



March 2018

LBMA Responsible Gold Guidance and LBMA Responsible Silver
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.

Company Name:	Shandong Zhaojin Gold & Silver Refining Co., Ltd.		
Reference Standard: LBMA RGG	Other ref.: ISO 19011:2011		

Audit Team	
Team Leader:	Team Member:
Henry TENG	NA

Type of Audit	Date of Opening Audit	Date of Closing Audit	Total n° of man/days
Full assessment Audit	4/Mar./2019	8/Mar./2019	5
Assessment Review			
Follow-up Assessment			

Site(s) address(es):	No. 289, Jinhui Road, Zhaoyuan City
	Yantai City
	Shandong Province
	China
Refiner Contact Person: Name, Title: Email: Phone:	Name: Mr. Xiaohui Sun
	Title: Deputy Manager of Sourcing Department
	e-Mail: 155164151@qq.com
	Phone: +86- 535-8166838

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

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

AUDIT SUMMARY
Basic Inputs
<ul style="list-style-type: none"> Confirm if the data provided in the application/ self-assessment phase is valid. <i>This is a full assessment audit for gold and silver carried out by BV for the first time. One auditor and 5 man days were arranged for this audit.</i>



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

There are total 258 gold supplier during the year 2018 (from Jan.1/2018 to Dec.31/2018)

The number of gold supplying counterparties is as follows:

- Industrial mining operations (large or small scale): 79.5%

Type of companies: //Gold Mine Company

Forms of Gold: // Gold mine

Countries of provenance: // China

- Artisanal mining operations: 0%

Type of companies: //

Forms of Gold: //

Countries of provenance: //

- Traders / brokers: 0%

Type of companies: //

Forms of Gold: //

Countries of provenance: //

- Recycled material/collectors: 20.5%

Type of companies: // gold company, jewelry company, individual person

Forms of Gold: // recycle gold

Countries of provenance: // China

- Industrial scrap providers: 0%

Type of companies: //

Forms of Gold: //

Countries of provenance: //

Others: 0%

Type of companies: //

Forms of Gold: //

Countries of provenance: //

0 high risk gold supplying counterparty is found during the audit.

100% of the suppliers are classified as low risk suppliers and 0% of them are classified as medium risk suppliers.

There are total 1 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): 0%

Type of companies: //

Forms of Silver: //

Countries of provenance: //

- Artisanal mining operations: 0%

Type of companies: //

Forms of Silver: //

Countries of provenance: //



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Traders / brokers: 0%
Type of companies: //
Forms of Silver: //
Countries of provenance: //

Recycled material/collectors: 100%
Type of companies: // silver refining company
Forms of Silver: // recycle 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: //

0 high risk silver supplying counterparty is found during the audit.
100% of the suppliers are classified as low risk suppliers and 0% of them are classified as medium risk suppliers.

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

Shandong Zhaojin Gold & Silver Refining Co., Ltd. is one sub company controlled by Shandong Zhaojin Group Co., Ltd. It was established in Oct. 2001 holding the qualifications of Shanghai Gold Exchange, Shanghai Futures Exchange and London Gold and Silver Market Association to provide qualified refining enterprises for standard gold and silver ingots

Gold refining adopts international advanced BLD refining process and automatic control technology. It can refine 200 tons of standard gold and 1000 tons of silver annually. Gold refining reaches 999.99%

The main process including: refining, melting, casting, deep-processing for gold or silver products, testing, assaying.

The company are also certified to meet ISO 9001, ISO 14001 and OHSAS 18001 standards and subject to regular and routine audit by third party.

Manual adequacy:

Key clauses in LBMA Responsible Gold Guidance and 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 and LBMA Responsible Silver Guidance:

Step 1: Establish strong Refiner management systems

See Third party Audit Checklist



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1. Adopt a Refiner policy regarding due diligence for supply chains of Gold and silver. Provide an overview of the management systems governing the due diligence policy for Gold and silver 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 and silver 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 and silver bearing material.
4. Strengthen Refiner engagement with Gold and silver supplying counterparties, and where possible, assist Gold and silver supplying counterparties in building due diligence capacities. Review the due diligence policy communicated to the Gold and silver 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 and silver supply chain.

The refiner has developed the LBMA compliance policy regarding due diligence for supply chain of Gold & Silver in compliance with LBMA Responsible Gold Guidance and LBMA Responsible Silver Guidance. This policy is published in the company website available at <http://www.zhaojin.cn/business/yuan-liao-cai-gou.htm>. The policy provides an executive summary of the management systems and procedures governing the due diligence policy for gold & silver supply chains. The Policy was last updated on Jan. 1, 2019

The refiner has implemented an internal management structure to support supply chain of gold & silver in compliance with LBMA Responsible Gold Guidance and LBMA Responsible Silver Guidance. The LBMA compliance team is led by the Deputy General Manager with six compliance team members including the raw material manager, finance manager, quality manager, refining workshop manager, trading manager and enterprise management manager. Regular training sessions are held for all staff involved with or holding responsibilities related to the supply chain, as well as the management team. At least annually, usually an exam is provided after the training, the last training was conducted on Dec. 7/2018 and the training records were kept well. However during last year, the training was only held for gold and not covering silver, so one low risk non-compliance was raised during this audit.

The Company Policy is communicated to all employees related to the gold & silver refining process. The refiner has appointed a compliance officer responsible for enforcing the implementation of the due diligence procedures and who reports to the management. The Senior Management is responsible for overseeing the supply chain and ensures that the compliance department and related departments are provided with adequate resources in order to fulfil their responsibilities.

The refiner upholds the implementation of their internal due diligence procedures, controls and processes. Transactions are consistently recorded and records are kept for a period of at least 5 years.

The refiner has requested that all gold & silver supplying counterparties have committed to and acknowledged in writing compliance with the refiner's own Company Policy. The policy is communicated to all counterparties on a yearly basis through purchasing contract or commitment letter.

The refiner has a communication mechanism in place that allows employees to voice concerns over the Gold & Silver supply chain or any newly identified risk via email and hotline anonymously. Based on interview, employees are aware of the mechanism.

STEP 2: Identify and assess risk in the supply chain

See Third party Audit Checklist

1. Identify risks in the Gold and silver supply chain. Assess the risk assessment policy for all Gold and silver



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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” and “Silver 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 has a system for assessing risk among Gold & Silver supplying counterparties according to the LBMA Responsible Gold Guidance and LBMA Responsible Silver Guidance. The system allows taking into account risks in the entire Gold & Silver supply chain from the point of origin to the refiner. The risk assessment applies to all inputs of mined Gold & Silver and recycled Gold & Silver received within the assessment period. The refiner has clearly defined risk categories and has procedures prescribing enhanced monitoring for any high-risk categories identified during the due diligence procedures. The company uses relevant criteria to determine areas that are conflict-affected, high risk transit areas that carry high risk of human rights abuses, high risk of money laundering, crime or corruption.

The refiner collects information to determine risk categories. The refiner has assigned a risk level to each gold & silver supplier. During the assessment period, all 258 gold suppliers and 1 silver supplier are assigned as low risk

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 documentation on file for each lot of Gold-bearing and 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.

Risk mitigation strategy has been established formally in the refiner’s procedure. Senior Management actively provides support for this strategy. Assessment results did not present any high-risk counterparties at this time.

The Compliance Officer and the compliance team are aware of the enhanced due diligence measures and these are documented ready to be implemented if necessary.

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

See Third party Audit Checklist

This refiner has completed the LBMA Gold Guidance for many years and the first year completed LBMA Silver Guidance, with audits completed once a year. This is the first time audit conducted by BV. 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



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

The refiner publishes the LBMA Summary report and Company Policy on their website (<http://www.zhaojin.cn/business/yuan-liao-cai-gou.htm>).

ASSESSMENT CONCLUSIONS						
CATEGORY	SUBCATEGORY	Compliant	Non compliance – risk level			
			Low	Medium	High	Zero Tolerance
General Information		✓				
Step 1: Establish strong Refiner management systems	1.1	✓				
	1.2:		✓			
	1.3	✓				
	1.4	✓				
	1.5	✓				
Step 2: Identify and assess risk in the supply chain	2.1	✓				
	2.2	✓				
	2.3	✓				
Step 3: Design and implement a management strategy to respond to identified risks	3.1	✓				
	3.2	✓				
Step 4: Arrange for an independent third-party audit of the supply chain due diligence	4.1	✓				
Step 5: Report on supply chain due diligence	5.1	✓				
Based on the above assessment conclusions, the overall rating of the Refiner's performance is determined to represent:		✓				

Assessment scope:

Refiner location(s) included in the assessment scope

No. 289, Jinhui Road, Zhaoyuan, Shandong, China



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Assessment Period

Jan.1/2018~Dec.31/2018

Assessment methodology:

- The evidence of compliance that was reviewed included:
Gold & Silver supplier chain policy, gold & silver supplier chain due diligence procedure, gold & silver source risk assessment procedure, gold & silver risk mitigation strategy, traceability system, training record, risk assessment record, business certification, mine certification, transaction record, gold & silver receiving book, gold & silver assay record, gold & silver refine production record, etc.
- The following areas of the facility were visited during the tour:
Office, warehouse, refine workshop, gold & silver product end-processing workshop, lab and all the activities production area related gold & silver product.
- The following interviews were conducted with management:
Mr. Jianjun Wang, Deputy GM
- The following interviews with employees were conducted:
Mr. Xiaoning Wang, Raw material department

Ms. Shaomei Li, Trading department

Mr. Zhibo Zhao, Refining production department

Ms. Shaojuan Wang, Quality department

Mr. Baotao Jiang, Finance department

Mr. Haiwei Wang, Enterprise management department

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 Gold & Silver Programme for the responsible sourcing of gold-bearing and silver-bearing materials.

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.



BUREAU
VERITAS

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- ✓ 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: Henry TENG

Signature:

Date: 8/Mar./2019