



**Henan Yuguang Gold And Lead Co., Ltd**

**Third-Party Audit based on ISAE 3000**

**Management report**

Rev.01 July 2020

***Move Forward with Confidence***



**BUREAU  
VERITAS**

<b>Company Name:</b>	Henan Yuguang Gold And Lead Co., Ltd
<b>Location:</b>	No.1 South Jingliang Street, Jiyuan City, Henan Province, P.R.China
<b>Reporting year-end:</b>	The year ended December 31,2020
<b>Date of Report</b>	April 25,2021 July 27,2021 1 <sup>st</sup> desktop review
<b>Senior management responsible for this report</b>	Mr.Yangxin/Import and Export Department manager gdjinye@sina.com,0086-0391-6665819

<b>Assurance team's professional qualifications;</b>			
<b>Team Leader:</b>	<b>Qualifications:</b>	<b>Team Member:</b>	<b>Qualifications:</b>
<b>Mr.Chuangen WANG</b> <b>Mr.Chuangen WANG</b>	<b>LBMA Qualified Auditor</b>	<b>Henry TENG</b>	<b>LBMA Qualified Auditor</b>

### **Independence and competency statement**

In conducting our engagement, we have complied with the applicable requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.

In conducting our engagement, we confirm that we satisfy the criteria for assurance providers as set out in out in the Audit Guidance to carry out the assurance engagement.

### **The assurance scope and level of assurance:**

We were engaged by Henan Yuguang Gold And Lead Co., Ltd to provide reasonable assurance on its Refiner's Compliance Report for the year ended 31 December 2020.

The assurance scope consists of the Refiner's Compliance Report.

### **Summary of assurance procedures:**

We planned and performed our work to obtain all the evidence, information and explanations considered necessary in relation to this assurance scope. These procedures included:

- Site visits to the refiner
- Review of refiner's gold & silver supply chain policy and internal methodology documents
- Consideration of the refiner's existing internal or external audits, and supply chain Due Diligence initiatives that could be relied upon
- Obtain an understanding of the refiner's operations (including list of all supplier with risk lever and gold & silver received in the reporting period)
- Perform a walkthrough of the Refiner Due Diligence process to gain an understanding of implemented controls and procedures
- Testing a representative sample of Refiner Precious Metal supplying counterparty Due-Diligence files and transactions to confirm that documentation related to Due Diligence

measures in the Precious Metal supply chain is systematically requested, collected and maintained on file in compliance with the LBMA Responsible Sourcing Guidance.

- Review of draft Refiner's Compliance Report

#### **Any significant or inherent limitations or areas not covered:**

There was no significant or inherent limitations or areas not covered that were within the assurance scope.

#### **Assurance observations, findings and recommendations for improvement:**

Total 2 medium-risk level Non-compliances were raised during this Reasonable Assurance. The detail of NCs, as follow:

1. According to OECD Guidance & COO risk assessment toolkit, auditor found that during the year 2020, the silvering-containing material were from high-risk countries (Bolivia, Russia, Honduras, Laos, Mongolia), but the refiner did not conduct enhance due diligence in compliance with RSG requirement. (Medium risk) **-CLOSED**
2. The refiner's compliance report of 2020 was inadequate during this audit. Detail as follow: The content of Step 2 did not cover Clause with regard to "Monitoring of transactions". (Low risk) **-CLOSED**

#### **Specific observations with respect to the Refiner's Corrective Action Plan and implementation progress:**

The Reasonable Assurance was conducted on April 25, 2021 by Bureau Veritas. The refiner will take action to correct these NCs in 90 days.

**The 1<sup>st</sup> desktop review was conducted on July 27, 2021.**

1. **The enhance due diligence were taken by the refiner in July 2021, all final risk level is low-risk after enhance due diligence.**
2. **The revised reports has add content regarding "Monitoring of transactions".**

#### **Assurance conclusion**

Please refer to the conclusion within the independent assurance report.

#### **Countries of Origin Annex for mined and recycled Precious Metal including the amounts (Kgs.) received from each origin**

Please, see the attached file [8. Annex Country of Origin Mined and recycled silver 2020\_Henan Yuguang Gold And Lead Co., Ltd]

#### **Other relevant information**

1. Via interview with purchasing manager of silver containing materials and checked procurement account, all materials did not come from high-risk and conflict areas, etc.
2. All suppliers has committed to comply with LBMA RSG requirements (including no systematic or widespread human rights violations related to gold mining, transportation or transaction).
3. Supplier survey and assessment process including "no systematic or widespread human rights violations related to gold mining, transportation or transaction." No forced labour found in 2020.

4. China's ethnic minority policy and its practice including “against any form of ethnic discrimination and oppression” issued in September 1999, the refiner was familiar with and comply with the policy, no forced labour found during this audit.

5. For recruitment process in YUGUANG:

HR will check and copy the ID card to avoid child labour and will be not retained, prison labour as well as forced labour was strictly prohibited.

All workers signed labour contract. Employee handbook and recruitment procedure state that workers in the probation period may notify the employer 3 days in advance before the labor contract can be terminated; Workers may notify the employer 30 days in advance before the labor contract can be terminated.

No forced, bonded and involuntary prison labour found during this audit.

The refiner do not require deposit and withhold workers ID cards, but only copies of ID cards should be kept in the personal files, and the original ID cards are returned to workers.

No loan scheme found during this audit.

The refiner did not require any payment for tools, PPE, IC/Staff cards and training, etc.

The resigned workers can get their full resigned wage on the last day of work.

Based on workers' interview, Workers can free to leave the site during breaks, rest time and at the end of their shift.

Based on workers' interview, the overtime is voluntary.

The refiner also established the reporting channel, including suggestion box, email and government hotline, all workers can report all issues via the reporting channel.

Signature *Chuangen WANG*

Bureau Veritas Certification Shanghai Branch

Date: April 25, 2021 July 27, 2021 1<sup>st</sup> desktop review

Jiyuan, P.R. China

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 **Mr.Chuangen Wang**

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Signature: *Chuangen WANG*

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Date: April 25,2021 **July 27,2021 1<sup>st</sup> desktop review**