



## Independent Limited Assurance Report

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

We have carried out a limited review 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 2016 to 31 March 2017.

#### **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 (“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 limited level 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 limited level of assurance on which to base our conclusions.

This report has been prepared for Asahi Refining Canada Limited for the purpose of assisting management in determining whether BTN has complied with the Guidance and for no other

purpose. Our assurance report is made solely to Asahi Refining Canada Limited in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than Asahi Refining Canada Limited 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 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.

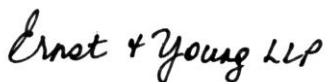
### **Independence and competency statement**

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 2016 to 31 March 2017, which have been designed and implemented in accordance with the requirements of the *LBMA Responsible Gold Guidance*.



Chartered Accountants  
Licensed Public Accountants

Toronto, Canada  
July 25, 2017



## **Compliance Report LBMA Responsible Gold Guidance**

### **Foreword**

Asahi Refining, consisting of Asahi Refining USA Inc. and Asahi Refining Canada Ltd., and all related entities operate around the world and we pride ourselves on our reputation for acting with integrity and honesty wherever we do business. We greatly value our reputation and believe that it is one of our competitive strengths.

Asahi Refining, as an LBMA Good Delivery Refiner, monitors the source of all precious metals accepted into our Salt Lake City and Brampton refineries to ensure that we comply with applicable laws, including the US's Money Laundering Control Act and USA PATRIOT Act, and Canada's Proceeds of Crime (Money Laundering) and Terrorist Financing Act, as well as the principles laid out in the LBMA Responsible Gold Guidance.

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 and Compliance Procedures.

The following compliance report illustrates Asahi Refining's continuous improvement activities within the time period of January 1, 2016 to March 31, 2017. The time period covers 15 months to align the LBMA responsible gold audit period with Asahi Refining's fiscal year. Moving forward the audit period will cover from April to March in each year.

### **Table 1: Refiner's details**

Refiner:	Asahi Refining Canada Ltd.
Location:	Brampton, Ontario, Canada
Reporting Year-end:	31 March 2017
Date of Report:	June 30, 2017
Audit Date	May 2017
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.

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

Asahi Refining's Executive team, General Legal counsel, and compliance officer have reviewed and revised existing policies and procedures. Revised policies for Asahi Refining can be found at [www.asahirefining.com](http://www.asahirefining.com).

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 and has a direct line of reporting to Executive Management.



To further improve and align the compliance program with the company's core values and risk management, Asahi Refining plans to move to the compliance function under the umbrella of corporate security and risk management in 2017.

**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 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.

The sales and compliance teams collaborate in the due diligence and onboarding of all new clients. Additionally, Asahi Refining has employed the LBMA's Best Practice Toolkit when gathering and organizing KYC documentation for new clients.

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

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.

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

**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.

Asahi Refining's procurement policies are posted for all to read. Relevant managers are trained in identifying and communicating risk to their subordinates. Additionally, Asahi Refining's president communicates challenges or issues during quarterly meetings.

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

For 2017, Asahi's Human Resource department is vetting a standard compliance training software solution to improve upon consistency, deployment, and tracking of training.

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

Asahi Refining has fully complied with Step 2.

### **1. The refiner has 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 several 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. Asahi's sales team assesses the risk of engaging with clients when scoping and filtering a prospective client's nature of business.

The company uses a standard client declaration form to gather information from those seeking to conduct business with Asahi Refining. Risk and viability are assessed considering a company's declaration.

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

### **2. The refiner assesses 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 counterpart. 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.

Ongoing transactional risk is mitigated through red flag identification, regular communication between the sales, executive, and compliance teams.

### **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/or the executive team. 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.

### **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 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 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, 2016 to March 31, 2017 and is committed to developing a continuous improvement model to refine management systems, policies and procedures throughout 2017 and beyond.



Grant Angwin  
President  
Asahi Refining