

Zijin Mining Group Gold Smelting  
Co., Ltd. Shenzhen Branch

Enterprise standards

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Gold Supply Chain Due  
Diligence Procedure (trial)

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Zijin Mining Group Gold Smelting Co., Ltd. Shenzhen Branch

# Gold Supply Chain Due Diligence Procedure (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 Shenzhen branch of the gold smelting company should establish a due diligence team for the gold supply chain, with the general manager of the Shenzhen branch serving as the compliance director and team leader; Compliance Officer and Deputy Team Leader: Head of Shenzhen Branch of Gold Smelting Company; The group members are composed of the Supervision and Audit Department of the Gold Smelting Company, the Business Manager of the Comprehensive Department of the

Shenzhen Branch of the Gold Smelting Company, and the Financial Manager. The Comprehensive Department is the daily work management department for due diligence in the gold supply chain. When necessary, it coordinates with the marketing department of the group company and the marketing department of the gold smelting company to assist in communication and document translation between the company and LBMA. The person in charge of comprehensive business is the compliance administrator.

The specific responsibilities are as follows:

Compliance Director and Team Leader: Responsible for the due diligence compliance report of the gold supply chain.

Compliance Officer, Deputy Team Leader:

The responsibilities of a compliance officer shall include but not be limited to:

- Review the due diligence process and system of the gold supply chain to meet the objectives of RGG (Responsible Gold Guidelines) and the risk management needs of refiners.
- Ensure that key information, including company policies, has an effective structure and communication process that can be conveyed to relevant employees and gold suppliers.
- Ensure sufficient resources (including capabilities and experience) to support the operation and monitoring of the supply chain due diligence process and system.
- Train employees on supply chain risks (including threat financing and ESG), and develop and update gold supply chain policies and procedures for refiners.
- Review and understand customer (KYC) documents and risk classifications, and request additional documents or information if necessary.
- Ensure appropriate measures are taken for high-risk supply chains or transactions.
- Provide appropriate and timely information for the board of directors to fulfill its duties.
- Coordinate and organize due diligence investigations on the gold supply chain, and review the supply chain due diligence compliance investigation report.
- Responsible for all matters related to the gold supply chain: organizing and

conducting due diligence work; Develop and implement corresponding risk management measures for various assessed risks; Develop training programs for all employees involved in the gold supply chain work; Write and update gold supply chain management policies; Report the risk assessment results to the management.

The Supervision and Audit Department of the Gold Smelting Company is responsible for facilitating complaint and reporting channels, investigating and handling fraudulent activities involved in the supply chain of the Shenzhen branch.

Comprehensive department business leader: responsible for investigating and evaluating suppliers, submitting risk assessment forms; Responsible for compiling and maintaining transaction records. Coordinate with the marketing department of the group company and the marketing department of the gold smelting company to assist in communication and document translation between the company and LBMA. Responsible for communication and exchange work, promoting various policies and uploading and distributing information.

Financial Director of the Comprehensive Department: Assist compliance officers in conducting due diligence and verifying supplier business and financial information; Provide relevant financial data.

The reporting path and target of LBMA Responsibility Gold Working Group: Compliance officers and deputy team leaders shall report their work status to the Compliance Director and team leader (General Manager) in a timely manner.

### **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**

The company provides training to personnel involved in due diligence and daily supply chain processes of the gold supply chain, including procurement, sales, quality control, etc. The training content includes due diligence policies for the gold supply

chain, document recording, and storage.

## **5. Communication**

5.1 Notify existing suppliers in writing of the purpose and requirements of our company's due diligence system for the gold supply chain.

5.2 Ensure that employees understand the intent of the due diligence policy and the status of LBMA's due diligence work through information sharing channels such as bulletin boards and government disclosure boards; Implement the petition policy, set up suggestion boxes to facilitate employee supervision and feedback.

## **6. Gold supply chain risk assessment:**

6.1 Verify the legality of the suppliers.

6.2 Identify the legal entity, actual controller, and major shareholders of the suppliers.

6.3 Investigate the reputation of suppliers, their legal entities, actual controllers, and major shareholders to ensure that they:

6.3.1 Does not involve human rights violations, including:

Any forms of torture, or inhuman and degrading treatment; forced or compulsory labour; Worst forms of child labour; widespread sexual violence or other gross human rights violations; War crimes, crimes against humanity or genocide.

6.3.2 Does not involve direct or indirect support to illegitimate non-state armed groups, or public or private security forces which:

Illegally control mines, sites, traders or other intermediaries, and transport routes through the supply chains; Illegally tax or extort money or minerals through the supply chains.

6.3.3 Does not involve bribery and fraudulent misrepresentation of the origin of gold.

6.3.4 Does not involve non-compliance with taxes, fees and royalties due to governments related to mineral extraction, trade and export from Conflict-Affected and High-Risk Areas (CAHRAs).

6.3.5 Does not involve money laundering or terrorism financing.

6.3.6 Does not involve contribution to conflict.

6.4 Regarding ESG factors, compliance with environmental, health, safety and labour regulation in country of operation and/or company's following policies:

6.4.1 Environmental management, including:

6.4.1.1 Compliance with air, water, land pollution and incident management plans and water stewardship policies (especially in water scarce and stressed areas);

6.4.1.2 Unauthorised sourcing from World Heritage Sites and Protected Areas.

6.4.2 The storage, handling, and disposal of hazardous chemicals (including mercury and cyanide) comply with international Cyanide Management Code.

6.4.3 Abide by the management of labour issues, including remuneration, working hours, collective bargaining, discrimination, diversity, disputes and safeguarding of workers.

6.4.4 Abide by the community engagement and management programmes (land acquisition and community resettlement, cultural heritage sites and indigenous people, closure planning and safeguarding of vulnerable populations).

6.4.5 Abide by the management of business integrity and ethical conducts, and support the implementation of relevant initiatives such as the Extractive Industry Transparency Initiative (EITI).

6.5 Obtain information and data on the supplier's business and financial situation, and understand the supplier's business operation model.

6.6 Conduct initial risk assessment for new suppliers.

6.7 Regularly review risk assessment documents for existing suppliers, identify whether additional and appropriate risk assessment steps are needed.

## **7. Company Confidentiality Appeal Mechanism**

The company has formulated the "Reporting Management Measures for Zijin Mining Group Gold Smelting Co., Ltd.", and the disciplinary inspection, supervision and audit departments of the group and the company are specialized departments responsible for receiving and processing reporting information and providing protection for whistleblowers, independent of the business departments. Everyone can report, and the informant has the right to report anonymously. The reporting channels include special reporting telephone(0597-3996322), reporting mailbox(hjlyxgsjsj@126.com), network platform(hjyl.zjky.cn), mobile phone platform (WeChat official account) and opinion mailbox. All reports will be

investigated by dedicated personnel and completed within one month; For more complex or important matters to the company, the investigation and handling should be completed as soon as possible within 3 months. If the investigation deadline needs to be extended under special circumstances, it should be explained to the main person in charge of the company or the head of the supervision and audit office of the group company, and an extension of 1-2 months should be applied according to the situation. After the investigation is completed, the Supervision and audit department should form an investigation report and handling suggestions, and submit them to the company's main leaders or group superiors for review. If the investigation finds that the reported matter does not require accountability and punishment, the case will be closed; For those who require accountability and punishment, the investigation report and handling suggestions must be submitted to the company's authorized agency for review in accordance with the company's internal rules of procedure. After handling the report, the case will be closed. If the report is not true, it can be reported and clarified within a certain range if necessary to eliminate the impact. For real name reports, the company will provide feedback on the results to the whistleblower within 5 working days after the investigation and handling are completed; For anonymous reports, feedback will be determined based on the actual situation. If the investigation is true, it will be reported within a certain range. If the investigation is not true, it will not be ignored.

When communicating with internal employees, we use information sharing channels such as promotional columns and government disclosure columns to ensure that employees understand the intent of the due diligence policy and the status of LBMA's gold due diligence work; Implement the petition policy, establish an opinion box to solicit opinions from employees, and facilitate their supervision and evaluation.

## **8. Conduct Supply Chain Due Diligence to Identify Potential Risks**

8.1 For the responsible supply chain, our company undertakes to avoid the contents prohibited by LBMA, such as human rights violations, direct or indirect support for illegitimate non-state armed groups, or public or private security forces, bribery and

fraudulent misrepresentation of the origin of gold, and non-compliance with taxes, fees and royalties due to governments related to mineral extraction, trade and export from Conflict-Affected and High-Risk Areas (CAHRAs), money laundering or terrorism financing activities and contribution to conflict.

8.2 The company must follow a risk based approach for supply chain due diligence. Due diligence must be conducted before and during the establishment of new business relationships with gold suppliers.

8.3 A risk-based due diligence approach

It requires an assessment of the location and the supply chain that the gold-bearing material is sourced from as well as the type of gold-bearing material sourced. To identify high risk supply chains, company should undertake the following measures as a minimum:

8.3.1 Location risk identification should include, but is not limited to:

8.3.1.1 Determination of the origin of the gold source,including:

The location of the mines (LSM and ASM) where gold is mined;The point in the gold supply chain where the recycled gold is returned to the company or other downstream intermediate processor or recycler.

8.3.1.2 Determination of the general transportation routing of the gold source from origin to refinery.

8.3.1.3 Verification that sourcing from the Country of Origin is not in breach of any international sanctions.

8.3.1.4 Verification that the mine site is not located in a World Heritage Site.

8.3.1.5 This location-based risk identification process must include an integrated assessment of all risks outlined in the company's Supply Chain Policy.Sources of such an integrated assessment must include, but are not limited to: Sanctions lists (US,UK,EU,UN,and relevant sanctions lists);Dodd Frank s. 1502; EU CAHRA list; Heidelberg Barometer;Fragile States Index or equivalent;UN Human Rights Office of the High Commissioner or equivalent;Reports (including relevant country reports) by the Financial Action Task Force (FATF);Credible market intelligence on high-risk gold centres/transit hubs and on countries where there is a high risk of money



laundering. The company should also consider credible market intelligence to cover the risk factors included in the company's Supply Chain Policy.

### 8.3.2 Supplier risk identification

The company uses the KYC Questionnaire (not limited to) to obtain the following information:

8.3.2.1 Identification and verification of the gold-supplying counterparty's name, physical address, corporate registration and licence information, using reliable, independent source documents, data or information.

8.3.2.2 Identification and verification of Ultimate Beneficial Owners (UBOs) (defined as 10% or more ownership) and authorised signatories<sup>10</sup> of the gold-supplying counterparty, using reliable and current government-issued photo identity documents.

8.3.2.3 Confirmation that the gold-supplying counterparty and its UBOs are not named on any government lists as wanted money launderers, or as known fraudsters or terrorists.

8.3.2.4 Obtaining the gold-supplying counterparty's business and financial details, and information on the purpose and intended nature of the business relationship.

### 8.3.3 Risk identification for Mined Gold from LSM:

The company uses the KYC Questionnaire (not limited to) to obtain, assess, and, where possible, verify the following information based on publicly available information to identify risks:

Import/export gold licence for gold supplying counterparty (if applicable); Mining practice, including processing and transportation method; Production data and processing capacity (if available); Sources of any third-party stock, including that from ASM, on the mine site and controls to appropriately manage these; Anti-money laundering and terrorist financing policies and practices, where relevant; Bribery and corruption policies and practices, including payment to government; Human rights policies and practices; Environmental policies and practices; Health and safety policies and practices; Labour policies and practices, if not already covered through other policies collected; Community engagement programmes; Ethics and business integrity policies and practices.

If the company purchases from mines within Zijin Mining Group (i.e. its own mines), it must still conduct risk based due diligence on related risks such as third-party inventory and ESG factors management.

If a company purchases gold as a byproduct of mining, risk identification and assessment should be conducted on the supply chain of smelters until the separation of gold from base metals or other metals. The company must conduct due diligence on the responsible procurement policies and practices of by-product suppliers, and evaluate whether the supplier has at least appropriately identified and managed high-risk supply chains related to threat financing risks.

#### 8.3.4 Risk identification for Mined Gold from ASM

The company uses the KYC Questionnaire (not limited to) to obtain, assess, and, where possible, verify the following information based on publicly available information to identify risks: Local artisanal mining team, association or cooperatives (it is not necessary to identify individual diggers); ore processing plant; Aggregators and traders; local gold exporter; Whether the mining project can be considered legitimate ASM (i.e., legally registered, cooperative-based and/or government-recognised, or central bank supported initiative) ; Mining practice, including extraction, processing and transportation method; Use, storage and recovery of mercury, and if applicable, impact on the environment and the health of those involved in the production, handling and processing of gold ; Human rights practices and policies to the extent available; Environmental practices and policies to the extent available; Health and safety practices and policies to the extent available; Labour practices and policies to the extent available; Community engagement practices and policies to the extent available; Payments to government practices and policies to the extent available.

#### 8.3.5 Risk identification for Recycled Gold

The company uses the KYC Questionnaire (not limited to) to obtain, assess, and, where possible, verify the following information based on publicly available information to identify risks: Main markets, products and customer segments of suppliers ; Profiles of gold and precious metals suppliers; Types and forms of

precious metals sourced by suppliers;Country of Origin of gold and precious metals processed by the facility ;Type and location of facilities operated by suppliers (refining, manufacturing, jewellery production, pawn shops, etc.);Import/export licences, if applicable;Anti-money laundering and terrorist financing policies and practices; Anti-bribery and corruption policies and practices;Responsible sourcing policies and processes .

#### 8.3.6 Monitoring of transactions

The company should conduct appropriate scrutiny and monitoring of transactions undertaken through the course of the relationship to ensure that the transactions are consistent with the company's knowledge of the supply chain and risk profile. The monitoring of transactions should be undertaken by applying a risk-based approach,include but is not limited to:

8.3.6.1 Checking volumes, types and concentrations of gold-bearing material for consistency with previous shipments.

8.3.6.2 Monitoring the actual transportation routing for each shipment .

8.3.6.3 Verifying physical shipment against shipping/transportation documents (assays, weights, serial numbers).

8.3.6.4 Confirming that documents and materials are consistent with each other (purchase order, goods receipt, invoice) and with the KYC information (mine capacity, origin, sources)

If material inconsistencies or suspicions are identified,the gold should be physically segregated and secured (until the inconsistencies are resolved) , the investigation should be undertaken and documented,and findings should be reported to the Board,Group Companies and appropriate authorities.

#### 8.4 Risk classification of gold supply chain:

##### 8.4.1 Zero-tolerance supply chains

Where zero-tolerance issues are identified, the company must terminate an existing relationship immediately. Zero-tolerance issues include, but are not limited to:

8.4.1.1 The Mined Gold is known to originate from areas designated as World

Heritage Sites.

8.4.1.2 The Mined or Recycled Gold is known to be sourced in breach of international sanctions (including but not limited to those of the UN, EU, UK and US).

8.4.1.3 The Mined or Recycled Gold suppliers, other known upstream companies or their UBOs are known money launderers, fraudsters or terrorists, or have been implicit in serious human rights abuses, or in direct or indirect support to illegitimate non-state armed groups.

8.4.2 High-risk issues for Mined Gold should include, but are not limited to:

8.4.2.1 For location-based high risks:

8.4.2.1.1 Originates from, has transited or has been transported via a Conflict-Affected and High-Risk Area (CAHRA).

8.4.2.1.2 Is claimed to originate from a country through which gold from CAHRAs is known, or reasonably suspected, to transit.

8.4.2.1.3 Is claimed to have originated from a country that has limited known reserves, likely resources or expected production levels.

8.4.2.2 For supplier-based high risks, the gold suppliers or other known upstream companies:

8.4.2.2.1 Have shareholders, or UBOs, or other gold supplying interests in one of the location-based high-risk criteria.

8.4.2.2.2 Have UBOs that are Politically Exposed Persons (PEPs) .

8.4.2.2.3 Have activities in a higher-risk business activity such as arms, gaming and casino industry, antiques and art, and sects and their leaders

8.4.2.2.4 Have been known to have sourced gold from a high-risk country in the last 12 months.

8.4.2.2.5 Have material discrepancies/inconsistencies in the documentation provided or have refused to provide requested documentation.

8.4.2.3 For type of material-based high risks, Mining Gold contributes to catastrophic harm or highly adverse ESG factors, to the extent that the company is able to identify this (e.g., through a record in the public domain or in the company's due diligence file).

8.4.3 High-risk issues for Recycled Gold should include, but are not limited to:

8.4.3.1 For location-based high risks:

8.4.3.1.1 Originates from, has transited or has been transported via a CAHRA as defined by the company.

8.4.3.1.2 Is claimed to originate from a country through which gold from CAHRAs is known, or reasonably suspected, to transit, and/or is unjustifiably claimed to have originated from a country that has limited exports of gold.

8.4.3.2 For supplier-based high risks

the gold suppliers or other known upstream companies:

8.4.3.2.1 Operate in a money laundering high-risk country.

8.4.3.2.2 Have shareholders, or UBOs, or other gold-supplying interests in one of the location-based highrisk criteria.

8.4.3.2.3 Have UBOs who are Politically Exposed Persons (PEPs).

8.4.3.2.4 Have activities in a higher-risk business activity such as arms, gaming and casino industry, antiques and art, and sects and their leaders.

8.4.3.2.5 Have been known to have sourced gold from a high-risk country in the last 12 months.

8.4.3.2.6 Have significant unexplained geographic routing from their supplier or counterparty in the supply chain.

All of the above situations are high-risk for suppliers.

8.4.3.3 For type of material-based high risks: From an Intermediate Refinery or trader with a high-risk supply chain or a trader sourcing from an Intermediate Refinery with a high-risk supply chain.

8.4.4 Other high-risk situations recognized by the Chinese government.

8.5 Additional requirements for intensified due diligence on high-risk supply chain:

8.5.1 Conduct an on-the-spot investigation on the high-risk supply chain to verify whether the due diligence results are true or not.

8.5.2 Large-scale gold mining: verify the due diligence information of all links of the supply chain from mines to refineries (including producers, middlemen, dealers, exporters and transporters) by using reliable documents, data and information from independent sources.

8.5.3 Artisanal and small-scale mining: verify the due diligence information of all links of the supply chain from miners to refineries (including producers, middlemen, dealers, exporters and transporters) by using reliable documents, data and information from independent sources.

8.5.4 Recycled gold: verify the information of all beneficiary owners involved in the supply chain from gold suppliers to refineries by using reliable documents, data and information from independent sources.

8.6 When the due diligence results are not completely satisfactory, we will suspend cooperation and adopt an improvement strategy to provide suppliers with good faith and reasonable advice, so that they can meet our requirements for supply chain risk assessment within a reasonable time. The marketing department is responsible for supervising the implementation of risk resolution and regularly repeating evaluations. If the due diligence results indicate that there are limited or no measurable improvements, we will consider suspending our relationship with the supplier until the supplier responds to the improvement plan; If attempts to mitigate risks and improve performance fail, we may consider terminating our relationship with the supplier until there is evidence that the supplier meets our requirements for supply chain risk assessment.

**9. These management measures shall be implemented from the date of promulgation. The right of interpretation belongs to the Shenzhen branch of the Gold Smelting Company.**

## Supplier Risk Assessment Form

**Enterprise/Individual Name:**

Evaluation criteria	Low risk	<input type="checkbox"/> 1.The source country and region have good governance and low corruption index. <input type="checkbox"/> 2.The supplier has a good compliance record and all material documents are complete and clear. <input type="checkbox"/> 3.No conflicts, money laundering, terrorist financing, or human rights violations have been found in the production and circulation process of gold.
	Medium risk	<input type="checkbox"/> 1.Some files or statements are missing, but there is no clear evidence to suggest a serious issue. <input type="checkbox"/> 2.The due diligence process of suppliers may be incomplete or inconsistent, but it has not yet reached a high-risk level. <input type="checkbox"/> 3.Gold comes from regions with stricter regulations but not the best transparency.
	high-risk	<p><b>Zero-tolerance:</b></p> <input type="checkbox"/> 1.The Mined Gold is known to originate from areas designated as World Heritage Sites. <input type="checkbox"/> 2.The Mined or Recycled Gold is known to be sourced in breach of international sanctions (including but not limited to those of the UN, EU, UK and US) . <input type="checkbox"/> 3.The Mined or Recycled Gold supplying counterparty, other known upstream companies or their UBOs are known money launderers, fraudsters or terrorists, or have been implicit in serious human rights abuses, or in direct or indirect support to illegitimate non-state armed groups. <p><b>Mined Gold:</b></p> <input type="checkbox"/> 1.Originates from, has transited or has been transported via a Conflict-Affected and High-Risk Area (CAHRA). <input type="checkbox"/> 2.Is claimed to originate from a country through which gold from CAHRAs is known, or reasonably suspected, to transit. <input type="checkbox"/> 3.Is claimed to have originated from a country that has limited known reserves, likely resources or expected production levels. <input type="checkbox"/> 4.Have shareholders, or UBOs, or other gold supplying interests in one of the location-based high-risk criteria. <input type="checkbox"/> 5.Have UBOs that are Politically Exposed Persons (PEPs). <input type="checkbox"/> 6.Have activities in a higher-risk business activity such as arms, gaming and casino industry, antiques and art, and sects and their leaders. <input type="checkbox"/> 7.Have been known to have sourced gold from a high-risk country in the last 12 months. <input type="checkbox"/> 8.Have material discrepancies/inconsistencies in the documentation provided or have refused to provide requested documentation. <input type="checkbox"/> 9.Sourced from ASM. <input type="checkbox"/> 10.Produced with the use of mercury. <input type="checkbox"/> 11.Contributing to catastrophic harm or highly adverse ESG factors, to the extent that the Refiner is able to identify this (e.g., through a record in the public domain or in the Refiner’s due diligence file). <p><b>Recycled Gold:</b></p> <input type="checkbox"/> 1.Originates from, has transited or has been transported via a Conflict-Affected and High-Risk Area (CAHRA). <input type="checkbox"/> 2.Is claimed to originate from a country through which gold from CAHRAs is known, or reasonably suspected, to transit. <input type="checkbox"/> 3.The gold-supplying counterparty or other known upstream companies operate in

	<p>a money laundering high-risk country.</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> 4.The gold-supplying counterparty or other known upstream companies have shareholders, or UBOs, or other gold-supplying interests in one of the location-based high risk criteria.</li> <li><input type="checkbox"/> 5.The gold-supplying counterparty or other known upstream companies have UBOs who are Politically Exposed Persons (PEPs).</li> <li><input type="checkbox"/> 6.The gold-supplying counterparty or other known upstream companies have activities in a higher-risk business activity such as arms, gaming and casino industry, antiques and art, and sects and their leaders.</li> <li><input type="checkbox"/> 7.The gold-supplying counterparty or other known upstream companies have been known to have sourced gold from a high-risk country in the last 12 months.</li> <li><input type="checkbox"/> 8.The gold-supplying counterparty or other known upstream companies have significant unexplained geographic routing from their supplier or counterparty in the supply chain.</li> <li><input type="checkbox"/> 9.From an Intermediate Refinery or trader with a high-risk supply chain or a trading counterparty sourcing from an Intermediate Refinery with a high-risk supply chain.</li> </ul>
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**Risk assessor:**