



Bureau Veritas

# MANAGEMENT REPORT

LBMA RESPONSIBLE SOURCING PROGRAMME

Company: Jiyuan Wanyang Smeltery Group Co Ltd

Date: 24-25 February 2025



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### Refiner's information

<b>Refiner name</b>	Jiyuan Wanyang Smeltery Group Co Ltd
<b>Refiner location</b>	North of Sili Village, Sili Town, Jiyuan City, Henan Province, China
<b>Metal in scope</b>	Silver
<b>Contact person</b>	Ms. Yu Yanling
<b>Phone</b>	+8616613819677
<b>E-mail</b>	970867851@qq.com

### Assurance provider

<b>Assurance provider</b>	Bureau Veritas
<b>Assurance practitioner</b>	Li ZHANG
<b>Assurance date</b>	2025/02/24-25 (2 man-days on-site auditing and 1.5 man-day off-site reporting)

### Assurance conclusion

<b>Assurance engagement</b>	ISAE3000 Reasonable Assurance
<b>Assurance period</b>	2024/01/01-2024/12/31
<b>Assurance type</b>	Full periodic
<b>Assurance conclusion</b>	Low risk

### Overall rating

Category	Risk Level				
	Compliant	Low	Medium	High	Zero Tolerance
Step 1 Establish Strong Responsible Sourcing Management Systems		X			
Step 2 Identify and Assess Responsible Sourcing Risks in the Supply Chain	X				
Step 3 Design and Implement Risk Management Strategies	X				
Step 4 Obtain Independent Assurance on Conformance with the RGG/RSG	X				
Step 5 Report on Management Systems and Performance during the year	X				

## Management report

<b>Refiner name</b>	Jiyuan Wanyang Smeltery Group Co Ltd
<b>Refiner location</b>	North of Sili Village, Sili Town, Jiyuan City, Henan Province, China
<b>Assurance period</b>	2024/01/01-2024/12/31
<b>Assurance scope</b>	Silver
<b>Assurance criteria</b>	LBMA Responsible Silver Guidance (RSG) Version 2 Refiner's policy, procedure on supply chains Local laws
<b>Assurance engagement process</b>	ISAE3000 Reasonable Assurance
<b>Summary of assurance procedures</b>	We planned and performed our work to obtain all the evidence, information and explanations considered necessary in relation to this assurance scope. These procedures included: <ul style="list-style-type: none"> <li>a) Pre-assurance to obtain the general information of refiner</li> <li>b) Developing an audit plan</li> <li>c) On-site assurance engagement (opening meeting, on-site observation, document review and closing meeting)</li> <li>d) Reporting</li> </ul>
<b>List of documents reviewed</b>	<ul style="list-style-type: none"> <li>○ Business license</li> <li>○ Import/export license</li> <li>○ Identification of ultimate beneficial owner (UBO)</li> <li>○ Mining license &amp; location</li> <li>○ Refiner's silver supply chain policy, management system and structure</li> <li>○ KYC questionnaire</li> <li>○ Supply chains traceability map</li> <li>○ Risk assessment/risk level</li> <li>○ Mine ESG policy &amp; practices</li> <li>○ On site visit, obtain an understanding of the refiner's operations</li> <li>○ Financial data</li> <li>○ Transactions</li> <li>○ Tax self-declaration</li> <li>○ Payments made to the government</li> <li>○ Compliance report</li> <li>○ Site tour</li> <li>○ Management and worker interviews</li> </ul>
<b>List of interviews</b>	Compliance Director Compliance Manager Compliance Member (Purchase, Plant manager, Warehouse worker, Lab manager, Finance or other you interviewed, please list here) Worker interview
<b>Sampling principle</b>	Supplying counterparty due diligence documents review:

	<p>Low-risk: 10% supplying counterparty due diligence documents, minimum 10 until to confirm the results of assurance.</p> <p>High-risk: 100% due diligence documents review until to confirm the results of assurance.</p> <p>Transaction documents and materials balance test:</p> <p>Low-risk: 2% of total transactions, minimum 50 until to confirm the results of assurance.</p> <p>High-risk: 100% transactions review until to confirm the results of assurance.</p>
<b>Total number of transactions and suppliers</b> <b>Sample sizes and sampling process</b>	<p>Total 61 suppliers, 53 from domestic and 8 from overseas in the finance year of 2024</p> <p>Total 500 transactions in the finance year of 2024</p> <p>5 out of 53, 5 out of 8 overseas suppliers due diligence documents were sampled, including 1 intermediate silver miner, 9 lead/silver concentrate</p> <p>50 out of 500 transactions were sampled.</p> <p>The sampling was random, considered the country of origin, risk-based, types of materials, etc.</p>
<b>Any significant or inherent limitations or areas not covered</b>	<p>No significant or inherent limitations or areas not covered that were within the assurance scope</p>

### Assessment of conformance summary

#### Refiner summary and Significant changes

Jiyuan Wanyang was founded in 1995 and is located on Wanyang Avenue in Sili Town. It has a registered capital of CNY280 million, about 6000 employees. The designed annual production capacity is 350,000 tons of electrolytic lead, 5 tons of gold, and 2000 tons of silver. The actual output of electrolytic lead in 2024 is about 330,000 tons, 5 tons of gold, and 900 tons of silver.

The Refiner uses the silver concentrate and anode slime obtained as by-product of the silver concentrate and lead concentrate processed by the Refiner to make silver ingots. The Refiner produces the silver ingots with specifications of 15 Kgs and 30 Kgs, and the purity is 99.99%. In 2024, there are a total of 1 immediate suppliers supplied with 23739.28 kgs (pure metal content) of silver-bearing mined materials. The Refiner has certified the management system of ISO 9001, ISO 14001 and ISO45001 schemes.

Significant changes:

1. Start in 2025, the management structure of the compliance team updated, the compliance director will be changed from Li Xiaoyong/Deputy General Manager to Cheng Guojun/Deputy General Manager.
2. Silver production has decreased by about 223 tons compared to 2023, mainly

due to market price factors, tight foreign supply, low processing and refining fees, and small profit margins for refineries.

3. Wanyang Group's annual production of 150,000 tons of zinc project started construction in 2024.
4. Wanyang Group's lithium battery project is completed and put into operation.

### Step 1 Establish Strong Responsible Sourcing Management Systems

#### 1.1 Adopt and commit to a policy for silver supply chain due diligence

- The Refiner updated the policy and management system for < LBMA Responsible Silver Supply Chain Due Diligence > based on LBMA Responsible Silver V2. The policy outlined all risks in Annex II of the OECD Due Diligence Guidance and ESG factors in silver supply chains to address any adverse impact.
- The updated policy and management system was approved by top management.
- The updated policy was communicated to compliance team members and all upstream supply chains.
- Published the updated policy on its company website, which commits to implementing the LBMA Responsible Silver guidance, and includes all risks described in the Annex II of the OECD Due Diligence Guidance as well as ESG factors. The website: <http://www.wanyanggroup.cn/content/?948.html>
- The Refiner has also established a work instruction to support the principles of the EITI.

#### 1.2 Establish management structures to support supply chain due diligence

- The refiner has established the compliance committee to manage and implement the LBMA Responsible Silver V2, the committee was appointed by the Board, the detailed responsibility was defined.
- Compliance director, Li Xiaoyong, reporting directly to the Board, he has worked in the company for more than 20 years, rich experience in raw materials business, sales. Now he is General Manager of Wanyang Group's subsidiary - Shanghai Trading Company. Responsible for the sales department and international business center of Wanyang Group.
- Compliance manager, Lu Dongdong, director of raw materials department. Hu Dandan, director of Import and export, they have experience in Import and export business for nearly 20 years, very familiar with the upstream supply chains and keep good relationship with traders, which contribute to complete the supply chain due diligence.
- The training plan was established and communicated to all compliance members, any critical information shall be report to the Board immediately. The member were generally understanding the LBMA guidance, KYC tools, information collection and the definition of high risk & zero tolerance as per interview.
  - March 01, 2024, LBMA Responsible Silver Guidance Upgrade Training to compliance team members, communicated the key updating of provision, the training evaluation was conducted to make sure all attendance have good



understanding of guidance.

- March 01, 2024, Supply chain due diligence training to compliance team members, communicated the due diligence requirement with purchase to make sure the investigation shall be completed before the contract.
- December 27, 2024, Internal assessment meeting to prepare the assessment, plan the date, assessment plan, etc.
- January 20, 2025, management review meeting, to discuss the unsolved issue and how to improve the supply chain due diligence.
- The compliance committee performed an internal assessment in January 2025 to assess the effectiveness of supply chain due diligence process and through management review to drive continue improvement, the review meeting records showed the Board fully support the LBMA RSG, output the resource demand to maintain a health management system.
- The completion of due diligence by compliance committee has been included as a target in the year-end performance review.
- In the finance year of 2024, all transactions were bank transfer and Bank Letter of Credit, no cash payment was allowed as per refiner's finance policy.
- The cooperation with customs officials was transparent, they can provide the customs declaration for all lead/silver concentrate issued by Customs.
- The due diligence records, training records, lead/silver receiving records, testing records, transportation records, production records, etc. were well maintained and will keep at least 5 years as per management system.

### 1.3 Establish a silver traceability system

- The refiner has established the supply chain traceability system through Supply Chain Traceability Map. They traced all entities to its upstream supply chains, covering tier 1, tier 2..., until the mine. The entity name, type of silver-bearing materials, LSM/ASM, shipping, port, origin of country were detailed recorded.
- The refiner has ERP system internally. When receiving the silver-bearing materials, the warehouse input the information in ERP, including supplier name, truck number, date of arrival, material name, quantity, etc.
- During the site observation, the auditor randomly sampled 50 transactions in 2024 at warehouse room and laboratory, test the effectiveness of traceability system, it can fully meet the requirement.

### 1.4 Strengthen company engagement with silver-supplying counterparties

- The Refiner has communicated the Silver Supply Chain Policy to its suppliers and collected a signed Letter of Commitment from the suppliers stating their compliance with the requirements.
- Randomly sampled 10 supply chain due diligence documents and found the Letter of Commitment was as annex of contract and all suppliers have signed the commitment.
- The refiner shared the LBMA related information and training materials to its supplier. However, the engagement with supplier was insufficient, such as promoting the supply chain due diligence, provide the training and good

practices to the intermediate supplier, therefore, 1 non-compliance raised.

#### 1.5 Establish a confidential grievance mechanism

- The Refiner has established the grievance procedure. The procedure outlined the grievance channel, responsible person, the process of handling complaints / suggestions, protecting whistleblowers, etc.
- They published the grievance channels (email address & phone number) on the refiner's website allowing internal employees & external stakeholders to anonymously voice concerns and any risks over the silver supply chain.
- The refinery collected all complaints and suggestions and classified them, including 1 health and safety suggestions, 3 salary and welfare suggestions, 5 dormitory & canteen complaints, no other complaints. There are no complaints related to supply chain risks. All complaints / suggestions were well addressed and feedback as per grievance procedure.
- The company conducts an annual employee satisfaction survey, which includes 20 questions related to work environment, management style, development prospects, health and safety, and ability improvement. The results show that employees are generally satisfied with the company.
- During the management review meeting, the complaints / suggestions as input to promote the continued improvement.

### Step 2 Identify and Assess Responsible Sourcing Risks in the Supply Chain

#### 2.1 Conduct supply chain due diligence to identify potential risks

- The Refiner has established < Silver Supply Chain Due Diligence Management Procedure >, which defined the Know Your Counterparty (KYC) process, risk identification & assessment process according to the LBMA RSG.
- The refiner has established a CAHRAs list, covering all risk in Annex II of the OECD and ESG factors. Refer the tools as below:
  - sanction list by UN/US/UK to identify zero tolerant risk.
  - Heidelberg Conflict Barometer/ EU CAHRAs/ Dodd Franks Act to identify conflict countries.
  - Financial Action Task Force (FATF) to identify money laundering risk.
  - United Nations Human Development Index and United Nations Human Rights Council to identify human right risk.
  - Transparency International Corruption Perception Index to identify the corruption risk.
  - Political Stability and Absence of Violence/Terrorism to identify terrorism risk.
  - Public website (Google) to check if any serious ESG issues / adverse impact.
- Based on Supply Chain Traceability Map, the refiner traced all upstream entities, covering the trader, shipping route, location of mine and origin of country. No mine was located in a World Heritage Site.
- Based on CAHRAs list and origin of country (China, US, Turkey, Peru, Mexico,

Bolivia, Georgia, Sweden, Argentina, Kazakhstan, Morocco, Mongolia), no conflict areas, red flag and high risk found.

- The refiner used the KYC Questionnaire (mined silver) to collect all identified entities information, including entity name, address, registration license, UBO, finance audit report, etc.
- Through independent source documents to verify the information, such as mining permission certificate, the declaration issued by Customs, the certificate of origin, UBO's ID card/passport, shipping trace map, ESG or other sustainability report.
- No recycled silver-bearing materials.

- Randomly sampled 10 suppliers' due diligence documents:

5 out of 53 from domestic, they were:

Haicheng Chengxin, silver mud

Qinghai Zhangwo, lead concentrate

Luoyang Huayao, silver concentrate

Shanjin Ruipeng, lead concentrate

Baoji Huirun, lead concentrate

The contract, receiving records, transportation records, invoices, KYC, mining certificate, etc. were checked during the assurance.

5 out of 8 from overseas, they were:

GLENCORE INTERNATIONAL AG, silver concentrate, origin of Peru /Bolivia/ Kazakhstan

TRAFIGURA PTE. LTD, silver concentrate, origin of Peru /Bolivia/ Mexico/USA/Georgia

OCEAN PARTNERS UK LIMITED, silver concentrate, origin of Peru /Bolivia/ Mexico/USA/Turkey

SAMUNG C&T CORPORATION, silver concentrate, origin of Peru /Mexico/Mongolia

HARTREE METALS LLC, silver concentrate, origin of Peru/ Bolivia/Mexico/USA/Argentina

The certificate of origin, Customs' declaration, transportation route map, transaction, invoice, testing report, UBO's identity, mining capability data, KYC, sustainability report were reviewed during the assurance.

- The transactions monitoring was risk-based. The refiner monitored the transportation route via Shipping Network. When the mine arrives at the port, the third-party inspector will monitor and sample to test, the refiner double confirm the origin of country, location of mine, the quantity of mine, series number to make sure they are consistency with the contract.
- The auditor checked the ERP system, transaction records were tested during the assurance:  
Ocean partner, origin of Mexico, silver concentrate.  
Contract number: 91338  
Letter of credit issued by bank: LCZP411202400222



Bill of landing: COSU6393130120

Transportation rout: Manzanillo port Mexico -> Lianyungang port China

Origin of certificate: issued on 11/09/2024 by Ocean partner

Arbitration Report: S91338.01

Also reviewed the KYC, commitment letter, etc., the records were consistent through triangle test (on-site observation, system checking, worker interview).

## 2.2 Classify supply chains based on risk profiles

- The refiner has established the risk assessment criteria for supply chains based on LBMA Responsible Silver Guidance.

Classified as Zero-tolerance supply chains

- International sanctions by UN, EU, UK and US
- Mine origin from World Heritage Sites
- Any money launderers, terrorists, serious human rights abuses
- Support to illegitimate non-state armed groups

Classified as High-risk supply chains

- Origin/transit from CAHRAs areas
- Origin from a country through which silver from CAHRAs is known
- Origin from a country that has limited known reserves
- UBO is PEPs
- High risk activities
- Refused to provide requested documentation
- Sourced from ASM
- Using banned chemicals, such as mercury
- highly adverse ESG factors

- As per the Supply Chain Traceability Map and KYC, all countries of origin did not trigger zero-tolerance and high risk.

## 2.3 Undertake Enhanced Due Diligence measures for high-risk supply chains

- The refiner has established an enhanced due diligence plan to address any high risk supply chains.
- The EDD plan outlined the process, responsible person, competent person, third-party requirement, reporting mechanism, improvement plans, etc. If high-risk LSM/ASM silver supply chains found, the refiner will launch the EDD plan, the Board authorized the compliance director to lead the compliance team members to conduct EDD, which will be completed before business establishment or within 6 months of cooperation.
- The refiner has competent employees (Yu Yanling), trained by CCCMC, who has enough knowledge and experience to implement the site visit. The refiner also kept a good relationship with the independent third-party as back-up.
- In the year of 2024, all supply chains have been classified as low risk, therefore

did not trigger EDD plan.

### Step 3 Design and Implement Risk Management Strategies

#### 3.1 Devise a risk management strategy for the identified risk

- The refiner has established a Risk Mitigation Management Procedure based on LBMA RSG v2, defines 3 strategies for risk management of identified: (i) Continue relationship with improvement plan, (ii) Suspend relationship, and (iii) Terminate relationship.
- Any refining resume shall be implemented improvement plan and approved by the Board Committee.

#### 3.2 Monitor the improvement plan

- The Risk Mitigation Management Procedure also defines a process to monitor the performance of risk mitigation and a process to undertake additional risk assessments after implementing a risk mitigation strategy.
- The process outlined the step of risk monitoring strategy, implement additional measures within 6 months, define the deadline, if no improvement or risk mitigation failed, the relationship will be terminated.
- The Board will approved or terminated the relationship based on mitigation improvement circumstances.

#### 3.3 Report findings to the Board Committee

- The compliance team is responsible for due diligence and regularly reports the investigation results to the Board. Actual and potential risks, as well as proposed risk management strategies and improvement plans, are also communicated to the Board. The internal assurance results, any improvement of management system, resource support have been communicated with the Board in management review meeting.

#### 3.4 Continuously monitor adequacy of risk management strategies

- The compliance team is ongoing to monitor the process of supply chain due diligence.

### Step 4 Obtain Independent Assurance on Conformance with the RGG/RSG

#### 4.1 Assurance requirements

- For the fiscal year 2024, the refiner continues to conduct the Reasonable Assurance. Bureau Veritas conducted the assurance engagement on-site in accordance with the revised ISAE3000 assurance standards on February 24-25, 2025.
- Bureau Veritas is an independent third-party with no interest in conflict with the refiner. The assurance engagement performed in accordance with the ISAE 3000 and all objectives were accomplished.
- In the previous year's assessment, 1 low risk non-compliance raised, during the assessment, the auditor double confirmed and verified the effectiveness of the corrective actions.

### Step 5 Report on Management Systems and Performance during the year

#### 5.1 Reporting Requirements

- During the on-site assessment, BV China reviewed the compliance report of the refiner in accordance with the LBMA disclosure guidance and provided rectification suggestions for the undisclosed content. The refiner agreed and revised the compliance report.
- The refiner has published the updated Policy and Compliance Report (2024) on its company website [http://www.wanyanggroup.cn/list/?70\\_1.html](http://www.wanyanggroup.cn/list/?70_1.html)

### LBMA Additional Limited Assurance

- Human right verification including force labor in refiner's supply chains during the assurance engagement.
- The refiner has established the human right policy and investigation process.
- The refiner sent the questionnaire surveys to its upstream supply chains, collected and summarized the information feedback from suppliers. The refiner analyzed the information and performed the risk assessment. No human right issues on 53 domestic suppliers.
- During the assessment, the auditor randomly sampled 10 workers for interviews, all workers have positive feedback, they were respected in working, no forced and the overtime is voluntary, no restriction on freedom, they can go to toilet, have a rest, smoking in working time. The relationship between management and workers was harmonious, no harassment and abuse occurred. Most workers are locals who can balance work and family.

### Non-conformance in prior year (2023)

Step and substep	Risk level	Non-conformance	NC Recurring? (Y/N)	Timeframe to undertake the corrective action	Root Cause Analysis (RCA)	Measurable action steps by refiner	Owner	Completion date	Outcome
2.2	Low	Reviewing the due diligence files of all 6 new domestic trade suppliers, 6 suppliers' KYC were all completed, but one of them (Linwu Chuanyuan) has not collected and provided its anti money laundering policy.	N	30 days	The Purchase staffs were not well aware of the requirement to collect the anti-money laundering policy from suppliers.	1.Push the purchase staff to perform the due diligence within 30 days. 2.Monitor the process. 3.Refresh training to Purchase staffs.	Mr. Xiaoyong Li/Vice GM	10/10/2024	Closed During the assessment, auditor verified the corrective action and prevention plan. The refiner collected the anti-money laundering policy and not recurred again, the action was effective.

Blue filled by BV, Green filled by refiner

### Non-conformance in current year (2024)

Step and substep	Risk level	Non-conformance	NC Recurring? (Y/N)	Timeframe to undertake the corrective action	Root Cause Analysis (RCA)	Measurable action steps by refiner	Owner	Completion date	Outcome
1.4	Low	In 2024, The refiner won the bid and purchased 326.7 tons anode mud from one intermediate refinery (Haicheng Chengxin), the refiner collected the supplier due diligence form, letter of commitment and force labor investigation form. However, the engagement with	N	Low risk - Prior to next assurance engagement	The intermediate refiner was not well cooperate, need more time to engage with them.	1.Push the purchase staff to perform the due diligence within 90 days. 2.Monitor the process.	Mr. Xiaoyong Li/Vice GM	Next assurance engagement	Open

		supplier was insufficient, such as promoting the supply chain due diligence, provide the training and good practices to the intermediate supplier. The supplier did not have import and export qualifications, all mines were from domestic, hence evaluated as low risk.				3.Refresh training to Purchase staffs.			
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Blue filled by BV, Green filled by refiner



### Assurance Engagement Statement

In conducting assurance 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. We confirm that we satisfy the criteria for assurance providers as set out in the Third Party Assurance Guidance to carry out the assurance engagement.

Assurance Provider	Bureau Veritas
Assurance Practitioner	Li ZHANG
Reporting Date	2025/02/25
Signature	





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