

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

Audit Team	
Team Leader:	Team Member:
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

Assessment Information	
Site(s) address(es):	No.1 South Jingliang Street,Jiyuan City,Henan Province,P.R.China.
Refiner Contact Person: Name, Title:	Name: Mr.Yangxin Title: Import and Export Department manager
Email:	gdjinye@sina.com
Phone:	0086-0391-6665819
Dates and places where the onsite assessment activities were conducted	Date: April 9th-April 10th,2019 Place: No.1 South Jingliang Street,Jiyuan City,Henan Province,P.R.China.

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

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

AUDIT SUMMARY

Basic Inputs

This is the first full assessment audit for silver carried out by BV. Two auditors and 3 Man days were arranged for this audit.

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, 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.

LBMA Refiner Assessment Report

Assessment objectives:

The objectives of the assessment were to evaluate the conformity of the Refiner's management system procedures processes and practices with the LBMA Responsible Silver Guidance.

Assessment scope:

<i>Refiner location(s) included in the assessment scope</i>	<i>No.1 South Jingliang Street,Jiyuan City,Henan Province,P.R.China.</i>
<i>Assessment Period</i>	<i>2018 (from Jan. 1/2018 to Dec.31/2018)</i>

Assessment methodology:

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.

The evidence of compliance that was reviewed included:

- Silver Supplier Chain Policy(Not Provided),*
- Silver Supplier Chain Due Diligence Manual,*
- Silver Source Risk Assessment Procedure(Not Provided),*
- Silver Risk Mitigation Strategy(Not Provided),*

- *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*

Statement of the confidential nature of the contents:

All the data contained in the assessment report, as well as all information obtained during the performance of the certification, is private and confidential between the auditing body and the Refiner.

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 Program for the responsible sourcing of silver-bearing materials.*

Assessment findings:				
<i>Category/subcategory</i>	<i>Non-compliance/Observation: Include evidence found to substantiate the non-compliance as well as frequency of its occurrence.</i>	<i>Recommended corrective action</i>	<i>Timeframe for implementing corrective actions</i>	<i>Refiner comments</i>
Step 1.1	<i>The refiner can not provide Sliver supply chain policy in compliance with the LBMA Responsible Sliver Guidance for review,and the policy was not publicly available. 公司无法提供符合 LBMA 责任白银指南的供应链政策以供审核,而且该政策尚未公开.</i>	<i>It is Recommended that the refiner should establish and publish Sliver supply chain policy in compliance with the LBMA Responsible Sliver Guidance.</i>	90days	<i>Medium Risk NC.The refiner will take action to correct this NC The 1st Follow-up assessment was conducted on July 1,2019.-Clsoed. The refiner has developed the Sliver supply chain policy and issued on the refiner’s website.</i>
Step 1.2	<i>Inadequate internal communication.The management stated that the refiner carry out relevant training, but the refiner only provide one attendance sheet for review.In addition,the purchasing, sales, and office employees are not aware of their job responsibilities. 内部沟通不足,管理层表示:精炼厂进行相关培训,但精炼厂仅提供一张签到表以供检查.此外,采购,销售和办公室员工不了解自己的工作职责.</i>	<i>It is Recommended that the refiner should conduct training or meeting to support internal communication.</i>	90days	<i>Medium Risk NC.The refiner will take action to correct this NC The 1st Follow-up assessment was conducted on July 1,2019.-Clsoed. The refiner has conducted the training about Sliver supply chain policy and Due diligence rules,etc.(Training Date:April 22,2019)</i>
Step 1.2	<i>The compliance director did not attend during this audit .it</i>	<i>It is recommended that the compliance</i>	90days	<i>Medium Risk NC.The refiner will take action to correct this</i>

	<p>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. 合规总监没有出席此次审计, 审核员无法进行相关的管理层面谈. 不清楚精炼厂采取哪些措施和必要的资源来支持尽职调查过程的运作和监督.</p>	<p>director should take measure and resource to support the operation and monitoring of the due diligence.</p>		<p>NC The 1st Follow-up assessment was conducted on July 1, 2019.-Clsoed. 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.)</p>
Step 1.5	<p>The company has not established the internal communication mechanisms in place which the refiner focusing on the mechanism for voicing concerns over the sliver supply chain. 公司没有建立内部沟通机制, 关注白银供应链的申诉机制.</p>	<p>It is recommended that the refiner should establish internal communication mechanism. such as hotline, suggestion box, etc.</p>	90days	<p>Medium Risk NC. The refiner will take action to correct this NC The 1st Follow-up assessment was conducted on July 1, 2019.-Clsoed. The internal communication mechanism was available.(e.g.hotline.)</p>
Step 2.1	<p>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</p>	<p>It is recommended that the refiner should establish effective system for assessing risk among Sliver supplying counterparties according to the LBMA Responsible Sliver Guidance.</p>	90days	<p>High Risk NC. The refiner will take action to correct this NC. The 1st Follow-up assessment was conducted on July 1, 2019.-Clsoed. The sliver supplying counterparties management document showed that the risk assessment procedure in place, and relevant evaluation</p>

	<p>there are no relevant evaluation processes and standard criteria. (remark: Management stated that all suppliers are low risk but failed to provide low risk related records to support this conclusion.) 根据LBMA 责任采购指南,公司没有建立有效的系统来评估白银供应商的风险. 公司没有风险评估程序,尽职调查管理手册仅定义了高风险供应商,但没有相关的评估流程和评估标准. (注: 管理层表示所有供应商都是低风险,但未能提供低风险相关记录以支持这一结论.)</p>			<p>processes and standard criteria was established. In addition, all low risk assessment records were available.</p>
<p>Step 2.2</p>	<p>The refiner can not provide most risk assessment evidence for review. The evidence that need to review, such as: Identification of the beneficial owner, Check record (Check that the counterparty and their beneficial owners are not named on any government lists for wanted money launderers, known fraudsters or terrorists), Business and financial details, Purpose and</p>	<p>It is recommended that the refiner should conduct risk assessment and obtain related evidence, such as: Identification of the beneficial owner, Check record (Check that the counterparty and their beneficial owners are not named on any government lists for wanted</p>	<p>90days</p>	<p>High Risk NC. The refiner will take action to correct this NC. The 1st Follow-up assessment was conducted on July 1, 2019. -Closed. The refiner has provided 28 suppliers' risk assessment evidence for review. including Identification of the beneficial owner, Check record (Check that the counterparty and their beneficial owners are not named on any government lists for wanted money</p>

	<p><i>intended nature of the business relationship. The refiner only provide business license and commitment letter for review. (Note: only 3 out of 31 suppliers has provided above complete information for review.)</i> 精炼厂无法提供大部分风险评估的证据以供检查. 需要审查的证据, 例如: 受益所有人的身份, 检查记录 (检查对方及其受益所有人是否未在任何政府名单上列出通缉洗钱者, 已知欺诈者或恐怖分子), 商业和财务细节, 有意进行合作的供货商的信息. 炼油商仅提供营业执照和承诺函供审查. (注意: 31 个供应商中只有 3 个提供了以上完整信息供审查.)</p>	<p><i>money launderers, known fraudsters or terrorists), Business and financial details, Purpose and intended nature of the business relationship.</i></p>		<p><i>launderers, known fraudsters or terrorists), Business and financial details, Purpose and intended nature of the business relationship.</i></p>
Step 3.1	<p><i>The refiner has not established a formal risk mitigation strategy, and the management has not understood the risk mitigation strategy requirements.</i> 公司尚未制定正式的风险缓解策略, 管理层未了解风险缓解策略要求.</p>	<p><i>It is Recommended that the refiner the refiner should develop a formal risk mitigation strategy, and the management should understand the risk mitigation strategy requirements.</i></p>	90days	<p><i>High Risk NC. The refiner will take action to correct this NC. The 1st Follow-up assessment was conducted on July 1, 2019. -Clsoed.</i> <i>The formal risk mitigation strategy was available, and the compliance officer was clear about the risk mitigation strategy.</i></p>
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Assessment conclusions	Compliant	Low	Medium	High	Zero Tolerance
Based on the above assessment conclusions, the overall rating of the Refiner's performance is determined to represent:	Yes			Yes	

ADDITIONAL ELEMENTS	
	Assessment plan:
	<i>Refer to attach file of audit plan for Henan Yuguang Gold And Lead Co., Ltd.</i>
	List of attendees of opening and closing meeting
	<i>Refer to attach file of meeting sign Mr.Xinyang/Import and Export Department manager;Mr.Zhikuan Zhao/salesman;Mr.Honghao Zhao/Precious metal smelting factory director;Mr.Kun Yang/Lab Manager;Mr.Jun Miao/Warehouse Manager;Mr.Chao Liu/precious metal smelting factory Technician;Mr.Erwen Cao/salesman;Mr.Hongfeng Wang/Raw materials planner;Mr.Shubo Wang/Sourcing.</i>
	Refiner feedback
	<i>The refiner top management thanked the assessment team for the communication of good practice of silver supply chain system and also for the assessment work during the three days. The management stated they will make more effort to support the silver supplier chain due diligence policy and carry out more activities to make sure the company compliance with LBMA RSG requirement.</i>

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**

Signature:

Chuangen Wang *Henry Teng*

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