



June 2013

**LBMA Responsible Gold Guidance –  
Summary Assessment Report  
For third-party audits based on ISO19011:2011**

<b>Company Name:</b>	Great Wall Precious Metals Company Limited		
<b>Reference Standard:</b> LBMA RGG	Other ref.: ISO 19011:2011		

Audit Team	
Team Leader:	Team Member:
Henry Teng	N/A

Type of Audit	Date of Opening Audit	Date of Closing Audit	Total n° of man/days
Full assessment Audit			
Assessment Review	18 January 2018	18 January 2018	One
Follow-up Assessment			

<b>Site(s) address(es):</b>	191 Huangjin Road, Wenjiang, Chengdu, China
<b>Refiner Contact Person:</b>	Name: Mr. Chen Jie
<b>Name, Title:</b>	Title: Deputy GM
<b>Email:</b>	e-Mail: <a href="mailto:540cj@163.com">540cj@163.com</a>
<b>Phone:</b>	Phone: +8602882755607

	Compliant	Non Compliance – risk level			
		Low	Medium	High	Zero Tolerance
<b>Based on the assessment conclusions, the overall rating of the Refiner’s performance is determined to represent:</b>	Yes				

<b>Is a follow up visit required? (in case of high risk non-compliance)</b>		No
<b>Date(s) of follow up visit:</b>		<b>Assigned auditor:</b>

**AUDIT SUMMARY**

**Basic Inputs**

This is an assessment review LBMA audit carried out by one auditor from Bureau Veritas Shanghai office who had carried the last audit as an auditor in Jan. 2017. Since the LBMA programme was introduced in the third quarter of 2013, the purpose of this audit was to ensure the LBMA requirement was implemented for all transactions in 2017.

The deputy GM and his team members attended the opening meeting to introduce the implementation status of supply chain management process. The LBMA compliance team is led by the Deputy General Manager, with three compliance team members including the production manager, sales manager and account manager. All members of the compliance team were interviewed to verify the level of compliance to the LBMA programme.



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Key activities such as re-cycle gold receiving for refinery process, warehouse and storage facilities were audited. The summary and individual gold transaction was documented in the computer system that was presented during the audit.

The number of gold supplying counterparties is re-confirmed that information provided in the application for LBMA audit such as number of gold supplies and number of transactions of gold-bearing materials received in the assessment period for purposes of Gold Refining is justified. The number of mined gold suppliers was reduced since some of suppliers in other province reluctant to provide valid certificate for refinery services. In fact most suppliers are classified as low or medium risk suppliers that no high risk gold supplying counterparties is found during the audit.

Time allocated time for the audit was found adequate to complete the audit process in time.

**Description of the company activities [mandatory for all audits]:**

The company is a state owned company with over fifty years for production of gold bars refinery process for the China Central Bank (China Peoples' Bank). Since gold bars production and refinery process are controlled by the Chinese government, all transactions from gold mining, casting, refinery, packaging, distribution, import and export must be reported to authority and registered under the government institution.

The business process of the company is mainly to provide re-cycle gold and silver metal refinery services for foreign and domestic banking institutes. Because of the equipment and facility including testing methods are well developed and installed by the company, the company is also able to provide testing services to customers to determine the gold content percentage of gold bar. For example, customers may supply re-cycle gold bar to the company for refinery and then to ensure international standards for gold bar are met for trading.

The company and factory are also certified to meet ISO 9001, ISO 14001 and OHSAS 18001 standards and subject to regular and routine audit by third party.

**Manual adequacy:**

Key clauses in LBMA Responsible Gold Guidance are addressed in the LBMA compliance policy statement that is prepared by the LBMA compliance committee.

Since the company is a state owned company, 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**

1. The company has developed the LBMA compliance policy regarding due diligence for supply chain of gold since April 2014. This policy was written in both Chinese and English that was published in the company web site available to public during audit. The policy provides an overview of the management system governing the due diligence policy for gold supply chain.
2. In order to implement the LBMA compliance policy, the LBMA compliance committee is set up in the beginning of the year 2015 to define policy and strategy for implementation. Trainings for key persons as well as management team are also provided that effectiveness of training is evaluated by questionnaire and examination. The refresh training was provided once a year. All the training records for year 2017



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were kept well.

3. Since the company has provided gold refinery services for more than twenty years, the company has already established a system to register all gold materials received for refinery process. Individual customers and company accounts for domestic or foreign bankers are also established by using individual record books. Individual customers who request for gold refinery process must declare the sources of gold coming from and also provide personal information for traceability.
4. A gold supply inventory system is also established to record down the quantity of gold received and also the actual quantity of pure gold after in-coming inspection and testing. The delivery quantity of gold bar or gold coins is also recorded down in the inventory record book. For example, for domestic and foreign banking institutes, gold bar certificate with unique identification number is provided that number is also stamped on the individual gold bar.

**STEP 2: Identify and assess risk in the supply chain**

1. Risk assessment process was established for the LBMA gold supply chain compliance policy. Since the company is a state owned facility to server the China Peoples' Bank, the risk involved for money laundering and terrorism finance was minimized in general. Risk assessment involved the checking of gold sources from private individual clients, business registry of company, and certificate from overseas supplier. All the 12 suppliers have been given risk assessment during the year 2017
2. Risk assessment for most of private gold suppliers was conducted since the gold supply chain due diligence policy was established. The two trading company provided customs certification for each transaction, the two local mine provide mine operation permit/licence. Risk assessment process was documented and formally published with revise version number and date.
3. Risk assessment reporting and results were presented to the top management that overall results were found in order.

**STEP 3: Design and implement a management strategy to respond to identified risks**

1. Since the company is a state owned company that most customers are domestic and foreign banking institutes, the company has no problem that riks migation was involved so far. Risk mitigation strategy was document, and formally published with revise number and date. Also, this document was integrated into the document control system.
2. Since no risk case fouded, no follow up on improvement plan was avaiable during the assessment perod of year 2017.

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

This was an assessment review LBMA third party audit, the last audit was conducted in Jan. 2017. The data is available from Jan. 2017 to Dec. 2017 for audit, The company has made good effort to prepare for the assessment and provide relevant information to demonstrate the compliance of LBMA requirements.

**STEP 5: Report on supply chain due diligence**

This was an assessment review LBMA third party audit in Jan.2018 for the period of January to December 2017. The last full initial audit was conducted in Jan. 2017, the audit summary report will be published on website of



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ASSESSMENT CONCLUSIONS						
CATEGORY	SUBCATEGORY	Compliant	Non compliance – risk level			
			Low	Medium	High	Zero Tolerance
<b>General Information</b>		Yes				
<b>Step 1:</b> Establish strong Refiner management systems	<b>1.1</b>	Yes				
	<b>1.2:</b>	Yes				
	<b>1.3</b>	Yes				
	<b>1.4</b>	Yes				
	<b>1.5</b>	Yes				
<b>Step 2:</b> Identify and assess risk in the supply chain	<b>2.1</b>	Yes				
	<b>2.2</b>	Yes				
	<b>2.3</b>	Yes				
<b>Step 3:</b> Design and implement a management strategy to respond to identified risks	<b>3.1</b>	Yes				
	<b>3.2</b>	Yes				
<b>Step 4:</b> Arrange for an independent third-party audit of the supply chain due diligence	<b>4.1</b>	Yes				
<b>Step 5:</b> Report on supply chain due diligence	<b>5.1</b>	Yes				
<b>Based on the above assessment conclusions, the overall rating of the Refiner's performance is determined to represent:</b>		Yes				

Assessment scope:	
<i>Refiner location(s) included in the assessment scope</i>	Refiner Location: 191 Huangjin Road, Wenjiang, Chengdu, China  Assessment Scope: Refinery of Gold Bars and Coins.
<i>Assessment Period</i>	January 1 to December 31 2017
Assessment methodology:	



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Documentation

The audit was conducted by document and record review, observation and interview. The LBMA policy was reviewed on site. Samples of records including gold bars receiving and inventory record, finished goods such as gold bar delivery orders were also checked on site. These records were selected from the gold receiving and delivery log books for various suppliers in 2017.

Factory visiting

The auditor visited the main production lines within the factory compound. The company has one two storages production building, the ground floor is used for casting and production, the first floor is for office administration functions as well as laboratory and testing facility. The office building was expanded to provide more office space in 2016. Gold storage for receiving materials and finished goods, casting room, assembly workshop were visited during the audit. The factory was set up for more than twenty years ago where the factory was relocated to present site.

Interview

The persons in charge for customer services, production planning and gold mixing process, finance and accounting who were members of the LBMA compliance committee were interviewed together with the deputy general manager.

Records

The gold receiving record in the sales office was checked. So far in the whole year of 2017, total of around 13.6 tons of gold received for refinery process. Over 6.2 tons were received from SGE for gold products, 5.47 tons of gold were received from two trading companies who provide gold bars owned by overseas banking institutes for refinery to fine gold (99.99 percent of gold contents) to meet international trading standard. The third category of gold supplier is local banking institutes or company account. The fourth category of gold supplier is six local mine operators. So far total of 12 active suppliers are registered and access for risk management that all suppliers are classified as low risk.

Refined gold bars bearing with company logo are also marked with unique number for delivery. For example, 66 pieces of 3KG gold bars with unique number AY1700234 to AY1700299, and other 1KG gold bars with unique number bearing AX17XXXX and Great Wall logo were checked. Secondly, delivery records for one of trading companies for several shipping orders in Nov. 2017 were also checked. For example, 333 pieces of 3KG gold bars with unique number YT905891~YT906223.

Sampled gold incoming records, on Aug.14, 77.883g with test report NB1283-2-2017; on Nov. 24, 189,604.4g with test report NB2300-1-2017; on Dec.22, 101,366.2g with test report NB2506-2017.

The gold inventory record in warehouse was also verified. Total of 9.5 tons of gold transaction were recorded in the registry. The amount of gold including 7 tons of gold for refinery, 2.5 tons for pure trading with Shanghai Gold Exchange on behalf clients. The total quantity of gold in warehouse matched to the record in the trading and sales department in office.

**Any significant or inherent limitations or areas not covered that were within the assessment scope:**

Since the company is also able to provide added service for industrial products such as produce of gold plate and welding coils, this activity was not covered in the current assessment scope.



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**Assessment criteria:**

The auditor had reviewed 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 to make 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 Gold Programme for the responsible sourcing of gold-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: 18 January 2018