

Jinlong Copper Co., Ltd.

Due Diligence Compliance Report on Silver Supply Chain

(2020)

September 27, 2021

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Company name	Jinlong Copper Co., Ltd.
Location	No.1 Jinshan West Road, Tongguan District, Tongling City, Anhui Province
Year end report	Due Diligence Compliance Report on 2020 Silver Supply Chain
Report date	September 27, 2021

I. Corporate profile

Jinlong Copper Co., Ltd. (hereinafter referred to as "the company" is a sino-foreign joint venture co-founded by China's Tongling Nonferrous Metals Group Holding Co., Ltd., Japan's Sumitomo Metal Mining Co., Ltd., Japan's Sumitomo Corporation and China's Pingguo Aluminum Co. (Chinalco Guangxi Branch), which is the largest sino-foreign joint venture in China's non-ferrous metals industry and Anhui Province. Business scope: production and operation of copper, gold, silver, rare and precious metals and smelting by-products.

Prepared in 1992 and commenced in 1993, it was listed as the key construction project of "the Eighth-five Year Plan" in 1995. It was put into operation on November 8, 1997 and is the first copper flash smelter designed and built independently in China. The design scale of initial stage was 100,000 ton cathode copper, 375,000 ton sulfuric acid and other byproducts including gold and silver etc. After 150,000 tpa technical transformation, 210,000 tpa expansion transformation and 350,000 tpa potential-tapping transformation, the annual production capacity of 450,000 tpa cathode copper, 1.2 million tpa sulfuric acid, 10 tpa gold and 400 tpa silver has taken shape.

Its high-purity cathode copper, the main product, was successfully registered in Shanghai Futures Exchange and London Metal Exchange in 1998 and 2000 respectively. The gold bullion was successfully registered in Shanghai Gold Exchange in 2011. The silver bullion were successfully

registered in Shanghai Futures Exchange in 2012 and London Metal Exchange in 2019. The company has obtained the certification of GB/T19001 quality management system, GB/T24001 environmental management system, GB/T28001 occupational health and safety management system, GB/t27025 accreditation for the competence of testing and calibration laboratories, and certification of AAA class good standardizing practice of enterprise.

According to the requirements of the LBMA Responsible Silver Guideline released by LBMA, the company shall conduct strict due diligence on suppliers to combat systematic or widespread human rights violations, avoid conflicts, and comply with high standards of anti money laundering and terrorist financing. The company has continuously improved the management policies related to due diligence of silver supply chain, and conducted corresponding due diligence on silver suppliers. This report summarizes the company's compliance with the LBMA responsible silver guidelines as of December 31, 2020.

II. Compliance overview

The company conducts due diligence on the supply chain of all suppliers and requires all suppliers to provide legal and compliant sources.

Step 1: establish a strong company management system

Compliance statement and requirements: as of December 31, 2020, the company has fully complied with the requirements of step 1: establish a strong company management system to ensure the full implementation of due diligence of silver supply chain.

1. Responsible silver due diligence policy

According to the requirements of LBMA Responsible Silver Guideline issued by LBMA and OECD Due Diligence Guideline for Responsible Supply Chain of Ores from Conflict-affected and High-risk Areas (hereinafter referred to as the OECD Due Diligence Guideline) attached in Annex II, the company

has released the Administrative Measures on Silver Supply Chain Due Diligence in 2019, which was published on the company's official website (<http://www.jinlongcopper.com>). Besides, the company issued the "Due Diligence Policy on Silver Supply Chain of Jinlong Copper Co., Ltd.", promising that the company would strictly abide by the national laws and regulations on employee rights, environmental protection and fair trade, and actively participate in the work related to due diligence of silver supply chain, adopt a zero-tolerance attitude to the acts such as "massive human rights abuses", "acts directly or indirectly supported by non-governmental armed groups", "asking for bribes or kickbacks for individuals (including government officials, customers, suppliers or any other organization)" during the making and trading of silver.

The due diligence management policy includes the scope of application, organizational structure and responsibilities, collection of supplier and customer information, supply chain risk identification and assessment, supply chain transaction monitoring, records management, training and communication, etc. The policy stipulates that we are responsible for risk-based due diligence, screening and monitoring of transactions and current governance structure.

In addition, in August 2019, the company completed and released the compliance management system, including the Administrative Measures on Compliance of Jinlong Copper Co., Ltd., the Code of Conduct on Compliance of Jinlong Copper Co., Ltd., the Administrative Measures on Compliance Consultation and Offense Reporting of Jinlong Copper Co., Ltd., the Administrative Measures on Labor Dispute Settlement of Jinlong Copper Co., Ltd., and the Management System on Interest Conflicts of Jinlong Copper Co., Ltd. as well as other management standards. The company began to fully implement compliance management, honest operation, understand the requirements and expectations of relevant parties in a timely and comprehensive manner, and strive to meet them; identify and comply with

applicable international and domestic laws, regulations, industry standards and other requirements timely and comprehensively; carry out staff training to improve their compliance awareness of quality, environment, occupational health and safety and laws, and enhance their ability in business, safety protection and pollution prevention; conduct comprehensive and effective monitoring, measurement and analysis activities to detect violations and improvement opportunities in a timely manner, and promote the process control and goal realization of the management system; request managers to fully understand the internal and external environment of the company and relevant performance levels, carry out compliance management activities constantly, and improve the overall performance of the company in a sustainable way.

Conduct compliance risk assessment. All the sections carry out annual compliance risk assessment according to the requirements of the Administrative Measures on Compliance. The assessment involves 7 major items and 23 minor items such as safety, quality and environmental protection, caring for employees, protection of the company, external cooperation, information protection, social responsibility and other work, etc., determining the compliance risk points, status quo, control measures and risk level of various sections, requiring them to understand and master the contents related to compliance risk, and deal with day-to-day publicity and management properly.

Carry out compliance screening to suppliers (customers). Conduct compliance screening to the suppliers (customers) of the company's independent bidding as the front-end link of business development; require the suppliers (customers) to carry out compliance self-evaluation first, fill in the basic information of suppliers (customers) and their conditions in integrity and compliance; the relevant functional sections review the suppliers (customers), including cooperation condition, purchasing (sales) mode and relevant qualification and competence etc.; the compliance office conducts a

comprehensive investigation on the suppliers (customers)'s business qualification, administrative punishment, judicial decision, corruption, commercial bribery, infringement of intellectual property rights, money laundering, and information about being executed due to dishonest conduct; on this basis, it comprehensively scores the suppliers (customers)' compliance risk early warning and business compliance risk assessment, and grades the supplier's risk levels into such two grades as high and low, takes corresponding targeted measures. For suppliers (customers) with high risk, the relevant sections are required to cancel their cooperation qualification after confirmation of the company. The compliance screening to the suppliers (customers) allows the relevant sections to understand the existing compliance risks so that they can obtain the compliance support during the practical work, avoid operational risks, and facilitate the operation of the enterprise in a credible and compliant manner.

2. Internal management organization of due diligence

The company has established a compliance management committee with the general manager as the director and the heads of departments (including the Administrative Department, the Planning & Finance Department, the Business Department, the Safety, Environmental Protection & Basics Department, the Technological Innovation Department, Jinlong Workshop, Department of Party & Masses Affairs as the members, the secretary of the Party committee as the chief compliance officer. The compliance management office is set up under the committee, which is specifically responsible for the daily affairs of compliance management. In addition, part-time compliance liaison officers are provided in each section to engage in the work related to the compliance management. The company has specified the responsibilities of the compliance management committee and the compliance management office Office, chief compliance officer, compliance specialist and compliance liaison officer. Among them, the chief compliance officer has rich production and operation management experience and risk prevention awareness, and is

fully capable of performing all due diligence matters of silver supply chain.

The compliance management committee also serves as the internal management organization of silver supply chain due diligence to regularly review the due diligence of silver supply chain in order to ensure the availability of resources.

3. Establishing internal supply chain traceability system

3.1 Supply chain traceability system

All suppliers will be subject to credit investigation. After the credit investigation is passed, a contract and a social commitment letter will be signed to promise that the raw materials are legal and conform to the LBMA due diligence policy; Each batch of raw materials supplied by the suppliers will be performed with inspection and acceptance. The acceptance items involves weight, moisture, grade, etc. The weight acceptance is provided with weighing sheet. The moisture acceptance is provided with original record of moisture measurement, and the grade acceptance is provided with inspection report. The inspection report, weighing sheet and original record of moisture measurement shall be signed and confirmed by the acceptance personnel and the supplier (if necessary), and finally sent to the supplier in the form of quality inspection report; samples and tests are taken during the production, and finally silver products are formed. The unique number is printed, and the transaction is conducted through Shanghai Gold Exchange or silver customers.

3.2 Record keeping

The company keeps copies of qualification verification materials such as supplier's business license, supplier's due diligence questionnaire, weighing sheet of each batch, original record of moisture measurement, original test record, test report, settlement sheet and other relevant records and materials, with the more than 5 years.

3.3 Training

The company incorporates the supply chain due diligence management

and LBMA responsible silver guide training into the company's annual training plan each year. Through the company's website, communication and meetings, the company organizes relevant posts and members of the compliance group to conduct training, so as to ensure that the relevant posts and members of the compliance team are familiar with the supply chain due diligence management and the LBMA Responsible Silver Guideline.

3.4 Compliance officer

The company designates the secretary of the Party committee as the Chief Compliance Officer (compliance director) to be responsible for all matters related to the management of supply chain due diligence, especially the audit of supply chain due diligence, and the assessment of adequacy of due diligence, and collection of additional documents or information when necessary so as to ensure the implementation of corresponding policies in high-risk supply chain or transactions. The compliance officer is responsible for the training of relevant staff, prepare and update the supply chain policy, and provide the compliance management committee with appropriate information for performing their duties.

3.5 Payment through official channels

When the company makes payment for goods, the functional department initiates the joint signing procedure for capital matters. After approval, online payment is made through the company's bank account, and the bank slip is printed as a voucher attachment.

4. Contracting with silver supplier

The Raw Material Section of the Business Department of the company is responsible for communicating with the raw material suppliers according to the "silver supply chain due diligence management measures". The communication allows them to understand LBMA's responsible silver supply policy and the company's silver supply chain due diligence policy, and warn suppliers to abide by relevant policies and procedures. Conduct risk assessment on suppliers through full communication to avoid cooperation with

high-risk suppliers. If it is assessed as high risk, the compliance specialist immediately prepares the information and reports it to the compliance director, who reports to the company's compliance management committee and re-approves the high-risk supply chain after being authorized (so far no high-risk supplier has been found).

5. Establishing a confidential complaint mechanism

Amid the company's due diligence management, the silver supply chain management reporting mechanism and channels are provided. Anyone who has doubts about the policy or finds any violations can make a feedback through telephone, e-mail, etc. The company's due diligence policy, telephone number and e-mail address are all released on the company's official website, and the company's employees and suppliers can understand the information through the website.

Step 2: identify and assess risks in the supply chain

Step 2 compliance overview: as of December 31, 2020, the company is fully compliant with step 2: identify and assess risks in the supply chain.

The company strictly abides by the requirements of "identification and assessment of supply chain risk" in Step 2 of LBMA Responsible Silver Guideline, formulates the judgment criterion of high-risk supply chain, and formulates the processing procedures for the identified risks, so as to fully identify and assess the risks in the supply chain. So far, no high-risk supply chain has been found.

1. Identifying risks in the supply chain

All silver of the company comes from mineral by-products. According to Due Diligence Guideline for Responsible Supply Chain of Ores from Conflict-affected and High-risk Areas released by OECD, which is extended to environmental and sustainability responsibilities, the company identifies relevant risks, pays close attention to silver from areas of human rights violations, armed conflict, illegal mining, and use for bribery, money laundering

and terrorist financing and other actions . The company establishes a supplier file for each supplier, investigates each supplier according to the risk status of the company, and completes the establishment of supplier files before signing a contract with the supplier.

2. Assessing supply chain risk

2.1 Supplier chain due diligence

The company conducts due diligence on the supply chain through the following measures:

2.1.1 Collection of suppliers' information collection

Before cooperating with suppliers, the Business Department is responsible for collecting the information and data of relevant suppliers. For silver raw material suppliers, we require them to provide business license, mining license, third-party inquiry platforms such as Qcc.com, wenshu.court.gov.cn etc. to prove their legitimacy. The Business Department also conducts compliance surveys on suppliers and sends questionnaires to the suppliers for obtaining relevant information and documents, including basic information, business activities, managerial structure, financial details and responsible silver supply chain of the suppliers.

2.1.2 Identification of the suppliers' risk

The Business Department carries out risk identification of silver supply chain in accordance with the relevant information provided by suppliers and the feedback of questionnaire survey results. In the process of risk identification, focus is laid on whether the suppliers have any risk events such as money laundering, terrorist financing, human rights violations, abuse of labors.

2.1.3 Assessment of suppliers' risk and establishment of supplier files

The risk assessment of silver supply chain includes two aspects: sovereign risk and corporate risk. Before a transaction, the Business Department needs to conduct risk assessment on the supplier. The sovereign risks include that

silver-containing materials originate from or have been transported through war-affected areas or areas where human rights have been violated (please refer to Global Conflict Barometer for details of areas with high risk or human rights violations); the corporate risks include: suppliers or their upstream companies have been involved in money laundering, crime, corruption or other high-risk matters; the suppliers and their upstream firms or beneficial owners are political public figures; the suppliers or their upstream firms are actively engaged in high-risk business activities.

After assessment, if a certain supplier has the above-mentioned risk event, the company will define the supplier as a high-risk supplier. For the high-risk supplier, the company's due diligence group will review the supplier. The review process includes on-site investigation and further verification of due diligence results. The company will not establish any cooperative relationship with the supplier until the high-risk event is relieved. Only after it is confirmed that there is no such high-risk event, the company will carry out normal cooperation with it.

As of December 31, 2020, we have completed the task of information collection, risk identification and risk assessment for all the silver suppliers. The risk assessment results are fully recorded in the corresponding LBMA supply chain risk assessment form, including assessment criteria, opinions and reasons. In 2020, all the silver suppliers were identified as low-risk ones.

2.2 High risk supply chain

According to the relevant provisions of LBMA and OECD, combined with the actual situation of the company, the following assessment criteria for high-risk supply chain are specified:

(1) The raw material silver comes from, transits or transports through areas with high risk of conflict impact or human rights violation.

(2) The raw material silver is claimed to have come from a country with limited known reserves, limited resources or limited expected silver output.

(3) The raw material silver comes from a known high-risk area with conflict

impact and human rights violation, or has reason to suspect that it is transmitted through this area.

(4) Companies in the silver supply chain or other known upstream companies are located in a country with high risk in money laundering, crime and corruption.

(5) The beneficial owner of a company in the silver supply chain or other known upstream company is a politically exposed person.

(6) Companies in the silver supply chain or other known upstream companies are actively involved in high-risk business activities such as weapons, gambling, gambling, antiques and artworks, diamonds, religion and religious leaders.

(7) Other high-risk circumstances identified by Chinese government.

When any of the above criteria exist, the supply chain is judged as a high-risk supply chain. The compliance specialist shall immediately prepare the information and report it to the compliance director, who shall report to the company's compliance management committee and re approve the high-risk supply chain after being authorized.

2.3 Transaction monitoring

The company supervises all transactions to ensure that the transactions are consistent with the supply chain due diligence.

The company checks the due diligence of the supply chain, and each batch of raw materials has a unique number. For all raw materials purchased and warehoused, complete documents and data are kept. The warehoused ones are provided with weighing sheets, moisture measurement records, grade test reports, settlement sheets and financial voucher, etc. It is clearly specified that the information collected and kept by various departments during the daily work. The relevant vouchers shall be reserved by the Business Department, the Planning & Finance Department, the Safety, Environmental Protection & Basics Department, production departments. They will be sent to the archives room for filing on a regular basis, with the keeping period not be

less than 5 years.

3 Reporting risk assessment to compliance management committee

The company has established a risk assessment report system. When the supply chain due diligence finds that the supply chain comes from a high-risk area and is assessed as a high-risk supply chain, the compliance specialist shall immediately prepare information and report it to the compliance director, who shall report to the company's compliance management committee and re-approve the high-risk supply chain after being authorized.

Step 3: design and implement strategies to address identified risks

Compliance overview of step 3: as of December 31, 2020, the company has fully complied with step 3: design and implement strategies to address identified risks

According to the results of risk assessment, suppliers are divided into two levels: low risk and high risk. We have taken risk control measures for suppliers at all levels. The details are as follows:

Risk level	Supplier type	Risk control measures
Low risk	Existing supplier	New silver raw material can be ordered. The existing ordered raw material can be delivered.
	New supplier	New suppliers are acceptable.
High risk	Existing supplier	All unregistered orders should be suspended. If the goods have already been delivered, they shall be handled according to the return procedures. The reassessment shall be conducted within 180 days after the last assessment. If the non-compliance phenomenon disappears, we can

		<p>continue to cooperate with the supplier and list the supplier as a low-risk one.</p> <p>The results of monitoring and assessment shall be reported to compliance management committee on a regular basis to support compliance management committee in deciding whether to cooperate with suppliers.</p>
	New supplier	New suppliers are not acceptable.

The Business Department, as a department of continuous due diligence, needs to constantly pay attention to cooperation risk and conduct risk assessment. If it is found that the existing normal cooperation of low-risk suppliers may involve money laundering and terrorist financing, conflict promotion and human rights violations, the procurement of raw materials shall be stopped immediately and relevant investigation shall be carried out. If there is conclusive evidence that the supplier is involved in money laundering and terrorist financing, conflict promotion and human rights violations, the company shall immediately stop the procurement and terminate the cooperation relationship. As of December 31, 2020, we have completed the risk identification and risk assessment for all the silver raw material suppliers. No high-risk silver supply chain was found in 2020, so no supply chain risk mitigation measures were taken.

Step 4: arrange independent third-party audit for due diligence of supply chain

Compliance overview of step 4: the company has fully complied with step 4: carrying out independent third-party audit of due diligence on silver supply chain.

The company strictly abides by the requirements of "carrying out

independent third-party audit of the refinery's due diligence practices" in Step 2 of *LBMA Responsible Silver Guideline*. The last audit was in October 2020.

This year, we will continue to ask the Shanghai Branch of Bureau Veritas Certification (Beijing) Co., Ltd. to conduct reasonable attestation, and the audit of this year will be performed by referring to the method specified in ISAE3000. The company has signed an agreement with Shanghai Branch of Bureau Veritas Certification (Beijing) Co., Ltd. (hereinafter referred to as "BV Certification") to entrust BV to conduct a reasonable attestation in 2020 according to ISAE3000, and to conduct an independent third-party audit on our compliance with the LBMA responsibility silver guideline. The independent attestation report is attached.

Step 5: submit a report on supply chain due diligence each year

Compliance overview of step 5: the company has fully complied with step 5: annual report on supply chain due diligence.

The company has, in line with the LBMA Responsibility Silver Guideline, released a Compliance Report of Jinlong Copper Co., Ltd. on Silver Due Diligence for reporting the due diligence of supply chain as of December 31, 2020.

III. Management conclusion

As of December 31, 2020 the company has established a management system for supply chain process and control, issued and implemented due diligence management policies. The company has also collected all supplier information, identified and assessed the risks in the supply chain, formulated risk control measures, arranged independent third-party audit on the supply chain due diligence, and prepared the report on supply chain due diligence in 2020. As a result, the company has fully complied with the LBMA Responsible Silver Guideline in the past year. In the next stage of work, the company is committed to continuous improvement on the basis of the existing silver supply

chain due diligence system, and combines the responsible silver supply chain process with our existing supply chain process in a more effective way, and conduct internal monitoring of corrective measures on a regular basis.

IV. Others

If any user of this report wish to give any feedback on this report to Jinlong Copper Co., Ltd., it can call + 86 0562-3868137 or email to licx@jinlongcopper.com for contacting the relevant department of the company.