

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

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

**Prepared for: London Bullion Market Association (LBMA)**

**Date: 7-10 March 2017**

**Draft Version 1**

ASSESSMENT INFORMATION	
<b>Refiner Name:</b>	Shandong Zhaojin Gold&Silver Refinery Co., Ltd
<b>Refiner Location:</b>	Gold Industrial Zone, Zhaoyuan Shandong, China
<b>Refiner Contact Person:</b> Name, Title: Email: Phone:	Mr. SUN Xiaohui, Deputy Manager of Sourcing Department Email: <a href="mailto:zhaojin_sunxiaohui@163.com">zhaojin_sunxiaohui@163.com</a> Tel: +86-535-8166838
<b>Assessment period:</b>	01.01.2016 - 31.12.2016
<b>Audit Type:</b>	<b>Assessment Review</b>
<b>Audit Dates:</b>	<b>March 7-10, 2017</b>
<b>Man-days:</b>	<b>8 man-days</b>
<b>Lead Auditor:</b> <b>Team Auditor:</b>	Chaco LIANG Kelsey LIU

ASSESSMENT CONCLUSIONS						
CATEGORY	SUBCATEGORY	Compliant	Non compliance – risk level			
			Low	Medium	High	Zero Tolerance
<b>General Information</b>						
<b>Step 1:</b> Establish strong Refiner management systems	<b>1.1</b>	x				
	<b>1.2:</b>	x				
	<b>1.3</b>	x				
	<b>1.4</b>	x				
	<b>1.5</b>	x				
<b>Step 2:</b> Identify and assess risk in the supply chain	<b>2.1</b>	x				
	<b>2.2</b>	x				
	<b>2.3</b>	x				
<b>Step 3:</b> Design and implement a management strategy to respond to identified risks	<b>3.1</b>	x				
	<b>3.2</b>	x				
<b>Step 4:</b> Arrange for an independent third-party audit of the supply chain due diligence	<b>4.1</b>	x				
<b>Step 5:</b> Report on supply chain due diligence	<b>5.1</b>	x				

	Non Compliance – risk level
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	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				

**Assessment scope:**

<i>Refiner location(s) included in the assessment scope</i>	Gold Industrial Zone, Zhaoyuan Shandong, China
<i>Assessment Period</i>	01.01.2016 - 31.12.2016

**Assessment methodology:**

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.

The evidence of compliance that was reviewed included:

- The following documents were reviewed: Refiner's Due Diligence Policy and Procedures, GSCs' files and transaction files
- The following areas of the facility were visited during the tour: Sourcing department, vault, pulverization, chlorination-Leaching, reduction, washing, drying, melting and ingot casting
- The following interviews were conducted with management: Mr. WANG Jianjun (Vice General Manager), Mr. SUN Xiaohui (Deputy Manager of Sourcing Department), Ms. YU Mei (Deputy Manager of Finance Department), Mr. ZHAO Zhibo (Refining Department Manager) and Ms. SUN Zhongying (Deputy Manager of Bank Management Department)

The following interviews with employees were conducted: One female vault keeper, one male production leader and one male production worker

**Assessment Summary:**

Estimated percentage for each category of the Gold supplying counterparties in the Refiner's supply chain during the assessed period.	LSM: 3.8% ASM: 86% Gold refiner: 4.3% Traders / brokers: 2.6% Recycled material/collectors: 1.4% Bank: 1.4%
Estimated percentage of Gold supplying counterparties for each risk category:	Low Risk: 100% Medium Risk: 0% High Risk: 0%

Types of Gold-bearing material refined:	Mined crude gold and recycled gold
Types of products produced for commercialization:	Standard gold bar
Main processes carried out onsite:	Pulverization, chlorination-Leaching, reduction, washing, drying, melting and ingot casting
Have all recommendations from the previous audit by addressed:	Yes
<b>Any significant or inherent limitations or areas not covered that were within the assessment scope:</b>	
None	
<b>Assessment criteria:</b>	
<ul style="list-style-type: none"> <li>The 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 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 assessment team to reach a conclusion.</li> <li>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 Programme for the responsible sourcing of gold-bearing materials.</li> </ul>	
<b>Assessment of compliance with the LBMA Responsible Gold Guidance</b>	
<b>Step 1: Establish strong refiner management systems</b>	
<p>The provided refiner's gold supply chain policy is effective from 1 January 2014. No revision is made on the existing policies. The refiners policy is available publicly at <a href="http://www.zhaojin.cn/ywjy/&amp;i=29&amp;comContentId=29.html">http://www.zhaojin.cn/ywjy/&amp;i=29&amp;comContentId=29.html</a></p> <p>The policy is applied to the refiner and all business partners in gold supply chain. The policy describes organization and responsibilities of all internal staff involved in the supply chain custody at the refiner. The Vice General Manager is appointed to be responsible for the implementation of the due diligence policy. Based on training records, this policy has been communicated to all employees involved and the trained employees appeared understanding the policies.</p> <p>The Refiner has communicated the procurement policy to its gold supplying counterparties through signing supplying agreement, where the policy is listed.</p> <p>The Enterprise Management Department officer is appointed to be responsible for implementation of due diligence measure on the training. The most recent training was taken on 26 November 2016. The training content is Gold supplying counterparty management system, vault management system etc. The</p>	

participants included financial department, sourcing department and refining department. The refresher training is conducted once every 6 months.

Employees may register concerns through a publicized hotline, email and suggestion box regarding concerns regarding the gold supply chain. This was verified during employee interviews.

#### Step 2: Identify and assess risk in the supply chain

The Refiner uses the following forms to assess risk among GSCs: supplier risk assessment form, LBMA supply chain assessment form, the LBMA RGG questionnaire and procurement contract review form.

The Refiner assesses the Gold supplying counterparty's identity, beneficial owner, business and finance details, purpose of business relationship, plausibility and location of gold origin, capacity, and background. Additionally the Refiner uses a National Identity card recognition system and social credit reference system.

The Refiner has a formalized risk assessment process including the Supplier risk assessment form, LBMA supply chain assessment form, LBMA RGG questionnaire and the purchasing contract assessment form.

The Refiner will update information of Gold supplying counterparties (GSC) once every one or two years; if any update is required nationwide, the Refiner will ask for updated information from their GSCs immediately.

The Vice General Manager is responsible for approving new supply chain that is assessed as high risk. Additionally the Vice General Manager, will review the supply chain management status at least once a year.

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

The refiner has a formalized risk mitigation strategy which is supported by senior management. The Deputy Manager of Sourcing Department is responsible for ensuring that the risk mitigation strategy is carried out.

Any Counterparty with high risk or medium risk but without obvious improvement after disclosure will be not included in its supply chain. This decision is handled by the Vice General Manager. The manager of the Refiner will communicate with Gold supplying counterparty representative face to face when a business relationship is terminated.

All quarantined materials will be stored within the Refiner's primary warehouse, and will not flow into the workshop, until the risk is eliminated by the Gold supplying counterparties.

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

The refiner conducts annual independent third party audits in accordance with the LBMA Gold Guidance.

#### Step 5: Report on supply chain due diligence

The refiner publishes the LBMA Summary Report on the refiner's website:  
<http://www.zhaojin.cn/ywjy/&i=29&comContentId=29.html>

The refiner has published its due diligence system and commitment on their website.

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: On file

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Date: 10 March 2017

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