. Throughout 2015 different types of training were delivered to different employee groups within the company. We will continue to

identify training needs for relevant employee groups and carry out training as required throughout the year.

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

In 2015, Asahi Refining implemented a modified version of LBMA's best practice refiner's toolkit for KYC screening. Asahi added an additional step to address initial scoping and filtering of refining business inquiries.

Asahi Refining has built dynamic relationships with its gold supply counterparties. During routine client visits, LBMA's Responsible Gold 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.

**5. Establish a company-wide communication mechanism to promote broad employee participation and risk identification to management.**

Asahi Refining has a company-wide communication system 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.

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 fully complied with Step 2.

**1. The refiner have a process to identify risks in the supply chain.**

Asahi Refining has a detailed Risk Assessment Matrix to identify and assess risks in the supply chain. The Matrix evaluates a number of criteria which establish a risk profile for each client to define the due diligence to be performed.

Additionally, Asahi Refining keeps abreast of market developments through networking, industry events, and its longstanding contacts within the industry.

**2. The refiner assess risks in light of their due diligence system.**

Supply chain due diligence comprising scoping and filtering as required by the LBMA Responsible Gold Guidance is performed before entering into a relationship with a counterparty. Enhanced due diligence is performed on high-risk counterparties, especially where their gold originates from or transits through a

conflict-affected or high-risk region. In addition, ongoing transaction monitoring is undertaken on all client transactions.

### **3. The refiner reports risk assessment to the designated manager.**

All risk assessments are conducted by the Commercial Group (Business Development and Customer Service) and passed to the Compliance Officer for sign off. All risk assessments are reviewed by the Compliance Officer and senior management, and high-risk new clients are reported to and approved by the Executive team, who retains the ultimate control and responsibility for the precious metal supply chain.

For 2016 Asahi Refining is integrating SAAS based risk assessment tracking software with its CRM software. This will help to streamline data management and retrieval.

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

Asahi Refining has fully complied with Step 3.

#### **1. 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 a low-, medium-, or high-risk, the appropriate steps to mitigate that risk are taken.

#### **2. 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 gold procurement practices. The relationship manager writes a full report of each visit and submits the reports directly to senior management.

Asahi Refining senior management hold an annual management review which includes a review of actions arising from our due diligence system for the gold supply chain. As we move forward, we will continue to strengthen the documentation process of how we have followed these procedures.

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

Asahi Refining has fully complied with Step 4.

Asahi Refining has engaged the services of Ernst and Young LLP, 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 fully complied with Step 5.

Asahi Refining has published its LBMA Responsible Gold Independent Assurance Report 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 for the reporting period?**

Asahi Refining is in compliance with the requirements of the LBMA Responsible Gold Guidance for the year January 1 to December 31, 2015 and is committed to developing a continuous improvement model to refine management systems, policies and procedures throughout 2016 and beyond.



Grant Angwin  
President  
Asahi Refining