

Daye Nonferrous Metals Co., Ltd.

LBMA Responsible Gold Guidance and LBMA Responsible

Silver Guidance Compliance

Independent Limited Assurance Report

The year ended 31 December 2019

Independent Limited Assurance Report to Daye Nonferrous Metals Co., Ltd.

We were engaged by Daye Nonferrous Metals Co., Ltd. ('Daye Nonferrous') to provide limited assurance on its LBMA Refiner's Compliance Report for the year ended 31 December 2019.

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

Responsibilities

The management of Daye Nonferrous are responsible for the preparation and presentation of the Refiner's Compliance Report in accordance with the *LBMA Responsible Gold Guidance* and the *LBMA Responsible Silver Guidance* (the *Guidances*). This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived. The criteria identified by the management as relevant for demonstrating compliance with the *Guidances* are the activities described within the Refiner's Compliance Report.

Our responsibility is to carry out a limited assurance engagement in order to express a conclusion based on the work performed. We conducted our assurance engagement in accordance with International Standard on Assurance Engagements *ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board and the guidance set out in the *LBMA Responsible Sourcing Programme - Third Party Audit Guidance* (the *Audit Guidance*).

The extent of evidence-gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.

This report has been prepared for Daye Nonferrous for the purpose of assisting the management in determining whether Daye Nonferrous has complied with the *Guidances* and for no other purpose. Our assurance report is made solely to Daye Nonferrous in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than Daye Nonferrous for our work, or for the conclusions we have reached in the assurance report.

Limited assurance procedures performed

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

- Enquiries of management to gain an understanding of Daye Nonferrous's processes and risk management protocols in place
- Enquiries of relevant staff responsible for the preparation of the Report
- Site visits to the Refiner
- Assessing the suitability of the policies, procedures and internal controls that the Daye Nonferrous has in place to conform to the *Guidances*
- Review of a selection of the supporting documentation, including gold and silver supplier counterparty due diligence file and transaction's documentation
- Test a selection of the underlying processes and controls that support the information in the Report
- Review of the presentation of the Report to ensure consistency with our findings

Inherent limitations

Non-financial information, such as that included in the Refiner's Compliance Report, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques that can result in materially different measurements and can impact comparability. The methods used by refiners to comply with the *Guidances* may differ. It is important to read the Daye Nonferrous's gold and silver supply chain policy which can be reached from the contact of Daye Nonferrous.

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 the *Audit Guidance* to carry out the assurance engagement.

Conclusion

Based on the limited assurance procedures performed, as described above, nothing has come to our attention that would lead us to believe that Daye Nonferrous's Refiner's Compliance Report for the year ended 31 December 2019, did not in all material respects, describe fairly the activities undertaken during the year to demonstrate compliance, and management's overall conclusion contained therein, is not in accordance with the requirements of the *LBMA Responsible Gold Guidance* and the *LBMA Responsible Silver Guidance*.

Deloitte Touche Tohmatsu Certified Public Accountants LLP
Deloitte Touche Tohmatsu Certified Public Accountants LLP

24 April 2020
Beijing, the People's Republic of China



**Daye Nonferrous Metals Co., LTD
Multi-metal Combined RGG and RSG
Compliance Report
(Year 2019)**

**Daye Nonferrous Metals Co., LTD
April 24th, 2020**

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1. Introduction

The LBMA Responsible Gold Guidance (hereinafter referred to as *LBMA RGG*) and *LBMA Responsible Silver Guidance* (hereinafter referred to as *LBMA RSG*) has been established for Good Delivery Refiners to adopt high standards of due diligence for their suppliers in order to combat systematic or widespread abuses of human rights, to avoid contributing to conflict and to comply with high standards of anti-money laundering, combating terrorist financing practice and environment and sustainability requirements

This report summarizes how Daye Nonferrous Metals Co., LTD has complied with the requirements of the *LBMA RGG* and *LBMA RSG* in the year ended December 31st, 2019.

2. Company profile

Company's name:	Daye Nonferrous Metals Co., LTD
Location:	115, Xialu Road, Xialu District, Huangshi City, Hubei, China
Reporting year-end:	01/01/2019 - 31/12/2019
Responsible person:	Zhai Baojin (President)
Contact information:	Phone No. +86 714 5392265 E-mail address: shijy@dyys.com

Daye Nonferrous Metals Co., Ltd (hereinafter referred to as "Company" or "we") is one of the top copper manufacturing companies in the industry of China. The annual production capacity of copper cathode, gold, silver and sulphuric acid are 570 thousand tons, 20 tons, 1000 tons, 1 million tons, respectively. In 2018, Company was ranked as No. 286 of top 500 in China's industry. We are an associated enterprise with integration of mining, smelting, chemical engineering, and rare and precious metals. In February 2007, we were successfully registered in LBMA as a Good Delivery Refiner with our silver products. Then in June 2015, we were registered in LBMA as a Good Delivery Refiner with our gold products. The output of gold in 2019 was 10 tons, including 7.2 tons from mined gold and 2.8 tons from recycled gold. The output of silver in 2019 was 1200 tons, including 310 tons from mined silver and 890 tons from recycled as well as crude silver.

The Company's main business falls in mineral mining(including copper ore, iron ore and sulphur, etc.) refining and plating nonferrous, processing gold and silver products, manufacturing sulphuric acid, selenium dioxide, copper sulphate, nickel sulfate, selling minerals (including copper ore, iron ore and sulphur), nonferrous production, plating production and copper sulphate.

The main sources of Company's gold and silver products include the gold and silver byproducts generated during copper smelting, and purchased gold (silver)-bearing materials including purchased bullion bars, crude gold (silver), anode slime, and gold (silver) concentrate. According

to the *LBMA RGG*, the gold byproducts generated during copper smelting are excluded from the scope of attestation, thus in this report the gold-bearing material only refers to four types: purchased bullion bar, purchased crude gold, purchased anode slime, and gold concentrate. In 2019, bullion bars and anode slime were purchased from Shanghai Gold Exchange and Daye Hongda Mining Co. Ltd. separately, while there was No crude gold or gold concentrate purchase took place. All gold-bearing materials were sourced from China.

According to *LBMA RSG*, due diligence is performed on all materials regardless of their silver content. Materials containing less than 15% silver by weight (kilograms) may be excluded from the scope of the guidance. The decision making process where the 15% De Minimis threshold applied were fully recorded in *Risk Assessment Report on Materials Containing Silver Less than 15%* under the approval of Compliance Officer to assure that the material poses no risk of contributing to systematic or widespread abuses of human rights, does not contribute to conflict, and complies with high standards of anti-money laundering, combating terrorist financing practices and environment and sustainability requirements. In accordance, the silver-bearing materials referred to in this report are those with silver content of 15% or more, including only silver bullions and crude silver. In 2019, there were 9 silver suppliers, including Shanghai Gold Exchange (purchased silver bullion) and 8 trading companies (purchased silver bullion and crude silver). All purchases of silver-bearing materials were purchased in China.

The Company has certifications of ISO9001:2015 system and ISO14001:2015 system, and the certifications include the Design, Development, Production of Cathode Copper, Gold, Silver and Sulphuric Acid, and the authorization of geological prospecting and drilling. Besides, company also has OHSAS18001:2007 certification which covering Production of Cathode Copper, Gold, Silver, Sulphuric Acid and the activities of geological prospecting and relevant management.

The parent firm of the Company, China Daye Nonferrous Metal Mining Co. Ltd., went into public on the Hong Kong Stock Exchange (hereinafter referred to as "HEKx") in March 2012, and the stock code is 00661.HK. As a subsidiary, the Company should comply with the regulatory requirements of internal control for the listed corporation (HKEx Main Board Listing Rules and Appendix 27 Environmental, Social and Governance Reporting Guide). HKEx *Consolidated Main Board Listing Rules* requests directors at least annually review the effectiveness of internal control systems of the issuer and its affiliated corporations. The review should be reported to the stakeholders in the Corporate Governance Report, which should cover all vital monitoring aspects, including operation monitoring, compliance monitoring, and risk management functions, etc. The Appendix 27 Environmental, Social and Governance Reporting Guide requires the issuer to disclose ESG information on an annual basis, including the issuer's ESG management approach, strategy, priorities and objectives and explain how they relate to its business.

3. Summary of compliance activities

Step 1: Establish strong supply chain management systems

Compliance Statement:

In the year ended December 31st, 2019, we have fully complied with the requirement of Step 1: Establish strong supply chain management systems.

Internal Management Organization Structure: Gold Supply Chain Compliance Committee was founded by the Company on December 8th, 2014. Under the requirement of *LBMA RSG*, the committee was changed into Gold and Silver Supply Chain Compliance Committee (hereinafter referred to as 'Compliance Committee') in 2018. Compliance Committee set up a Compliance Office in Production Management Department, and appointed the leader of Production Management Department as the Compliance Officer to handle with daily affairs. The Deputy General Manager in charge of Commerce Department of the Company is the Compliance Committee Leader, and the Manager of Commerce Department is the Compliance Committee deputy leader. The members of Compliance Committee also include: Managers or Deputy Managers of Commerce Department, Company Management Department, Finance Department, Monitoring and Auditing Department, Internal Security Center, Legal Affairs Department, Quality Measurement Center, Human Resource Department, and Production Management Department. As the governing body of due diligence management, the Compliance Committee is responsible for: 1) reviewing *Daye Nonferrous Metals Co., LTD Responsible Gold and Silver Supply Chain Due Diligence Management Policy* (hereinafter referred to as "*Due Diligence Management Policy*"; 2) appointing Compliance Officer of gold and silver supply chain; 3) authorizing the Compliance Officer to review the due diligence results and risk management strategy, and 4) supervising the implementations of risk identification, risk assessment, risk control and mitigation measures of gold and silver supply chains.

On the first regular meeting of Gold Supply Chain Compliance Committee, which was renamed as Gold and Silver Supply Chain Compliance Committee in 2018, held on December 9th, 2014, Mr. Shi, Jianyuan was appointed as the Compliance Officer. The responsibilities of the Compliance Officer include: 1) reviewing the due diligence results and risk rating results submitted by the gold(silver)-bearing material procurement departments; 2) reviewing migration strategies of the gold(silver)-bearing material procurement departments; 3) establishing gold and silver supply chain management internal staff communication channels and implementing the internal employee training; 4) and reporting major matters of responsible gold and silver supply chain to Senior Management.

In the meeting of Compliance Committee hosted by the Deputy General Manager Yu on April 10th, 2019. Each department reported the implementation of gold and silver supply chain due diligence policy. The Committee made several arrangements as bellows: 1) based on the rules

of the *Daye Nonferrous Metals Co., Ltd. Gold and Silver Supply Chain Due Diligence Management Policy*, all the departments should take a responsible role in their work; 2) organizing the committee members to discuss the two low- risk derivations found by the third party in 2018 and planning specific rectification measures; 3) gold(silver)-bearing material departments should have a comprehensive understanding of the *Daye Nonferrous Metals Co., LTD Responsible Gold and Silver Supply Chain Due Diligence Management Policy* and Follow the rules of information collection, risk assessment and classification to ensure all supplier requirements are met; 4) Company Management Department should have an efficient communication and coordination with the third-party assurance agency and monitor the implementation of rectification measures.

Company Policy: We drafted the *Daye Nonferrous Metals Co., LTD Responsible Gold Supply Chain Due Diligence Management Policy* in 2014 and pilot adopted this policy company-wide, meaning that all related departments and staff implement the relevant work according to the *LBMA RGG*. On December 29th, 2018, under requirements of *LBMA RSG*, we updated and revised the *Daye Nonferrous Metals Co., Ltd. Gold and Silver Supply Chain Due Diligence Management Policy* (hereinafter referred to as *Due Diligence Management Policy*) and implemented it on the date of release. There are no any updates of *Due Diligence Management Policy* in 2019.

Due Diligence Management Policy defines the responsibilities of all related departments along gold and silver supply chain. Gold (silver)-bearing material procurement departments, namely the Commerce Department, is responsible for implementing due diligence for domestic and overseas gold (silver)-bearing material suppliers respectively, including: launching gold and silver supply chain due diligence information collection, risk recognition, risk assessment and classification, risk mitigation strategy and supplier annual additional evaluation; reporting major matters of the gold and silver supply chain compliance management to the Compliance Officer; spreading and implementing the policies and procedures of company's gold and silver supply chain management to the suppliers; filing the material and documents during the process of the supplier due diligence. In addition, *Due Diligence Management Policy* also defines the responsibilities of Company Management Department, Finance Department, Monitoring and Auditing Department, Internal Security Center, Legal Affairs Department, Quality and Metrology Center, Human Resource Department and Production Management Department.

The core framework of *Due Diligence Management Policy* aligns with *LBMA RGG*, *LBMA RSG* and *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Area*. The *Due Diligence Management Policy* includes: the risk oriented supplier information collection mechanism; method of supplier risk recognition, risk assessment, risk rating, and risk control; monitor on supplier trading risk; annual supplier assessment mechanism; communication mechanism with suppliers and internal staff; requirements on training

management and file preservation. Also, *Due Diligence Management Policy* has included the tools such as *Gold (Silver)--Bearing Material Supplier Due Diligence Flowchart*, *Gold (Silver)-Bearing Material Supplier Annual Additional Assessment Flowchart*, *LBMA RGG (RSG) Questionnaire*, *LBMA Supply Chain Assessment Form* and so on.

Supplier Due Diligence: Based on the existing supplier development standard, the requirement of *LBMA RGG* and *LBMA RSG*, we supplemented the due diligence requirements against human right abuse, money laundering, terrorist financing and non-compliance with environment and sustainability requirements to our existing supplier evaluation progress. For new suppliers, the due diligence should be finished before signing the trade agreement with them. As a part of continuous due diligence, gold (silver)-bearing materials procurement department should concentrate on trading risk continuously and perform on-going risk assessment after signing procurement contracts to prevent engagement with high risk suppliers. At the end of each year, gold (silver)-bearing material procurement departments are responsible for collecting changes of suppliers' information and conducting annual due diligence supplement assessment of supply chain to decide whether to change supplier risk management strategy. *Responsible Gold (Silver) Supplier Due Diligence Form—Annual Supplementary Assessment* should be filled in by gold (silver)-bearing material procurement departments in order to record the information.

For the gold (silver)-bearing material suppliers in 2019, we conducted the due diligence process for all existing suppliers following a risk-based approach. Specific documents related to supplier risk assessment and transactions are well maintained. All the due diligence findings and results were reviewed and approved by the Compliance Officer and the Leader of Compliance Committee.

Cooperation with Suppliers: According to the requirement of *LBMA RGG*, *LBMA RSG* and Annex II of *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*, Company draw up the *Supplier Responsible Gold and Silver Commitment Letter*. Gold (silver)-bearing material procurement departments are responsible for communicating with external counterparties on the requirements from *LBMA RGG* and *LBMA RSG* along with the Company's policies and procedures regarding responsible gold and silver supply chain due diligence. We are in efforts to make sure the external counterparties understand and follow the new policies and procedures under *LBMA* responsible gold and silver requirements timely.

Gold (silver)-bearing material suppliers are required to sign the *Supplier Responsible Gold (Silver) Commitment Letter* before entering into cooperation relationships to ensure that they acknowledge and will comply with *LBMA RGG* and *RSG*, and understand our supply chain policy as well as relevant requirements to decrease the cooperation risks. All the gold (silver)-bearing

material suppliers of the Company in 2019 signed the *Supplier Responsible Gold (Silver) Commitment Letter*.

Training and Communication Mechanism: To help all staff involved in the gold and silver supply chain to have a thorough understanding about the content, method and procedures of supplier due diligence, a training on gold and silver supply chain management, organized by the Human Resources Department, was held on December 09th, 2019, including the introduction of *LBMA RGG V8 and RSG V1*, the requirements of the *OECD due diligence guidelines* and *Due Diligence Management Policy*. Participants were signed in and the training content left the minutes of the meeting.

The *Due Diligence Management Policy* was uploaded to the Office Automatic System and is available to all employees through the intranet. On top of that, a company-wide communication mechanism was developed to promote broad employees' participate on risk identification and risk management. Employees are welcomed to voice their concerns over the gold and silver supply chain or any newly identified risks via public channels like hotline, E-mail or mailbox.

Step 2: Identify and assess risks in the supply chain

Compliance Statement:

In the year ended December 31st, 2019, we have fully complied with requirement of Step 2: Identify and assess risks in the supply chain.

Risk Identification: In the *Due Diligence Management Policy*, we clarified the approach, which should be followed during the actual implementation, for gold and silver supply chain risk identification. According to *LBMA RSG*, due diligence is performed on all materials regardless of their silver content. Materials containing less than 15% silver by weight (kilograms) may be excluded from the scope of the guidance. We fully documented the decision process leading to our conclusion that the material poses no risk of contributing to systematic or widespread abuses of human rights, does not contribute to conflict, and complies with high standards of anti-money laundering, combating terrorist financing practices and environment and sustainability requirements.

Before signing the contract with new suppliers, we send out the *LBMA Questionnaire – Mined Material* or *LBMA Questionnaire – Recyclable Material* to suppliers by their material types (mined material or recycled material) to obtain relevant information, which includes supplier basic information, business scope, beneficial owner(s), management structure, financial details, human resource, material origin, facilities, and responsible supply chain policies and so forth.

The collected information was then checked with *LBMA Due Diligence Checklist – Mined Material* or *LBMA Due Diligence Checklist – Recyclable Material*. According to the collected information of suppliers, gold (silver)-bearing material procurement departments launch the supplier risk identification work. During risk identification, the following risk issues require more concentration: whether mineral mining, transportation and transaction process passed through high risk areas or conflict areas; systematic or widespread human rights abuses, such as labor abuse or child labor, associated with the extraction, transport or trade of gold and /or silver; directly or indirectly support to non-state armed groups or public or private security forces, such as illegal extortion or taxation during mining, transportation and transaction process; bribery and fraudulent misrepresentation of the origin of gold and/or silver; money laundering and terrorist financing, for example, if the actual controllers or important shareholders of suppliers also operate other high risk business like casino or diamond business, there may be money laundering risk; all the other participation, promoting and contributions to conflict.

The gold suppliers in 2019 were Shanghai Gold Exchange and Daye Hongda Mining Co. Ltd. The supply chain due diligence of all the eight silver suppliers except for Shanghai Gold Exchange was finished in 2019. By December 31st, 2019, we completed the risk identification of all the gold (silver)-bearing material new and existing suppliers following the steps above.

Risk Assessment: We defined the principles and procedures of risk assessment in the *Due Diligence Management Policy*, including primary risk assessment, additional risk assessment for medium and high risk supplier, transaction risk assessment, and supplier annual supplementary assessment.

The assessment of responsible gold and silver supply chain is conducted with respected to Country Risk, Company Risk and Commodity Risk before proceeding the transactions. The Country Risk involves the gold (silver)-bearing material originating from or transported through a conflict-affected or human right abuse area (refer to Heidelberg Barometer). The Company Risk involves five risk issues, such as the supplier or its up-streaming company is located in a high risk country that is related to money-laundering, criminal or corruption. The Commodity Risk involves total of five risk issues, one of which is the route of gold (silver)-bearing material output, transit or transaction transport passes through areas of worldwide conflict or high risk violations of human rights. The security and logistics companies directly or indirectly supported by non-governmental armed groups or the security forces, such as shipping and trading process is illegal extortion or taxation.

Based on the risk issues above, a preliminary risk assessment is implemented. For non-low risk suppliers, an enhanced due diligence should be performed by gold (silver)-bearing material procurement department, by following the additional due diligence procedures. An on-site

investigation / visit would be carried out to substantiate the documentary supply chain due diligence findings, including the identification of the counterparty and verifying its identity and information using reliable, independent source documents, data or information; checking that the counterparty and their beneficial owners' identity; checking and verifying the information with government surveillance lists. For mined gold (silver), the information of each company involved in the gold and silver supply chain from mine to refiner, should be verified including gold(silver) producers, intermediaries, gold (silver) traders and exporters, transporters. For recycled gold (silver), the information of each counterparty involved in the gold and silver supply chain from recycled gold (silver) supplier to refiner (including transportation provider) should be checked.

Gold (silver)-bearing material procurement departments are responsible for the risk assessment during the transaction. Transaction should be identified as high risk when the following issues happen: mined gold (silver) or recycled gold (silver) were once transported through a conflict-affected or human right abuse high risk area; information provided by the supplier is seriously inconsistent with the information obtained by the Company. The Company would suspend transaction and report to Compliance Officer immediately, if gold (silver)-bearing material procurement departments found the 'normal cooperation' supplier potentially involved in or may be involved in money laundering, financing of terrorism, conflicted-affected and high-risk areas or violations of human rights activities, and non-compliance with environment and sustainability requirements. Senior Management would authorize the investigation of the supplier that has potential high risk. If there was solid evidence to prove that supplier is involved in money laundering, financing of terrorism, conflicted-affected and high-risk areas or violations of human rights, and non-compliance with environment and sustainability requirements, we would terminate the cooperation immediately.

As of December 31st, 2019 we completed the risk assessments of all gold (silver)-bearing material suppliers. For Country Risks, all occurred transactions were identified as non-high risk, all of the gold (silver)-bearing materials suppliers are within the boundary of China. For Company Risks, Shanghai Gold Exchange, the national market for legal gold and silver exchange, was originally authorized by China's State Council and established by the central bank of China. With a very strict selecting mechanism and highly-traceable gold and silver resources, it is considered as a low-risk supplier. Shanghai Kaiyin Nonferrous Co., Ltd, Shanghai Aowei Trading Co., Ltd., Hunan Zhenghetong Silver Co., Ltd., Shanghai Yubao Industrial Co., Ltd., Yongxing Yongwang Metal Co., Ltd., Xiamen Gold Investment Co., Ltd., Chenzhou Xiongfeng Rare&Precious Metal Materials Co.,Ltd. and Hubei Xihe New Material Co., Ltd. are all domestic suppliers whose business licenses were obtained. We knew about the property and transaction type of the suppliers, and checked whether the recognizable beneficial owners are in the list of terrorist organizations issued by Ministry of Public Security of the People's Republic of China. We collected

the information of beneficial owners via questionnaire and business license (to see the legal person). Besides, other beneficial owners of listed firm can be confirmed through the website of the enterprise and annual report. According to the result of risk assessment, all the gold (silver)-bearing material suppliers with respected to Company Risks were identified as low risk in 2019.

Meanwhile, the Commodity Risk of our suppliers were assessed through checking and comparing the weight and quality between goods delivery notes and our own assay reports. Based on the results of risk assessment, all the gold (silver)-bearing materials suppliers with respected to Commodity Risk were identified as low risk in 2019.

Compliance Officer is responsible for reviewing the result of due diligence and risk assessment, and the Leader of Compliance Committee is responsible for approving the result of due diligence and risk assessment. In 2019, the result of risk assessment for all gold (silver)-bearing material suppliers were recorded into *LBMA Supply Chain Assessment Form*, which includes the basis of the assessment, the comments and date of the approval. In 2019, all the gold (silver)-bearing material suppliers were classified as low-risk suppliers.

Step 3: Design and implement a strategy to respond to identified risks

Compliance Statement with Requirement:

We have fully complied with Step 3: Design and implement a strategy to respond to identified risks in the year ended December 31st, 2019.

According to the result of supplier due diligence, the suppliers are to be classified into three classes: low-level risk, medium-level risk, and high-level risk. We generate different risk management strategies for them.

Risk Management Strategy for Low-level Risk Suppliers: If no or only few issues were raised during the due diligence process and none of which were associated with money laundering, financing of terrorism, encouraging conflict or human rights violations, and non-compliance with environment and sustainability requirements, the company could implement risk mitigation measures while proceeding with the tractions. For instance, if the supplier could provide the risk solution with clear improvement plan and time schedule, the company can build a 'normal cooperation' relationship with the supplier. Risk solution should cover clear performance targets, performance evaluation indicators based on quantitative and qualitative analysis and reasonable deadline.

Risk Management Strategy for Medium-level Risk Suppliers: If the due diligence results indicated that the supplier was involved in money laundering, financing of terrorism, encouraging conflict or human rights violations, and non-compliance with environment and

sustainability requirements, the company should suspend the trading and cooperation with the supplier. Meanwhile, the company should take risk mitigation measures, for example putting off purchasing gold (silver)-bearing materials from the supplier until obtaining more information and evidences.

Risk Management Strategy for High-level Risk Suppliers: If the result of due diligence and risk assessment show the grade of supplier is high-level risk, and the company did not take risk mitigation measures to improve or reduce the risk grade, for example, a conclusive evidence proves that the supplier is definitely involved in money laundering, financing of terrorism, encouraging conflict or human rights violations, and non-compliance with environment and sustainability requirements, the company should terminate trading and cooperating with the supplier until the supplier takes risk solutions. Meanwhile, the company can re-cooperate with the supplier until more information and evidences are obtained to prove that the risk grade of the supplier has been decreased to the non-high risk.

For supplier which has risk resolution with "normal cooperation" in due diligence, the gold (silver)-bearing material procurement departments are responsible for the implementation of the risk resolution. According to the due diligence results for 2019, there was no supplier that need a management strategy of risk mitigation.

Continuous Monitoring: At the end of each year, gold (silver)-bearing material procurement departments are responsible for collecting all suppliers' information change and conducting the annual supply chain due diligence supplement assessment to decide whether to continue cooperation. *Responsible Gold and Silver Supplier Due Diligence Form—Annual Supplement Assessment* should be filled in by gold (silver)-bearing material procurement departments in order to record the information. Whether an adjustment for supplier risk management strategy is necessary depends on the result of the assessment. The results of annual supplement assessment should be reviewed by the Compliance Officer and then reported to the Leader of Compliance Committee. According to the supplementary assessment results, the qualified supplier list should be renewed.

Step 4: Carry out independent third-party audit of refiner's due diligence practices

Compliance Statement with Requirement:

We have fully complied with Step 4: Carry out independent third-party audit of refiner's due diligence practices.

We have entered into a service agreement with Deloitte Touche Tohmatsu Certified Public Accountants LLP (hereinafter referred to as "Deloitte") to carry out an independent third-party assurance on our compliance practices adhered to *LBMA RGG* and *LBMA RSG*.

Deloitte performed an independent third-party limited assurance engagement in accordance with *International Standard in Assurance Engagements Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000)*. Deloitte and we agreed that a limited assurance is to be applied to year 2019. The *Independent limited Assurance Report* and the *Management Report* can be found in attached document.

Step 5: Report annually on supply chain due diligence

Compliance Statement with Requirement:

We have fully complied with Step 5: Report annually on supply chain due diligence.

We have compiled *Daye Nonferrous Metals Co., LTD Refiner's Compliance Report* based on *LBMA RGG* and *LBMA RSG* to report our condition for the supply chain due diligence in the year ended December 31st, 2019.

4. Management conclusion

As of December 31st, 2019, we built the management system of supply chain process and controls, continued implementing the *Due Diligence Management Policy*. We also collected the information of due diligence, identified and assessed risk in supply chain, designed the risk management strategy, arranged for an independent third-party audit of supply chain due diligence and compiled a report on supply chain due diligence during 2019. Therefore, we have fully complied with *LBMA RGG* and *LBMA RSG* in the year ended December 31st, 2019.

In the next phase of work, we are committed to continuous improvement on the basis of current gold and silver supply chain due diligence system. We aim to combine the responsible gold and silver supply chain process with our existing supply chain process more effectively. Any corrective action identified will be monitored internally on a regular basis.

5. Other report comments

If users of this report wish to provide any feedback to us with respect to this report, feel free to contact us via telephone +86 714 5392265 or E-mail shijy@dyys.com.