

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 and 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 2021
Date of Report	22 June 2021
Senior management responsible for this report	Akihide Hirao Corporate Officer, TANAKA HOLDINGS Co., Ltd.



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 Step1: 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:

TANAKA HOLDINGS Co., Ltd., the parent company of TKK, adopted the “Conflict Mineral Management Policy” in June 2012 to establish a management system to perform appropriate due diligence for supply chains of gold and silver on a risk basis. It was renamed the “Responsible Mineral Management Policy” in July 2018 and revised in July 2019 to strengthen risk assessment for environment and sustainability. In addition, we made a slight revision to the policy in September 2020.

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

Comments and Demonstration of Compliance:

An internal management system has been set up to define the governance, roles and responsibilities, internal audit, communication and senior management review as per the adopted policy.

The supply chain officer is assigned with ultimate responsibility. The compliance officer is assigned to supervise the overall process of due diligence and report directly to the supply chain officer. The Responsible Business Department sets up plans and procedures of due diligence as the controlling office. Several purchasing offices are responsible for supplier due diligence. Several metal processing units and metal storage controlling units are responsible for 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 have established a procedure for investigation of gold and silver suppliers, and a traceability mechanism for both gold and silver receipt, in which type, weight, assay, dates of arrival/processing/refining are recorded.

We have established procedures to strengthen risk assessment for environment and sustainability in accordance since 2019.

In fiscal 2020, we have introduced preliminary risk assessment in individual due diligence for the existing gold and silver suppliers in order to promote a risk basis approach.

We have maintained ongoing training programs for all staff involved in the gold and silver supply chain. In fiscal 2020, we have introduced an e-learning method to seek more efficiency in light of cost and time spent by replacing face-to-face meetings with an e-learning program.

Our procedure makes clear the principle that any payment shall be conducted through the official banking system. Also, any exceptional case shall have a clear reason supported by verifiable information and is 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 revised in September 2020 to gold and silver suppliers in written 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 officer shall collect information on counterparties using both the KYC toolkit and external information sources to assess and identify risks. Approval by the Responsible Business Department is mandatory to commence or continue business relationship.

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

In January 2021, we established a new procedure for updating our CAHRAs (Conflict Affected and High-Risk Areas) list. We require ourselves in the new procedure that we continuously update the CAHRAs list based on an external database which stores negative information regarding environment, human rights and occupational health and safety, among others, published in external media. In addition, we updated the CAHRAs list in accordance with the new procedure in January 2021.

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

Comments and Demonstration of Compliance:

We conduct 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.

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.

High risk suppliers were not identified in the reporting year ended 31 March 2021.

The compliance officer reported the results of the due diligence of the reporting year ended 31 March 2021 to the supply chain officer in April 2021.

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 has been 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.

2. **Management strategy of risk mitigation that includes measurable 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 to 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.

During the reporting year ended 31 March, 2021 no supplier was identified as high risk that we should reassess whether to terminate business or take steps for risk mitigation.

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/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 2021.

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