

# **LBMA Responsible Gold Guidance - Refiner Assessment Report**

*For third-party audits based on ISO19011:2011.*

**Prepared for:** London Bullion Market Association (LBMA)  
**Date:** 19-20 March 2018  
**Draft Version** 2  
**Report** Sichuan Tianze Precious  
**Distribution** Metals Co., Ltd  
**List:**

ASSESSMENT INFORMATION	
Refiner Name:	Sichuan Tianze Precious Metals Co., Ltd
Refiner Location:	No.13, Small and Medium-sized Enterprises Park of Longtan Industrial Concentration Development Zone, 2nd Section of East 3rd Ring Road, Chenghua District, Chengdu, Sichuan, 610052, China
Refiner Contact Person: Name, Title: Email: Phone:	Mr. GUO Bushan / Assistant of General Manager Email: 13643988627@163.com Phone: +86-(0)13643988627
Lead auditor and audit team members	Lead auditor: Chaco LIANG Team auditor: Amos KUANG
Dates and places where the onsite assessment activities were conducted	19.03.2018 - 20.03.2018 Place: Sichuan Tianze Precious Metals Co., Ltd

LBMA Refiner Assessment Report	
<b>Assessment objectives:</b>	
<i>The objectives of the assessment were to evaluate the conformity of the Refiner's management system procedures processes and practices with the LBMA Responsible Gold Guidance.</i>	
<b>Assessment scope:</b>	
<i>Refiner location(s) included in the assessment scope</i>	No.13, Small and Medium-sized Enterprises Park of Longtan Industrial Concentration Development Zone, 2nd Section of East 3rd Ring Road, Chenghua District, Chengdu, Sichuan, 610052, China
<i>Assessment Period</i>	01.01.2017 - 31.12.2017
<b>Assessment methodology:</b>	
<p><i>The Assessment team used a triangulation and sampling methodology to evaluate implementation, adequateness, consistency and effectiveness of existing risk management and control system at the Refiner. The assessment covered all areas and steps of framework required by the LBMA Responsible Gold Guidance. Each area of the LBMA Responsible Gold Guidance was verified through documentation review (including policy/procedure and records), management/employee interview, and onsite observation during the plant tour.</i></p> <p><i>The evidence of compliance that was reviewed included:</i></p> <ul style="list-style-type: none"> <li><i>The following documents were reviewed: Refiner's Due Diligence Policy and Procedures, Gold supplying counterparties' (GSC) profiles, Due diligence records for GSCs, and Written commitment of GSCs.</i></li> <li><i>The following areas of the facility were visited during the tour: Water quenching, dissolution in aqua regia, filtering, reduction, washing, drying, ingot casting, melting, pressing, molding and trimming, receiving, weigh in, lot assignment, inventory management, sampling/ assaying.</i></li> <li><i>The following interviews were conducted with management: Sales supervisors, Assistant of General Manager, Financial Manager and Administration Manager.</i></li> </ul> <p><i>In addition to the above management team, one male vault keeper, one male vault keeper, one male production leader, one male assay laboratory officer and one male sales officer was interviewed.</i></p>	
<b>Statement of the confidential nature of the contents:</b>	



<p><i>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.</i></p>
<p><b>Any significant or inherent limitations or areas not covered that were within the assessment scope:</b></p>
<p><i>None</i></p>
<p><b>Assessment summary:</b></p>
<p><i>A full assessment audit of Sichuan Tianze Precious Metals Co., Ltd was conducted on 19-20 March 2018. A total of 4 man-days were spent conducting the onsite assessment, including opening meeting, system review, interview, plant tour and closing meeting.</i></p> <p><i>During the opening meeting, the assessment team met with Assistant of General Manager, Logistics supervisor, Supervisor of Assay laboratory, Financial Manager, Sales Supervisor of both domestic market and overseas market, Manager of Administration Department, Vault keeper, Vice Manager of Sales Department, Manager of Quality and Technic Department. The assessment team represented the assessment processes and agenda, assessment standard and UL's integrity policy in detail. The management team granted full access to the assessment team, including documentation review, plant tour and interview with related personnel.</i></p> <p><i>Areas and activities reviewed during the plant tour, included Water quenching, dissolution in aqua regia, filtering, reduction, washing, drying, ingot casting, melting, pressing, molding and trimming, receiving, weigh in, lot assignment, inventory management, sampling/ assaying. Supplier risk assessment, onboarding procedures, documentation request and follow up process as well as transaction documentation procedures were assessed.</i></p> <p><i>During the period from 1 January 2017 to 31 December 2017, supplier make up was as follows:</i></p> <p><i>Industrial Mining Operations: 15.8%</i>  <i>Trader/broker: 31.6%</i>  <i>Recycled Materials/ Collectors: 52.6%</i></p> <p><i>As reported by the refiner, there are totally 19 gold supplying counterparties and totally 551 transactions happening during the past full period.</i></p> <p><i>The facility specializes in the refining of precious metals. Gold inputs include: Mined crude gold and recycled gold bearing bar or jewelry. The refiner currently holds the following certifications, including: LBMA Responsible Gold Certificate and ISO 9001.</i></p> <p><b>Step 1</b></p> <p><i>The refiner has established a gold supply china policy which follows LBMA Responsible Gold Guidance and meanwhile is consistent with the model policy set forth in Annex II of the OECD Due Diligence Guidance. The policy was established on 26 December 2013 and the most recent revision was made on 12 March 2018. The policy is publicly available at: <a href="http://www.txyjy.com/news.aspx?t=16">http://www.txyjy.com/news.aspx?t=16</a></i></p> <p><i>The refiner has assigned responsibilities of each individuals in the LBMA Due Diligence program for implementation of this policy. The job description of each personnel is clearly listed with organization chart displayed. In each year, the Refiner conducts the supply chain policy training to all relevant</i></p>

employees and the most recent training was conducted on 21 December 2017. The employees, during employee interview of this assessment, were found to be familiar with the LBMA Responsible Gold Guidance requirement and the refiner's policy. Training content covers shipping and storage of gold bearing materials, documentation maintenance, anti-money laundering and due diligence practice etc.

Furthermore the Refiner has communicated its gold supply chain policy with all of their gold supplying counterparties who have signed commitment letter to express their acknowledgement and willing to follow the policy. The Refiner has maintained a communication mechanism to allow employees to raise their concerns over the Gold supply chain or newly identified risk without reprisal.

Upon introduction of gold bearing materials, unique reference number will be assigned by the vault keeper. After onsite observation, the reference number was found to correspond to information gathered on supply chain for each input of Gold bearing material. All documentations are maintained for at least 5 years.

### **Step 2**

The refiner has established risk assessment system to select and evaluate their gold supplying counterparties, it uses the LBMA Due Diligence Checklist and LBMA RGG Questionnaire to conduct risk assessment on its Gold supplying counterparties. The system is divided into three risk levels, including low, medium and high risk, by taking different performance points into consideration.

In each year, the sales supervisors take charge of updating all information and conducting risk assessment of the gold supplying counterparties. The refiner verifies the counterparty's identity through various ways, such as onsite visit and National industrial and commercial bureau website etc. By far, all gold supplying counterparties' risks were found to be graded as low.

For each transaction, the Refiner collects and records weight, assay results, export/import documentation, transportation records of the supplying lots to crosscheck with the refiner's knowledge about the supply chain. All transactional documents are verified by the sales supervisors to ensure that information on file is consistent with the actual situation.

In addition the Deputy General Manager is nominated to be responsible for approving each new counterparty.

### **Step 3**

The refiner has implemented a risk mitigation strategy, which is embedded in AML, Compliance and Supply Chain procedures. The Assistant of General Manager, is responsible for ensuring the strategy's implementation. Based on the identified risk, the Refiner will terminate business relationship with counterparties graded as high and suspend business with the counterparties graded as medium and continue business relationship with the ones with low risk. Further, once the gold bearing materials are found to be from the counterparties which is graded as medium or high risk, an investigation will be carried out; meanwhile the materials are either segregated or sent to the counterparties. The reason and decision will be communicated with the GSCs through face-to-face talk or through phone call.

### **Step 4**

The refiner has undergone annual audits as per LBMA guidance.

### **Step 5**

Audit report and certificate are publicly available in the refiner website:  
<http://www.txyjy.com/news.aspx?t=16>.



Assessment findings:				
Category/subcategory	Non-compliance/Observation: Include evidence found to substantiate the non-compliance as well as frequency of its occurrence.	Recommended corrective action	Timeframe for implementing corrective actions	Refiner comments
Choose an item.	No apparent finding	Click here to enter text.	Click here to enter text.	Click here to enter text.

Assessment conclusions	Compliant	Low	Medium	High	Zero Tolerance
<b>Based on the above assessment conclusions, the overall rating of the Refiner's performance is determined to represent:</b>	X				

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: Chaco LIANG

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Signature: Chaco LIANG (On file)

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Date: 20 March 2018

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