

# **Supply Chain Due Diligence Management Regulations**

## **Chapter 1 General Rules**

**Article 1** In order to crack down on systematic or wide behaviors violating human rights, avoid offering donations to armed conflicts, abide by high-standard anti-money laundering and antiterrorism financing, perform due diligence of raw material sources pursuant to *London Bullion Market Association (LBMA) Responsible Gold (Silver) Guideline* to make it meet delivery standards of LBMA and promote the Company's supply chain management level, these Regulations are hereby formulated.

**Article 2** These Regulations are applicable to suppliers and partners providing the Company with raw materials necessary for gold (silver) such as mineral and regenerated gold, including manufactures, middlemen, processors, exporters, and forwarding agents.

## **Chapter 2 Organization Structure and Responsibility**

**Article 3** The Company specially sets up the following management organizations as per the LBMA's due diligence management requirements and actual business development needs: the Compliance Director, the Compliance Risk Control Officer, and the Compliance Officer. The Compliance Risk Officer is set up in the Audit and Risk Control Department; The

**Compliance Officer is assigned by the Market Department, Market Department II, Quality Control Department, Financial Department, and Refining Workshop.**

**Compliance Director: Lin Hong**

**Compliance Risk Officer: Hou Xujing**

**Compliance Officer: Zhou Junfeng, Zhou Xianhua, Zhu Zongbo, Yang Yongjuan, Han Dongwei**

**Article 4 Responsibilities of all personnel:**

**1. Responsibility of the Compliance Director:**

**(1) Preside over and take full charge of the due diligence of the Company's supply chain;**

**(2) Formulate relevant policies and management regulations of the company supply chain due diligence management as per the content of the LBMA responsible gold (silver) guideline. Direct daily due diligence, supervise the implementation of risk management and countermeasures of money laundering and purchasing in the high-risk region, and identify and correct problems and deficiencies in daily management.**

**(3) Take charge of supervising and inspecting the establishment of the supply chain due diligence management system and standard of the Company, and update it regularly;**

**(4) Take appropriate measures to reduce and eliminate risks for the supply chain or transaction with identified risks;**

**(5) Take charge of the examination and approval of the annual compliance report of the Company and other publicly released reports;**

**(6) Coordinate the supply chain due diligence management communication and training items between the Company and all departments.**

**2. Responsibility of the Compliance Risk Officer:**

**(1) Take charge of drafting and amending the supply chain due diligence management policies and methods of the Company;**

**(2) Take charge of conducting the supply chain due diligence measures and the high-risk supply chain judgment criteria, and guide, coordinate and report the conditions of the Company in risk assessment, response and monitoring, etc.**

**(3) Have the right to supervise the process of the supply chain due diligence, and assess if the due diligence has been conducted adequately; if necessary, he has the right to ask the Supplier and the Operating Department for additional documents and information;**

**(4) Report abnormal conditions of the due diligence and transaction to the Compliance Director in time.**

**(5) Take charge of collecting and reporting ideas and suggestions of all departments for the supply chain due diligence;**

**(6) Lead and organize all departments to complete the supply chain due diligence assessment and LBMA annual routine audit;**

**(7) Conduct the supply chain due diligence management training for staff at the end of every year.**

**3. Responsibility of Market Department Compliance Officer:**

**(1) Implement strictly the supply chain due diligence measures and the high-risk supply chain judgment criteria;**

**(2) Take charge of collecting and keeping adequate supply chain documentation including but not limited to the copy of the individual supplier's ID card, the business license of the institutional supplier, and the mining license of the mine supplier;**

**(3) Take charge of establishing due diligence files of the Supplier, and conduct a regular field investigation to key suppliers;**

**(4) Ask for all suppliers to sign *Supplier's Social Responsibility Commitment*;**

**(5) Take charge of collecting and reporting ideas and suggestions of the company staff for the supply chain due diligence;**

**(6) Report abnormal conditions of the due diligence and transaction to the Compliance Risk Officer in time.**

#### **4. Responsibility of Second Market Department Compliance Officer:**

**(1) Implement strictly the supply chain due diligence measures and the high-risk supply chain judgment criteria;**

**(2) Take charge of collecting and keeping adequate supply chain documentation including but not limited to the copy of the individual supplier's ID card, the business license of the institutional supplier, and the mining license of the mine supplier;**

**(3) Take charge of establishing due diligence files of the Supplier, and conduct a regular field investigation to key suppliers;**

**(4) Ask for all suppliers to sign *Supplier's Social Responsibility Commitment*;**

**(5) Take charge of collecting and reporting ideas and suggestions of the company staff for the supply chain due diligence;**

**(6) Report abnormal conditions of the due diligence and transaction to the Compliance Risk Officer in time.**

#### **5. Responsibility of the Financial Department Compliance Officer:**

**(1) Implement strictly the supply chain due diligence measures and the high-risk supply chain judgment criteria;**

**(2) Take charge of collecting and keeping adequate supply**

**chain documentations;**

**(3) Keep all complete financial vouchers of the Supplier transaction;**

**(4) Assess the financial data of the Supplier and clarify the commercial relations;**

**(5) Take charge of collecting and reporting ideas and suggestions of the company staff for the supply chain due diligence;**

**(6) Report abnormal conditions of the due diligence and transaction to the Compliance Risk Officer in time.**

**6. Responsibility of the Quality Control Department Compliance Officer:**

**(1) Implement strictly the supply chain due diligence measures and the high-risk supply chain judgment criteria;**

**(2) Take charge of collecting and keeping adequate supply chain documentations;**

**(3) Verify and record the laboratory report of each batch of received raw material, and analyze and assess if the data is consistent with the supply chain due diligence; If not, it should conduct a detailed investigation and make a written investigation report;**

**(4) Take charge of collecting and reporting ideas and suggestions of the company staff for the supply chain due diligence;**

**(5) Report abnormal conditions of the due diligence and transaction to the Compliance Risk Officer in time;**

**7. Responsibility of the Refining Workshop Compliance Officer:**

**(1) Implement strictly the supply chain due diligence measures and the high-risk supply chain judgment criteria;**

**(2) Take charge of collecting and keeping adequate supply chain documentations;**

**(3) Suspend warehousing or directly return if there is a high-risk supply chain or transaction;**

**(4) Take charge of collecting and reporting ideas and suggestions of the company staff for the supply chain due diligence;**

**(5) Report abnormal conditions of the due diligence and transaction to the Compliance Risk Officer in time.**

### **Chapter 3 Judgment Criteria of High-risk Supply Chains**

**Article 5 Regardless of mineral gold or the regenerated gold, the Company shall pay close attention when the following risks occur at the source of the supply chain:**

**1. Systematic and widespread human rights violations related to the mining, transportation, and transaction of gold and silver;**

**2. The behavior of supporting directly or indirectly non-governmental armed groups and public or private security**

**forces (refer to the definition in the Gold and Silver Appendix of OECD Mineral Supply Chain Due Diligence Manual in the conflict-affected and high-risk regions);**

**3. The real source of gold and silver is covered up or from bribe;**

**4. Money laundering and terrorist financing are found;**

**5. Conflicts are intensified;**

**6. The mineral gold derives from small mines with incomplete domestic procedures and illegal mining, and gold mining derives from manual mining;**

**7. Gold mining is produced from mercury;**

**8. Gold mining derives from world heritage sites and domestic natural ecological reserves in violation of environmental and sustainable development legal requirements;**

**9. Other high-risk regions stipulated by LBMA.**

**Article 6 In accordance with relevant regulations of LBMA and OECD, combined with the reality of the Company, judgment criteria of high-risk supply chain are specified as follows:**

**1. Mineral or regenerated gold is sourced, transferred or transported through the areas of high-risk for conflict-afflicted or human right violations;**

**2. It is claimed that the mineral gold derives from a country with limited known reserves resource or estimated output;**

**3. The regenerated gold derives from known areas of**

**high-risk for conflict-afflicted or human right violations, or there are reasons to doubt the gold has been transported through such areas;**

**4. Companies in the supply chain or other known upstream companies are located in a high-risk country for money laundering, crime and corruption;**

**5. The benefit owners of companies in the supply chain or other known upstream companies are politically sensitive people;**

**6. Companies in the supply chain or other known upstream companies have an active involvement in high-risk commercial activities such as weapons, gambling, bookmaking, antiques and artworks, diamond, religion or religious leaders;**

**7. The mineral gold derives from small mines with incomplete domestic procedures and illegal mining, and gold mining derives from manual mining;**

**8. The mineral gold or regenerated gold is produced from mercury;**

**9. Mineral gold or regenerated gold derives from world heritage sites and domestic natural ecological reserves in violation of environmental and sustainable development legal requirements;**

**10. Other situations identified as high-risk by the Chinese government.**

**When any one of the evaluation standards above exists objectively, therefore the supply chain should be classified as a high-risk supply chain. The Compliance Officer of departments should prepare materials to report to the Compliance Risk Officer, and the Compliance Risk Officer should report to the Compliance Director. It is approved by the Compliance Director to take countermeasures, stop trading and eliminate risks.**

#### **Chapter 4 Due Diligence of Supply Chain**

**Article 7 Within the Company, corresponding due diligence steps specific to all suppliers and relevant cooperative partners involved should be established and should be clearly informed during transactions, mainly including:**

**1. It is important to establish customer archives of the supply chain, including: names, legal representatives, addresses, contact information, operation ways and business contracts, etc.;**

**2. The supply chain customer at regular intervals is needed to be verified. If there is a new-add or modification in customers, it is needed to verify archival data regularly and to update the archive database;**

**3. It is important to make sure that each customer of the supply chain is not on the government's wanted list of money laundering, defraud or terrorism;**

**4. It is needed to obtain the information about the**

**operation situation and trading purpose of the supply chain customer;**

**5. Special personnel is needed to be assigned to establish standing book and be responsible for the supervision of effective date and ensure the accuracy and integrity of information, when the supply chain customer information such as mining license and business license is involved.**

**Article 8 Additional investigation requirements for mineral gold suppliers:**

**1. The origin information of gold and silver must be obtained;**

**2. It is needed to provide a mining license and a business license;**

**3. The import/export gold and silver license (if there are any imports and exports) is needed to be provided;**

**4. Mining information proof is required, including: whether the human right is violated, whether it is a violation operation and others;**

**5. Mining capacity data is required;**

**6. The investigation on the risk information such as its lawsuits and administrative penalties through website needs to be carried out.**

**7. The Company will constantly perform due diligence for the mineral gold suppliers;**

**8. The investigation on the miners of wearing labor protection article, health and safety training and occupational disease physical examination is needed to be conducted;**

**9. The investigation on compliance with the legal requirements of environment and sustainable development, whether environmental policies and control procedures are laid down, whether environmental assessment certification by the related authorities has been obtained is required.**

**10. It is needed to carry out an investigation on whether there is an impact on local residents.**

**Article 9 Additional investigation requirements for regenerated gold suppliers:**

**1. The legal person supplier of regenerated gold needs to provide legal commercial relations, including: origin identification of regenerated gold, beneficiary certificate, etc. It is needed to perform investigation on the risk information such as its lawsuits, administrative penalties and dishonesty;**

**2. The natural person supplier of regenerated gold is required to provide copy of ID card, origin identification of regenerated gold. It is important to carry out investigation on its dishonesty through website;**

**3. The company will constantly perform due diligence on the regenerated gold supplier.**

**Article 10 Additional requirements for strengthening due**

**diligence under high risks:**

**1. Site investigation/visit of the supply chain is needed to testify the investigation result of the due diligence document records for supply chain;**

**2. As for the gold and silver from large-scale mining: it is needed to examine the situation by utilizing reliable documents, data and information from independent source. From the mine to our company, both the information of benefit owner of every company in the supply chain (including the manufacturer, middleman, dealer, exporter and forwarder) and the government's monitoring list is required to be verified;**

**3. For the regenerated gold: it is needed to examine the situation by utilizing reliable documents, data and information from independent source. From the Supplier to our company, both the information for benefit owner of every company in the supply chain (including the forwarder) and the government's monitoring list is needed to be verified;**

**4. Special circumstances: If there are incomplete proof materials of batches of the supplied materials in the customer list of the supply chain or our company doubts that this batch of supplied materials derives from high-risk areas for conflict-afflicted, human right violation and money laundering, suspension of warehousing or direct return is required.**

**Chapter 5 Transaction Supervision of Supply Chain**

**Article 11 The Company should carry out throughout inspection and supervision on the process related transaction, so as to ensure the knowledge of the supply chain is consistent with risk predication during the transaction. The supervision about the transaction should be deployed by the means of risk-based methods. Therefore, as for every batch of raw material, the Company should obtain and record the following information:**

**1. As for the mineral gold: the estimated weight and laboratory report (provided by the Supplier); shipping/freight document (freight/airway bill and proforma invoice); import and export forms of high-risk transaction (if possible) are needed to be provided.**

**2. As for the regenerated gold: the estimated weight and laboratory report (provided by the Supplier); shipping/freight document (freight/airway bill and proforma invoice); import and export forms of high-risk transaction (if possible) are required to be provided.**

**The Company will verify whether these documents above are mutually compatible, and whether they are consistent with the known information about the supply chain. If there is an unconformity with trading background, it is needed to carry out investigation and to obtain written survey result.**

## **Chapter VI Record Retention**

**Article 12 The Company should keep adequate documentary evidence records of the supply chain, and judge risks in compliance with standards of the due diligence system of the supply chain to prove the through and persistent fulfillment of due diligence. The record retention should be at least 5 accounting years.**

### **Chapter 7 Training**

**Article 13 The Company will provide all staff involved in the supply chain with annual training, and incorporate training plan into the annual training plan of the Company.**

### **Chapter 8 Information Communication Mechanism**

**Article 14 During the supply chain management and transaction, once any employee of the Company finds illegal items or abnormal situations, he or she should report to his or her affiliated department and the Workshop Compliance Officer by e-mails and telephones in a timely manner. The Compliance Officer should be responsible for reporting to the Compliance Risk Control Officer by e-mails and telephones. The Compliance Risk Control Officer should take charge of handling this report and reply to employees by the means of direct interview within 3 working days. It is needed to protect privacy of employees in the whole compliant progress and to keep the informer's information confidential. It is prohibited to take any forms of retaliation.**

**Violation report telephone of Shandong Gold Smelting Co.,  
Ltd.:**

**0535-2697916                      0535-2697917**

**Violation report mailbox of Shandong Gold Smelting Co.,  
Ltd.:**

**18766696622@163.com**

### **Chapter 9 Supplementary Rules**

**Article 15 These Management Regulations will be  
implemented since the date of issue.**

**Article 16 These Management Regulations will be  
interpreted by the Audit and Risk Control Department.**