



March 2018

**LBMA Responsible Gold 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:	Chenzhou City Jingui Silver Industry Co., Ltd.
Reference Standard: LBMA RSG	Other ref.: ISO 19011:2011

Audit Team	
Team Leader:	Team Member:
Henry TENG Henry TENG (Follow Up Assessment)	NA NA (Follow Up Assessment)

Type of Audit	Date of Opening Audit	Date of Closing Audit	Total n° of man/days
Full assessment Audit	15/Apr./2019	16/Apr./2019	2MD
Assessment Review			
Follow-up Assessment	4/Sept./2019	4/Sept./2019	1MD

Site(s) address(es):	No.1, Fucheng Road, Bailutang Town, Suxian District
	Chenzhuo City
	Hunan Province
	China
Refiner Contact Person: Name, Title: Email: Phone:	Name: Mr. Guowei Liang
	Title: Manager of the international trading department
	443595168@qq.com
	+0086-13975720558

	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 Yes	

Is a follow up visit required? (in case of high risk non-compliance)		Yes Yes	No No
Date(s) of follow up visit:	Jul./2019	Assigned auditor:	Mr. Henry TENG Mr. Henry TENG

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 the first full assessment audit for silver carried out by BV. One auditor and 2 man days were arranged for this audit. This is a follow up assessment carried out on Sept.4, 2019 only to verify whether all the NCs in the last assessment close or not.</i>



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

There are total 50 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: //

Traders / brokers: 100%

Type of companies: // Foreign trading company, domestic trading company

Forms of Silver: // Lead mine (silver content is less than 15%, the highest is 1% by weight)

Countries of provenance: // China, Peru, Bolivia, Mexico, Canada, Italy, Morocco, Turkey

Recycled material/collectors: 0%

Type of companies: //

Forms of Silver: //

Countries of provenance: //

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]:

Chenzhou Jingui Silver Industry Co., Ltd. was established in 2004.

The main products are silver, electrolytic lead, sulphuric acid, gold, silver nitrate and so on. The products are identified by comprehensive utilization of resources. Silver quality is stable in the national 1 # silver standard, with a purity of 99.995%. It is recognized by many customers at home and abroad, such as Standard Chartered Bank, Australia and New Zealand Bank. "Jingui JINGUI" brand silver ingots have been rated as "20 most favorite silver brands for national users" for 14 consecutive years, and "Jingui JINGUI and Tu" registered trademark has been recognized as "China's well-known trademark" by the State Administration of Industry and Commerce. With the national enterprise technology center, he has won the honorary titles of "National Technological Innovation Demonstration Enterprise", "National Key New Products", "National Environmental Science and Technology Second Prize", "National Science and Technology Progress Second Prize" and "Hunan Science and Technology Progress First Prize".



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As of December 31, 2018, a total of 177 patents have been filed and 98 patents have been granted. Among them, the self-developed technology of direct extraction of cathode copper from lead matte has been rated as the leading international level by China Nonferrous Metals Industry Association.

Manual adequacy:

Key clauses in 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:

Step 1: Establish strong Refiner management systems

See Third party Audit Checklist

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

The refiner has developed the LBMA compliance policy regarding due diligence for supply chain of Silver in compliance with LBMA Responsible Silver Guidance. The policy provides an executive summary of the management systems and procedures governing the due diligence policy for silver supply chains. The policy and procedure was last issued on Mar.1,2019, the policy was not published on website, one low risk non-compliance was raised during this audit. *During the follow up audit onsite on Sept.4/2019, the policy was published on website, <http://show.jingui-silver.com:88/article/detail/id/637/cid/6.html>*

The refiner has implemented an internal management structure to support supply chain of silver in compliance with LBMA Responsible Silver Guidance. The LBMA compliance team is led by the deputy GM with nine compliance team members including supply dept., international trading dept., sales dept., finance dept., production management dept., silver workshop, information management dept., quality dept., admin. dept.. No training was provided, one low risk non-compliance was raised during this audit. *During the follow up audit onsite on Sept.4/2019, the refiner provided the training record dated on Jun.6/2019*

The Company Policy is communicated to all employees related to the silver-refining process. No evidence shows the procurement policy was communicate to all its silver supplying counterparties, one medium risk non-compliance was raised during this audit. *During the follow up audit onsite on Sept.4/2019, the refiner provided the signed agreement by 44 suppliers (total 50 suppliers, the rest 6 suppliers have no business relationship now, so no sign anymore)*



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The refiner has appointed a compliance officer responsible for enforcing the implementation of the due diligence procedures and who reports to the management. The compliance director did not attend during this audit. It was unable to conduct relevant management interviews. It was not clear that what measures and necessary resources the refinery will take to support the operation and monitoring of the due diligence process. One medium risk non-compliance was raised during this audit. *During the follow up audit onsite on Sept.4/2019. The refiner provided measures and necessary resources to support the operation and monitoring of the due diligence process*

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 not requested that all silver-supplying counterparties have committed to and acknowledged in writing compliance with the refiner's own Company Policy. One medium risk non-compliance was raised during this audit. *During the follow up audit onsite on Sept.4/2019. The refiner provided the signed agreement by 44 suppliers (total 50 suppliers, the rest 6 suppliers have no business relationship now, so no sign anymore)*

The refiner has a communication mechanism in place that allows employees to voice concerns over the Silver supply chain or any newly identified risk. But no voice anonymously mothed, one low risk non-compliance was raised during this audit. *During the follow up audit onsite on Sept.4/2019. The refiner published the anonymously mothed of phone number and e-mail address*

STEP 2: Identify and assess risk in the supply chain

See Third party Audit Checklist

1. Identify risks in the Gold supply chain. Assess the risk assessment policy for all Gold 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" 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 Silver supplying counterparties according to the LBMA Responsible Silver Guidance. The system allows taking into account risks in the entire Silver supply chain from the point of origin to the refiner. The risk assessment applies to all inputs of mined Silver and recycled 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 can not provide any risk assessment evidence for review. The evidence that need to review, such as: Identification of the beneficial owner, Check record (Check that the counterparty and their beneficial owners are not named on any government lists for wanted money launderers, known fraudsters or terrorists), Business and financial details, Purpose and intended nature of the business relationship. The refiner only provide business license for review. One high risk non-compliance was raised during this audit. *During the follow up audit on 4/Sept./2019, the refiner only provided 5 supplier's due diligence (total 44 supplier activities now), this high risk non-compliance was still raised during this follow up audit.*

No legal certification collected to verify whether the miners meet local law? One high risk non-compliance was raised during this audit. *During the follow up audit on 4/Sept./2019, no legal certification of miners provided (mine license). This high risk non-compliance was still raised during this follow up audit.*

No evidence to shows which risk level to each supplier. One high risk non-compliance was raised during this audit. *During the follow up audit onsite on Sept.4/2019. The document of risk level to each supplier was provided*



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for view.

No subcontractor is used by the refiner.

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.

The refiner has not established a formal risk mitigation strategy, and the management has not understood the risk mitigation strategy requirements. One high risk non-compliance was raised during this audit. During the follow up audit onsite on Sept.4/2019. The formal risk mitigation strategy was provided for view.

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

See Third party Audit Checklist

This is the first year that the refiner completes an LBMA Silver Guidance, with audits completed once a year. 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

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

The refiner will publish the LBMA summary report after approval on their website

The policy has published on their website, one low risk non-compliance was raised same as 1.1.2

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	✓					



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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:	
<i>Refiner location(s) included in the assessment scope</i>	No.1, Fucheng Road, Bailutang Town, Suxian District
<i>Assessment Period</i>	Jan.1/2018~Dec.31/2018
Assessment methodology:	
<ul style="list-style-type: none"> The evidence of compliance that was reviewed included: Silver supplier chain policy, silver supplier chain due diligence procedure, silver source risk assessment procedure, silver risk mitigation strategy, traceability system, training record, risk assessment record, business certification, transaction record, silver receiving book, silver assay record, etc. The following areas of the facility were visited during the tour: Office, warehouse, bottom blowing oxygen furnace, lead reduction furnace, lead electrolysis workshop, silver refine workshop, casting workshop, lab and all the activities production area related silver product. The following interviews were conducted with management: No any senior management attending opening & closing meeting, and no interview with management Compliance leader is not present during the 2 days audit The following interviews with employees were conducted: Mr. Guowei Liang, Compliance specialist Mr. Yuewen Luo, Sales department Ms. Aiyang Wang, Finance department Mr. Zhengbo Luo, Production management department Mr. Chao Liu, Quality department Mr. Jianglin Xu, Silver workshop Mr. Yujie Zhu, Purchase department Mr. Maoqing Deng, Admin. department 	



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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 Silver Programme for the responsible sourcing of 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.
- ✓ 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: 15/Apr./2019 (Initial Full Assessment) ----- 4/Sept./2019 (Follow Up Assessment)