

**Daye Nonferrous Metals Co., LTD.
Multi-metal Combined RGG and RSG
Compliance Report
(Year 2023)**

Daye Nonferrous Metals Co., LTD.

29th March 2024

Introduction

The LBMA Responsible Gold Guidance (hereinafter referred to as "LBMA RGG") and LBMA Responsible Silver Guidance (hereinafter referred to as "LBMA RSG") have been established for Good Delivery Refiners to adopt high standards of due diligence for their suppliers in order to combat systematic or widespread abuses of human rights, to avoid contributing to conflict and comply with high standards of anti-money laundering, combat terrorist financing practice, and to avoid non-compliance with environment, social and governance requirements.

This report summarizes how Daye Nonferrous Metals Co., LTD. has complied with the requirements of the LBMA RGG and LBMA RSG for the year ended 31st December 2023.

PART A. REFINER'S DETAILS

Table 1.

Refiner's Name:	Daye Nonferrous Metals Co., LTD.
Location:	115, Xialu Road, Xialu District, Huangshi City, Hubei, China
Reporting period:	1 st January 2023 to 31 st December 2023
Date of Report:	29 th March 2024
Senior Management Responsible for this Report:	Name: Zhang, Guangming Title: President

PART B. SUMMARY OF ACTIVITIES UNDERTAKEN DURING THE PERIOD TO DEMONSTRATE LBMA RGG and LBMA RSG COMPLIANCE

Table 2.

STEP 1: COMPANY MANAGEMENT SYSTEMS
<ul style="list-style-type: none"> We have fully complied with the requirement of Step 1: Establish strong company management systems.
1.1 Has the Refiner adopted a supply chain policy regarding due diligence for supply chains of gold and silver?
<p>Daye Nonferrous Metals Co., LTD. (hereinafter referred to as "Company" or "we"), which founded in 1953, is one of the top copper manufacturing companies in China. We are a large-scale enterprise with integration of mining, smelting, chemical engineering, and producing of rare precious metals. In February 2007, we were successfully registered at LBMA as a Good Delivery Refiner with our silver products. Then in June 2015, we were registered at LBMA as a Good Delivery Refiner with our gold products. The parent company, China Daye Nonferrous Metal Mining Co. LTD., listed at Hong Kong Stock Exchange (hereinafter referred to as "HKEx") in March 2012 with stock code 00661.HK. As a subsidiary, the Company should comply with the regulatory requirements of internal control and corporate governance, including HKEx Main Board Listing Rules, Appendix 27 Environment, Social and Governance Reporting Guide, and etc.</p> <p>We released the Daye Nonferrous Metals Co., LTD. Responsible Gold Supply Chain Due Diligence Management Policy in December 2014 and adopted this policy company-wide. On 29th October 2018, under the requirements of LBMA RSG, we updated and revised the Gold and Silver Supply Chain Due Diligence Management Policy and implemented it from the date of release. In 2022, the Company updated the policy, which in line with new requirements of LBMA Responsible Gold Guidance (Version 9).</p> <p>The core framework of the Gold and Silver Supply Chain Due Diligence Management Policy aligns with the LBMA RGG, LBMA RSG and OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Area (hereinafter referred to as "OECD due diligence guidelines"). Also, Gold and Silver Supply Chain Due Diligence Management Policy has included the tools such as Gold (Silver)-Bearing Material Supplier Due Diligence Flowchart, Gold (Silver)-Bearing</p>

Material Supplier Annual Additional Assessment Flowchart, the LBMA RGG (RSG) Questionnaire, the LBMA RGG (RSG) Checklist, LBMA Supply Chain Assessment Form and etc.

The policy has been made public on Company's official website in English (<http://www.dyys.com/dyys/lib/tempalte/scheme/images/637832058133877953.pdf>) and all relevant staff are informed.

1.2 Has the Refiner set up an internal management structure to support supply chain due diligence?

The Gold Supply Chain Compliance Committee was founded by the Company on 8th December 2014. Under the requirements of LBMA RSG, the committee was renamed as Gold and Silver Supply Chain Compliance Committee (hereinafter referred to as "Compliance Committee") since 2018. The Executive Director is the leader of Compliance Committee, and Mr. Yu, Hongqiang, the leader of Legal Affairs Department is the Compliance Officer. The members of Compliance Committee also include Managers or Deputy Managers of Commerce Department, Corporate Management Department, Finance Department, Internal Security Center, Legal Affairs Department, Internal Audit Department, Quality Control Center, Human Resource Department, and Production Management Department. All of them are professionally trained and experienced senior managers.

The Compliance Committee is responsible for: 1) review and approve Daye Nonferrous Metals Co., LTD. Responsible Gold and Silver Supply Chain Due Diligence Management Policy; 2) appoint Compliance Officer of gold and silver supply chain; 3) authorize the Compliance Officer to review the due diligence results and risk management strategy, and 4) supervise the implementation of risk identification, risk assessment, risk control and mitigation measures of gold and silver supply chains.

The responsibilities of the Compliance Officer include: 1) reviewing the due diligence results and risk rating results submitted by the gold (silver)-bearing material procurement departments; 2) reviewing risk migration strategies; 3) establishing supply chain communication and grievance channels and implementing relevant trainings; 4) and reporting major matters of responsible gold and silver supply chain to Board or Board Committee.

In March 2023, a training regarding gold and silver supply chain due diligence was arranged, covering laws, regulations and guidelines related to conflict minerals, LBMA Responsible Gold Guidance Version 9, LBMA Responsible Silver Guidance, OECD Due Diligence Guidance and LBMA Disclosure Guidance. Attendees from 13 departments all signed in and the training contents were recorded and documented.

The transactions of the Company are all paid through bank transfer, cash-based transaction is not allowed.

1.3 Has the Refiner established a traceability system over gold and silver supply chains, including chain of custody mapping and identification of supply chain actors?

<p>The Daye Nonferrous Metals Co., LTD. Responsible Gold and Silver Supply Chain Due Diligence Management Policy, in line with the LBMA RGG V9, provides guidance for determining origins of precious metal materials. The Company collects origins and counterparties' information through due diligence questionnaire, site visit report and transaction documents, such as contracts, customs declarations, waybills etc.</p> <p>The Company also keeps records of goods receipt, including supplier name, types of precious metal materials, country of origins, route of transportation, date and number of purchase orders, and etc.</p>
<p>1.4 Has the Refiner strengthened company engagement with gold and silver supplying counterparties, and, where possible, assisted gold and silver supplying counterparties in building due diligence capabilities?</p>
<p>According to the requirement of the LBMA RGG, LBMA RSG and Annex II of OECD Due Diligence Guidance, Company has adopted the Supplier Responsible Gold and Silver Commitment Letter. Gold (silver)-bearing material procurement departments are responsible for communicating with external counterparties on the requirements of LBMA RGG, LBMA RSG, and the Company's policies and procedures regarding responsible gold and silver supply chain management. We are in efforts to make sure the external counterparties understand and follow our policies and procedures under LBMA responsible gold and silver requirements. In order to decrease the engagement risks, Gold (silver)-bearing material suppliers are required to sign the Supplier Responsible Gold and Silver Commitment Letter before commencing of any business relationship. The commitment ensures that they acknowledge, understand, and comply with the LBMA RGG, LBMA RSG, and our supply chain policy as well as relevant requirements.</p> <p>All the suppliers have signed the Supplier Responsible Gold and Silver Commitment Letters in 2023.</p>
<p>1.5 Has the Refiner established a company-wide confidential grievance mechanism?</p>
<p>The Daye Nonferrous Metals Co., LTD. Gold and Silver Supply Chain Due Diligence Management Policy was uploaded to the Office Automatic System and is available to all employees through the intranet. On top of that, a company-wide grievance mechanism has been developed to enhance the gold and silver supply chain management. Employees are welcomed to voice their concerns via hotline, E-mail or mailbox anonymously. We have also published the Daye Nonferrous Metals Co., LTD. Responsible Gold and Silver Supply Chain Due Diligence Management Policy (English Version) on our official website. Anyone who raises concerns related to policies or identifies wrongdoings is able to reach the Company through the contact information published on our website. Personnel in charge of the internal and external grievance channels is responsible for recording the information received and providing feedback to the stakeholders based on ascertained fact independently.</p> <p>During the reporting year there was no grievances received regarding our supply chain.</p>
<p>STEP 2: RISK IDENTIFICATION AND ASSESSMENT</p>

- We have fully complied with requirement of Step 2: Identify and assess risks in the supply chain.

2.1 Does the Refiner have a due diligence process to identify risks in the supply chain?

In the Daye Nonferrous Metals Co., LTD. Gold and Silver Supply Chain Due Diligence Management Policy, we clarified the approach and procedure for gold and silver supply chain risk identification. According to the LBMA RSG, due diligence is performed on all materials regardless of their silver content. Materials containing less than 15% silver by weight (kilograms) may be excluded from the scope of the guidance. We fully documented the decision process leading to our conclusion that the material poses no risk of contributing to systematic or widespread abuses of human rights, does not contribute to conflict, and complies with high standards of anti-money laundering, combats terrorist financing practices and avoids non-compliance with environment, social and governance requirements.

Before signing the contract with new suppliers, we send out the LBMA Questionnaire – Mined Material or LBMA Questionnaire – Recycled Material to suppliers to obtain relevant information, which includes basic information, business scope, beneficial owner(s), management structure, financial details, human resource, material origin, facilities, and responsible supply chain policies and etc.

According to the collected information of suppliers, gold (silver)-bearing material procurement departments identifies potential risks in the supply chain. During risk identification, the following risk issues require more attention:

1. Whether mineral mining, transportation and transaction process passed through high-risk areas, conflict areas or sourced from World Heritage Site and areas with limited known reserves.
2. Systematic or widespread human rights abuses, such as labour abuse or child labour, associated with the extraction, transport or trade of gold and silver.
3. Directly or indirectly support to non-state armed groups or security forces, such as illegal extortion or taxation during mining, transportation, and transaction process.
4. Bribery and fraudulent misrepresentation of the origin of gold and silver.
5. Money laundering and terrorist financing, for example, if the actual controllers or important shareholders of suppliers also operate other high-risk business-like casino or diamond business, there may be money laundering risks.
6. All the other participating, promoting or contributing to conflict.
7. Use of mercury and other adverse ESG factors.
8. Ultimate Beneficial Owners are Politically Exposed Persons (PEPs) and etc.

For the year ended 31st December 2023, we have completed the risk identification of all suppliers following the steps above.

2.2 How does the Refiner classify identified risks in light of the standards of its due diligence system?

We defined the principles and procedures of risk assessment in the Gold and Silver Supply Chain Due Diligence Management Policy.

The assessment of responsible gold and silver supply chain is conducted with respect to Location Risk, Supplier Risk and Material Risk. The Location Risk involves the gold (silver)-bearing material originated or transported from a conflict-affected, international sanctions, World Heritage Site or human right abuse area. The supplier risks identification includes the determination of the counterparties and affiliated companies, and the verification on whether any suspicious transactions, money launderers, fraudsters or terrorists are involved. The Material Risk involves several risk issues, one of which is the route of gold (silver)-bearing material output, transit or transaction transport passes through areas of worldwide conflict or high-risk violations of human rights.

Gold (silver)-bearing material procurement departments are responsible for the risk assessment according to zero tolerance and high-risk indicators outlined in policies and LBMA RGG V9. If there is any evidence shows the possibility of high-risk supply chain, an enhanced due diligence (EDD) will be triggered.

In 2023, all suppliers were classified as low-risk suppliers. The results of risk assessment for all suppliers were recorded in LBMA Supply Chain Assessment Forms, including the basis of the assessment, the comments and date of the approval.

2.3 Has the Refiner undertaken EDD measures for identified high-risk supply chains?

Where high-risk supply chains were identified, an enhanced due diligence (EDD) will be triggered, with different measures and focuses in light of different type of materials. The Company undertakes an on-site visit at the location of the gold or silver origin to obtain more information and evidence. On-site Visit Reports for Mined material and Recycled material are adopted.

For gold and silver sourced indirectly from high-risk intermediate Refiners, the audited due diligence practices will be referred, and the Company applies risk management strategies accordingly. The Compliance Officer approves each new supply chain initially assessed as high-risk and revisits the decision on whether to continue with the business relationships annually.

For the year ended 31st December 2023, we completed the risk identifications and risk assessments of all existing suppliers that we engaged. No high-risk suppliers were identified in 2023, and as such no EDD was triggered.

STEP 3: RISK MANAGEMENT

- We have fully complied with step 3: Design and implement strategy to respond to identified risks.

3.1 Does the Refiner have a process to respond to the identified risks by either (i) mitigating the risk while continuing to trade, (ii) mitigating the risk while suspending trade or (iii) disengagement from the risk?

According to the result of risk assessment, the suppliers are classified as four levels: low risk, medium risk, high risk and zero tolerance. The Company adopts various risk management strategies for

<p>suppliers at different risk levels. If conclusive evidence proves that the supplier is involved in money laundering, financing of terrorism, encouraging conflict or human rights violations, direct or indirect support to illegitimate non-state armed groups, fraudulent misrepresentation of the origin of minerals and non-compliance with ESG requirements, the Company terminates trading and cooperating with the supplier immediately. In other cases, the Company suspends the cooperation until more information and evidence being obtained to prove that the risk level has been decreased to Media or Low.</p> <p>The Company reports the results of monitoring and evaluation of high-risk suppliers to the Board Committee and LBMA to decide whether to continue the cooperation with the suppliers.</p>
<p>STEP 4: INDEPENDENT THIRD-PARTY ASSURANCE</p>
<ul style="list-style-type: none"> • We have fully complied with Step 4: Carry out independent third-party audit of Refiner's due diligence practices.
<p>With the approval of the Board, we have entered into a service agreement with Deloitte Touche Tohmatsu Certified Public Accountants LLP (hereinafter referred to as "Deloitte") to carry out an independent third-party assurance on our compliance practices adhered to the LBMA RGG and LBMA RSG in 2023.</p> <p>Deloitte performed an independent third-party limited assurance engagement in accordance with International Standard in Assurance Engagements Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000). Deloitte and we agreed that a limited assurance is to be applied to year 2023. The Independent limited Assurance Report, the LBMA Responsible Gold and Silver Guidance Compliance Management Report, and LBMA RGG V9 COO Data Collection Form can be found in attached document.</p> <p>The assurance report is available to the public on Company's official website.</p>
<p>STEP 5: REPORT ON SUPPLY CHAIN DUE DILIGENCE</p>
<ul style="list-style-type: none"> • We have complied with Step 5: Report on supply chain due diligence
<p>We have issued Daye Nonferrous Metals Co., LTD. Refiner's Compliance Report based on the LBMA RGG and LBMA RSG to disclose our supply chain due diligence management for the year ended 31st December 2023.</p>

PART C. MANAGEMENT CONCLUSION

Table 3.

<p>Is the Refiner in compliance with the requirements of the LBMA Responsible Gold Guidance and LBMA Silver Guidance for the reporting period?</p>

As of 31st December 2023, we have followed the Gold and Silver Supply Chain Due Diligence Management Policy according to the management system of gold and silver supply chain. We have collected the information for due diligence, identified and assessed risk in supply chain, designed and implemented the risk management strategy, arranged the independent third-party audit of supply chain due diligence and compiled a report on supply chain due diligence. Therefore, we have fully complied with the LBMA RGG and LBMA RSG.

In the next phase of work, we are committed to continuous improvement on the basis of current gold and silver supply chain due diligence system. We aim to further integrate the responsible gold and silver supply chain process with our existing supply chain process more effectively.