2024

2024/01/01-2024/12/31

Company Name	Guangxi Nandan Nanfang Metal Company Limited
Location	Nandan Industrial Park, Hechi, Guangxi, China
Reporting year-end	2024 12 31 December 31st, 2024
Date of Report	2025 2 6 February 6, 2025
Senior management responsible for this report	Mr. Tao Jing Compliance Director Mr. Qiang Pen Compliance Supervisor

Guangxi Nandan Nanfang Metal Company Limited was founded in 1996, with a registered capital of 1.48 billion yuan and a total asset of 7.1 billion yuan. It is a large private enterprise which integrates mining and mountain development, non-ferrous lead, zinc, copper, antimony smelting, international trade, technology research and development, and comprehensive recovery of resources. The main products of the company are the national standard 1 # electrolytic lead, the comprehensive recovery of silver, gold, zinc oxide, antimony, bismuth, sulfuric acid and other by-products. At present, the company covers more than 2,000 mu and has more than 1,000 employees. The company has the production capacity of lead, silver, antimony and bismuthamong the top three in China, and is the largest non-ferrous metal processing enterprise in Guangxi.

The company passed the ISO9001 quality management system in 2002, the ISO14001 environmental management system and the OHSAS18001 occupational health system certification and obtained the certification certificate in 2012 and passed the ISO45001 occupational health system change certification and obtained the certification certificate in 2020.

The Company conducts supply chain due diligence for all suppliers, and requires their silver to be legal and compliant.

This report summarizes the compliance of Guangxi Nandan Nanfang Metal Company Limited to the requirements of the London Bullion Market Association (LBMA) Responsible Silver Guidance, from January 1, 2024 to December 31, 2024.

We have fully complied with the first step: Established a strong management system.



The company released the first edition of the *Silver Supply Chain Due Diligence Policy* and the *Silver Supply Chain Due Diligence Procedures* on July 1, 2019, in accordance with all threatening financing risks and ESG factors according to Step 1.1 of the LBMA Responsible Silver Guidance, and the requirements for listed risks of Annex II of the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*. During this period, we have continuously improved these documents. The company is committed to strictly complying with national laws and regulations regarding employee rights, environmental protection, fair trade, and other relevant areas, and actively participates in silver supply chain due diligence. We maintain a zero-tolerance stance towards any form of "torture or inhuman and degrading treatment," "forced or compulsory labor," "the worst forms of child labor," "widespread sexual violence or other serious human rights violations," and "war crimes, crimes against humanity, or genocide" in the production and trade of silver.

The Silver Supply Chain Due Diligence Management System

the silver supply chain, identifying management positions and corresponding responsibilities, including a compliance director, a compliance supervisor and six compliance officers. Due to the company organization structure and changes of personnel in 2024, the compliance team members of the company has adjusted accordingly as specific below: the company's compliance director is Jing Tao, deputy general manager of the group. The compliance supervisor is Pen Qiang, section chief of enterprise safety and environment management section which subjects to enterprise management department. The compliance officer of finance department is Qin Zhijian, Su Shaojin. The compliance officer of the business management department is Yang Guixiong.The compliance officer of the domestic material supply department is Li Yuxin. The compliance officer of the enterprise management is Meng Yingning. The compliance officer of the production department is Qin Jia. The Compliance Director Jing Tao possesses extensive management experience. He has successively won the excellence award in the Guangxi Industrial Innovation Competition, the title of Guangxi craftsman, the first frize for Guangxi Scientific Progress, obtained 3 scientific and technological achievements, obtained 3 national invention patents,obtained 3 utility model patents, and 3 design patents. He has held and participated in the implementation of 11 scientific research projects (programs), including 2 national scientific research projects (programs), 6 regional-level scientific research projects (programs), and 3 municipal-level scientific research projects (programs). He has published 4 thesis in national and provincial-level journals. He is responsible for providing adequate human and financial resources for silver supply chain responsible procurement management system construction. The compliance supervisor Pen Qiang is well-versed in responsible supply chain policy and has years of experience in system management. He holds CCAA-registered qualifications as an auditor for quality, environmental, occupational health and safety, and energy management systems. He is responsible for overseeing the implementation of a process .Their diligence

Responsibilities of Chairman:

1) Based on national laws and regulations, customer and industry requirements, as well as applicable international standards, be responsible for establishing, implementing, and maintaining the company's due diligence management for the silver supply chain.

2) Appoint compliance officer to responsible for silver supply chain matters.

3) Evaluate and supervise relevant departments and personnel who responsible for the system.

4) Establish an internal accountability system or equivalent mechanism to ensure the effective implementation of the system; evaluate whether key information, including company policies, has an effective structure and communication process to convey to relevant employees and silver supply chain counterparts.

5) Coordinate the resolution of resource requirements and arising issues during the implementation and operation of the due diligence management system.

6) Be responsible for organizing the review, approval, and management of [illegible] information related [illegible]

7) Be responsible for approving whether to collaborate with supply chains/suppliers initially assessed as high-risk, organizing annual re-evaluations and approve whether to continue business cooperation, contract signing, and review supplier.

8) Conduct at least one annual evaluation of the effectiveness of the silver supply chain due diligence policies and processes to drive continuous improvement.

Responsibilities of Compliance Director:

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

2) Review the silver supply chain due diligence processes and systems to meet RSG’s objectives and the company's risk management requirements.

3) Ensure that key information, including company policies, has an effective structure and communication process to convey to relevant employees and silver supply chain counterparts.

employees o[redacted] sup[redacted]

The company annually incorporates supply chain due diligence management and LBMA Responsible Silver Guidance training into the Compliance Team's training plan. Through training sessions, meetings, and, when necessary, external instructors, the company organizes training for its compliance team members and suppliers. The training content includes the *LBMA Responsible Silver Guidance*, *LBMA Responsible Sourcing Disclosure Guidance*, and supply chain risk assessment tools such as relevant sanctions lists, the Dodd-Frank Act, the EU CAHRA list, the Heidelberg Conflict Barometer, the Fragile Country Index or similar index, and reports of the Financial Action Task Force (FATF). This ensures that relevant company personnel and compliance team members are familiar with the *Management Measures* and the *LBMA Responsible Silver Guidance*, etc.

In 2024, a total of two training sessions were organized, with the timing and content as follows: In May 2024, We organized to study the *Silver Guidance (Second Edition)*/e♣ D א

various stages of mineral trade.All personnel involved in raw material procurement, import/export management, financial management, and enterprise management functions participated in the training, achieving a 100% attendance rate among relevant staff. Through the training, we deepened our understanding of supply chain risks and clarified the measures to be taken in the event of risks. Attendance was recorded for all training sessions, and original training records were retained.

All business of our company is collected and paid through bank channel, without any cash transaction. Payments are made through the online banking system of the company's primary account, and bank receipts are printed and retained as supporting documents for at least five years. These transactions are monitored by both the bank and national tax authorities, and the company undergoes an annual financial audit.

The company retains copies of supplier business licenses, mining certificate, and other qualification verification documents. We also keep records such as supplier due diligence forms, weight slips for each batch, original moisture measurement records, original testing records, test reports, and settlement documents, all of which are preserved for more than five years.

On October 15, 2024, the compliance investigation team held a meeting and discussed the company's due diligence policy and the implementation of supplier due diligence activities in 2024. The members of the compliance team attended this meeting.



The company has designated Pen Qiang from the Enterprise Management Department as the Compliance Officer, he is responsible for all matters related to supply chain due diligence management. In particular, it includes reviewing supply chain due diligence, assessing the adequacy of the due diligence, and, when necessary, collecting additional documents or information to ensure appropriate measures are taken for high-risk supply chains or transactions. Pen Qiang is also responsible for employee training on o ompliance chains, developing and updating supply chain Mlicies, and Moviding Senior Management With appropriate information To fulfill their duties.

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The 34 suppliers in the]u



company will be securely stored to s

and Assessment of Supply Chain Risks in the LBMA Responsible Silver Guidance. It has established criteria

the Domestic Material Supply Department and the Finance Department conduct compliance investigations on suppliers by sending out questionnaires to gather relevant information and documents, including the supplier's basic information, business activities, management structure, financial details, and responsible silver supply chain practices.

The *Silver Supply Chain Due Diligence Regulations* defines supplier risk identification methods, covering all risks of silver materials from origin to refineries.Through the *Supplier Due Diligence questionnaire*, risks are identified in three areas: location risk,

supplier risk, and material risk. Before eng

The identification method includes: 1) Establish the supply chain customer files with the help of the LBMA questionnaire, including: enterprise name, legal representative, address, contact information, production mode, operation mode, transaction contract, etc.; 2) Regularly check and evaluate the existing supply chain customers with the help of the LBMA supply chain assessment form. If there are new or changed customers, their files should be timely updated to keep the archives database up to date 3) Uses the documents, data or information provided by the government judicial publicity platform and the third-party commercial information inquiry platform to verify its identity, identify every customer, enterprise and enterprise income owner,

and determine that every customer, enterprise and enterprise income owner in the supply chain is not on any government's money laundering, fraud or terrorism wanted list. Regularly obtain details of commercial and financial aspects of supply chain customers, silver trading purposes and business operations of supply chain customers.

needs to conduct a separate risk assessment on each supplier according to the results of the supply chain risk identification, fill in the risk assessment form, signed by the relevant Compliance Officer, and finally approved by the Compliance Director. There are two kinds of risk assessment results, high risk and non-high risk.

For high-risk suppliers, we will stop trading, seal all products and conduct due diligence immediately. Field visit or visit the high-risk supply chain, verify whether the supply chain due diligence result documents are true, and issue the site audit report after the investigation.

transactions and report the results to the Compliance Director. There is no conformity to the transaction monitoring control in this audit year.

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1. Conduct proportional KYS activities for every company in the conflict-affected high-risk supply chain—from mine to uکر

[redacted]

The EDD measures for high-risk recycled silver sourced from intermediate refiners shall include, but are not limited to, the following:

1.Obtain an independent assurance report on the intermediate refiner's responsible sourcing practices, ensuring compliance with applicable standards and providing necessary explanations. The assurance process shall:

a. Include an assessment of adherence to the OECD Responsible Sourcing Program;

b. Be commissioned and completed by the intermediate refiner prior to establishing a new business relationship.

2.Verify the identity of the intermediate refiner's Ultimate Beneficial Owner (UBO).

3.Refiners indirectly sourcing silver from intermediate refiners (e.g.

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We have fully complied with step 3: design and implement a management strategy to address identified risks.

To mitigate risk while continuing trading: when the supplier's assessment is at low risk, we continue to obtain silver raw materials from the supplier, gradually improve its investigation data in the process of cooperation, and gradually assist suppliers to establish their due diligence system. Help them to establish and improve risk control deficiencies.

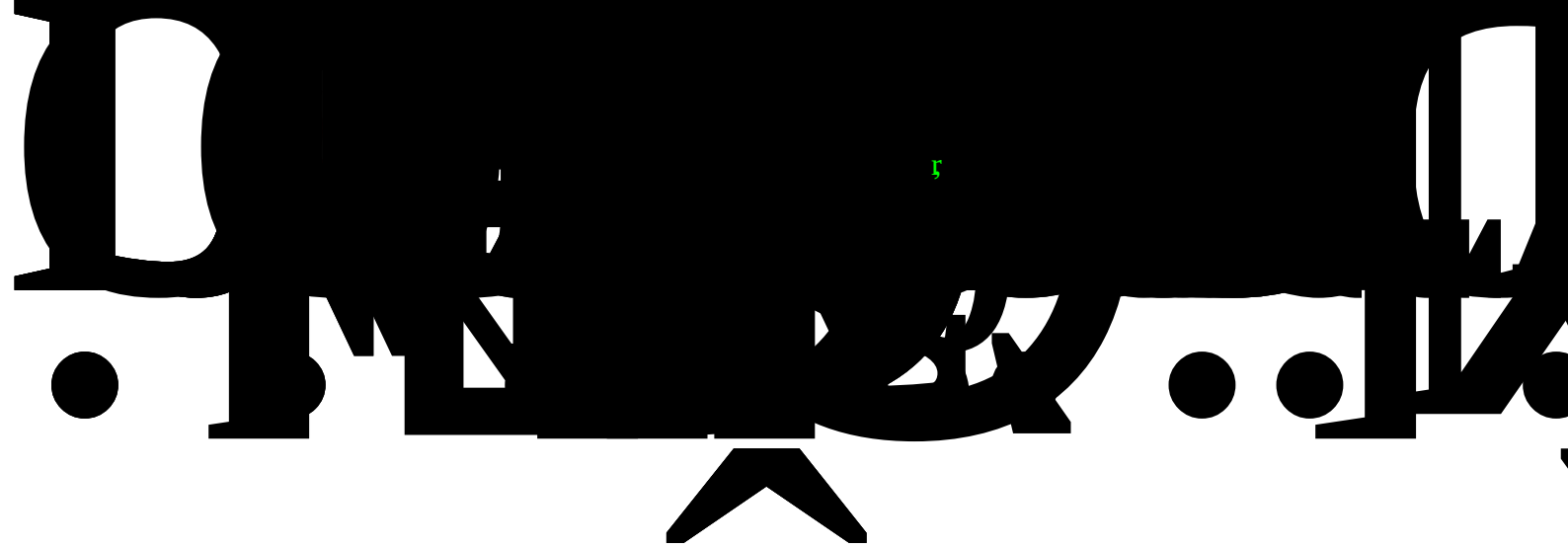
Mitigation of risk when suspending transactions: when working with a low-risk supplier, it is found that the possible risk causes the supplier to become a medium-risk supplier, suspend cooperation with the supplier without a definite result, and investigate the suspicious risk until the risk is identified as a low-risk supplier, and then deal with the result. When the assessment is medium risk, suspending cooperation with the supplier while isolating incoming materials. Within the specified time limit, the supplier corrects the risk item, if it removes the risk, we will resume the transaction, if the rectification fails to

meet the requirements or cannot relieve the risk, we will finally stop cooperating with the supplier.

Stop transaction and break away risk: if a supplier is assessed as high-risk or if high-risk issues are identified during collaboration,we will stop cooperation with it, The assessment report and high-risk issues will be reported to the Compliance Director/Chairman, who will approve the disqualification of the supplier.

According to the Silver Supply Chain Risk Mitigation Management Method, if the results of due diligence are at low risk, but there is still a slight nonconformity, as long as that company has adopted a clear performance target improvement strategy within the specified time range, we will continue to obtain silver raw materials from it. If the due diligence submission of the silver supply chain is incomplete or unwilling to cooperate, there is a high risk of money laundering, terrorist financing, fulling conflict and human rights violations. We will immediately stop obtaining silver raw materials from them until other information or data can prove their low risk.

During the reporting audit year, in addition to reviewing all supplier due diligence data, we conducted site visits to all suppliers in mainland China and conducted survey interviews with their employees, all suppliers are low risk.



The raw material purchasing department collects all changes in supplier information [redacted] each year, continuously monitors transaction results and conducts annual supply chain due diligence reassessment to determine whether to continue to cooperate. Each batch of silver raw materials purchased is monitored by the company's internal process during transportation, warehousing, production and payment.

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with our report can be found on the company websites as follows:https://www.nanfangmetal.com

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We implemented effective management systems, procedures, processes and time in our annual report as of December 31, 2024 to meet the requirements of the LBMA Responsible Silver Guidance.

We are committed to continuous improvement and will regularly monitor all corrective actions found internally. Continuously meet the requirements of the LBMA Responsible Silver Guidance.

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If the parties have any objection to our Compliance Report or any suggestions for fe