



## Independent Assurance Report

To the Management of Tanaka Kikinzoku Kogyo K.K.

We were engaged by Tanaka Kikinzoku Kogyo K.K. (the “Company”) to undertake a reasonable assurance engagement of its LBMA Compliance Report (the “Compliance Report”) for the year ended 31 March 2019. 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 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 Gold Programme - Third Party Audit Guidance for ISAE 3000 Auditors and the LBMA Responsible Silver Programme - Third Party Audit Guidance for ISAE 3000 Auditors (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 gold and silver supply chain policy available on the Company’s website: [www.tanaka.co.jp/english/sourcing\\_policy/index.html](http://www.tanaka.co.jp/english/sourcing_policy/index.html).

### **Conclusion**

In our opinion, the Company’s Compliance Report for the year ended 31 March 2019, 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.

*KPMG AZSA Sustainability Co., Ltd.*

KPMG AZSA Sustainability Co., Ltd.  
Tokyo, Japan  
20 June 2019


# LBMA Responsible Gold and Silver Guidance Compliance Report

The *LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance* (“the 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 Tanaka Kikinzoku Kogyo K.K. (hereafter “TKK”) has complied with the requirements of “the Guidance”.

## Table 1: Refiner’s details

|   |  |
|---|--|
| Refiner’s name                                | Tanaka Kikinzoku Kogyo K.K.  |
| Location                                      | 7-3 Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-6422, Japan            |
| Reporting year-end                            | 31 March 2019  |
| Date of Report                                | 20 June 2019   |
| Senior management responsible for this report | Tetsuya Kawagishi<br>Corporate Officer,<br>TANAKA HOLDINGS Co., Ltd. |



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

### Step 1: Establish strong company management systems

#### Compliance Statement with Requirement:

We have fully complied with Step 1: Establish strong company management systems.

#### 1. Adoption of a group policy regarding due diligence for supply chains of gold and silver.

##### Comments and Demonstration of Compliance:

The “Conflict Mineral Management Policy” was adopted in June 2012 by TANAKA HOLDINGS Co., Ltd. a parent company of TKK, to establish a management system for supervising suppliers, carrying out risk assessments with respect to supplied materials and suppliers, and monitoring the materials received. This was amended and renamed into the “Responsible Mineral Management Policy” in July 2018.

## **2. Setting up of an internal management structure to support supply chain due diligence.**

### **Comments and Demonstration of Compliance:**

Our internal management structure supports the supply chain due diligence process. A supply chain officer (senior management) is nominated as the person with ultimate responsibility. A compliance officer is nominated to supervise the overall process of due diligence and report directly to the supply chain officer. The Responsible Business Department was newly established in April, 2018 as the controlling office which makes plans and procedures for due diligence. Several purchasing offices are assigned responsibility for supplier due diligence. Several metal processing units and metal storage controlling units are assigned to assure traceability.

## **3. Establishment of a strong internal system of due diligence, controls and transparency over the gold and silver supply chain, including traceability and identification of other supply chain actors.**

### **Comments and Demonstration of Compliance:**

We revised procedures for the investigation of counterparties in July 2018 to strengthen due diligence for gold and silver suppliers. We have maintained all records related to the supply chain due diligence. We revised the traceability mechanism to include silver. It now applies to both gold and silver. The traceability mechanism records the type of gold and silver, weight, assay, dates of arrival/processing/refining, and is a system to keep related records.

We have maintained ongoing trainings program for all staff involved in the gold and silver supply chain.

We revised procedures to make clear the principle that any payment should be through the official banking system. Under revised procedures, any exceptional case should have clear motivations, be supported by verifiable information and be approved by senior management.

## **4. Strengthening engagement with gold and silver supplying counterparties, and where possible, assisting gold and silver supplying counterparties in building due diligence capabilities.**

### **Comments and Demonstration of Compliance:**

We have conveyed our Responsible Mineral Management Policy to gold and silver suppliers in written or verbal form and have requested them to be in line with our Policy.

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

### **Comments and Demonstration of Compliance**

A confidential grievance mechanism has been implemented to allow any employee or external stakeholder to anonymously voice concerns over the gold and silver supply chain or any newly identified risk. Whenever the relevant internal committee receives a grievance, it shall set up an investigation team composed of members in an impartial position.

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

### **Compliance Statement with Requirement:**

We have fully complied with Step 2: Identify and assess risks in the supply chain.

#### **1. Process to identify risks in the supply chain.**

##### **Comments and Demonstration of Compliance:**

The purchasing offices collected information on counterparties using both the KYC toolkit and external information sources to assess and identify risks. Approval by the newly established Responsible Business Department became mandatory to begin business relationship in the reporting year ended 31 March 2019.

For over-the-counter purchase of gold and silver, customer information was collected at the time of transaction and personal identification such as driver's license and other public certificates were requested for review.

#### **2. Risk assessment in light of the standards of their due diligence system.**

##### **Comments and Demonstration of Compliance:**

We have conducted supply chain due diligence procedures comprising of all measures required by the Guidance, including investigation of both counterparties and their beneficial owners, source of gold and silver, as well as transaction monitoring. An enhanced due diligence process is required for high risk suppliers. However, high risk suppliers were not identified in the reporting year ended 31 March 2019.

#### **3. Reporting of risk assessment to the designated manager.**

##### **Comments and Demonstration of Compliance:**

Any information related to high risk supply chains of gold and silver shall be reported to the compliance officer. When a high risk supplier is identified, the compliance officer shall conduct an enhanced due diligence to judge whether to commence or continue the business relationship and report to the supply chain officer (senior management). However, high risk suppliers were not identified in the reporting year ended 31 March 2019.

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

### **Compliance Statement with Requirement:**

We have fully complied with Step 3: Design and implement a management system to respond to identified risks.

1. **Strategy for risk management of an identified risk by either (i) mitigation of the risk while continuing to trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk.**

**Comments and Demonstration of Compliance**

A procedure for handling suppliers identified as high risk was established as a part of the “Rule of investigation on counterparties”. When a supplier is identified as high-risk, we shall decide on whether to immediately terminate a transaction or to continue a transaction while working with the supplier to mitigate risks.

During the reporting year ended March 31, 2019 no supplier was identified as high risk that we should terminate business or take steps for risk mitigation.

2. **Management strategy of risk mitigation that includes measureable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk and regular reporting to designated senior management.**

**Comments and Demonstration of Compliance:**

When we determine that we can continue a transaction with a high-risk supplier while working with the supplier to mitigate risks, we shall reassess the risks within 6 months, and based on the results of the reassessment, we shall decide whether to continue the transaction under certain conditions or to terminate it. The conclusion shall be reported to group senior management. However, reassessments were not conducted in the reporting year ended 31 March 2019 as high risk suppliers were not identified.

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

**Compliance Statement with Requirement:**

We have fully complied with Step 4: Arrange for an independent third-party audit of the supply chain due diligence.

**Comments and Demonstration of Compliance:**

We engaged the services of the assurance provider, KPMG AZSA Sustainability Co., Ltd. and their Independent Reasonable Assurance Report is available on our web site.

<http://www.tanaka.co.jp/english/about/assurance-report.pdf>

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

#### **Compliance Statement with Requirement:**

We have fully complied with Step 5: Report on supply chain due diligence

#### **Comments and Demonstration of Compliance**

Our Responsible Mineral Management Policy and this compliance report are available on our web site.

[http://www.tanaka.co.jp/english/sourcing\\_policy/](http://www.tanaka.co.jp/english/sourcing_policy/)

<http://www.tanaka.co.jp/english/about/lbma-report.pdf>

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

**Is the Refiner in compliance with the requirements of *the Guidance* for the reporting period?**

Our answer is Yes

#### **Comments and Demonstration of Compliance**

In conclusion, we implemented effective management systems, procedures, processes and practices to conform to the requirements of *the Guidance*, as explained above in Table 2, for the reporting year ended 31 March 2019.

### **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 via the following email address: torihikishinsabu@ml.tanaka.co.jp