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| **Enterprise Standards of** **Hunan Huaxin Non-Ferrous Metal Co., Ltd.** | **Standard Category: Regulations Standard** | **Standard No.: HXXG/G.Y.011 Standard version: version 1** |
| **Standard Name: Silver Supply ChainDue Diligence Regulations** | **Alternate document or standard No.: None** | **Effective date: January 1, 2018**  **Main Control Department: Marketing Department** |

**Silver Supply ChainDue Diligence Regulations**

The silver supply chain due diligence regulations of Hunan Huaxin Non-Ferrous Metal Co., Ltd. have been established to combat systematic or widespread abuses of human rights and to avoid the contribution of armed conflicts in accordance with high standards of anti-money laundering and combating terrorist financing practice as well as the requirements of the *London Bullion Market Association (LBMA) Responsible Silver Guideline*.

1. Scope

The Regulations apply to all suppliers related to the silver transaction, silver commissioned refinery, and other businesses of Hunan Huaxin Non-Ferrous Metal Co., Ltd. (hereinafter referred to as the “the Company”). Sources of silver covered in the Regulations include mineral gold and silver, recovered gold and silver, and various forms of inventory gold and silver produced after January 1, 2012.

2. Terms and definitions

The terms and definitions involved in the Regulations are those established in the *LBMA Responsible Silver Guideline*.

3. Organizational structure and personnel responsibilities

3.1 Organizational structure

The Company has set up a special organization for silver supply chain due diligence work. Its structure is as follows:

3.2 Responsibilities of various personnel

3.2.1 Responsibilities of the Compliance Director

1) In charge of and be fully responsible for the silver supply chain due diligence work of the Company.

2) Supervise and inspect the silver supply chain due diligence process and evaluate whether the due diligence is adequately conducted; if necessary, ask for additional documents or information.

3) Take appropriate actions to reduce and eliminate risks in the silver supply chain or transaction where risks have been identified.

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4) In case there is a high-risk silver supply chain or transaction, promptly report it to the senior management of the Company and take strict control measures; be responsible for approving new silver supply chains that are rated as high-risk after authorized by the senior management.

5) Conduct regular training on the responsible silver guideline and the supply chain due diligence policy.

6) Be responsible for drafting and revising the silver supply chain compliance report of the Company.

7) Provide necessarily accurate information for the senior management of the company to fulfill their due diligence responsibilities.

3.2.2 Responsibilities of the Compliance Officer of the Marketing Department

1) Strictly implement the silver supply chains due diligence regulations and high-risk silver supply chain evaluation criteria.

2) Be responsible for collecting and maintaining sufficient silver supply chain documents.

3) Verify the qualifications of shipping companies and insurance companies, track and properly keep each batch of waybills, analyze and evaluate the routes through which goods are transported.

4) Regularly conduct on-site investigations on key silver suppliers.

5) Assist and encourage silver suppliers’ commitment and confirm in writing to comply with the provisions in Appendix  of the *OECD Due Diligence Guideline for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*.

6) Be responsible for collecting and reporting the opinions and suggestions of internal employees of the Company on the due diligence of the silver supply chain.

7) Report to the Compliance Director in case of abnormality in the due diligence process and silver transaction.

3.2.3 Responsibilities of the Compliance Officer of the Finance Department

1) Strictly implement the supply chain due diligence measures and high-risk silver supply chain evaluation criteria.

2) Be responsible for collecting and maintaining sufficient silver supply chain documents.

3) Keep all transactions and financial vouchers of silver suppliers for at least 5 financial years.

4) Evaluate the silver supplier’s financial data and clarify the purpose and intended information of their business relationship.

5) Be responsible for collecting and reporting the opinions and suggestions of internal employees of the Company on the due diligence of the silver supply chain.

6) Report to the Compliance Director in case of abnormality in the due diligence process and silver transaction.

3.2.4 Responsibility of the Compliance Officer of the Precious Metal Warehouse

1) Strictly implement the supply chain due diligence measures and high-risk silver supply chain evaluation criteria.

2) Be responsible for collecting and maintaining sufficient silver supply chain documents.

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3) Verify and record the weight and test results of each silver product received, analyze and evaluate whether these data are consistent with the supply chain knowledge; in case there is any discrepancy, a detailed investigation shall be conducted and a written investigation report shall be produced.

4) Be responsible for collecting and reporting the opinions and suggestions of internal employees of the Company on the due diligence of the silver supply chain.

5) Report to the Compliance Director in case of abnormality in the due diligence process and silver transaction.

4. Evaluation criteria for high risk silver supply chains

Regardless of mineral gold and silver or recycled gold and silver, the Company will identify risks in strict accordance with regulations in Appendix  of *OECD Due Diligence Guideline for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*. In case of the following risks in silver supply chain sources, the Company should pay close attention to:

1) Systematic and widespread human rights abuse associated with the extraction, transport or trade of silver.

2) Direct or indirect support to non-state armed groups, public or private security forces.

3) Bribery and fraudulent misrepresentation of the origin of silver.

4) Money laundering and terrorist financing.

5) Contribution to armed conflicts.

According to LBMA and OECD associated regulations and in combination with actual conditions of the Company, the following evaluation criteria for high-risk silver supply chains are specified:

1) Mineral gold and silver or recycled gold and silver is originated from, transited in, and transported across high-risk areas affected by conflicts and with human rights abuse.

2) It is claimed that mineral gold and silver comes from a country with limited known reserves, resources, or gold production.

3) Recycled gold and silver is originated from known high-risk areas affected by conflicts and with human rights abuse, or there are reasons to doubt that it is transited in the area.

4) The enterprise or its known upstream company in silver supply chains is located in a country with high risks of money laundering, crimes, and corruption.

5) The enterprise or the beneficial owner of its known upstream enterprise in silver supply chains is a politically sensitive person.

6) The enterprise or its known upstream enterprise in silver supply chains actively participates in high-risk business activities, such as weapons, gambling, bookmaking, antique, artwork, religion, and being a religious leader.

7) Check whether there are other high-risk conditions identified by Chinese governments.

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In case any of the above evaluation criteria exists objectively, the silver supply chain shall be evaluated as the high-risk supply chain. The Compliance Officer of the department shall immediately prepare materials and report them to the Chief Compliance Officer. The Chief Compliance Officer shall report to executives of the Company and reapprove the high-risk supply chain with the authorization.

5. Due diligence for supply chain

5.1 Principle

In order to master the supply chain and assess risks effectively, the Company must perform due diligence for the supply chain in accordance with a risk-based approach before entering into business relations with any silver suppliers. The risk assessment shall begin with investigation of geographical origin of silver.

The Company will constantly carry out due diligence for the supply chain of silver, so as to ensure effective compliance with LBMA rules.

5.2 Procedure

5.2.1 Information collection and assessment of the Supplier

1) Create files of the supply chain customer, including: enterprise name, legal representative, address, contact information, operation manner, production mode and business contract, etc.

2) Carry out regular inspection of supply chain customer. If there is new-add or modification in customers, it is needed to check their archives to keep the archive database up to date.

3) Identify every customer, enterprise and benefit owner of enterprise. Use reliable independent source documents, data or information to verify their identification.

4) Confirm that every customer, enterprise and benefit owner of enterprise is not in the wanted list of money laundering, defraud or terrorism of the government.

5) Obtain detailed information for business and financial affairs, purposes of engagement in silver trading and business operation situation of supply chain customers regularly.

5.2.2 Additional investigation requirements for the silver derived from mineral gold and silver

1) Obtain the geographical origin information of silver

2) Obtain the mining license information of the Supplier, if possible.

3) Obtain the import and export license information of the Supplier, if possible.

4) Collect and make an assessment on the information of mining situation.

5) Obtain mining capacity data, if possible.

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6) When the mineral gold and silver comes from manual or small mines, it is needed to assess whether it is legal at first. If it is legal, it is important to ask the other party to provide relevant qualification certificates. If it is illegal, it is a must to suspend the transaction and refuse to procure from them or accept their manufacturing consignment.

5.2.3. Additional investigation requirements for silver derived from recycled gold and silver

If possible, collect and estimate policy action documents about anti-money laundering and anti-terrorism financing of recycled gold and silver suppliers

5.2.4. Additional investigation requirements for strengthening due diligence under high-risk circumstance

The Company determines the extent to which the due diligence measure will be implemented based on the type of supplier enterprise, business relationship, transaction type, and location or transportation region of the enterprise. For higher-risk circumstance, the Company will take strengthened due diligence, and take the following additional processing procedures:

1) Investigate or visit high-risk supply chains on the site to verify if the document record of the due diligence result of supply chains is true.

2) For large scale mining of silver: verify condition with documents, data, and information from trusted independent sources. Each return owner and government surveillance list information of each enterprise in the supply chain (including silver manufacturer, middleman, silver trader, exporter, and transporter) requires verification from mines to refineries.

3) For silvers from manual or small-scale mining: verify condition with documents, data, and information from trusted independent sources. Each return owner and government surveillance list information of each enterprise in the supply chain (including international silver dealer and transporter) requires verification from silver exporters to refineries.

4) For recycled silvers: verify the condition with documents, data, and information from trusted independent sources. Each return owner and government surveillance list information of each enterprise in the supply chain (including transporter) requires verification from silver suppliers to refineries.

6. Transaction supervision

Investigation and supervision go throughout the silver trading process of the Company to ensure the transaction is consistent with understanding and risk prediction of the supply chain of the Company. The Company supervises transactions based on risks.

The Company requires obtainment and record of the following information of each batch of received silver:

1) For mined silver: Estimated weight and test results (provided by the supplier); Shipping or cargo documents (delivery documents，shipping documents, proforma invoice, etc. if possible); If possible, import and export form of high-risk transaction.

2) For recycled silver: Estimated weight (provided by the supplier); Shipping or cargo documents (delivery documents，shipping documents, proforma invoice, etc. if possible); If possible, import and export form of high-risk transaction.

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The Company will verify if the documents above verify each other and are consistent with the understanding of the supply chain. In case of any transaction background discrepancy, an investigation will be conducted and a written survey result will be obtained.

7. Risk assessment report

At the beginning of each year, the Company’s Compliance Director shall submit the previous year’s risk assessment report on silver supply chain due diligence to the Company’s senior management.

The Company’s senior management retains ultimate control and highest responsibility over the silver supply chain. Senior management carefully selects and supervises the Compliance Director and gives him the necessary authority to complete his duties.

According to the authorization of the senior management, the Company’s Compliance Director approves each new supply chain rated as high risk and re-determines whether to continue to maintain business relations with it every year.

8. Record retention

The Company collects and reserves sufficient supply chain documentary evidence records and assesses risk requirements according to standards of the supply chain due diligence system, so as to prove that it adequately and continuously completes silver supply chain due diligence work.

It is required to preserve supply chain documentary evidence records for at least 5 accounting years.

9. Training

The Company regularly carries out training about due diligence policies for all personnel in the silver supply chain each year

10. Information communication mechanism

Compliance Officers of departments regularly collect, summarize, and submit opinions and suggestions of the Company’s internal personnel towards the silver supply chain due diligence work.

When finding violation mattes or abnormal conditions in daily silver transaction and supply chain management work, personnel of the Company shall immediately report it to Compliance Officers of their departments; Compliance Officers shall report it to the Compliance Director at once after their verification, and report to the Company’s senior management in writing if necessary.