

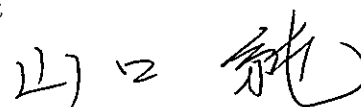
## TOKURIKI HONTEN CO., LTD. Responsible Gold and Silver Compliance Report

The LBMA Responsible Gold Guidance and the LBMA Responsible Silver 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 Tokuriki Honten Co., Ltd. has implemented the LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance, and has complied with their requirements during the year 2019.

**Table 1: Refiner's details**

Refiner's name	Tokuriki Honten Co., Ltd.
Location	2-9-12 Kaji-cho Chiyoda-ku, Tokyo, Japan
Reporting year end	December 31, 2019
Date of Report	March 26, 2020
Senior Management responsible for this report	Jun Yamaguchi, President



Tokuriki Honten Co., Ltd.'s evaluation

**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 management systems.

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The Company adopted a company policy regarding due diligence for supply chains of gold and silver.

#### Comments and Demonstration of Compliance:

We established our "Conflict Minerals Control Policy" in 2012. We subsequently made necessary amendments corresponding to the LBMA Responsible Gold Guidance in 2013. In 2019, we revised our Conflict Minerals Control Policy in order to accommodate requirements in the LBMA Responsible Silver Guidance and the LPPM

Responsible Platinum /Palladium Guidance.

We perform risk management to avoid procuring Gold-and- Silver bearing materials from Conflict-Affected and High Risk Areas that might be contributing to human rights abuses such as genocide, ethnic cleansing, violence, ill-treatment, torture, enslavement, trafficking of persons and the worst forms of child labor and forced labor, and to avoid being directly or indirectly involved in terrorist financing, money laundering and unfair business. Any transaction found to be involved in human rights abuses, terrorist financing, money laundering or unfair business shall be stopped immediately.

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The Company has set up an internal management structure to support supply chain due diligence.

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Comments and Demonstration of Compliance:

We originally established an internal management structure to support supply chain due diligence of Gold in 2012. The same management structure has also supported supply chain due diligence of Silver since 2018. The Compliance Officer is assigned with a task of overseeing the whole process of supply chain due diligence by Senior Management.

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The Company has established a strong internal system of due diligence, controls and transparency over gold and silver supply chain, including traceability and identification of other supply chain actors.

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Comments and Demonstration of Compliance:

We have robust materials receipts process, and all the materials delivered shall be weighed and identified with the transactional details shared with procuring departments before processing the materials in our factory.

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The Company has strengthened company engagement with gold and silver supplying counterparties , and where possible assist gold and silver supplying counterparties in building due diligence capabilities.

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**Comments and Demonstration of Compliance:**

We explained our policy to our new suppliers so that they can understand and join our conflict minerals management, and asked them to issue a certificate of non-use of gold and silver involved in conflict, human rights abuses or money laundering after getting their acceptance of our policy.

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The Company has established a company-wide communication mechanism to promote broad-based employee participation and risk identification to management.

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**Comments and Demonstration of Compliance:**

By using our conflict minerals information cards, we have implemented the communication mechanism through which any suspicion and risk information in the supply chain found by our employees can be communicated to the Compliance Officer. On top of this, we have established the system in which employees and external stakeholders can voice concerns anonymously.

**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.

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The Company has a process to identify risks in the supply chain.

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**Comments and Demonstration of Compliance:**

We identify and assess risks in the supply chain.

We do not procure mined gold or mined silver and our raw materials only include gold and silver bullion, gold and silver containing industrial products and jewelry. We assess risks by identifying gold and silver suppliers' attributes, confirming their policies for both responsible minerals sourcing and anti-money laundering, and identifying our raw materials' country of origin. On top of this, we obtain agreement from gold and silver suppliers that a transaction is not related to conflict, human

rights abuses and money laundering.

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The Company assess risks in light of the standards of their due diligence system.

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**Comments and Demonstration of Compliance:**

We perform risk assessment procedures based on the Act on Prevention of Transfer of Criminal Proceeds for suppliers of gold and silver materials purchased at our shops. For other corporate suppliers we perform risk assessment by using risk assessment data sheets. Procuring departments assess the reliability of suppliers by confirming their identity and, where deemed necessary, getting a certificate of non-use of conflict minerals from conflict-affected and high risk areas for compliance before entering business relationship.

We amended the risk assessment template for corporate suppliers in 2019 so that risk of non-compliance of environment and other sustainability-related regulations can be assessed, as required by the RGG Version 8, and have completed the re-assessment of all the corporate suppliers with the revised template by December 31,2019.

In the accepting process of materials in our factory, all the materials delivered shall be weighed and identified with the transactional details shared with procuring departments. In case any discrepancy is found, such materials shall be rejected.

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The Company reports risk assessment to the designated Senior Management.

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**Comments and Demonstration of Compliance:**

The Compliance Officer conducted internal audit for checking the practice of Conflict Minerals Control after the fiscal year, and made a full report of the results of the internal audit and risk management practices throughout the year to the Senior Management for the management review.

**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.

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The Company has devised a 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.

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**Comments and Demonstration of Compliance:**

We determine the acceptance of supply chain following the company regulation, and we are to take a strategy for risk mitigation when we identify any risk in our transactions as follows ;

- ① Any transaction found to be involved in conflict, human rights abuses or money laundering shall be stopped immediately.
- ② Any transaction found to be suspicious shall be suspended until accurate additional information/ data is acquired.
- ③ Transactions with honest and reliable suppliers having long business relationship shall be continued, if they use reasonable and good faith effort, aim a goal and endeavor to improve their practices within a fixed period of time. We can continue to refine gold and silver coming from this source provided that it adopts an improvement strategy, devised with input and engagement from the supplier, which clearly defines performance objectives within a reasonable timeframe, even if the assessment is not clear or satisfactory.

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Where a management strategy of risk mitigation is undertaken, it should include measureable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk and regular reporting to designated Senior Management

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**Comments and Demonstration of Compliance:**

Necessary steps shall be taken in case of risk mitigation.

However, we did not find any case which required risk mitigation during the reporting year.

**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 limited assurance report is attached hereto.

<http://www.tokuriki-kanda.co.jp/english/conflict/>

**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]**

Our Conflict Minerals Control Policy is available on our company website.

<http://www.tokuriki-kanda.co.jp/english/conflict/>

**Tokuriki Honten Co., Ltd.'s overall conclusion**

<b>Table 3: Management conclusion</b>
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**Is the Refiner in compliance with the requirements of the LBMA Responsible Gold and Silver Guidance for the reporting period?**

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Yes

**[Comments]**

In conclusion, Tokuriki Honten Co., Ltd. implemented effective management systems, procedures, processes and practices to conform to the requirements of the LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance, as explained above in Table 2, for the reporting year ended December 31, 2019.

<b>Table 4: Other report comments</b>
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**[Comments]**

If users of this report wish to provide any feedback to Tokuriki Honten Co., Ltd. with respect to this report, they can contact corporate relations on conflict@tokuriki-kanda.co.jp.



## Independent Assurance Report

To the Management of Tokuriki Honten Co., Ltd.

We were engaged by Tokuriki Honten Co., Ltd. (the “Company”) to undertake a limited assurance engagement of its TOKURIKI HONTEN CO., LTD. Responsible Gold and Silver Compliance Report (the “Compliance Report”) for the year ended 31 December 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 limited 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 Sourcing Programme - Third Party Audit Guidance (the “Audit Guidance”).

The extent of evidence-gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.

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.

We planned and performed our work to obtain all the evidence, information and explanations considered necessary in relation to the above scope. These procedures included:

- Inquiring management to gain an understanding of the Company’s processes and risk management protocols in place
- Inquiring relevant staff responsible for the preparation of the Compliance Report
- Site visits to the Kuki Factory and the Yamato Factory
- Assessing the suitability of the policies, procedures and internal controls that the Company has in place to conform to the Guidance
- Reviewing a selection of the supporting documentation, including gold and silver supplier counterparty due diligence file and transaction’s documentation
- Testing a selection of the underlying processes and controls that support the information in the Compliance Report
- Reviewing the presentation of the Compliance Report to ensure consistency with our findings

### **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 Conflict Minerals Control policy available on the Company’s website: [www.tokuriki-kanda.co.jp/english/conflict/](http://www.tokuriki-kanda.co.jp/english/conflict/).



### **Conclusion**

Based on the limited assurance procedures performed, as described above, nothing has come to our attention that would lead us to believe that the Company's Compliance Report for the year ended 31 December 2019 does not, in all material respects, describe fairly the activities undertaken during the year to demonstrate compliance, and management's overall conclusion contained therein is not 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

26 March 2020