



Bureau Veritas

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# MANAGEMENT REPORT

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LBMA RESPONSIBLE SOURCING PROGRAMME

Company: Minshan Environmental Energy High Tech Co., Ltd.

Date: 3-4 March 2025



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VERITAS**

### Refiner's information

<b>Refiner name</b>	Minshan Environmental Energy High Tech Co., Ltd.
<b>Refiner location</b>	Long'an District Industrial Park, Anyang City, Henan Province, China
<b>Metal in scope</b>	Silver
<b>Contact person</b>	Ms. Minrui Zhang
<b>Phone</b>	+86-166 3728 7566
<b>E-mail</b>	mshngmqh@mshngk.com

### Assurance provider

<b>Assurance provider</b>	Bureau Veritas
<b>Assurance practitioner</b>	Mr. Zhiping XU (A)
<b>Assurance date</b>	2025/03/03-04 (2 man-days on-site audit)

### Assurance conclusion

<b>Assurance engagement</b>	ISAE3000 Reasonable Assurance
<b>Assurance period</b>	2024/01/01-2024/12/31
<b>Assurance type</b>	Full periodic
<b>Assurance conclusion</b>	Medium risk

### Overall rating

Category	Risk Level				
	Compliant	Low	Medium	High	Zero Tolerance
Step 1 Establish Strong Responsible Sourcing Management Systems			X		
Step 2 Identify and Assess Responsible Sourcing Risks in the Supply Chain			X		
Step 3 Design and Implement Risk Management Strategies	X				
Step 4 Obtain Independent Assurance on Conformance with the /RSG	X				
Step 5 Report on Management Systems and Performance during the year	X				

## Management report

<b>Refiner name</b>	MINSHAN ENVIRONMENTAL ENERGY HIGH TECH CO., LTD.
<b>Refiner location</b>	LONG'AN DISTRICT INDUSTRIAL PARK, ANYANG CITY, HENAN PROVINCE, CHINA
<b>Assurance period</b>	2024/01/01-2024/12/31
<b>Assurance scope</b>	Silver
<b>Assurance criteria</b>	LBMA Responsible Silver Guidance (RSG) Version 2 Third Party Assurance Guidance Disclosure Guidance Refiner's silver supply chain policy, management system Local laws
<b>Assurance engagement process</b>	ISAE3000 Reasonable Assurance
<b>Summary of assurance procedures</b>	We planned and performed our work to obtain all the evidence, information and explanations considered necessary in relation to this assurance scope. These procedures included: <ul style="list-style-type: none"> <li>a) Pre-assurance to obtain the general information of refiner</li> <li>b) Developing an audit plan</li> <li>c) On-site assurance engagement (opening meeting, on-site observation, document review and closing meeting)</li> <li>d) Reporting</li> </ul>
<b>List of documents reviewed</b>	<ul style="list-style-type: none"> <li>o Business license</li> <li>o Import/export license</li> <li>o Identification of ultimate beneficial owner (UBO)</li> <li>o Mining license &amp; location</li> <li>o Refiner's silver supply chain policy, management system and structure</li> <li>o KYC questionnaire</li> <li>o Supply chains traceability map</li> <li>o Risk assessment/risk level</li> <li>o Mine ESG policy &amp; practices</li> <li>o On site visit, obtain an understanding of the refiner's operations</li> <li>o Financial data</li> <li>o Transactions</li> <li>o Tax self-declaration</li> <li>o Payments made to the government</li> <li>o Compliance report</li> <li>o Site tour</li> <li>o Management and worker interviews</li> </ul>
<b>List of interviews</b>	Compliance Director

	<p>Compliance Manager  Compliance Member (Supply manager, Import &amp; Export manager, Logistic manager, Plant manager, Lab manager, Finance manager)  Production Dept. Workers</p>
<b>Sampling principle</b>	<p>The sampling was based on the number of transactions and suppliers, focus on the transactions and suppliers with red flag and high risk.  Supplying counterparty due diligence documents review:  Low-risk: 10% supplying counterparty due diligence documents, minimum 10 until to confirm the results of assurance.  High-risk: 100% due diligence documents review until to confirm the results of assurance.  Transaction documents and materials balance test:  Low-risk: 2% of total transactions, minimum 50 until to confirm the results of assurance.  High-risk: 100% transactions review until to confirm the results of assurance.</p>
<b>Total number of transactions and suppliers</b> <b>Sample sizes and sampling process</b>	<p>Total 40 suppliers in the finance year of 2024  Total 1,114 transactions in the finance year of 2024</p> <p>40 suppliers due diligence documents were sampled, including overseas mines.</p> <p>50 transactions were sampled based on the type of supplier and its risk.</p> <p>The sampling was random, considered the country of origin, risk-based, types of materials, etc.</p>
<b>Any significant or inherent limitations or areas not covered</b>	<p>No significant or inherent limitations or areas not covered that were within the assurance scope</p>

## Assessment of conformance summary

### Refiner summary and Significant changes

#### Refiner Summary

Minshan Environmental Energy High Tech Co., Ltd. Founded in the 1990s, MINSHAN ENVIRONMENTAL ENERGY HIGH TECH CO., LTD is a circular economy ecological enterprise integrating urban mine development, comprehensive recovery and reuse of hazardous waste and solid waste resources, clean production of non-ferrous and rare precious metals, high-tech materials and smart energy. MINSHAN ENVIRONMENTAL ENERGY HIGH TECH CO takes the “bottom blow smelting-smelting reduction-oxygen-enriched volatilization” technology with independent intellectual property rights as the core, supporting the recycling of waste lead-acid battery resources, the recovery of flue gas and the purification of non-ferrous and precious metals production lines.

1. The GM has a positive attitude to the assurance, participated in opening & closing meeting and on-site audit.
2. The refiner has certified ISO 9001:2015, ISO14001:2015 and ISO 45001:2018 certification.
3. The local government has continuously and strongly supervised the environmental waste discharge and occupational health and safety operation of the factory, and the company has fulfilled its compliance obligations well, and there is no record of government penalties for over-discharge or safety accidents.
4. Ten workers in different production process were randomly interviewed on site, and they did not express dissatisfaction with their working conditions. On-site observation, workers are equipped with PPEs.
5. The company's innovative new technology of bottom blowing smelting-melting-melting and continuous oxygen volatilization won the second prize of the 2016 National Science and Technology Progress Award, certificate number 2016-J-215-2-05-D06. The technology process enables clean, efficient and continuous production, effectively addressing environmental, energy and safety performance.
6. In November 2018, the company was recognized as a "National Green Factory" by the Ministry of Industry and Information Technology of the People's Republic of China.
7. The company participated in the Global Environment Facility (GEF) project of the Global Environment Facility (GEF) jointly developed by the Foreign Cooperation and Exchange Center (FECO) of the Ministry of Ecology and Environment and the United Nations Development Program (UNDP) to reduce the full discharge of persistent organic pollutants and persistent toxic chemicals (POPs/PTS) in the life cycle of electrical and electronic products.

#### Significant Changes

In 2024, there have been no major changes in the company's top management, organizational structure and silver production process.

Due to the external environment, silver production and the number of related suppliers has decreased. The total amount is 105,863.23 kgs with 40 suppliers in the year 2024, compared with 148,712.98 kgs with 51 suppliers in the year 2023.

There has been no change in the country of origin of concentrations.

**Summary of findings:**

Total 3 Medium-risk NCs are raised during this Reasonable Assurance.

The details of NCs, as follows:

NC1: The LBMA Due Diligence Management System for Responsible Silver Supply Chain (implemented on March 11, 2024) did not determine how External Stakeholder to use the grievance mechanism and how to communicate the result of the grievance to stakeholders. (Medium-risk)

NC2: The 2024 Risk Assessment Form for Mineral Origin shows that its Heidelberg Conflict Barometer (2020) was not the latest version, and that the assessment criteria did not include the requirements of "LBMA-Sourcing-Advisory-Brazil-Democratic-Republic-of-Congo-Sudan-United-Arab-Emirates-Zimbabwe" (V1, 12.12.2023).  
(Medium-risk)

NC3: The refinery did not collect ESG-related information or records from Daye Rongfa Mining Co., Ltd., a domestic mine, and the foreign mine, the VALE of the Brazilian, such as compliance information related to environmental protection, employee health and safety, labor regulatory obligations, etc.  
(Medium-risk)

**Step 1 Establish Strong Responsible Sourcing Management Systems**

Step 1.1

The refiner publishes its own supply chain policy , available on the company website ([https://www.aymsys.com/news/16\\_791](https://www.aymsys.com/news/16_791)), adopting all the risks and risk management measures outlined in Annex II of the OECD Due Diligence Guidance (OECD Annex II) and extends to addressing adverse ESG factors in the silver and lead supply chain. The policy also formally declares compliance with LBMA, CCCMC's responsible due diligence requirements.

- During the on-site audit, a complete evaluation was conducted on the silver supply chain policy and due diligence methods of the refiner, and the refiner updated the relevant content.
- The policy was updated to "LBMA Responsible Silver Supply Chain Due Diligence Management System", implemented on March 11, 2024.

Step 1.2

a) Strictly in accordance with LBMA RSG V2, CCCMC's requirements, the refiner has established an organizational structure with the defined roles and responsibilities for implementing the supplier chain due diligence.

- The Compliance Committee is chaired by the company's GM. The Compliance Committee is responsible for approving supply chain due diligence policies and systems, compliance reports, and providing sufficient resources to support the operation and monitoring of supply chain due diligence processes and systems.
- The compliance officer is taken by Ms. Yanwei Chen (GM), reporting directly to the board, by interview, has the ability to ensure sufficient resources to support the operation and monitoring of the supply chain due diligence processes and systems.
- The responsibilities of the heads of each department in the due diligence process have been clearly defined. Including: Finance Department, Purchase Department, Production Department, and Warehouse Department. They all report directly to the compliance officer.

b) The refiner RSG-related training was provided in 2024, and the Training records have been maintained.

c) All silver transactions are company-to-company , and all payments can only be made through bank transfers and cash transactions are prohibited. Based on transactions sampled, no cash payment was found.

d) As required by local tax authorities, the refiner must cooperate fully and transparently with government authorities and provide full access to records and information as needed.

e) The refiner has a policy stating that the due diligence records should be maintained for 5 years.

#### Step 1.3

The refiner has implemented a supply chain traceability system, ensuring each batch of raw materials received maintains detailed ledger entries. These records encompass supplier names, transfer date, transfer weight, and color. Each batch of standardized silver ingots is assigned a unique serial number for precise tracking. Furthermore, there are comprehensive records maintained for all lending transactions, which include the outbound date as well as the weight of the ingots dispatched.

#### Step 1.4

a) The Refiner has communicated the responsible sourcing requirements to its all suppliers, all suppliers are required to sign a letter of Acknowledge and Commitment ,in which state their compliance with the responsible sourcing requirements, including the requirements of Annex II of the OECD Due Diligence

Guidance (OECD Annex II), LBMA responsible sourcing and the refiner's due diligence requirement. Sampled suppliers' commitment letters were reviewed and kept well.

b) The refiner has developed the LBMA Responsible Silver Supply Chain Due Diligence Procedures, and provided trainings on the due diligence capabilities of suppliers based on the results of due diligence, some trainings were conducted to improve the supplier's due diligence capabilities for its upstream and downstream. By training document review and interview with related staffs, the supply department can know how to guide suppliers to complete due diligence on upstream operations.

#### Step 1.5

The refiner publishes the grievance channels (email and telephone number) on the company website ([https://www.aymsys.com/news/16\\_792](https://www.aymsys.com/news/16_792)), allowing internal staff or external stakeholder to anonymously voice concerns over the silver supply chain or any newly identified risk. The refiner also developed the procedure of compliant mechanism, stipulates the collection of grievances information, classification of grievances information, grievances processing procedures, and records of grievances. Based on the interviews with related management, no grievance was received during the assessment period.

### Step 2 Identify and Assess Responsible Sourcing Risks in the Supply Chain

#### Sept 2.1

The refiner has developed "LBMA Responsible Silver Supply Chain Due Diligence Management System", implemented on March 11<sup>th</sup> 2024, followed the requirements of RSG V2, clarifying the supply chain due diligence method based on types of risks (i.e. location, supplier, material) to ensure thorough due diligence of all suppliers. In 2024, the mapping of all domestic and overseas suppliers' chains is clear and complete. The sampled suppliers have completed due diligence.

#### a) Location based risk identification

- Mined silver, or mining by product as Lead concentrate (all by overseas trading suppliers) sourcing from USA, Peru, Brazil, Bolivia, Portugal, China.
- No recycled recycled silver

The refiner has developed a CAHRAs identification checklist, adopting Sanctions lists (US, UK, EU, UN, and China), Dodd Franks 1502, EU CAHRA list, Heidelberg Barometer, Fragile States Index, Financial Action Task Force (FATF), World Bank - Global Governance Index, Transparency International Corruption Perceptions Index, Fragile States Index, Control Risks, Allianz Trade, and other Credible market reports.

- The 2024 CAHRAs Chart was reviewed and re-checked with the refiner, the chart is detailed and complete.
- Bolivia, Peru and Brazil are also the key focus of the review, although CAHRAs assess it as low risk. By checking the supply chain map, based on

the sampled transactions, all mines originating in Brazil, Peru and Bolivia have been identified and transportation routes are complete and clear. Mines sampled include: El porvenir, from Portugal; COMIBOL, Pailaviri, from Bolivia, Morro Agudo, from Brazil.

Detailed transaction information can be found, such as bills of lading.

b) Supplier based risk identification

Based on the sampled suppliers' KYC documents, all suppliers have completed due diligence. Overseas concentrates were provided through international trading companies, such as Hartree Metals LLC, TRAFIGURA PTE. LTD., Xiamen International Trade Group, etc. These trade companies are all world-renowned international mineral traders, the risk of suppliers is relatively low. The refiner also completes all international trading companies' due diligence through website queries and inquiries, using KYC tool.

Based on the sampled suppliers' KYC documents reviewed, all international trading suppliers have completed due diligence.

c) Material based risk identification

Mining by-product

- Domestic concentrate

All mine names, mining certificates, original mining areas, and transportation route maps have been identified, and a complete supply chain map has been completed. The refiner has also collected basic procedural documents such as environmental, health and safety.

Based on sample reviews, all KYC files were complete and kept well.

- Overseas concentrate

The refiner collected and identified all overseas mine names and origin mining areas based on transaction documents. By querying the websites of these international mines, relevant information about the mines was collected, and corresponding international traders were invited to cooperate in providing mining certificates and transportation documents. The transportation route map was basically completed, forming a supply chain map. Based on sample reviews, all KYC files were complete and maintained.

- No ASM during FY2024.

Monitoring of transactions records

- Based on the number of transactions and the tonnage of incoming materials, select suppliers with larger transactions and randomly check transaction records. The transaction records were complete and kept well. For example, the purchase contract number is 697887.0.1, and the import commodity name in March 2024 is lead ore containing precious metals, 499151KG. The first-level supplier is Xiamen International Trade, the second-level supplier is TRAFIGURA PTE, and the third-level supplier is VALE (Brazil), which provides import customs declarations, ocean bills of lading, etc.

Step 2.2

- Strictly in accordance with the RSG V2 standard requirements, the refiner has developed zero tolerance and high-risk assessment criteria, and specifies high-risk triggers for EDD, which are detailed in chapter 5 of *LBMA Responsible Silver Supply Chain Due Diligence Management System*.
- As step 2.1 description in this management report, the supply chains of all 40 suppliers for 2024 have been fully identified as low-risk and reviewed by compliance director, approved by senior management.

#### Step 2.3

- The refiner has developed an EDD process, specifying that high-risk triggers for EDD will be completed using onsite visit tools. The EDD process is detailed in chapter 5 of *LBMA Responsible Silver Supply Chain Due Diligence Management System*.
- The compliance director will lead the compliance team members to conduct EDD, which will be completed before business establishment or within 6 months of cooperation.
- In 2024, no high-risk supply chains have been identified, therefore EDD has not been triggered.
- During the assessment onsite, by interviewing EDD related employees (compliance director, business department manager), they knew EDD process well.

### Step 3 Design and Implement Risk Management Strategies

#### Step 3.1

The refiner has established a risk mitigation management procedure, which strictly follows the minimum requirements in RSG V2, defines strategies for risk management of identified risks by either: (i) mitigation of the risk while continuing trade, (ii) mitigation of the risk while suspending trade, and (iii) disengagement from the risk.

#### Step 3.2

Risk mitigation management procedure also defines a process to monitor the performance of risk mitigation and a process to undertake additional risk assessments after implementing a risk mitigation strategy or after a change of circumstances.

#### Step 3.3

All information collected during the due diligence process, as well as actual and potential risks identified in the supply chain risk assessment, must be reported to the compliance director. The risk level is ultimately determined by the Compliance Director (Ms. Yanwei Chen, General Manager and member of the Board) reporting directly to the board.

#### Step 3.4

According to suppliers' due diligence results, all suppliers were classified as low risk in 2024, hence no risk mitigation was required.

### Step 4 Obtain Independent Assurance on Conformance with the RSG

#### Step 4.1

For the fiscal year 2024, the refiner continues to choose reasonable assurance. Bureau Veritas China conducted the assessment on-site in accordance with the revised ISAE3000 assurance standards on January 13-14, 2025. All the assessment objectives were accomplished.

In the previous year's assessment, there was 2 medium-risk and 2 high-risk non-compliance, this assessment has once again verified the effectiveness of the correctives. In this year's assessment, 3 medium-risk non-compliances were raised. Please refer to the following CAP content in this report for detailed information.

The assurance report was published on its website at <https://www.aymsys.com/news/16>

### Step 5 Report on Management Systems and Performance during the year

#### Step 5.1

During the on-site assessment, BV China reviewed the compliance report of the refiner in accordance with the LBMA disclosure guidance and provided rectification suggestions for the undisclosed content. The refiner agreed and revised the compliance report.

The refiner has published the LBMA RSG Compliance Report (2024) on its company website before this Management Report is issued.

### LBMA Additional Limited Assurance

According to the special requirements of LBMA, the refiner has made a declaration of no forced labor.

The auditor reviewed labor survey questionnaires from sampled suppliers and conducted interviews with some production workers.

All workers have formal legal contracts and all employees have expressed their willingness to resign voluntarily at any time. There is no forced labor.

### Non-conformance in prior year (2023)

Step and substep	Risk level	Non-conformance	NC Recurring? (Y/N)	Timeframe to undertake the corrective action	Root Cause Analysis (RCA)	Measurable action steps by refiner	Owner	Completion date	Outcome
2.1	High	No evidence indicated that the refiner has established tools to assessment high-risk criteria include the following location risk criteria:Dodd Frank list,EU CAHRA list,Heidelberg,Fragile States Index or equivalent,UN Human Rights Office of the High Commissioner or equivalent,FATF,Others criteria (transit hubs, high risk gold/silver centre, etc.) In addition, no assessment record regarding above high-risk criteria provided for review and the management did not know how to conduct the location evaluation too.	N	30 days	The compliance team was not well understanding of tools to define high risk.	1. Conduct ongoing training regarding high-risk criteria include the relevant location risk criteria. 2. To establish tools to assessment high risk criteria include the relevant location risk criteria. 3. Use tools to assessment location risk and kept assessment records.	Ms.Yanwei Chen/Compliance Director	21 August 2024	Closed  During the assessment on site on Mar. 3~4,2025. The auditor confirmed the corrective actions were effective.



2.2	High	The refiner has not collected and provided 43 out of 51 silver-bearing materials suppliers' 2023 financial reports for review during this assurance.	N	30 days	The refiner was not well engaged with traders to complete the supply chain traceability.	<ol style="list-style-type: none"> <li>1. Strengthen RSG standard training;</li> <li>2. Continue to communicate with suppliers and collect financial statements and other evidence.</li> <li>3. Conduct regularly check in the later stage</li> </ol>	Ms.Yanwei Chen/Compliance Director	21 August 2024	<p>Closed</p> <p>During the assessment on site on Mar. 3~4,2025. The auditor confirmed the corrective actions were effective.</p>
2.2	Medium	The refiner was unable to provide complete supply chain map information for the following silver bearing materials suppliers and did not collect relevant evidence (e.g. KYC, mining certificates and shipping documents) to identify the origin of the mine. 1.Lianyungang Junbo,17483.32 wet tons,lead concentrate.	N	90 days	The refiner was not well engaged with traders to complete the supply chain due diligence.	<ol style="list-style-type: none"> <li>1. Strengthen RSG standard training;</li> <li>2. Continue to improve and complement supply chain maps and collect relevant evidence (e.g. KYC, mining certificates and shipping documents) to identify the</li> </ol>	Ms.Yanwei Chen/Compliance Director	21 August 2024	<p>Closed</p> <p>During the assessment on site on Mar. 3~4,2025. The auditor confirmed the corrective actions were effective.</p>



		<p>2. Shaanxi SoftMicro, 8389.34 wet tons, lead concentrate.</p> <p>3. Fujian Qirun, 9214.24 wet tons, lead concentrate.</p> <p>4. CHEONGFULI, Trafigura 2nd batch 685539.4.1, 1101.46 wet tons, silver concentrate.</p>				<p>origin of the mine</p> <p>3. Conduct regularly check in the later stage.</p>			
2.2	Medium	<p>The refiner did not collect and provide evidence of shipping routes of overseas silver-bearing materials suppliers for review during this assurance.</p> <p>审核期间，精炼厂没有收集和提供海外含银材料供应商的运输路线证据以供审查。</p>	N	90 days	<p>The refiner was not well engaged with traders to complete the supply chain traceability.</p>	<p>1. Conduct ongoing training regarding transport route .</p> <p>2. Continue to communicate with suppliers and collect transport route evidence.</p>	<p>Ms. Yanwei Chen/Compliance Director</p>		<p>Closed</p> <p>During the assessment on site on Mar. 3~4, 2025. The auditor confirmed the corrective actions were effective.</p>

Blue filled by BV, Green filled by refiner



**Non-conformance in current year (2024)**

Step and substep	Risk level	Non-conformance	NC Recurring? (Y/N)	Timeframe to undertake the corrective action	Root Cause Analysis (RCA)	Measurable action steps by refiner	Owner	Completion date	Outcome
1.5	Medium	The LBMA Due Diligence Management System for Responsible Silver Supply Chain (implemented on March 11, 2024) did not determine how External Stakeholder to use the grievance mechanism and how to communicate the result of the grievance to stakeholders.	N	Medium risk - 90 days	In progress	In progress	Ms.Yanwei Chen/Compliance Director		Open
2.1	Medium	The 2024 Risk Assessment Form for Mineral Origin shows that its Heidelberg Conflict Barometer(2020) was not the latest version, and that the assessment criteria did not include the requirements of "LBMA-Sourcing-Advisory-Brazil-Democratic-Republic-of-Congo-Sudan-United-Arab-Emirates-Zimbabwe" (V1, 12.12.2023).	N	Medium risk - 90 days	In progress	In progress	Ms.Yanwei Chen/Compliance Director		Open
2.2	Medium	The refinery did not collect ESG-related information or records from Daye Rongfa Mining Co., Ltd., a	N	Medium risk - 90 days	In progress	In progress	Ms.Yanwei Chen/Compliance Director		Open



		domestic mine, and the foreign mine, the VALE of the Brazilian, such as compliance information related to environmental protection, employee health and safety, labor regulatory obligations, etc.								
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Blue filled by BV, Green filled by refiner



### Assurance Engagement Statement

In conducting assurance engagement, we have complied with the applicable requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants. We confirm that we satisfy the criteria for assurance providers as set out in the Third Party Assurance Guidance to carry out the assurance engagement.

<b>Assurance Provider</b>	Bureau Veritas
<b>Assurance Practitioner</b>	Zhiping XU
<b>Reporting Date</b>	2025/03/29
<b>Signature</b>	徐志平



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