

Zijin Mining Group Gold
Smelting Co., Ltd
Enterprise standards

Q/MZY3. 8. 8-2020

Gold supply chain due
diligence (trial)

Proposed Chi Yanzhen Date 2020-03-01

Audit Liang Zhenglin Date 2020-03-01

Ratification Lin Fengxian Date 2020-03-03

Version Number A

Distribution Number 3201

Controlled state 受控

2020-03-01 released

2020-03-03 Implemented

Zijin Mining Group Gold Smelting Co., Ltd

Gold supply chain due diligence (trial)

1 General

To better participate in the London Gold and Silver Market Association (hereinafter referred to as LBMA) trading activities, according to the requirements of the LBMA system, combined with the actual situation of the enterprise, standardize the gold supply chain management, avoid procurement risks, ensure procurement quality, control procurement costs, Formulate this regulation.

1.1 Purpose

Combat systematic or large-scale human rights violations, avoid triggering conflicts, comply with anti-money-laundering and curb terrorist financing, and prohibit suppliers from participating in activities that violate the LBMA liability guidelines mentioned above.

1.2 Scope

Applicable to all operations and personnel in the gold supply chain.

1.3 Definition

Trigger conflict: refers to the initiation of two or more armed conflicts, resulting in human rights violations. The parties to the conflict may include the government, the army, organized criminal groups or terrorist organizations.

High-risk areas: areas where there is a risk of political instability or oppression, institutional deficiencies, insecurity, breakdown of civilian infrastructure, and widespread violence. Often such areas are characterized by widespread violations of human rights and international and domestic law.

2. Organizational and personnel responsibilities

The gold smelting company established a gold supply chain due diligence working group, the head of the group company is the compliance chief supervisor, and the general manager of the gold smelting company is the group leader. The group members are composed of the office of the gold smelting company, the Treasury, the marketing department, the marketing department of the group company and other relevant departments. Among them, the office is the gold supply chain due diligence daily work management department; the office director is the compliance administrator; the group company marketing department personnel is the group company and the LBMA contact person. As follows:

Specific responsibilities are as follows:

Group leader: responsible for due diligence compliance report of gold supply chain.

Deputy team leader, compliance specialist: coordinate and organize gold supply chain due diligence and audit supply chain due diligence report. Responsible for all gold supply chain related matters:

Organize due diligence; develop and implement risk management measures for all types of risks assessed; develop training programs for all employees involved in gold supply chain work; prepare and update gold supply chain management policies; Report risk assessment results to management.

Office related personnel: responsible for communication and communication, policy promotion and information upload.

Treasury staff: assist the office to conduct due diligence, verify supplier business financial information; provide relevant financial data.

Responsibilities of Marketing team: investigate and evaluate suppliers with office, submit risk assessment forms; prepare and keep transaction records.

Responsibilities of contact person between group company and LBMA: responsible for communication between company and LBMA, document translation, etc.

LBMA responsibility gold working group reporting path and object: deputy group leader and compliance specialist timely report to the team leader (general manager), team leader to report to the compliance director.

3. Document keeping

The company should keep sufficient supply chain documentation and evaluate the risk according to the standards of the supply chain due diligence system to prove that due diligence has been completed fully and continuously. Record keeping for at least 5 fiscal years.

4 Training

Training of personnel (procurement, sales, quality control, etc.) involved in gold supply chain due diligence and daily supply chain links, including due diligence operation process, documentation and custody, etc. The training shall be conducted in the form of first training and regular annual training.

5 Communication

5.1 Inform existing suppliers in writing of the purpose and requirements of our Gold Supply Chain Due Diligence System.

5.2 To ensure that employees understand the intent of due diligence policy and understand the gold due diligence work of LBMA responsibility through information sharing channels such as publicity column and open government affairs column; to

implement the letter and visit policy and set up an opinion box to facilitate staff supervision and advice.

6 Gold supply chain risk assessment:

6.1 Validation of supplier's legitimacy: provide organizational code certificate, business license, tax registration, etc.

6.2 Identify legal persons, actual controllers and major shareholders of suppliers.

6.3 Investigate the reputation of suppliers and their legal persons, de facto controllers and major shareholders to ensure that they are not involved in human rights violations, money-laundering, fraud and terrorist activities.

6.4 Obtain information data on the supplier's business and financial situation and understand the supplier's business model.

6.5 For mineral gold suppliers, the following information should be obtained: reasonable evidence of the origin of mineral gold; mining licences (if applicable); import and export licences (if applicable) for mineral gold; supporting documentation of the actual mining situation in the mine; mining capacity data (if any), etc.

If the corresponding evidence can not be obtained, additional evidence such as occupational health, environmental aspects, community related party information should also be obtained to indicate the security, transparency and traceability of the transaction.

6.6 Initial risk assessment for new suppliers; regular review of risk assessment documents by existing suppliers to identify the need to supplement and re-carry out appropriate risk assessment steps.

7 Criteria and response to high risk in the gold supply chain

7.1 The Company's commitment to the implementation of the responsible supply chain to avoid LBMA prohibited content involving "conflict" metals, abuse of human rights, financing of non-governmental armed, illegal criminal organizations, bribery and fraud of metal sources, money laundering, etc.

7.2 High risk in the gold supply chain:

7.2.1 Mineral or recovery gold from/transit/transport/conflict areas and high-risk areas with human rights problems;

7.2.2 The production of mineral gold does not match the proven reserves, resources or production level of the country;

7.2.3 The source of recovery funds or through a country where human rights problems are known or where human rights problems are suspected;

7.2.4 Gold suppliers or their upstream enterprises operate in countries where money-laundering, crime and corruption are serious;

7.2.5 Gold suppliers or their upstream enterprises as legal persons, actual controllers and major shareholders are politicians;

7.2.6 Gold suppliers or their upstream businesses engage in high-risk commercial activities such as arms trading, gambling and casinos;

7.2.7 Mineral gold comes from small mines with incomplete domestic procedures and illegal mining, as well as from artisanal mining;

7.2.8 Gold production using mercury;

7.2.9 Non-compliance with environmental and sustainable development legal requirements, mineral or recycled gold originates from World Heritage sites or national natural ecological reserves;

7.2.10 Other high-risk situations identified by the Chinese government.

7.3 For suppliers with 7.2 high-risk cases, the Company will take measures such as suspension of cooperation, investigation, and termination of cooperation if the above circumstances are true.

8 Due diligence process

8.1 Through business talks, business information inquiries and other channels, companies seek to obtain the true information of whether suppliers are involved in the mining, transportation, processing, trading, processing, smelting, casting, production or sale of metals originating in conflict and high-risk areas.

8.2 Assessment of the true situation of suppliers based on the sixth risk assessment, risk assessment of existing and new suppliers, assessment of actual or potential risks.

8.2.1 Additional survey requirements suppliers from mineral gold:

- 1) Must obtain information on the origin of gold and silver;
- 2) Provide mining licences, business licences;
- 3) To provide import/export gold and silver licenses (if import/export business);
- 4) Of information on mining conditions, including human rights violations, irregularities, etc;
- 5) Mining capacity data;
- 6) Through the website to its litigation, administrative punishment and other risk

information investigation;

7) Company will continue to conduct due diligence on mineral gold suppliers;

8) Investigate the wearing of labor protection products, health and safety training, and occupational diseases of miners;

9) Whether compliance with environmental and sustainable development legal requirements, whether to establish environmental-related policies and control procedures, whether through the relevant departments of environmental assessment certification;

10) To investigate the impact of the presence of the local population.

8.2.2 Additional survey requirements for suppliers from sources of recovered funds:

1) the supplier of the recovered gold legal person shall provide legal business relations, including: the certificate of the source of the reclaimed gold, the certificate of the beneficiary, etc., and investigate the risk information of its litigation, administrative punishment, breach of trust and so on through the website;

2) recovery gold natural person supplier must provide the ID card photocopy, the regeneration gold source proof, and through the website carries on the investigation to its discredit situation;

3) company will continue to conduct due diligence on renewable gold suppliers.

8.3 Fill out the risk assessment form and take additional due diligence for identified high-risk suppliers:

1) on-site investigation/visit of the supply chain to confirm the findings recorded in the supply chain due diligence documentation;

2) For gold mined on a large scale: verify the situation using documents, data and information from credible and independent sources, from the mine to our company, the owner of the proceeds of each company in the supply chain (including producers, middlemen, dealers, exporters and transporters) and the information on the government monitoring list are required to verify;

3) For the recovery: verify the situation using documents, data and information from credible and independent sources, from the supplier to our company, the information of the revenue owner and the government monitoring list of each company in the supply

chain (including the transporter) is required to verify;

4) special circumstances: if the supply chain customer single batch of materials provided by the supporting information is not complete or our company suspects that this batch of materials from conflict, human rights violations, money laundering and other high-risk areas should be suspended or returned directly.

8.4 The Company prevents or mitigates the identified risks by implementing risk management measures: continuing the transaction throughout the mitigation process; temporarily suspending the transaction pending mitigation of the risk and continuing the transaction; or terminating the relationship with the supplier after the mitigation has failed or if the Company considers that mitigation is not feasible or unacceptable.

8.5 Report the results of the risk assessment and the implementation of risk management measures to the General Manager of the Gold Smelting Company.

9 Supply chain transaction monitoring

The company will review and supervise the transaction association process throughout to ensure that the supply chain understanding and risk forecasting are consistent. The regulation of transactions uses a risk-based approach. Therefore, the company obtains and records the following information for each batch of raw materials received:

1) For mineral gold: estimated weight and test results (from the supplier); shipping/freight documents (freight/air waybill, proforma invoice); import/export forms for high-risk transactions, if possible.

2) For recovery: estimated weight (from supplier); shipping/freight documents (freight/air waybill, proforma invoice); import/export forms for high-risk transactions, if possible.

The company will verify that the above documents are consistent with the understanding of the supply chain. If the transaction background does not match, the investigation needs to be conducted and written results obtained.

10 These administrative measures shall come into effect as of the date of promulgation. The power of interpretation is owned by the gold smelting company.

Supplier Risk Assessment Form

Supplier Name:

Supplier nature:

	Gold Supply Chain Risk Assessment Content	Vendor situation	Risk rating
1	Validation of Supplier Legitimacy: Provision of Organization Code, Business License, Tax Registration, etc		
2	Reputation of legal persons, de facto controllers and major shareholders of suppliers		
3	Sources of gold raw materials		
4	Are mineral and gold suppliers qualified for mining		
5	Does the recycling supplier have a gold recycling office		
6	Gold Supplier Business Mode		
7	Whether suppliers are held or controlled directly or indirectly by government officials		
8	Has the supplier ever been involved in any Customs violations		
9	Whether suppliers engage in high-risk activities such as arms trading, gambling and casinos		
10	Has any supplier or supplier employee ever been involved in any bribery or corruption-related offences		

Supplier risk :

Risk assessor :