



March 2018

**LBMA Responsible Gold Guidance –  
Summary Assessment Report**  
For third-party audits based on ISO19011:2011

*According to LBMA provision this document has to be made publicly available by the refiner.*

<b>Company Name:</b>	Henan Yuguang Gold And Lead Co., Ltd
<b>Reference Standard:</b> LBMA RGG	Other ref.: ISO 19011:2011

Audit Team	
<b>Team Leader:</b>	<b>Team Member:</b>
Mr.Chuangen Wang	Mr.Henry Teng
Mr.Chuangen Wang	

Type of Audit	Date of Opening Audit	Date of Closing Audit	Total n° of man/days
Full assessment Audit	April 9th	April 10th	3 Man days
Assessment Review			
Follow-up Assessment	July 1,2019	July 1,2019	1 Man day

<b>Site(s) address(es):</b>	No.1 South Jingliang Street,Jiyuan City, Henan Province,P.R.China
<b>Refiner Contact Person:</b> <b>Name, Title:</b> <b>Email:</b> <b>Phone:</b>	Name: Mr.Yangxin
	Title: Import and Export Department manager
	gdjinye@sina.com
	0086-0391-6665819

	Non Compliance – risk level				
	Compliant	Low	Medium	High	Zero Tolerance
<b>Based on the assessment conclusions, the overall rating of the Refiner’s performance is determined to represent:</b>	Yes			Yes	

<b>Is a follow up visit required? (in case of high risk non-compliance)</b>		Yes	No
<b>Date(s) of follow up visit:</b>	July 10 <sup>th</sup> ,2019	<b>Assigned auditor:</b>	

<b>AUDIT SUMMARY</b>
<b>Basic Inputs</b>
<ul style="list-style-type: none"> <li>Confirm if the data provided in the application/ self-assessment phase is valid.</li> </ul> <p><i>This is the first full assessment audit for silver carried out by BV. Two auditors and 3 Man days man days were arranged for this audit.</i></p>



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See Third party Audit Checklist (GENERAL INFO POINT F) and describe bellow percentages

There are total 31 silver supplier during the year 2018 (from Jan. 1/2018 to Dec.31/2018)  
The number of silver supplying counterparties is as follows:

*Industrial mining operations (large or small scale): 16.2%( 5 suppliers:1 Foreign mine, 4 domestic mines)*

*Type of companies: Lead concentrate Company*

*Forms of Silver: Lead concentrate (silver content <0.13%)*

*Countries of provenance: China,Russia,Mexico,America,Canada.*

*Type of companies: Silver concentrate Company*

*Forms of Silver: Silver concentrate (silver content <1.3%).*

*Countries of provenance: Peru,Mexico,Bolivia.*

*Artisanal mining operations: 0%*

*Type of companies: //*

*Forms of Silver: //*

*Countries of provenance: //*

*Traders / brokers: 45.2%( 14 suppliers: 8 foreign traders, 6 domestic traders)*

*Type of companies: Foreign trading company, domestic company*

*Forms of Silver: Lead mine (silver content is less than 15%, the highest is 0.7% by weight)*

*Countries of provenance: China,Russia,Mexico,America,Peru,Mexico,Bolivia.*

*Recycled material/collectors: 38.7%( 12 suppliers: 8 anode mud suppliers,4 crude silver suppliers.)*

*Type of companies: anode mud Company.*

*Forms of Silver: anode mud.*

*Countries of provenance: China.*

*Type of companies: crude silver Company.*

*Forms of Silver: crude silver.*

*Countries of provenance: China.*

*Industrial scrap providers: 0%*

*Type of companies: //*

*Forms of Silver: //*

*Countries of provenance: //*

*Others: 0%*

*Type of companies: //*

*Forms of Silver: //*

*Countries of provenance: //*

*The management stated that all suppliers are low risk suppliers, but failed to provide low risk related evidence to support this conclusion.*

*(Remark :The refiner did not establish effective system for assessing risk among Silver supplying counterparties according to the LBMA Responsible Silver Guidance. There is no risk assessment procedure in place,the due diligence management manual only define high-risk supplier, but there are no relevant evaluation processes and standard criteria. All silver suppliers have no risk level assigned,the management stated that all suppliers are low risk, but failed to provide low risk related records to support this conclusion.)*

*The 1st Follow-up assessment was conducted on July 1,2019.-Cisoed.*

*The silver supplying counterparties management document showed that the risk assessment procedure in*



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place, and relevant evaluation processes and standard criteria was established. In addition, all low risk assessment records were available.

**Description of the company activities [mandatory for all audits]:**

Henan Yuguang Gold Lead Co., Ltd. is a subsidiary of Henan Yuguang Gold Lead Group Co., Ltd., established in 2000, is the largest electrolytic lead and silver production enterprises in China. July 2002, "Yuguang gold lead" stock (code: 600531) listed on the Shanghai Stock Exchange trading company mainly engaged in electrolytic lead, silver, gold and other nonferrous metals and precious metals products, smelting and import and export trade main products production capacity : Lead 400,000 tons, 5,000 kilograms of gold, 1,000 tons of silver, 240,000 tons of sulfuric acid, copper 4,000 tons. Is Asia's largest electrolytic lead production enterprises and the country's largest silver production enterprises. The company is a large state-owned enterprise.

At present the company's total assets of 7.2 billion, covering more than 2,000 acres, has more than 2,900 employees. The company has passed ISO9001) quality management system, ISO14001 environmental management system and OHSAS18001 occupational health and safety management system, measurement and testing system certification .2002 companies were silver export business eligibility for the country to be eligible for one of the six companies. May 2003 by foreign futures trading eligibility for the country with this qualification of one of the 17 companies. Leading products "Yuguang" brand electrolytic lead and "Yuguang" brand silver in the London Metal Exchange (LME) and the London Precious Metals Association (LBMA) registered, the products sell well in more than 10 countries and regions. "Yuguang" brand silver is used as the 2008 Beijing Olympic Games medals for silver, lead domestic market share of 10%.

Over the years, the company has always been committed to environmental protection and development, continue to increase energy-saving emission reduction efforts to develop low-carbon economy, building a harmonious green business. The company took the lead in the same industry put forward the "green smelting, environmental development" concept, the first to implement the "industrial city, the project up the mountain," the road of environmental protection. To enhance the technological innovation capability and technology research and development, and promote the continuous improvement of environmental protection level, the company has built a post-doctoral research station, non-ferrous metal production and research base, lead and zinc industry technology development center and other research bases. Focusing on breakthroughs in the development of the company's resources, environment, recycling economy and other areas of the key cutting-edge technology and key technologies, the formation of a high lead-free lead directly lead smelting, waste lead-acid battery automatic separation - bottom blowing smelting recycled lead technology research, Furnace gold and silver, copper matte bottom blowing continuous blowing a number of international leading independent intellectual property rights with the core technology, leading the development of the industry. Company technical equipment and environmental management level in the international and domestic are in a leading position. In 2011, the company's "Lead High-efficiency Clean Metallurgy and Resource Recycling Key Technology and Production" won the second prize of National Science and Technology Progress Award, 'Liquid High Lead Slag Direct Reduction New Technology Research' won the second prize of Science and Technology Progress Award of Henan Science and Technology Department, In addition to copper slag bottom continuous copper refining process research ', "improve the silver recovery rate of technology research and practice" and other three scientific and technological achievements by the China Nonferrous Metals Industry Science and Technology Award third prize. 'Melting pool smelting direct lead smelting new technology' was named the province of non-ferrous metals industry 'Eleventh Five-Year' major scientific and technological innovation. "Heavy metal clean smelting key technology" included in the national 863 plan. The company's indicators were significantly better than the industry average, the Ministry of Industry and the Ministry of Industry as a benchmark for energy efficiency benchmarking enterprises, the Yuguang lead, zinc smelting comprehensive energy consumption indicators as non-ferrous metals industry energy efficiency benchmarking indicators. The company's laboratory was accredited by the National Accreditation Board of China's National Accreditation Service, which marked that the company's testing work had been in line with international standards. The test report issued could be affixed with the international laboratories.

The company actively developed the circular economy, has invested nearly 10 billion yuan of lead and zinc ore in the gold, silver, antimony, bismuth, copper, cadmium, indium and other 10 kinds of valuable metals for recycling, the basic raw materials to achieve a dry squeeze clean The company has invested 1 billion yuan,



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*vigorously develop the renewable lead industry, has been built two waste lead-acid battery pretreatment production line, the annual recovery fee for lead-acid batteries 36 million tons, with an annual output of 200,000 tons of renewable lead, 16,000 tons of plastic.*

**Manual adequacy:**

*Key clauses in LBMA Responsible Silver Guidance are addressed in the LBMA compliance policy statement that is prepared by the LBMA compliance committee.*

*All applicable statutory requirements are mandatory implemented and maintained.*

**Assessment of level of compliance of Refiner's systems, processes, procedures and practices according to the LBMA Responsible Gold Guidance:**

**Step 1: Establish strong Refiner management systems**

*See Third party Audit Checklist*

1. Adopt a Refiner policy regarding due diligence for supply chains of Gold. Provide an overview of the management systems governing the due diligence policy for Gold supply chains.
2. Set up an internal management structure to support supply chain due diligence. Review the management structure for due diligence, including the methods of communication to internal and external parties.
3. Establish a strong internal system of due diligence, controls and transparency over Gold supply chains, including traceability and identification of other supply chain actors. Inventory Control Mechanism: Conduct a review of the inventory control mechanism and the documentation kept on file for Gold bearing material.
4. Strengthen Refiner engagement with Gold supplying counterparties, and where possible, assist Gold supplying counterparties in building due diligence capacities. Review the due diligence policy communicated to the Gold bearing counterparties.
5. Establish a Refiner-wide communication mechanism to promote broad employee participation and risk identification to management. Review the internal communication mechanisms in place at the Refiner focusing on the mechanism for voicing concerns over the gold supply chain.

*The refiner can not provide Silver supply chain policy in compliance with the LBMA Responsible Silver Guidance for review, and the policy was not publicly available. One NC was raised during this audit, please refer to the Corrective Action Plan for detail.*

*The 1st Follow-up assessment was conducted on July 1, 2019. -Cloed.*

*The refiner has developed the Silver supply chain policy and issued on the refiner's website.*

*(<http://www.yqqf.com.cn/UserFiles/upload/file/20190427/20190427081931641.pdf>)*

*The refiner has established supply chain due diligence management manual which including following topics: Scope, Organisation and responsibilities, Criteria for high risk Gold supply chain, Supply chain due diligence, Monitoring of transactions, Maintaining records and Training.*

*The refiner has implemented an internal management structure to support supply chain of silver in compliance with LBMA Responsible Silver Guidance. The LBMA compliance team is lead by the Mr. Hongqiang Miao/Finacial Director with six compliance team members including finance manager, trading manager, purchasing manager, sales manager, quality manager and production manager. '*

*The compliance director did not attend the audit and it was unable to conduct relevant management interviews. It was not clear that what measures and necessary resources the refinery will take to support the operation and monitoring of the due diligence process. One NC was raised during this audit, please refer to the Corrective Action Plan for detail.*

*The 1st Follow-up assessment was conducted on July 1, 2019. -Cloed.*



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*The compliance director was present during the audit, and the compliance director was clear that taking measures and necessary resources to support the operation and monitoring of the due diligence process. (e.g. human resource and financial.)*

*The refiner requires suppliers to sign commitment letter to comply with LBMA requirements.*

*The management stated that the refiner carry out relevant training, but the refiner only provide one attendance sheet for review. Through management interview, relevant employees were not aware the responsibilities related to supply chain due diligence. One NC was raised during this audit, please refer to the Corrective Action Plan for detail.*

*The 1st Follow-up assessment was conducted on July 1, 2019. -Cloed.*

*The refiner has conducted the training about Sliver supply chain policy and Due deligence rules, etc. (Training Date: April 22, 2019)*

*The refiner has established internal system of due diligence, controls and transparency over Gold supply chains, including traceability and identification of other supply chain actors.*

*Transactions are consistently recorded and records are kept for a period of at least 5 years.*

*The refiner has appointed Mr. Hongqiang Miao/Finacial Director as compliance director was responsible for the implementation of the due diligence policy.*

*The refiner has appointed a compliance officer responsible for enforcing the implementation of the due diligence procedures and who reports to the management, the Compliance Officer is directly report to senior management.*

*The refiner has requested that all silver-supplying counterparties have committed to and acknowledged in writing compliance with the LBMA Responsible Sliver Guidance requirement. The requirement is communicated to all counterparties on a yearly basis through commitment letter.*

*The refiner did not have a communication mechanism in place that allows employees to voice concerns over the Gold supply chain or any newly identified risk. Based on interview, employees are not aware of communication mechanism. One NC was raised during this audit, please refer to the Corrective Action Plan for detail.*

*The 1st Follow-up assessment was conducted on July 1, 2019. -Cloed.*

*The internal communication mechanism was available. (e.g. hotline.)*

**STEP 2: Identify and assess risk in the supply chain**

*See Third party Audit Checklist*

1. Identify risks in the Gold supply chain. Assess the risk assessment policy for all Gold supply chains.
2. Assess risks in light of the standards of their supply chain due diligence system: Supply chain due diligence: Review “Gold supplying counterparty” files to verify if the Refiner collects the required basic information for all business entities
3. Risk assessment reporting. Evaluate the risk assessment reporting mechanisms, organization chart and communication

*The refiner did not establish effective system for assessing risk among Sliver supplying counterparties according to the LBMA Responsible Sliver Guidance. There is no risk assessment procedure in place, the due diligence management manual only define high-risk supplier, but there are no relevant evaluation processes and evacuation criteria. One NC was raised during this audit, please refer to the Corrective Action Plan for detail.*

*All sliver suppliers have no risk level assigned, the management stated that all suppliers are low risk, but failed to provide low risk related records to support this conclusion. One NC was raised during this audit, please refer to the Corrective Action Plan for detail.*

*High Risk NC. The refiner will take action to correct this NC.*

*The 1st Follow-up assessment was conducted on July 1, 2019. -Cloed.*



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*The silver supplying counterparties management document showed that the risk assessment procedure in place, and relevant evaluation processes and standard criteria was established. In addition, all low risk assessment records were available.*

*No subcontractor is used by the refiner.*

*The refiner has a risk based approach for monitoring transactions to ensure that these are consistent with information on the counterparties' supply chain and risk profile. The refiner systematically request, gather and maintain the related documentation on file for each lot of Silver-bearing material received.*

*The Compliance Officer regularly reports risk assessment and results to the Senior Management. The Senior Management is responsible for approving each new supply chain assessed as high risk, and re-assesses these on an annual basis to determine whether the business relationship should continue. Till now no high risk supplier was found.*

**STEP 3: Design and implement a management strategy to respond to identified risks**

*See Third party Audit Checklist*

1. Policy: formal risk mitigation strategy in place.
2. Improvement plans: strategy regarding the procedures for following up on improvement plans.

*The refiner has not established formalized risk mitigation strategy and improvement plan of risk mitigation strategy. The Compliance Officer and the compliance team were not aware of the risk mitigation strategy requirement. One NC was raised during this audit, please refer to the Corrective Action Plan for detail.*

*The 1st Follow-up assessment was conducted on July 1, 2019. -Closed.*

*The formal risk mitigation strategy was available, and the compliance officer was clear about the risk mitigation strategy.*

**Step 4: Arrange for an independent third-party audit of the supply chain due diligence**

*See Third party Audit Checklist*

*This is the first year that the refiner completes an LBMA Silver Guidance, with audits completed once a year. The refiner has ensured that these audits are diligently completed in accordance with the LBMA Guidance and the OECD Guidance.*

**STEP 5: Report on supply chain due diligence**

*See Third party Audit Checklist*

*Refiners should make available their company policy regarding gold supply chain and the LBMA Summary Report.*

*This is the first LBMA full assessment was conducted in April 2019 by BV, and the assessment was conducted based on the ISO 19011:2011 standard, and the assessment period was January to December 2018.*

*The refiner has ensured that these audits are diligently completed in accordance with the LBMA Guidance and the OECD Guidance.*

ASSESSMENT CONCLUSIONS						
CATEGORY	SUBCATEGORY	Compliant	Non compliance – risk level			
			Low	Medium	High	Zero Tolerance
General Information		✓			✓	



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<b>Step 1:</b> Establish strong Refiner management systems	1.1	✓		✓		
	1.2:	✓		✓		
	1.3	✓				
	1.4	✓				
	1.5	✓		✓		
<b>Step 2:</b> Identify and assess risk in the supply chain	2.1	✓			✓	
	2.2	✓			✓	
	2.3	✓				
<b>Step 3:</b> Design and implement a management strategy to respond to identified risks	3.1	✓			✓	
	3.2	✓				
<b>Step 4:</b> Arrange for an independent third-party audit of the supply chain due diligence	4.1	✓				
<b>Step 5:</b> Report on supply chain due diligence	5.1	✓				
<b>Based on the above assessment conclusions, the overall rating of the Refiner’s performance is determined to represent:</b>		✓			✓	

<b>Assessment scope:</b>	
<i>Refiner location(s) included in the assessment scope</i>	No.1 South Jingliang Street,Jiyuan City,Henan Province,P.R.China.
<i>Assessment Period</i>	2018 (from Jan.1/2018 to Dec.31/2018)
<b>Assessment methodology:</b>	
<p><i>The Assessment teams used a triangulation of findings to evaluate the existence and implementation of appropriate systems at the Refiner, addressing all areas covered by the LBMA Responsible Silver Guidance. Each area of the LBMA Responsible Silver Guidance was verified by documentation review and management/employee interviews, as well as observation during the facility tour.</i></p> <p><i>The evidence of compliance that was reviewed included:</i></p> <ul style="list-style-type: none"> <li>• Silver Supplier Chain Policy(Not Provided),</li> <li>• Silver Supplier Chain Due Diligence Manual,</li> <li>• Silver Source Risk Assessment Procedure(Not Provided),</li> <li>• Silver Risk Mitigation Strategy(Not Provided),</li> </ul>	



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- *Traceability System,*
- *Training Record,*
- *Risk Assessment Record(Not Provided),*
- *Business Certification,*
- *Transaction Record,*
- *Silver Receiving Book,*
- *Silver Assay Record,*
- *Etc.*

*The following areas of the facility were visited during the tour:*

- *Office,*
- *Raw Materials Warehouse,*
- *Sliver Bar Warehouse,*
- *Lead Reduction Furnace,*
- *Lead Electrolysis Workshop,*
- *Silver Refine Workshop,*
- *Casting Workshop,*
- *Lab*
- *All the Activities Production Area Related Silver Product.*

*The following interviews were conducted with management:*

- *Mr.Honghao Zhao/Precious metal smelting factory director,*
- *Mr.Xinyang/Import and Export Department manager,*
- *Mr.Kun Yang/Lab Manager.*

*The following interviews with employees were conducted:*

- *Mr.Shubo Wang/Sourcing,*
- *Mr.Zhikuan Zhao/salesman,*
- *Mr.Hongfeng Wang/Raw materials planner,*
- *Mr.Erwen Cao/salesman.*
- *One worker from Raw Materials Warehouse and one worker from lead electrolysis workshop*

**Any significant or inherent limitations or areas not covered that were within the assessment scope:**

*There were no significant or inherent limitations or areas not covered that were within the assessment scope.*

**Assessment criteria:**

- *The auditor or assessment team took into account all relevant objective evidence provided by the Refiner. Relevant evidence was either qualitative or quantitative in as far as it is appropriate and sufficient to support the auditor or assessment team’s conclusions. Appropriate evidence is evidence that is relevant and reliable. Sufficient evidence refers to the amount of evidence provided to allow the auditor or assessment team to reach a conclusion.*
- *Any actual or potential gaps in the Refiner’s systems in regards to the LBMA requirements are rated in accordance to the level of risk each presents to the credibility and integrity of the LBMA Responsible Silver Programme for the responsible sourcing of silver-bearing materials.*





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The Auditors confirm that:

- ✓ The information provided by the Refiner is true and accurate to the best knowledge of the Auditor(s) preparing this report.
- ✓ The findings are based on verified Objective Evidence relevant to the time period for the assessment, traceable and unambiguous.
- ✓ The Auditor(s) have acted in a manner deemed ethical, truthful, accurate professional, independent and objective.
- ✓ The Auditor(s) are properly qualified to carry out the assessment at this Refiner's facility.

Lead Auditor: Mr.Chuangen Wang/Leader auditor Mr.Henry Teng/Team auditor **Mr.Chuangen Wang**

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*Chuangen Wang*      *Henry Teng*

Signature:

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Date: April 10th,2019      **July 1,2019**

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