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Guangxi Nandan Nanfang Metal Company Limited

Silver Supply Chain Due Diligence Regulations

According to the requirements of the *London Bullion Market Association (LBMA) Responsible Silver Guidance*, and the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*, the *Silver Supply Chain Due Diligence Regulations (Third Edition)* of Guangxi Nandan Nanfang Metal Company Limited, are hereby formulated to combat systematic or widespread human rights violations, avoid conflicts, and comply with strict anti-money-laundering requirements to combat terrorism financing.

1. Scope

These Measures apply to all suppliers of mineral silver and recycled silver of Guangxi Nandan Nanfang Metal Company Limited (hereinafter referred to as ‘the company’). The silver sources involved in these measures include mineral silver, recovered silver and various forms of stored silver produced after 1st January 2024.


2. Terms and Definitions

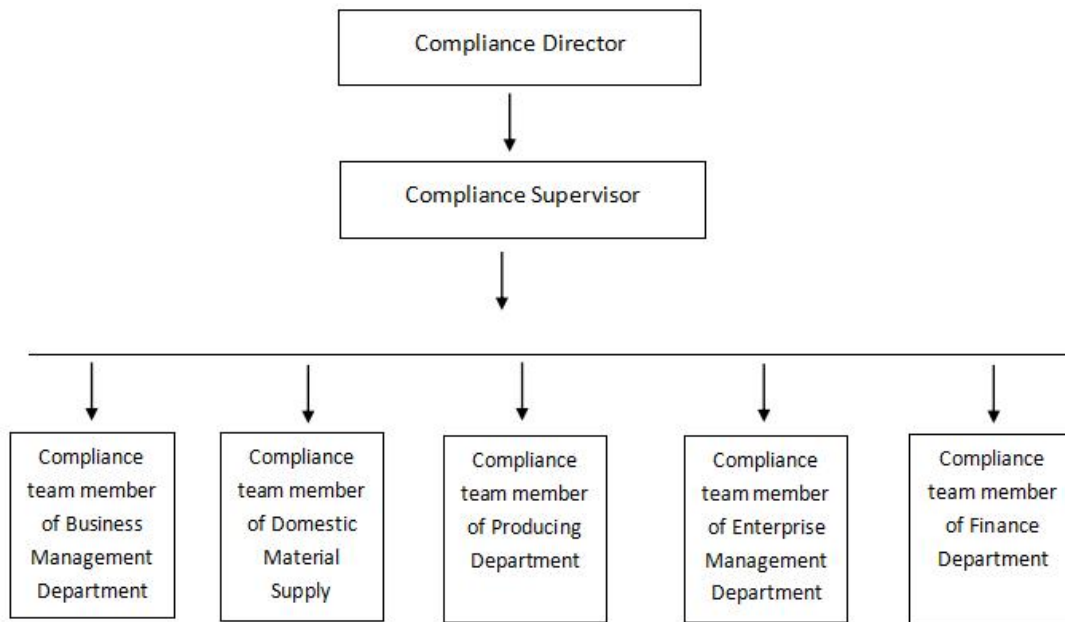
The terms and definitions involved in the Regulation are those described in the *London Bullion Market Association (LBMA) Responsible Silver Guidance*.

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:


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3.2. Responsibilities of various personnel

3.2.1. Responsibilities of Compliance Director

- 1) In charge of and be fully responsible for the silver supply chain due diligence work of the company.
- 2) Monitor and inspect the due diligence process in the silver supply chain and evaluate whether the due diligence is adequately conducted; if necessary, additional documents or information is required.
- 3) Takes appropriate actions to reduce and eliminate risks in the silver supply chain or transactions where risks have been identified.
- 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) Provide necessary and accurate information for the Company's senior

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management to fulfill their due diligence responsibilities.


- 6) To supervise and inspect and regularly participate in training on silver supply chain due diligence policy.

3.2.2. Responsibilities of Compliance Supervisor

- 1) Assisted the compliance director in arranging and carrying out the due diligence work of the silver supply chain of the company, assisted the compliance director in supervising and inspecting the due diligence process of the silver supply chain, and collected relevant information.
- 2) Regular training of employees on responsibility silver guidelines and supply chain due diligence policies.
- 3) Responsible for drafting and revising the company's silver supply chain related policies and guidelines.
- 4) Responsible for collecting and summarizing the opinions and suggestions of employees on due diligence of silver supply chain.

3.2.3. Responsibilities of Compliance Officer of Finance Department


- 1) Strictly implement supply chain due diligence measures and high-risk silver supply chain evaluation standards.
- 2) Be responsible for collecting and preserving sufficient silver supply chain documents.
- 3) Completely keep all transactions and financial documents of silver suppliers for a period of at least 5 financial years.
- 4) Evaluate the financial data of silver supplier and clarify the purpose and original intention information of their business relations.

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- 5) Be responsible for collecting and urging importers to complete corresponding due diligence reports.
- 6) Verify the qualifications of shipping agents and transportation companies, track and properly keep each shipping document, and analyze and evaluate the transportation routes through which the goods pass.
- 7) Conduct regular on-site investigations of major foreign suppliers.
- 8) Assist and encourage foreign suppliers to commit and confirm in writing that they comply with the provisions in Appendix II of the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High- Risk Areas*.
- 9) Be responsible for organization to participate in taking measures such as on-site/remote assessments to reduce risks until risks are eliminated in silver supply chains or transactions where risks have been identified.
- 10) Report to the Compliance Supervisor in case of abnormality in the due diligence process and silver transaction.
- 11) Regularly attends training on the accountability guidelines and supply chain due diligence policy.

3.2.4. Responsibilities of the Compliance Officer of the Domestic Material Supply Department

- 1) Strictly implement the supply chain due diligence regulations and high-risk silver supply chain evaluation criteria.
- 2) Be responsible for collecting and maintaining sufficient silver supply chain documents.
- 3) Be responsible for collecting and urging domestic suppliers to complete


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corresponding due diligence reports.

- 4) Verify the qualifications of shipping agents and transportation companies, track and properly keep each shipping document, and analyze and evaluate the transportation routes through which the goods pass.
- 5) Conduct regular on-site investigations of major domestic suppliers and domestic customers.
- 6) Assist and encourage domestic suppliers to commit and confirm in writing that they comply with the provisions in Appendix II of the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High- Risk Areas*.
- 7) Be responsible for organization to participate in taking measures such as on-site/remote assessments to reduce risks until risks are eliminated in silver supply chains or transactions where risks have been identified.
- 8) Report to the Compliance Supervisor in case of abnormality in the due diligence process and silver transaction.
- 9) Regularly attends training on the accountability guidelines and supply chain due diligence policy.

3.2.5. Responsibilities of the Compliance Officer of Business Management Department

- 1) Strictly implement the supply chain due diligence regulations and high-risk silver supply chain evaluation criteria.
- 2) Be responsible for collecting and maintaining sufficient silver supply chain documents.
- 3) Be responsible for collecting and urging domestic clients to complete


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corresponding due diligence reports.

- 4) Regular on-site investigations of major domestic clients.
- 5) Be responsible for collecting and urging exporters to complete corresponding due diligence reports.
- 6) Report to the Compliance Supervisor in case of abnormality in the due diligence process and silver transaction.
- 7) Regularly attends training on the accountability guidelines and supply chain due diligence policy.

3.2.6. Responsibility of compliance specialist of Enterprise management Department

- 1) Strictly implement the supply chain due diligence regulations and high-risk silver supply chain evaluation criteria.
- 2) Be responsible for collecting and maintaining sufficient silver supply chain documents.
- 3) Be responsible for verifying and recording the weight and assay results of each batch of silver products received, analyzing and evaluating whether the data are consistent with the supplier chain; if not, conduct detailed investigation and produce a written investigation report.
- 4) Retention of relevant samples which containing silver for at least 3 months.
- 5) Report to the Compliance Supervisor in case of abnormality in the due diligence process and silver transaction.
- 6) Regularly attends training on the accountability guidelines and supply chain due diligence policy.

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3.2.7. Responsibilities of the Compliance Officer of Producing Department

- 1) Strictly implement the supply chain due diligence regulations and high-risk silver supply chain evaluation criteria.
- 2) Be responsible for collecting and maintaining sufficient silver supply chain documents.
- 3) Be responsible for supervising the production and use of each batch of silver materials and makes corresponding records, and saves these records for at least 3 years.
- 4) Report to the Compliance Supervisor in case of abnormality in the due diligence process and silver transaction.
- 5) Regularly attends training on the accountability guidelines and supply chain due diligence policy.

4. Risk Silver Supply Chain Criteria

Regardless of mineral silver or recycled silver, the Company will identify risks in strict accordance with regulations in Appendix II of the *OECD Due Diligence Guidance 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 violations related to silver mining, transportation and trading, including the most serious forms of child labor, torture, inhuman and degrading treatment, widespread sexual violence or other serious crimes against forced human rights, war crimes, crimes against humanity or genocide.
- 2) Direct or indirect support to non-governmental armed groups, public or private

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security forces.


- 3) Cover up the real source of silver by bribery or fraud.
- 4) Failure to comply with government tax requirements regarding the extraction, trade and export of mineral products from conflict-a high-risk areas;
- 5) Money laundering and terrorism financing.
- 6) Contributed to the armed conflict.

When any of the above criteria exists objectively, the silver supply chain is judged to be risky. The compliance officer shall immediately prepare the information and report it to the compliance team leader, who shall collect and organize the relevant information materials and report them to the compliance director risk level of the risk supply chain by the compliance director and approve the risk level of the risk supply chain.

5. High - Risk Silver Supply Chain Evaluation criteria

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

- 1) Mineral silver or recycled 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 silver comes from a country with limited known reserves, silver resources, or expected silver production;
- 3) Recycled 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;

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- 4) Silver supply counterparties or its known upstream companies are located in a country with high risks of money laundering, crime and corruption;
- 5) Silver supply counterparties or its known upstream companies or its beneficial owners that have significant influence on it are politically sensitive person;
- 6) Silver supply counterparties or its known upstream companies actively participates in high-risk business activities, such as weapons, gambling, antique, artwork, religion and being a religious leaders;
- 7) Other high-risk situations recognized by the Chinese Government.


In case any of the above evaluation criteria exists objectively, the silver supply chain shall be evaluated as the high-risk supply chain. Department compliance officer shall immediately prepare materials and report to Compliance Supervisor. The Compliance Supervisor collects and sorts out relevant information materials and reports them to the Compliance Director. The Compliance Director shall collect and sort out the relevant information materials and report to executives of the Company and reapprove the high-risk supply chain with the authorization. Moreover, the Compliance Director shall implement all enhanced due diligence within a certain period of time and make corresponding countermeasures according to the *Silver Supply Chain Risk Mitigation Management Method*.

6. Due Diligence of Supply Chain

6.1. Principles

In order to effectively grasp the supply chain and assess risk, the company must perform supply chain due diligence in a risk-based manner before establishing a business relationship with any silver supplier. The risk assessment of the supply chain begins with the investigation of the origin of silver.

The Company will constantly carry out due diligence for the supply chain of silver, so

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as to ensure effective compliance with LBMA rules.


6.2. Procedure

6.2.1. 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.
- 6) Background investigation and filing of supplier's shareholder structure, qualification, license, credit, legal proceedings.

6.2.2. Additional survey requirements for silver from mineral silver

- 1) Obtain original information of silver.
- 2) If possible, obtain mining license information of the supplier.
- 3) If possible, obtain the import and export license information of the Supplier.
- 4) Collect and make an assessment on the information of mining situation.

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- 5) If possible, obtain mining capacity data.
- 6) When the mineral silver is derived from a manual or small mine, 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.
- 7) Improves the filing of material sources.


6.2.3. Additional survey requirements for silver from silver sources for silver recovery

If possible, collect and evaluate, information on policy actions of silver recovery providers on anti-money-laundering-counter-terrorism financing.

6.2.4. The addition of enhanced due diligence in high-risk situations requirements

Companies to determine the extent to which due diligence measures are implemented using a risk-based approach based on the type of supplier enterprise, business relationship, type of transaction, geographical location of the enterprise or transportation area. In response to higher risk situations, the company will take enhanced due diligence and take the following additional processing steps:

- 1) Field visits or visit the high-risk supply chain to verify that documented records of supply chain due diligence results are true.
- 2) For massive silver mining: verify the situation by using documents, data and information from credible independent sources, revenue owners and government monitoring list information for every business in the supply chain (including silver producers, middlemen, silver traders, exporters and carriers) from mines to refineries are required to be verified.
- 3) For silver mined by manual or small mines: verify the situation by using

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documents, data and information from credible independent sources, revenue owners and government monitoring list information for every business in the supply chain (including international silver traders and carriers), from silver exporters to refineries are required to be verified.

- 4) For Recycling silver: verify the situation by using documents, data and information from credible independent sources, revenue owners and government monitoring list information for every business in the supply chain (including carriers) from silver suppliers to refineries are required to be verified.


7. Transaction Supervision

Company reviews and supervises the silver transaction process throughout to ensure that the transaction is consistent with the company's understanding of the supply chain and risk forecasting. For supervision of transactions, a risk-based approach is used by the company.

The company requires the following information to be obtained and recorded for each shipment of silver received:

- 1) For mineral silver: estimated weight and test results (provided by the supplier); shipping/ shipping documents (if possible, delivery order, waybill, proforma invoice, etc.); import and export forms for high-risk transactions if possible.
- 2) For recovered silver: estimated weight (provided by the supplier); shipping/ shipping documents (if possible, delivery order, shipping list, proforma invoice, etc.); import/export forms for high-risk transactions, if possible.

The Company will verify that the above documents are mutually verified and consistent with the understanding of the supply chain. If there is an inconsistent transaction background, we will organize the investigation and obtain the written investigation results.

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8. Supply chain traceability system

The company has established a supply chain traceability system according to the requirements of LBMA. We collect and save the information provided by all suppliers, including offer, contract review form, contract text, report on transportation, weight and inspection, date of manufacture, warehouse entry time, settlement method and etc. Based on all the saved records, the raw materials of final products can be traced and vice versa. These records also enable to trace the purchase contract of each batch of products from each supplier and according to the contents of these contracts, they can help to trace the type of precious metal, purchase weight, analysis report and related due diligence documents and etc.


9. Assisting suppliers to establish due diligence system for silver supply chain

The company ensures that all raw material suppliers of silver understand and comply with the management requirements of LBMA, and ensure that suppliers promise in writing that there is no violation of OECD requirements. During the cooperation, the company will gradually assist suppliers to establish their due diligence system and help them improve their deficiencies in risk management and control.

10. Risk assessment report

The compliance director of the company submits the previous year's silver supply chain due diligence risk assessment report to the senior management of the company at the beginning of each year.

The senior management of the company retains ultimate control and maximum responsibility for the silver supply chain. Senior management carefully selects and supervises compliance director and gives he or she the necessary authority to fulfill responsibilities.

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Under the authority of senior management, compliance director of the company approves each new supply chain that is rated as high risk and re-decides on an annual basis whether to continue the business relationship with it.

11. Record retention

The Company collects and maintains sufficient verified documentation records of supply chain, evaluates risk requirements according to the standards of the supply chain due diligence system, proves that the company has fully and continuously completed the silver supply chain due diligence work, and establishes a sound traceability system.

The verified documentation records of supply chain are required to be kept for at least 5 fiscal years.


12. Training

The Company conducts regular due diligence policy training for all employees in the silver supply chain annually.

13. Information Communication Mechanisms

The Department Compliance Officer is responsible for regularly collecting and reporting the company's internal staff's opinions and suggestions on due diligence in the silver supply chain.

In daily silver trading and supply chain management, all employees of the company should report any irregularities or anomalies to the compliance officer of their department immediately; the compliance officer should report to the compliance team leader immediately after verification; Compliance team leader to organize the relevant materials to the compliance director, report to senior management in writing if necessary.

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If all employees of the company find violations or anomalies in their daily silver trading and supply chain management work that require anonymous reporting or reporting, they may send the reporting materials to qiang.pen@nanfangmetal.com by email. The company will appoint a special person to collect materials and report them to the company for processing.