Zijin Mining Group Gold Smelting Co., Ltd

Enterprise standards

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Gold supply chain due diligence (trial)

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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.

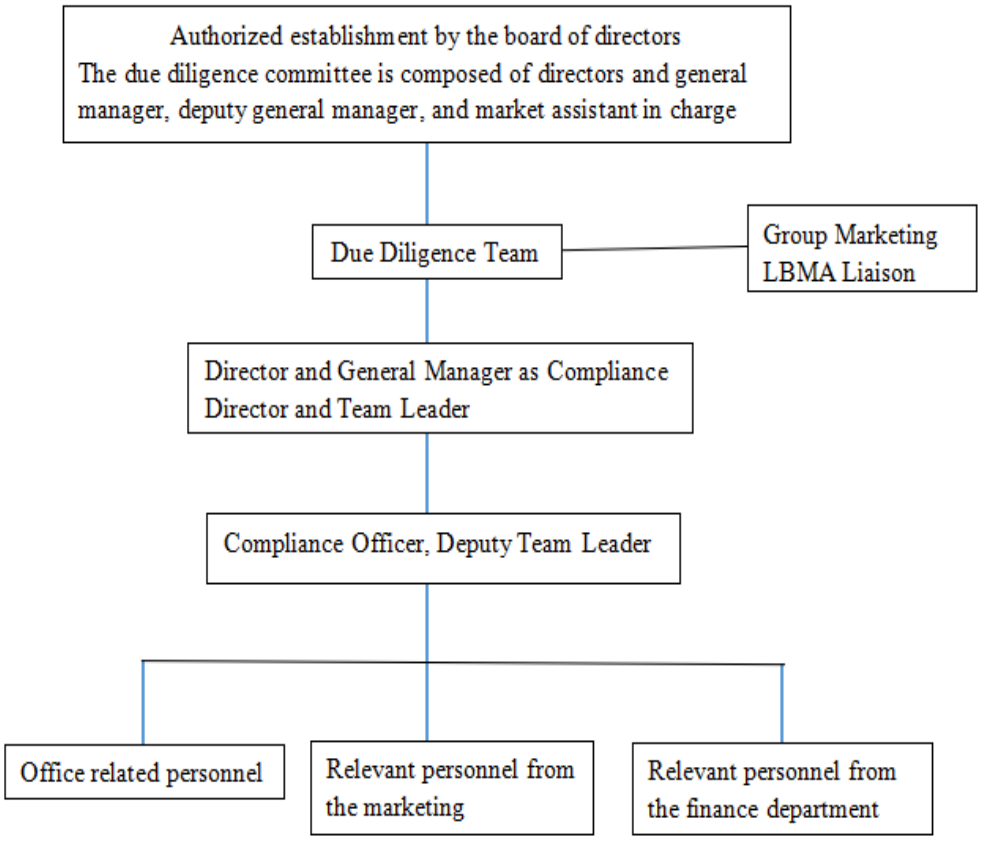
1.3 Definition

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

Supply Chain Due Diligence Organization of Gold Smelting Company



The company has established a gold supply chain due diligence team, with the company's director and general manager serving as the compliance director and team leader. The group members are composed of personnel from relevant departments such as the company office, finance department, marketing department, and group company marketing department. Among them, the Market Department is the daily work management department for due diligence in the gold supply chain; The office director is the compliance specialist and deputy team leader; The marketing department personnel of the group company are the contacts between the group company and LBMA. The specific responsibilities are as follows:

Compliance Director (Team Leader): Responsible for coordinating and supervising the due diligence work of the gold supply chain;Evaluate the supply chain due diligence policies and processes;Appoint a suitable compliance officer to be responsible for all matters related to the gold supply chain;Approve the gold supply chain due diligence report, and be responsible for the gold supply chain due diligence

compliance report.

Compliance Officer (Deputy Team Leader): Responsible for all matters related to the gold supply chain: Organize due diligence work; Develop and implement corresponding risk management measures for various risk assessments; Develop training programs for all employees involved in the gold supply chain work; Review and understand customer (KYC) documents and risk classification; Prepare and update Gold Supply Chain Policy; Report the risk assessment results to the management.

Office Related Personnel: Responsible for communication and exchange work;Promoting various policies, and uploading and releasing information.

Job Responsibilities of Marketing Team Members: Responsible for investigating and evaluating suppliers;Submitt risk assessment forms, and understand customer (KYC) documents; Responsible for preparing and maintaining transaction records.

Personnel from the Finance Department: Assist the Marketing Department in conducting due diligence and verify the financial information of suppliers' businesses; Provide relevant financial data.

Responsibilities of the Contact Person between the Group Company and LBMA: Responsible for communication and transmission of information between the company and LBMA, document translation, etc.

LBMA Responsible Gold Working Group Reporting Path and Target: The Compliance Officer(Deputy Team Leader)shall report their work status to the Compliance Director(Team Leader,General Manager) in a timely manner.

Company's directors and compliance officer must participate in training on"LBMA Guidelines for Responsible Gold of the London Bullion Market Association","Disclosure Guidelines", and "Due Diligence Policy for the Gold Supply Chain" and "Methods for Due Diligence in the Gold Supply Chain", and become familiar with the guidelines and policies.

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 Establishing a long-term relationship between the company and suppliers based on trust and mutual recognition:

5.2.1 In terms of policy, the company requires gold suppliers to promise to comply with the company's gold Supply Chain Policy or establish their own gold supply chain policy, which at a minimum should be consistent with the OECD Annex II.

5.2.2 In terms of contract requirements, the company's gold supply chain policy or its requirements, or the supplier's own compliance with the gold supply chain policy or requirements of OECD Annex II, must be incorporated into contracts and/or agreements between the company and its suppliers.

5.2.3 In terms of capacity building, where appropriate, the company should assist in establishing processes to promote responsible mining and sourcing practices throughout the supply chain and assist gold suppliers or prospective suppliers,including legitimate ASM and local traders, in improving their supply chain practices. The company may also consult and work together with national and industry authorities, local NGOs, human rights institutions, donor agencies and large-scale mining, etc., to support gold suppliers.

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 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(hjylyxgsjcsj@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 signatories10 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 oneof 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 For the identified high-risk suppliers, our company will suspend cooperation and take enhanced due diligence measures in accordance with the "LBMA Guidelines for Responsible Gold of the London Bullion Market Association". We will conduct on-site. investigations/visits of the gold production areas (including but not limited to mining areas for gold mining and office locations of gold suppliers for recycled gold). If the above situation is true, we will take measures such as terminating cooperation.

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