

**RGG & RSG Compliance Report of Gold and Silver
(2020)**

For

YUNNAN COPPER CORPORATION LTD.

April 30, 2021

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1. Introduction

LBMA Gold Responsible Guidance (hereinafter referred to as LBMA RGG) and LBMA Silver Responsible Guidance (hereinafter referred to as LBMA RSG) are reliability guidelines established by LBMA for refineries on the Good Delivery List to comply with the OECD Due Diligence Guidance for Responsible Supply Chain of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance). The purpose of using high standards to conduct due diligence on suppliers is to respond to risks of war, widespread violation of human rights, money laundering, terrorist acts or environment in the supply chain, improve the level of enterprise management, establish a reliable supply chain, and prevent enterprise operation from being affected by supply chain risks.

This Compliance Report summarizes how Yunnan Copper Corporation Ltd. (hereinafter referred to as: Yunnan Copper or YCC) has complied with the requirements of LBMA RGG and LBMA RSG in 2020.

Name of Company	Yunnan Copper Corporation Ltd.
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2. Company Profile

Yunnan Copper was listed in Shenzhen Stock Exchange in 1998. The former of YCC was Yunnan Smelter which was approved and built during the 1st Five-Year Plan period. YCC manages 11 copper mines and 6 copper smelters, and YCC industry chain engages mainly in mining, ore-dressing, smelting and etc. It is the only one listed company under Chinalco Group and China Copper for copper business (Stock Name: Yunnan Copper; Stock Code: 000878). In 2020 Year. YCC have registered capital of RMB 1.699 billion, total assets of RMB 39.838billion, net assets of RMB 11.776 billion, operating revenue of over RMB 88.239 billion, and over 10000 employees.

YCC's major products include copper cathode, gold and silver. It can also recover various rare and precious metals, such as Se, Te, Pt, Pd, In, Re and so on. With strict quality control, all major products are organized and produced strictly according to international standard ISO9001 Quality Management System. Among them, "Tie Feng" Brand of Copper Cathode has been registered and dealt in Shanghai Metals Exchange (SME) and London Metals Exchange (LME). "Tie Feng" Brand of Gold Ingot has been registered and dealt in Shanghai Gold Exchange (SGE). "Tie Feng" Brand of Silver Ingot has been registered and dealt in LBMA.

Up to now, smelting block has achieved annual production capacities: 110,000 tons of copper in Cu concentrate, 1,300,000 tons of high purity copper cathode, 5,000,000 tons of industrial sulfuric acid, 16 tons of gold and 1,300 tons of silver.

The smelting production capacity ranks in the forefront of the domestic copper industry. The output of gold is 16.90 tons and silver is 621.68 tons in 2020.

YCC already got ISO9001: 2015 system certification and ISO14001: 2015 system certification, the production and processing authorization includes cathode copper, gold, silver, and sulfuric acid. In addition, YCC also got ISO45001: 2018 system certification of occupational health and safety management system.

The sourced gold and silver bearing materials include copper concentrate, copper matte, blister copper, anode copper and high purity copper cathode.

3. Summary of Compliance Activities

Step 1: Establishment of Strong Supply Chain Management System

Declaration of compliance

For the year ended of December 31, 2020, we were fully in compliance with the requirements of Step 1: Establishment of Strong Supply Chain Management System.

Implementation Rules for Gold/Silver Supply Chain Management for Yunnan Copper are the Yunnan Copper due diligence management policy and announced publicly implementation. The due diligence management policy, of which the core framework is consistent with the LBMA RGG, LBMA RSG and OECD Due Diligence Guidance for Responsible Supply Chain of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance).

Internal Management Organization Structure: in accordance with “YCC Gold

Supply Chain Management Regulations", YCC established Gold Supply Chain Management Organization on April 2, 2018. According to the requirements of LBMA RSG, "YCC Implementation Rules of Gold and Silver Supply Chain Management" was revised on March 11, 2019.

On the basis of above policy, the Gold and Silver Supply Chain Management Organization (hereinafter referred to as the "management organization") was established. The leaders in charge of marketing work acts as team leader of the management organization, and the members include: compliance risk control specialist from YCC; compliance specialist from manufacturing enterprise; compliance specialist from marketing company; compliance specialist for imported raw material; compliance specialist for domestic raw material; and raw material business compliance specialist. And Mr. Shi Chunke from the Marketing & Settlement department handles daily affairs as YCC compliance risk control specialist.

The main responsibilities of the management organization:

- 1) To be fully responsible for all issues of the company's gold and silver supply chain;
- 2) To review YCC compliance report of gold and silver supply chain and other externally released reports;
- 3) To review results of due diligence and risk management strategies;
- 4) To supervise implementation of risk identification, risk assessment, risk control and risk mitigation measures for gold and silver supply chain;

5) To draft and update gold and silver supply chain management policies, and regularly train employees.

The responsibilities of the relevant departments in the gold (silver) supply chain: the gold (silver) materials purchasing department is responsible for conducting due diligence on domestic and foreign suppliers of gold (silver) materials.

The due diligence management policy includes: to carry out due diligence information collection, risk identification, risk assessment and classification, and risk mitigation strategies; to report major issues of compliance management of the gold and silver supply chain to the compliance officer of the company; to promote and implement the company's gold and silver supply chain management policies and procedures to suppliers; to archive materials and documents during supplier due diligence. In addition, the due diligence management policy also defines the responsibilities of the Yunnan Copper's management departments, manufacturing enterprises, marketing companies, personnel of imported raw materials & domestic raw materials, and raw materials salesman.

The due diligence management tools includes Notification to Supplier, Yunnan Copper's Gold/Silver Supply Chain Questionnaire, Yunnan Copper's Gold/ Silver Supply Chain Due Diligence List, LBMA Gold and Silver Supply Chain Evaluation Statistics Table, and other tools.

Supplier participation and transaction traceability: in accordance to LBMA RGG and LBMA RSG requirements, KCC informs the new suppliers of the company's

supply chain management policy, and evaluate their supply chain accordingly before signing the trade agreement. As part of the ongoing due diligence, the gold (silver) materials purchasing department continues to focus on the transaction risks, and conduct a continuous risk assessment after signing purchase contract. At the beginning of the year, the gold (silver) material procurement department collected changes in supplier information and conducted due diligence on the previous year's supply chain to determine whether to change supplier risk management strategies. YCC's main products produced from copper pyrometallurgy include copper cathodes, gold and silver. There are total ** suppliers of gold and silver materials purchased in 2020 referred to this report, of which, ** are domestic suppliers and ** are foreign suppliers; All the domestic and foreign suppliers are copper concentrate suppliers.

Material control: according to the manage requirement, we control the producing material by keeping the key traceable documents well recorded, such as freight notes, incoming inspection records, purchase contracts, customer information. For gold (silver) material suppliers in 2020, we conducted due diligence on all existing suppliers in a risk-based manner. Detailed documentation related to supplier risk assessment and transactions was well maintained. All due diligence results were reviewed and approved by the compliance risk control specialist and the head of the compliance management organization.

Cooperation with suppliers: according to the requirements of Annex II of the LBMA RGG, LBMA RSG and OECD Guidance, the Yunnan Copper has communicated the gold and silver supply chain policy to all the suppliers. The purchasing department is responsible for communicating the requirements of the LBMA RGG and LBMA RSG and the Yunnan Copper 's policies and procedures for responsible due diligence in the gold and silver supply chain, also in charge of signing the purchase contract. KCC is working to ensure that external counterparties promptly understand and comply with the LBMA's new policies and procedures for responsible gold and silver sourcing.

Training and communication mechanism: to help all personnel involved in the gold and silver supply chain to have an in-depth understanding of the content, methods and procedures of supplier due diligence. Due to the influence of the COVID-19 epidemic, On April 20, 2020, the company's marketing & settlement department held a gold and silver supply chain management training session through telephone, studied YCC due diligence management policies, introduced the international sanctions, the sanctioned countries, high-risk regions, etc., discussed problems occurred during due diligence, and requested the purchasing department to improve.

The Complaint System: the supply chain management policies and annual compliance reports are available on the company website. Suppliers can submit feedback and opinion on supply chain risks, supply chain policy system and operation performance according to published contact information.

Step 2: Risk Identification and Assessment on Supply Chain

Statement of compliance: in the year ending December 31, 2020, we fully complied with Step 2: Risk Identification and Assessment on Supply Chain.

Risk identification: the due diligence management policy specifies the methods to be followed in the actual implementation of gold and silver supply chain risk identification.

According to information of suppliers collected, the gold (silver) material purchasing department carried out supplier risk identification on: whether the mining, transportation and trading processes of mineral products pass through high-risk areas or conflict areas; systematic or widespread violations of human rights, such as the abuse of Labour or child Labour in the exploitation, transportation or trading of gold and silver; direct or indirect support for non-state armed groups or public or private security forces, such as illegal extortion or taxation in the course of mining, transportation and transactions; bribery and false reporting of the origin of gold and silver.

In April 2021, we completed the due diligence and risk identification of the supply chain of all the gold (silver) raw materials suppliers in 2020 according to above steps.

Risk assessment: we specify the principles and procedures of risk assessment in our due diligence management policy, it is divided into three levels of risk: low/medium/high risks of suppliers. For medium and high risk

suppliers, such as additional materials risk assessment, transaction risk assessment, annual supplementary materials, etc. are required with suppliers.

To perform responsible gold/silver supply chain assessment on the warning signals about origin, supplier and the transit line prior to transaction. Warning signal about origin includes gold/silver-containing substances transported from conflict-affected regions or through regions of human rights violations. Warning signal about supplier involves five types, such as suppliers or their upstream companies located in high-risk countries, related to money laundering, crime or corruption. The transit line involves a total of five types, one of which is outgoing route of gold/silver bearing materials through the world's conflict regions or areas where human rights are highly violated. Security and logistics companies supported directly or indirectly by non-governmental armed groups or security forces, such as illegal extortion or taxation during shipping and trade.

Based on the above warning signals, a preliminary risk investigation was made.

By April 30, 2021, we have completed risk assessment on all suppliers of gold (silver) bearing raw materials in 2020. In 2020, all the suppliers of gold and silver bearing materials are suppliers of copper concentrate. All transactions are considered to be low risk, all domestic suppliers of gold-bearing (silver-bearing) raw materials are from China, and all foreign copper concentrate suppliers have legal qualification certificates and are internationally renowned mining companies. In terms of the identification, the companies are low-risk suppliers

with strict screening mechanism and strong traceability of gold and silver resources. All domestic suppliers are legal practitioners with business licenses. We learned the types of property and transactions of the suppliers and verified whether the identified beneficial owners were on the terrorist organization list issued by Ministry of Public Security of the People's Republic of China. We collected information on beneficial owners through questionnaires and business licenses, all suppliers of gold-containing (and silver-containing) raw materials in 2020 are identified as low-risk suppliers.

At the same time, by checking and comparing the weight and quality of the delivery note and our own lab test report, we can assess commodity risk of our suppliers. According to the risk assessment results, all suppliers of raw materials containing gold (silver) in 2020 were identified as low risk and low commodity risk.

The head of the compliance management organization is responsible for reviewing the results of due diligence and risk assessment, and inputting the risk assessment results of all raw material suppliers with gold (silver) into "LBMA Gold and Silver Supply Chain Assessment Statistics", including assessment basis, review comments and approval date. In 2020, all suppliers of raw materials containing gold (silver) was listed into low-risk suppliers.

Step 3: Strategy Design and Implementation in Response to Risk Identification

Compliance statement: as of December 31, 2020, we have fully complied with Step 3, to design and implement a strategy to address identified risks.

According to the results of due diligence on suppliers, suppliers can be classified as three categories: low-risk, medium-risk and high-risk. We have made different risk management strategies for them.

According to the due diligence results in 2020, supplier and material with medium-risk and high-risk were not identified, no supplier needs to adopt a risk mitigation management strategy.

Continuous risk monitoring: at the end of the year, the gold (silver) raw material procurement department collected the information of all suppliers on changes, operating conditions and contract execution of the current year to decide whether to continue cooperation.

Step 4: To Plan an independent Third-party Audit of Refiner's Due Diligence Practice

Compliance statement: We fully complied with Step 4: To Plan an independent Third-party Audit of Refiner's Due Diligence Practice.

We have entered into a service agreement with RCS Global Ltd (" RCS ") to provide independent third party assurance of compliance with LBMA RGG and LBMA RSG.

Step 5: Annual Report on Supply Chain Due Diligence

Compliance statement: We fully comply with Step 5: Annual Report on Supply Chain Due Diligence

We have prepared YCC's Compliance Report based on the requirements of LBMA RGG and LBMA RSG, reporting the details of annual supply chain due diligence from January 1 to December 31, 2020, which is also published on YCC's official website.

4. Conclusion on Management

As of December 31, 2020, we established a supply chain process control management system and continued to implement due diligence management policy. YCC collected due diligence information, made risk identification and assessment on supply chain, strategy design of risk management strategies, independent third parties on supply chain due diligence, and prepared 2020 Supply Chain Due Diligence Report. Therefore, for the year 2020, we have fully complied with the requirements of LBMA RGG and LBMA RSG.

In the next phase of work, we will continue to improve the existing due diligence system in the gold and silver supply chain. Our goal is to more effectively integrate the responsible gold and silver supply chain processes with our existing supply chain processes. Any corrective actions identified will be monitored internally on a regular basis.

5. Comments on Other Reports

Any question about this report, please contact us at +86 871 6312 4933 or by email yxjsb@chncopper.com.