Due Diligence Management of Gold, Silver Supply Chain of DAYE NONFERROUS METALS CO., LTD

1 Purpose

Strengthen the management of due diligence in the gold and silver supply chain, comply with domestic and foreign laws and regulations on anti-money laundering and anti-terrorist financing, and implement the "London Bullion Market Association Responsible Gold Guidance", "London Bullion Market Association Responsible Silver Guidance", "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas" and other gold and silver compliance management documents, combat money laundering and terrorist financing activities, and avoid inciting conflicts and human rights violations, Prevent the use of bribery or fraudulent gold raw materials According to "London Bullion Market Association Responsible Gold Guidance", "London Bullion Market Association Responsible Silver Guidance" and "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas" and other gold and silver compliance management documents, this document is specially formulated.

2 Scope of application

The gold (silver)-materials (gold and silver materials) referred to in this [illegible] but not limited to purchased alloyed gold [illegible] smelting gold and silver, including [illegible] (including gold ingots) purchased [illegible] in the production process, including copper and copper concentrate are [illegible]

3 Terms

organizations, participants, technology, information, resources and services that encompass the journey from mined silver to final silver product for end-consumer use.

standard gold.

3.14 Recycled Gold refers to gold

d-containing products. It also includes products that have been

to bars, badges and coins that have been sold by refiners to

producers, banks or consumers and then refined again.

3.15 Mining by-products: Gold and silver produced in the process of mining

processing and refining other metals. Such gold and silver are by-products. Such

needs of future

ed in gold and silver mining and gold and silver

. The Convention, which

es Informal enterprises such as artisanal and small-scale

develop to meet the needs of the present and to meet the

generations and the environment without harming the environm

and transporters of cyanide us

and the environment from the adverse effects of mercury

air, soil and water source

3.19 World Heritage Sites: as selected by the United Nations Educational,

cultural, historical, scientific, or other forms of significance, and is protected by

collective interests of mankind.

4. Organization and Responsibilities

4.1 Responsibilities of the Gold and Silver Supply Chain Management and Compliance Committee

The company established the Gold and Silver Supply Chain Management Compliance Committee, setting up the compliance office in the enterprise management department, and the leader of the enterprise management department serves as the compliance director, responsible for the daily affairs.Personnel composition of the Compliance Committee:

Manager of Ministry of Commerce, Deputy Group leader:

Enterprise Management Department, Team members: Ministry of Commerce, Enterprise Management Department, Finance Department, Internal Security Center, Legal Affairs Department, Audit Department, Quality Meter Center, Human Resources Department

The Compliance Committee is the leading organization for the company's gold and silver supply chain management, and is responsible for the interpretation, implementation, organization, leadership and supervision of the gold and silver supply chain management system, and the establishment, improvement and effective operation of the gold and silver supply chain management system.

The main responsibilities of the Compliance Committee:

1) Review the Silver and Gold Supply Chain Due Diligence Management;

2) Appoint the responsible gold and silver supply chain management

Compliance Director;

esults and risk [illegible] 3) Authorize the Compliance Director to review the due diligence r

ains;

management strategies of the gold and silver supply cha

isk assessment risk [illegible]

y chains.

4) Supervise the implementation of risk identification, r

control and mitigation measures in the gold and silver supp

[illegible]

4.3 Responsibilities of the Compliance Director

1) Review the due diligence and risk rating results of gold and silver supply chain

of gold (silver) material procurement department;

ver) material procurement department;

2) Review the risk mitigation strategy of the gold (sil

department;

[illegible]

ver supply chain [illegible]

and implementation of staff training in gold and si

management;

management;

4) Report to the senior management of the company the major matters of gold

[illegible] report to the senior management of the company the major matters of gold

and silver supply chain management;

5) Prepare the annual compliance report;

[illegible]

4.3.1 Ministry of Commerce

[illegible] the Ministry of Commerce is responsible for

of the company's gold (silver) material procurement

[illegible]

diligence work of the gold (silver) material suppliers, including

tion collection [illegible] 1) Carry out gold and silver supply chain due diligence, inform

essment and classification, and risk mitigation [illegible] risk identification, risk asse

criteria formulation, and supplier annual evaluation work;

ers of the compliance [illegible] 2) Report to the Compliance director the major matte

supply chain;

management of the gold and silver

levant policies and procedures of gold and [illegible] 3) Publicize and implement the re

silver supply chain management system;

4) Be responsible for the archiving of materials and documents obtained during

[redacted]

4.3.4 Quality meter center

zation and convening of compliance committee meetings;

1) Assist in the organi

4) Responsible for the consistency inspection and inspection of input raw

materials;

2) Responsible for the inspection of the material containing gold (silver) and raw

[redacted]

materials and main products and the compilation, summary and

quality statistical reports;

4) Be responsible for the archiving of materials and documents obtained during

4.3.3 Financial Department (Limited)

transaction details of gold (silver)

1) Responsible for recording and archiving the

aterial suppliers;

m

2) For high / medium risk suppliers, set restrictions on financial transactions in

[redacted]

Audit Department

4.3.4

[redacted]

gold and silver supply chain.

training personnel signature etc.

4. 3.8 Enterprise Management Depar

Guidelines and Due Diligence Silver Guidelines. Its main responsibilities are:

4) The Compliance Office is located in the Enterprise Management Department,

meetings;

materials;

other system management documents.

5. Management procedures / re

5.1 Fo

2) Principle of significant: Investigations should be conducted on a

comprehensive basis, focusing on substantive factors and conflicts among

3) Objectivity principle: The result of diligence results should accurately and

objectively reveal the risk points or gold (silver) content in the supply chain.

5.2.6 [illegible] unfavorable factors

[illegible] Responsible Gold [illegible] Responsible Gold [illegible]

[illegible] Responsible Gold and the OECD Responsible Mineral Supply Chain Gold [illegible] Silver Guidance

[illegible] of gold (silver) containing materials, The purchasing department

[illegible] containing gold (silver) is responsible for conducting due diligence

[illegible] 5.2.2 The [illegible]

[illegible] the [illegible]

including:

[illegible] by [illegible] basic supplier information

reliable and independent sources;

[illegible] 2) Identify the actual owner of the sup

mation from suppliers and confirm the 3) Obtain commercial and financial infor

onship; purpose and nature of the business relatio

[illegible] 4) Confirm th

ny money laundering, fraud and terrorist organizations published by a

government in the world;

[illegible] 5) For mineral gold and silver suppliers, identify their origin, obtain mini

licenses, import and export licenses (if applicable), mining capacity data, collect and evaluate relevant systems and procedures of the suppliers;

solid-state mineral gold and silver suppliers ... legality of mineral ... should be assessed;

5.2.3 During the collection of survey information, according to the different types of gold (silver) containing materials (mineral gold, mineral silver or recycled gold), LBMA Questionnaire - Mineral Materials (Annex 2) or LBMA Questionnaire - Recycled Materials (Annex 3) shall be issued to the suppliers respectively to collect relevant information. And sign responsible gold/silver commitment ... LBMA ... survey (Appendix 10). After ... information ... Checklist - Mineral Materials (Appendix 4) or LBMA Survey Checklist - Recovered Materials (Appendix 5) ...

5.3 Supplier Risk Identification

The purchasing department of materials containing gold (silver) carries out the risk identification of gold and silver supply chain according to the information ... whether the supplier has risks in the following areas:

1) Whether the mining, transportation and trade of minerals ... of high risk or conflict;

2) ... minerals, such as labor abuse or child labor;

3) Direct or indirect financing of non-governmental armed groups or security forces, such as extortion or taxation during mining, transportation and trade;

4) Bribery and fraudulent false statements;

5) Money laundering and terrorist financing, such as whether the actual

ner high-risk

control or significant shareholder of the supplier also operates ot

nonconformities, corrective measures, and the Compliance Officer's support for continued

gy any other

5.4 Supplier Risk Assessment and Management

gold and

responsible for carrying out the risk assessment of responsible

The risk assessment results should be regularly

responsible silver of supplie

reported to the Compliance Officer of Responsible Gold and Silver Supply Chain

all be

Management. The identified high-risk or potential high-risk suppliers sha

ing, corrective measures, and the Compliance Officer

mpany's supervision shall be responsible for reviewing the risk

Officer and the Co

ers for suppliers whose risk assessment results are not in low-risk

procedures.

5.4.2 Principles of risk assessment

The risk assessment of responsible gold and silver supply chains includes the following

country, corporate, and commodity

levels:

5.4.2.1 Country risk

flict areas or

1) Gold (silver)-containing materials originate from global con

high-risk areas of mainland China, Taiwan, Hong Kong, and high-risk

gold and silver-containing materials or those from mines, gold and s

Countries where reserves do not match production

5.4.2.2 Corporate Risks

1) The supplier or its parent company is located in a

high risk of money laundering, crime and corruption

in the collected information to prove that there may be mineral gold that

political figure.

Commodity risk

high risk areas of human rights violations (e.g. with poor gold and silver

silver reserves or very limited gold and silver stocks (refer to co

or indirectly finances non-governmental armed groups or security

5) Supplier's inventory management process involves various human rights issues, such as

abuse.

5.4.3 Risk assessment steps

5.4.3.1 Risk assessment is divided into two categories: compliance assessment of

gold (silver) materials purchased by suppliers. Suppliers of self-produced gold

(silver) containing materials and recycled suppliers with their own mines and

own refineries. Suppliers of purchased gold (silver) materials mainly

traders and gold (silver) smelters that take part in gold (silver)

5.4.3.2 Step 1: Preliminary risk assessment of the supplier

country risks of the gold and silver sources or the risks listed

the recommended

country or company

risk.

2) Identify the supplier's management and/or actual controller to see if there

have been allegations of corruption or its actual controller is or is related to

e) War, other serious violations of international humanitarian law, crimes against humanity or genocide.

materials:

purchases gold (silver)-containing ... mines and/or refineries, and is a trader who ...

gold (silver)-containing materials to identify the source of its gold (silver) materials. Whether the source of materials containing gold (silver) is compliant ...

At the same time, a letter of commitment is provided to confirm that due diligence has been carried out on its suppliers. At this time the procurement department of gold (silver) materials may not conduct further review.

In addition, the gold (silver) ... of outsourced gold (silver), but since the gold (silver) raw materials purchased from the national gold (silver) exchange are all carried out by the gold (silver) exchange itself strict identification and screening, the source of gold (silver) is highly traceable, and can be identified ... sign a letter of commitment or fill out a due diligence questionnaire. However, ... it is found that the suppliers of gold (silver) ... necessary to conduct a comprehensive risk assessment of the above-mentioned ... their suppliers.

5.4.2.4 Step 2: Additional risk ...

... measures to further assess supplier risks ... implements according to due diligence procedures ...

mainly including the use of reliable documents, data or information from

nation verification, etc owner identification; government watch list inform

ne to the company's supply chain enterprises (including producers, the mi

diaries, traders, exporters and transporters); for recycled gold, the inter

recycled gold suppliers should be sent to the

remains sp

2) Fo

organizations, non-governmental organizations, the media, maps, United Nations

reports, and the United Nations security council committee; gold and silver

mining industry books and other channels to check wh

conflicts, human rights abuse and other harmful

40 Compliance Report Template for Recycled Gold Refiners

layer certificate number which is verifiable by the assurance provider

that the system is being effectively imp consistent with LBMA requirements and

emented, including information research; on-site inspection; sampling and check e

ing on sales records, etc.

ied into three categories, low ris

ent result, the suppliers' risk levels can be classif

k, medium risk and high risk.

5.5.1.1 Low Risk Suppliers

5.5.1.2 Medium Risk Suppliers

5.5.1.3 High Risk Suppliers

is high risk.

to cooperate with this supplier.

5.6.1 Risk Management Strategy of Low Risk Suppliers

Plans and timelines for risk resolution, companies can have a "normal working" relationship with this supplier. Risk solutions should include clear performance objectives, performance evaluation criteria based on qualitative and quantitative analysis; reasonable completion dates.

5.6.2 Risk Management Strategy of Medium Risk Suppliers

If due diligence uncovers evidence that suppliers are involved in money laundering or terrorist financing, conflict [illegible] companies should suspend trade suspension cooperation while implementing risk mitigation measures such as suspending procurement of gold-containing materials from suppliers until more information and evidence [illegible]

5.6.3 [illegible] High Risk Suppliers

If the risk level of the supplier is high according to the due diligence [illegible] assessment, and no risk solution has been taken to improve or reduce [illegible] risk assessment [illegible] violations of human rights, the company will terminate all procurement activities until it takes a risk solution. At the same time, if our company can obtain more information and evidence to prove that its risk has been reduced to medium and low, the cooperation will continue conditionally again.

5.7 Supplier transaction risk monitoring

5.7.1 As a part of continuous due diligence, the procurement department of gold (silver) materials needs to continue to pay attention to transaction risks after the contract has been signed and assess its risks.

5.7.2 Information collection during the transaction process [illegible] purchasing department of gold (silver) materials conducts continuous due diligence on the supply chain of gold and silver, and establishes a risk-oriented

transaction information, collection mechanism according to the nature and

region of the transaction.

grade records from suppliers;

areas (if applicable);

2) For recycled gold (silver), obtaining weight records from suppliers; shipping

documents (if applicable), documents for import and export in high-risk areas (if

applicable).

5.7.2 Trading Risk Identification

it should be identified as a high-risk transaction:

1) Mineral gold (silver) or recycled gold (silver) has been transported in conflict-

human rights violations

2) There is a serious dis

by the supplier and

management.

5.7.4 Trading Risk Control

money laundering

"normal cooperation" suppliers have or may have acts of mo

s, they should

terrorist financing, incitement to conflict or human rights violation

and the cooperation relationship and report to the Compliance

immediately susp

by the management. If there is conclusive evidence that the

that authorized

purchasing and terminate the cooperative

relationship.

For "normal cooperation" suppliers who have completed risk ratings and

nent is responsible for supervising the implementation of procurement depart

The Director of Compliance Management reviews the risk

implementation of risk solutions and assesses the achievement of performance

5.8 Supplier Annual Supplemental Evaluation

ent of the supplier's annual due (silver) conducts a supplementary assessme

ssessment Form for Suppliers" in the "Supplementary Annual Supplementary A

based on the assessment results. The compliance director needs to review the

chain management with gold (silver) supply chain

lts of the annual gold and silver supply chain due diligence Purchasing

department of materials containing gold (silver) updates the supplier

partnership according to the approved risk management strategy.

5.9 Information and Communication

5.9.1 Supplier communication with suppliers

es in the gold and silver supply chain providing information to external parti

Guidelines" and " Communicate the policies and commitments and

procedures for due diligence in the gold and silver supply chains.

procedures.

5.9.2 Communication with internal staff

management.

Committee.

1) The training content includes the introduction of external regulatory

requirements, the publicity and implementation of the company's internal

chain management training plans, and reporting to the Human Resources

3) The Compliance Office is responsible for preparing training materials and

4) The human resources department is responsible for supervising the

implementation of the training plan, and cooperates with the compliance

director to carry out training related to gold and silver supply

5.1 Document saving

6 Supporting D

6.1 LBMA Resp

6.2 LBMA Re

Conflict-Affected and High-Risk Areas

7.1 LBMA Questionnaire – Mineral Materials

7.3 LBMA Survey Checklist_Mineral Materials
7.4 LBMA Survey Checklist_Recycling material
Site survey form---Recycling materials 7.5
Site survey form---Mineral materials 7.6
RMA Supplier Evaluation Form 7.7
7.8 Annual supplementary evaluation form of the Supplier
7.9 Responsible Gold (Silver) Sourcing Checklist

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gation process.

revealed during the investig

valid, and this document shall be

9 Additional instructions

The original document is inv

management Department and the Ministry of Commerce and the Co

compliance Office shall be responsible for the interpretation

Affix 1 Due Diligence Flow Chart for Suppliers of Gold Containing Materials

