

## Appendix 1

# Henan Zhongyuan Gold Smelter Co., LTD Responsible Gold Supply Chain Due Diligence Management Policy

### Section 1: Introduction

No.1 In order to combat systematic or widespread abuse of human rights, to avoid contributing to conflict, to comply with high standards of anti-money laundering and combating terrorist financing practice, this Policy is set up by the Company. The content in this policy is consistent with <London Bullion Market Association Responsible Gold Guidance>.

No.2 "**Gold Supply Chain**" here is identified by the system of all the activities, organizations, actors, technology, information, resources and services involved in moving the gold origin from extraction site downstream to its incorporation in the final product for end customers.

"**Conflict-Affected and High-Risk Areas**" are areas identified by the presence of armed conflict, widespread violence, including violence generated by criminal networks, or other risks of serious and widespread harm to people.

No.3 The below principles should be followed when conduct the supply chain due diligence.

- 1) **Completeness.** Responsible Gold Supply Chain Due Diligence should cover whole of the businesses and matters related to the gold supply chain.
- 2) **Importance.** Responsible Gold Supply Chain Due Diligence should be mainly focus on the conflict areas.
- 3) **Objectivity.** Responsible Gold Supply Chain Due Diligence results should accurately faithfully reflect the risk of the gold supply chain.

No.4 The Management Guidance applies to each department that involves in the gold supply chain due diligence.

## **Section 2: Organization and Responsibility**

No.5 Senior Management Committee, the governing body of due diligence management, who take the responsibility to the efficiency of the gold supply chain management, is responsible for:

- 1) reviewing <Responsible Gold Supply Chain Due Diligence Management Policy>,
- 2) Appointing Compliance Officer to manage routine work of due diligence, and
- 3) Authorizing the head of two Gold-bearing Material Procurement Departments to review the due diligence results and risk management strategy.

No.6 The head of Legal Department is assigned to be Compliance Officer, who is responsible for:

- 1) Compiling and updating <Responsible Gold Supply Chain Due Diligence Management Policy>,
- 2) Reviewing the due diligence results submitted by the two Gold-bearing Material Procurement Departments,
- 3) Evaluating the effectiveness of risk management strategy,
- 4) Coordinating the gold supply chain training, and
- 5) Reporting directly to Senior Management Committee when necessary.

No.7 Gold-bearing Materials Procurement Department is responsible for the implementation of the gold supply chain due diligence. Including:

- 1) Implementing the control before transaction, process monitoring and evaluation after transaction of the gold supply chain due diligence,
- 2) Reporting the significant matters of the gold supply chain due diligence management to the Compliance Officer promptly,
- 3) Communicating the principle and stipulation of the gold supply chain management to the suppliers,
- 4) Documenting the files obtained in the supplier due diligence process.

No.8 Human Resource Department is responsible for assisting the Compliance Officer for the gold supply chain management training.

No.9 Internal Audit and Supervision Department is in charge of monitoring and evaluation of the gold supply chain management.

### **Section 3: Control before Transaction**

No.10 Gold-bearing Materials Procurement Department has to establish a risk-based information collection mechanism, related information, including the place, nature of business and type of business relationship of the supplier, should be obtained before contract with the supplier, including:

- 1) Identifying the counterparty and verifying its identity using reliable, independent source documents, data or information;
- 2) Identifying the beneficial owner(s) of the counterparty;
- 3) Checking that the counterparty and their beneficial owners are not named on any government lists for wanted money launderers, known fraudsters or terrorists;
- 4) For large-scale mined gold suppliers, origin of mined gold, mining licenses should be obtained and import/export licenses should be obtained if applicable.
- 5) For artisanal and small-scale mining suppliers, mining licenses should be obtained to prove their legalities.
- 6) For recycled gold and secondary gold suppliers, the policies and practices related to anti-money laundering and anti-terrorist financing should be obtained.

No.11 Gold bearing Materials Procurement Department should identify the risk of gold supply chain base on the collected information, and mainly focus on the risk existing in the fields as below:

- 1) Systematic or widespread human rights abuses associated with the extraction, transport or trade of gold;
- 2) Direct or indirect support to non-state armed groups or public or private security forces;
- 3) Bribery and fraudulent misrepresentation of the origin of gold;
- 4) Money laundering and terrorist financing;

5) Contribution to conflict.

No.12 Before entering into a business relationship, Gold-bearing Procurement Department should identify the risk of suppliers with respect to company and country risks. If any of below risk events occurs, the supplier should be defined as high-risk supplier.

Country risks include:

- 1) The mined gold or recycled gold originates from or has been transported through a conflict-affected or human right abuse area (high risk area or human right abuse area is cross-reference to Heidelberg Barometer);
- 2) The mined gold or recycled gold is claimed to originate from a country that has limited known reserves or stocks, likely resources or expected production levels of gold;
- 3) The mined gold or recycled gold is claimed to originate from a country through which gold from conflict-affected and high-risk areas is known or reasonably suspected to transit.

Company risks include:

- 4) Supplier or its up-streaming company is located in a high risk country that is related to money-laundering, criminal or corruption;
- 5) Supplier or its up-streaming company or beneficial owner are politically exposed person;
- 6) Supplier or its up-stream company is active in a higher-risk business activity such as arms, gaming and casino industry, antiques and art, diamond merchants, sects and their leaders.

No.13 For high risk suppliers, an enhanced due diligence should be performed by Gold-bearing Material Procurement Department, and following the additional procedures:

- 1) On site investigation / visit to substantiate the documentary supply chain Due Diligence findings, including the identification of the counterparty and verifying its identity using reliable, independent source documents, data or information; identifying the beneficial owner(s) of the counterparty; checking that the counterparty and their beneficial owners are not named on any government lists for wanted money launderers, known fraudsters or terrorists, etc.

- 2) For mined gold, verify the information of each company involved in the gold supply chain from mine to refiner, including gold producers, intermediaries, gold traders and exporters, transporters. For recycled gold, checking the information of each counterparties involved in the gold supply chain from recycled gold supplier to refiner (including transportation provider).

No.14 Diverse risk management strategies based on different due diligence results should be taken by Gold-bearing Material Procurement Department.

- 1) Normal Corporation: where the result of the due diligence is not fully satisfactory, but not related to money laundering, terrorist financing, contribution to conflict, human rights abuses. The assessed company in the supply chain is using reasonable and good faith effort, the Company will continue to refine gold coming from this source provided that it adopts an improvement strategy stating clear performance objectives within a reasonable timeframe.
- 2) Suspend Relationship: if the result of the gold supply chain due diligence concludes that the possibility of money laundering, terrorist financing, contribution to conflict, human rights abuses is deemed high, the Company will stop immediately to refine gold from this source until future information and evidence is obtained.

No.15 After the due diligence and confirmation of risk management strategy, Gold-bearing Material Procurement Departments should fill out <Responsible Gold Supply Chain Due Diligence Form – New Supplier> and submit to the Compliance Officer, with the related supporting document. The Compliance Officer is responsible for reviewing the authenticity, validity and completeness of due diligence and then reporting to Deputy General Manager of two Gold-bearing Material Procurement Departments. Deputy General Manager of two Gold-bearing Material Procurement Departments should review and sign off the due diligence report, and asks for Senior Management Committee's approval when necessary. Gold-bearing Material Procurement Departments will not cooperate with suppliers until they are identified as normal trade suppliers.

No.16 < Declaration of supplier responsible gold due diligence> should be signed by the suppliers before the procurement contract.

## **Section 4: Monitoring**

No.17 Gold-bearing Materials Procurement Department should monitor the gold supply chain during the transaction. Risk-based information that related to the transaction region, transaction type should be collected.

- 1) For mined gold, obtain the weight and the quality test record provided by supplier; shipping/transportation documentation (if applicable); export and import from for high risk transaction (if applicable).
- 2) For recycled gold, obtain the weight record provided by gold supplier; shipping/transportation documentation (if applicable); export and import from for high risk transaction (if applicable).

No.18 Gold-bearing Material Procurement Departments are responsible for the risk assessment during trade. Transaction should be identified as high risk when the following issues happen:

- 1) Mined gold or recycled gold has been transported through a conflict-affected or human right abuse area;
- 2) Information provided by the supplier is seriously inconsistent with the information obtained by the Company.

No.19 The Company would suspend the relationship and report to Compliance Officer if the 'normal cooperation' may be potentially involved in money laundering, financing of terrorism, conflicted-affected and high-risk areas or violations of human rights. Senior Management Committee would authorize the investigation of the supplier that has potential high risk. If there is solid evidence to prove that supplier is involved in money laundering, financing of terrorism, conflicted-affected and high-risk areas or violations of human rights, we would abandon the relationship immediately.

No. 20 For 'normal cooperation' that planned risk resolution with specific schedule, the two Gold-bearing Material Procurement Departments are responsible for

overseeing the implementation of risk resolution. Compliance Officer should review the results regularly and check the complete status before deadline.

## **Section 5: Evaluation after Transaction**

No.21 At the end of each year, Gold-bearing Material Procurement Departments are responsible for collecting all suppliers' information change and interim supervision information and conducting the annual supply chain due diligence supplementary assessment to decide whether to continue cooperation. <Responsible Gold Supplier Due Diligence Form—Annual Supplement Assessment> should be filled in by Gold-bearing Material Procurement Departments in order to record the information. The annual review of each supplier needs to be signed off by the Compliance Officer, if necessary the Senior Management Committee, prior to contract being reissued. According to the supplementary assessment results, qualified supplier list should be renewed.

## **Section 6: Information and communication**

No.22 The staff who participate in the gold supply chain should be trained to comprehend the external supervision requirement, the internal policy and procedure of the Company.

- 1) Compliance Officer is in charge of planning the internal training of gold supply chain management;
- 2) Human Resource Department is responsible for assisting the Compliance Officer for the gold supply chain management training, and maintaining the training record, including the training materials and the sign form of training attendance.

No.23 Gold-bearing Material Procurement Departments are responsible for propagandizing the principle and policy of the gold supply chain management to the counterparties (including gold producers, intermediaries, gold traders and exporters, transporters).

No.24 The whistle blowing mechanism is established for employees to voice their concerns about the gold supply chain management.

No.25 Appropriate records related to the due diligence of gold supply chain should be maintained for at least 5 years following the end of the Company's fiscal year.

## **Section 7: Supplementary provisions**

No.26 Definition:

**Money Laundering:** Money laundering is the practice of disguising the origins of illegally obtained money. Ultimately, it is the process by which the proceeds of crime are made to appear legitimate. The money involved can be generated by any number of criminal acts, including drug dealing, corruption and other types of fraud. There are various methods by which money may be laundered and these can range in sophistication from simple to complex.

**Terrorist financing:** Terrorist financing includes the financing of terrorist acts, terrorists and terrorist organizations.

**Contribution to conflict:** Contribution to armed aggression between two or more parties which leads to human rights abuses. The parties in the conflict may include government, militia, organised criminals or terrorist groups.

**Serious human rights abuse:** Serious human rights abuse includes at least the following: genocide; slavery and slavery-like practices; summary or arbitrary executions; torture and cruel, inhuman or degrading treatment or punishment; enforced disappearance; arbitrary and prolonged detention; deportation or forcible transfer of population; systematic discrimination, in particular based on race or gender, and the worst forms of child labour.

**Worst forms of child labor:** Employ underage workers, especially the children under a legal labor age.

**Fraud:** The behavior of deliberately deceive to seek the interests or harm the other party.



**Politically exposed persons (PEPs):** PEPs are individuals who are or have been entrusted with prominent public functions by a country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations, important political party officials. Also including persons who are or have been entrusted with a prominent function by an international organization refers to members of senior management, i.e. directors, deputy directors and members of the board or equivalent functions.

**Artisanal and Small-scale Mining (ASM):** Formal or informal mining operations with predominantly simplified forms of exploration, extraction, processing, and transportation. ASM is normally low capital intensive and uses high labor intensive technology. “ASM” can include men and women working on an individual basis as well as those working in family groups, in partnership, or as members of cooperatives or other types of legal associations and enterprises involving hundreds or even thousands of miners.

**Mined Gold:** Gold that originates from mines and has never been refined previously. This term means any gold or gold-bearing material produced by or at a mine, in any form, shape and concentration until it is fully refined, fabricated into a gold Refiner product and sold.

**Recycled Gold:** Gold that has been previously refined. This term traditionally encompasses anything that is gold-bearing and has not come directly from a mine in its first gold life cycle. In practical terms, recyclable material includes end-user, post-consumer products, scrap and waste metals, and materials arising during refining and product manufacturing, and investment gold and gold-bearing products. This category may also include fully refined gold that has been fabricated into grain, Good Delivery bars, medallions and coins that have previously been sold by a Refiner to a manufacturer, bank or consumer market, and that may thereafter need to be returned to a Refiner for verification and/or re-refining to reclaim their full financial value.

No.27 Legal Department is responsible for interpreting this management guidance.

No.28 This policy is implemented since the date of issue.

**Appendix:**

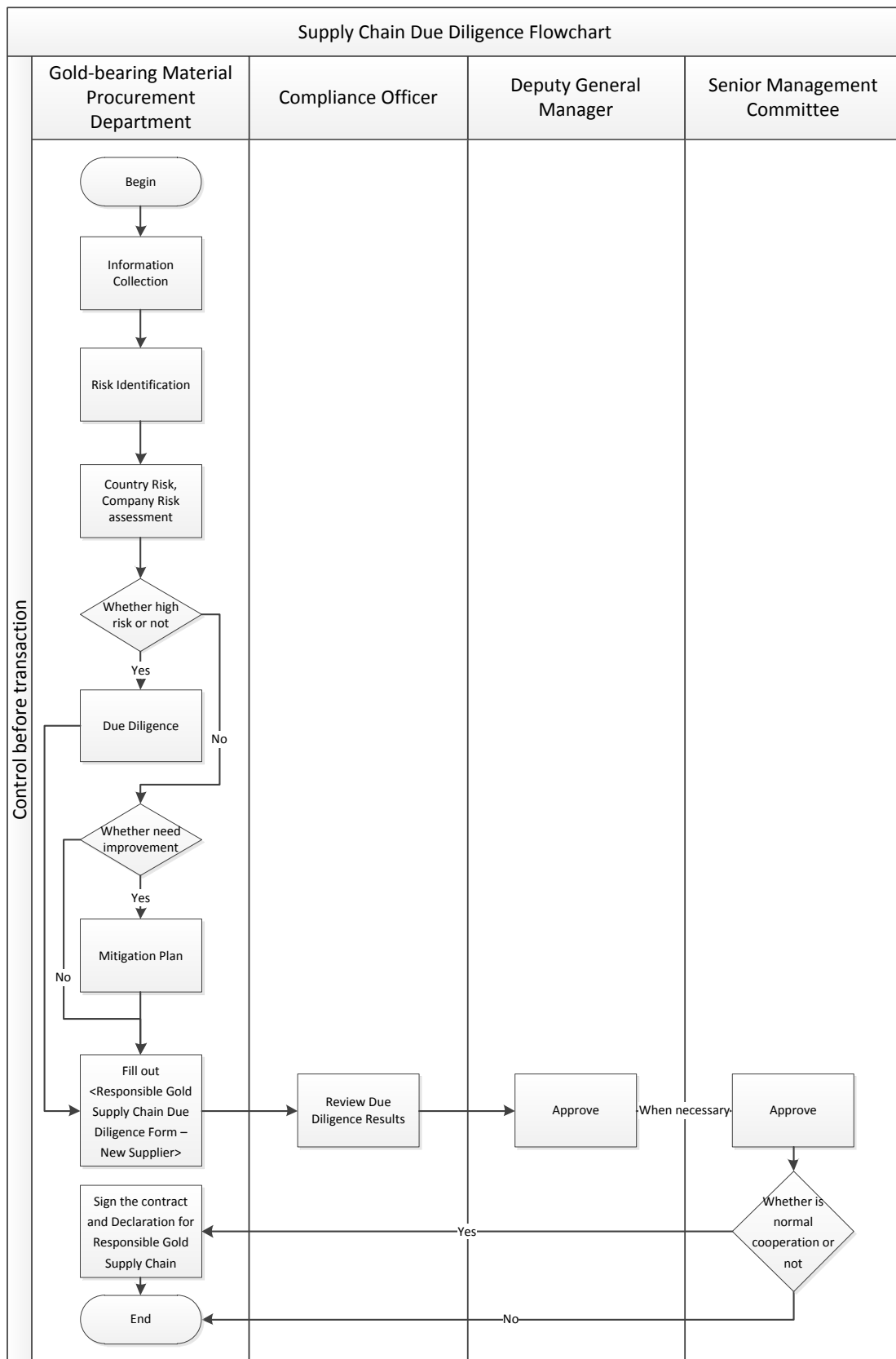
Appendix 1: Gold Supply Chain Due Diligence Flowchart

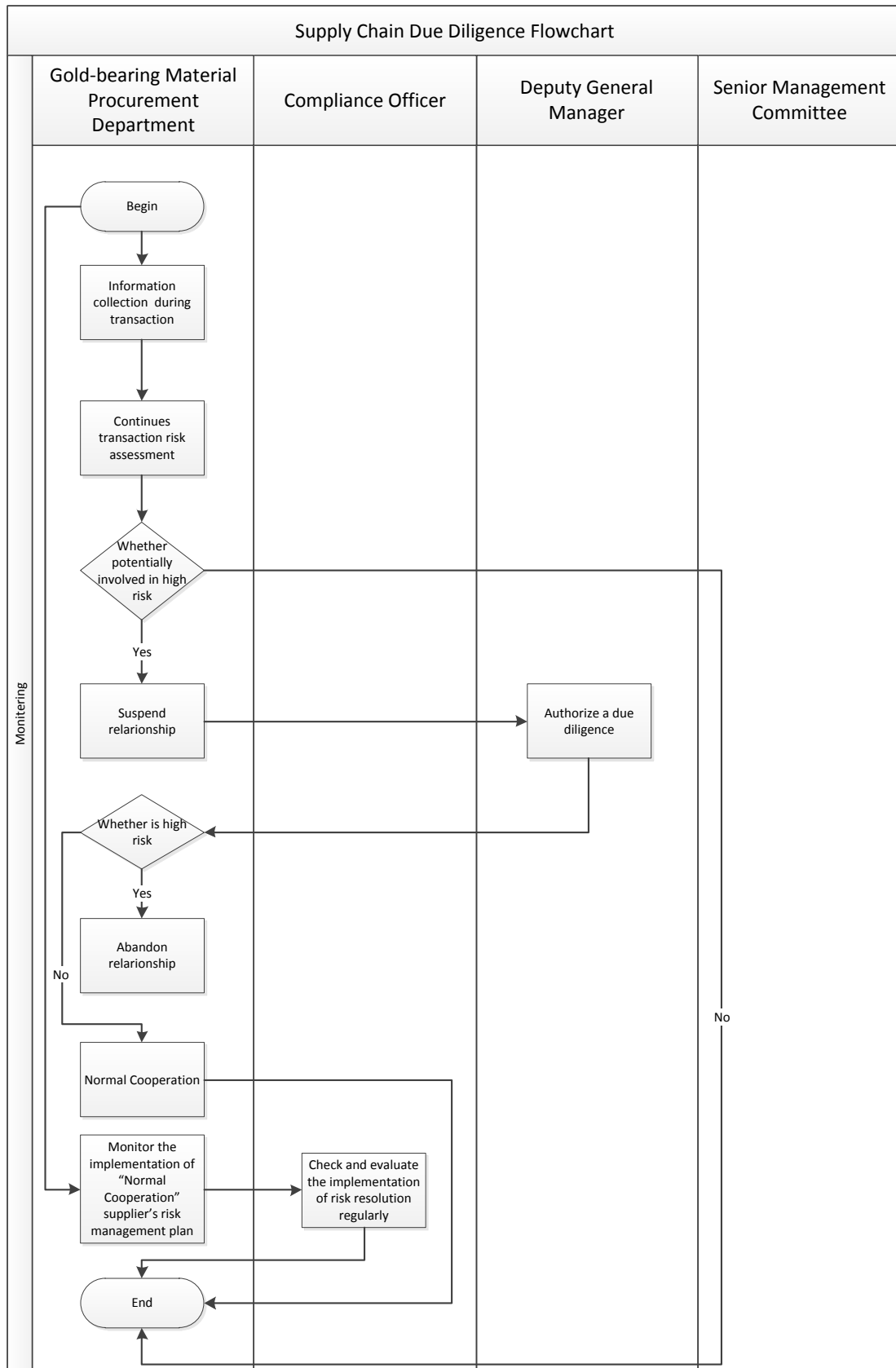
Appendix 2: Responsible Gold Supply Chain Due Diligence Form - New Supplier

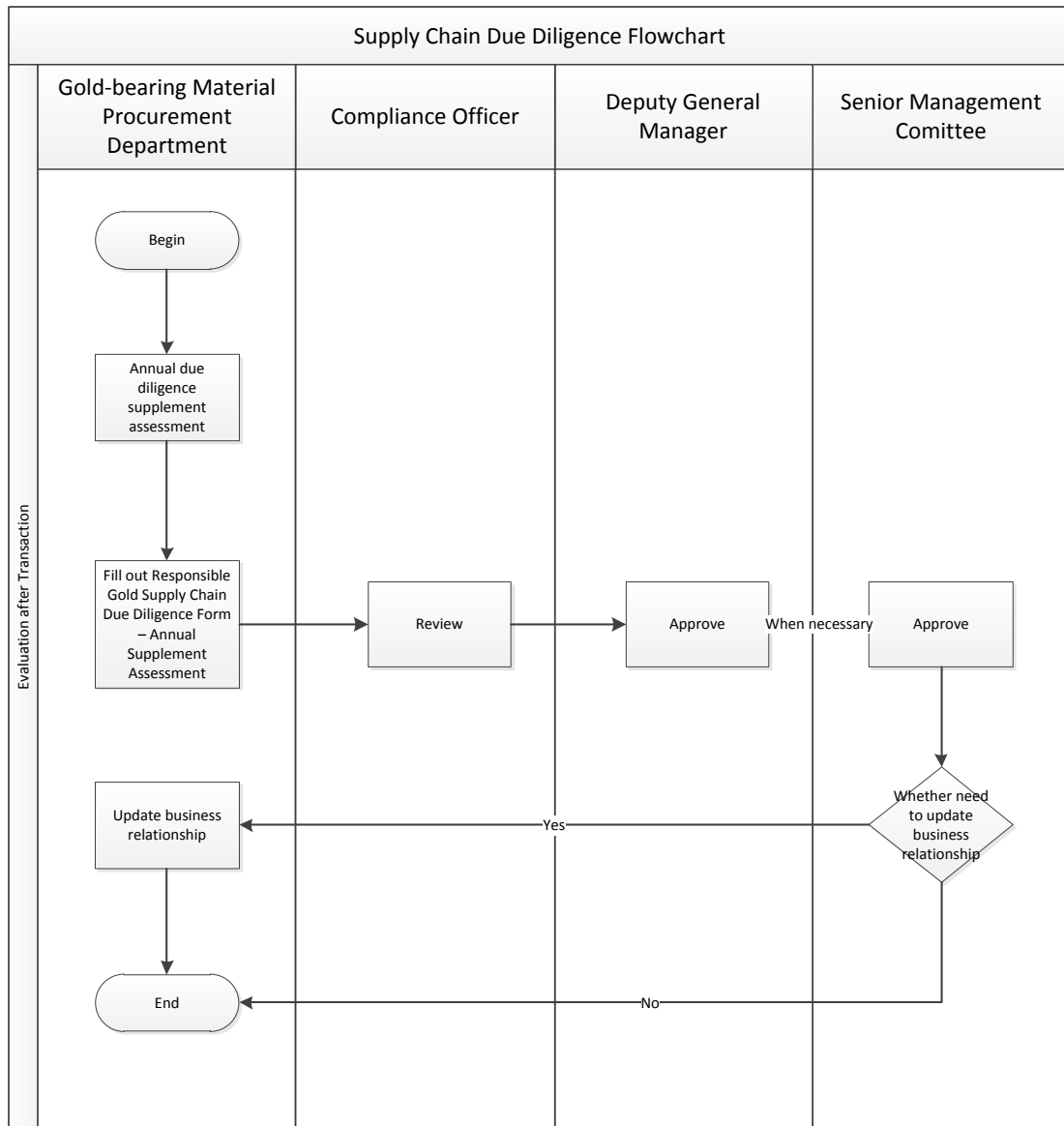
Appendix3: Responsible Gold Supply Due Diligence Form - Annual Supplement  
Assessment

Appendix4: Declaration for Gold Responsible Supply Chains

# Appendix 1: Gold Supply Chain Due Diligence Flowchart







## Appendix 2: Responsible Gold Supply Chain Due Diligence Form - New Supplier

Basic Information:

Company Name		
Company Type(Multinational/State-owned/Listed/Private)		
Registration Location		
Transaction Type(Mined gold/Recycled Gold/Secondary Gold/Artisanal)		
Whether the gold-bearing material is suitable for our production		
Whether the supplier or its actual beneficial owner is on government sanction list		
Mined Gold Supplier	Origin	
	Whether obtained mining licenses if applicable	
	Whether obtained import/export licenses if applicable	
	Whether obtained data on mining capacity if applicable	
	Whether is artisanal and small scale mining	
	Whether the artisanal and small scale mining is illegal if applicable	
Recycled Gold Supplier	Whether has policy and practices related to anti-money laundering and combating the financing of terrorism	
	Whether above policy and practice is consistent with <Annex II of OECD Due Diligence Guidance>	

Note: Yes/No question should be answer as “Yes”, “No” or “Not Applicable”.

## Risk Assessment:

Risk Type	No.	Risk Events	Yes/No
Country Risk	1	Mined gold or recycled gold originates from or has been transported through a conflict-affected or human right abuse area. <sup>1</sup>	
	2	Mined gold or recycled gold is claimed to originate from a country that has limited known reserves or stocks, likely resources or expected production levels of gold.(Only for mined gold supplier )	
	3	Mined gold or recycled gold is claimed to originate from a country through which gold from conflict-affected and high-risk areas is known or reasonably suspected to transit.(Only for recycled gold supplier)	
Company Risk	4	Supplier or its up-streaming company is located in a high risk country that is related to money-laundering, criminal or corruption.	
	5	Supplier or its up-streaming company or its beneficial owner is politically exposed person;	
	6	Supplier or its up-stream company is active in a higher-risk business activity such as arms, gaming and casino industry, antiques and art, diamond merchants, sects and their leaders.	
Risk Classification (High Risk/No High or Medium Risk)			
Management Strategy (Normal Cooperation/Suspend Relationship)			

Note: 1. Yes/No question should be answer as “Yes” or “No”. If any of above questions answered as “Yes”, this supplier should be defined as high risk supplier.

2. If any of above risk events might occur, an investigation should be conducted before the business relationship, “Suspend Relationship” can be chosen as the management strategy. If none of above questions answered as “Yes”, “Normal Cooperation” can be chosen as the management strategy.

<sup>1</sup> High risk area or human right abuse area is cross-reference to Heidelberg Barometer Research.

### Appendix 3: Responsible Gold Supply Due Diligence Form - Annual Supplement Assessment

Supplier's Name:

No.		Events	Will Happen/Might Happen/Will Not Happen
Level 1	Level 2		
1			
	1.1	New actual beneficial owner(if applicable) is on the government sanction list	
	1.2	New actual beneficial owner (if applicable) is politically exposed person.	
2		The origin of mined gold or recycled gold changes.	
	2.1	Mined gold or recycled gold originates from or has been transported through a conflict-affected or human right abuse area.	
3		The up-streaming company changes.	
	3.1	The new up-streaming company is located in a high risk country that is related to money-laundering, criminal or corruption.	
	3.2	The new up-streaming company or its beneficial owner is politically exposed person.	
	3.3	The new up-streaming company is involved in such high risk commercial activities	
4		The transit zone of gold-bearing material changes.	
	4.1	The new transit zone is conflict-affected or human right abuse area.	
5		The transaction information provided by supplier is not conformance with the regular industry practice.	



No.		Events	Will Happen/Might Happen/Will Not Happen
Level 1	Level 2		
	5.1	The above discrepancy is identified as high risk. <sup>2</sup>	
6		The content of <Declaration for Responsible Gold Supply Chain> changes.	
	6.1	Whether the above changes are involved in Rule No.1 and No.2.2 of <Declaration for Responsible Gold Supply Chain>.	
	6.2	Whether the above changes are involved in Rule No.3.1 and the supplier failed the attempts at mitigation within six months from the adoption of the risk management plan.	
Management Strategy ( Normal Cooperation/Suspend Relationship/Abandon Relationship )			

Note: 1. No need to fill out “Level 2” questions if “Level 1” questions are answered as “No”

2. If any of above “Level 2” events answered as “Yes”, management strategy should be “Abandon Relationship”. If any of above “Level 2” events might happen, management strategy should be “Suspend Relationship”. If none of above “Level 2” events answered as “Yes”, management strategy should be “Normal Cooperation”.

<sup>2</sup> See the definition of “high risk” on Section 3, rule No.12 of <Responsible Gold Supply Chain Due Diligence Management Policy>.

## **Appendix 4: DECLARATION FOR GOLD RESPONSIBLE SUPPLY CHAINS**

### **DECLARATION FOR GOLD RESPONSIBLE SUPPLY CHAINS**

**To: Henan Zhongyuan Gold Smelter Co., LTD**

Name of the Supplier:

Declaration Signed Location:

Declaration Signed Date:

According to *London Bullion Market Association Responsible Gold Guidance* and the communicating with “Henan Zhongyuan Gold Smelter Co., LTD” (Hereinafter referred to as “Smelter”) , we promise to comply with the following provisions:

#### **1. Regarding serious abuses associated with the extraction, transport or trade of minerals:**

**While sourcing from, or operating in, conflict-affected and high-risk areas, we promise that neither we nor our upstream gold-bearing material suppliers will profit from, contribute to, assist with or facilitate the commission by any party of:**

- 1.1. Any forms of torture, cruel, inhuman and degrading treatment;
- 1.2. Any forms of forced or compulsory labor, which means work or service which is exacted from any person under the menace of penalty;
- 1.3. The worst forms of child labor;
- 1.4. Other gross human rights violations and abuses such as widespread sexual violence;
- 1.5. War crimes or other serious violations of international humanitarian law, crimes against humanity or genocide.

#### **2. Regarding direct or indirect support to non-state armed groups:**

- 2.1. We promise that neither we nor our upstream gold-bearing material suppliers will directly or indirectly support to non-state armed groups through the extraction, transport, trade, handling or export of minerals.
- 2.2. We promise that neither we nor our upstream gold-bearing material suppliers will procure minerals from, make payments to or provide logistical assistance or equipment to, non-state armed groups or their affiliates who:

- 1) Illegally control mine sites or otherwise control transportation routes, points where minerals are traded and upstream actors in the supply chain; and/or
- 2) Illegally tax or extort money or minerals at points of access to mine sites, along transportation routes or at points where minerals are traded; and/or
- 3) Illegally tax or extort intermediaries, export companies or international traders.

### **3. Regarding public or private security forces:**

3.1. We promise that neither we nor our upstream gold-bearing material suppliers will directly or indirectly support to public or private security forces who:

- 1) Illegally control mine sites, transportation routes and upstream actors in the supply chain;
- 2) Illegally tax or extort money or minerals at point of access to mine sites, along transportation routes or at points where minerals are traded;
- 3) Illegally tax or extort intermediaries, export companies or international traders.

3.2. We promise that our upstream gold-bearing material suppliers and us recognize that the role of public or private security forces at the mine sites and/or surrounding areas and/or along transportation routes should be solely to maintain the rule of law, including safeguarding human rights, providing security to mine workers, equipment and facilities, and protecting the mine site or transportation routes from interference with legitimate extraction and trade.

3.3. We promise that where we or any company in our supply chain contract public or private security forces, we commit to or we will require that such security forces will be engaged in accordance with the Voluntary Principles on Security and Human Rights. In particular, we will support or take steps, to adopt screening policies to ensure that individuals or units of security forces that are known to have been responsible for gross human rights abuses will not be hired.

3.4. In case of need, we will support efforts, or take steps, to engage with central or local authorities, international organisations and civil society organisations to contribute to workable solutions on how transparency, proportionality and accountability in payments made to public security forces for the provision of security could be improved.

3.5. In case of need, we will support efforts, or take steps, to engage with local authorities, international organisations and civil society organisations to avoid or minimise the exposure of vulnerable groups, in particular, artisanal miners where minerals in the supply chain are extracted through artisanal or small-scale mining, to adverse impacts associated with the presence of security forces, public or private, on mine sites.

**4. Regarding bribery and fraudulent misrepresentation of the origin of minerals, money laundering and the payment of taxes, fees and royalties due to governments:**

4.1. We promise that neither we nor our upstream gold-bearing material suppliers will offer, promise, give or demand any bribes, and will resist the solicitation of bribes to conceal or disguise the origin of minerals, to misrepresent taxes, fees and royalties paid to governments for the purposes of mineral extraction, trade, handling, transport and export.

4.2. We promise that we will join in hand with our upstream gold-bearing material suppliers to support efforts, or take steps, to contribute to the effective elimination of money laundering where we identify a reasonable risk of money-laundering resulting from, or connected to, the extraction, trade, handling, transport or export of minerals derived from the illegal taxation or extortion of minerals at points of access to mine sites, along transportation routes or at points where minerals are traded by upstream suppliers.

4.3. We promise that we will join in hand with our upstream gold-bearing material suppliers to ensure that all taxes, fees, and royalties related to mineral extraction, trade and export from conflict-affected and high-risk areas are paid to governments and, in accordance with the company's position in the supply chain, we commit to disclose such payments in accordance with the principles set forth under the Extractive Industry Transparency Initiative (EITI).

**5. Regarding risk management**

We promise that we will implement risk management plan when our gold-bearing material suppliers behave as mentioned below. Smelter could manage risk when the following situations are encountered.

5.1. Smelter could immediately suspend or discontinue engagement with us where Smelter identifies a reasonable risk that either our upstream gold-bearing material suppliers or us behave as describe in rule No. 1 or rule 2.2.

5.2. In accordance with the specific position of the company in the supply chain, Smelter could immediately devise, adopt and implement a risk management plan with our upstream gold-bearing material suppliers or us to prevent or mitigate the risk of direct or indirect support to public or private security forces, as identified in rule No.3.1, where Smelter identify that such a reasonable risk exists. In such cases, Smelter could suspend or discontinue engagement with us after failed attempts at mitigation within six months from the adoption of the risk management plan.

5.3. Smelter could suspend or discontinue engagement with us after failed attempts at mitigation within six months from the adoption of the risk management plan to prevent or mitigate the risk of that our upstream gold-bearing material suppliers or us do not do as mentioned in rule No.3.4 or 3.5.

5.4. We will join in hand with our upstream gold-bearing material suppliers to commit to engage with central or local governmental authorities, international organisations, civil society and affected third parties, as appropriate, to improve and track performance with a view to preventing or mitigating risks of adverse impacts through measureable steps taken in reasonable timescales. Smelter could suspend or discontinue engagement with upstream suppliers after failed attempts at mitigation.

**Name of the Supplier:**

**【Official Seal】**

**Address:**

**Signature:**