

Independent limited assurance statement by Deloitte Touche Tohmatsu Certified Public Accountants LLP to the directors of Jiangxi Copper Company Limited on its Compliance Report for the London Bullion Market Association's Responsible Gold Guidance for year ended 31 December 2016

We were engaged by Jiangxi Copper Company Limited ("Jiangxi Copper") to provide limited assurance on their Compliance Report for the *London Bullion Market Association's Responsible Gold Guidance* ("the *Responsible Gold Guidance*") for the year ended 31 December 2016 ("the Compliance Report").

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that assertion made by management, in their Compliance Report for the year ended 31 December 2016, with respect to the activities undertaken to demonstrate compliance with the *Responsible Gold Guidance*, has not been in all material respects, fairly presented.

The *Responsible Gold Guidance* comprises the criteria by which Jiangxi Copper has measured and reported their level of compliance to the *Responsible Gold Guidance* and this was used for the purposes of evaluating management's assertions.

Responsibilities of management

The management of Jiangxi Copper is responsible for the preparation and presentation of the Compliance Report for the year ended 31 December 2016 in accordance with the *Responsible Gold Guidance*. This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived. The criteria identified by the management as relevant for demonstrating compliance with the *Responsible Gold Guidance* are the activities described within the Jiangxi Copper's Compliance Report.

Assurance Providers' responsibilities

Our responsibility is to carry out a limited assurance engagement in order to express a conclusion based on the work performed. We conducted our assurance engagement in accordance with International Standard on Assurance Engagements ISAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board and the guidance set out in the LBMA *Responsible Gold Programme- Third Party Audit Guidance for ISAE 3000 Auditors (the Audit Guidance)*.

The extent of evidence-gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.

Limited assurance procedures performed

We planned and performed our work to obtain all the evidence, information and explanations considered necessary in relation to the above scope. These procedures included:

- Enquiries of management to gain an understanding of Jiangxi Copper's processes and risk management protocols in place
- Enquiries of relevant staff responsible for the preparation of the Report
- Site visits to the Refiner
- Assessing the suitability of the policies, procedures and internal controls that the Jiangxi Copper has in place to conform to the *Responsible Gold Guidance*

- Review of a selection of the supporting documentation, including gold supplier counterparty due diligence file and transaction's documentation
- Test a selection of the underlying processes and controls that support the information in the Report
- Review of the presentation of the Report to ensure consistency with our findings

Inherent limitations

Non-financial information, such as that included in the Jiangxi Copper's Compliance Report, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques that can result in materially different measurements and can impact comparability. The methods used by refiners to comply with the *Responsible Gold Guidance* may differ. It is important to read Jiangxi Copper's gold supply chain policy which can be reached from the contact of Jiangxi Copper.

Independence and competency statement

In conducting our 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. In conducting our engagement, we confirm that we satisfy the criteria for assurance providers as set out in the *Audit Guidance* to carry out the assurance engagement.

Conclusion

Based on the limited assurance procedures performed, as described above, nothing has come to our attention that would lead us to believe that Jiangxi Copper's Compliance Report for the year ended 31 December 2016, did not in all material respects, describe fairly the activities undertaken during the year to demonstrate compliance, and management's overall conclusion contained therein, is not in accordance with the requirements of the *Responsible Gold Guidance*.

Restriction on liability

This report has been prepared for Jiangxi Copper for the purpose of assisting the directors in determining whether Jiangxi Copper has complied with the *Responsible Gold Guidance* and for no other purpose. Our assurance report is made solely to Jiangxi Copper in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than Jiangxi Copper for our work, or for the conclusions we have reached in the assurance report.


Deloitte Touche Tohmatsu Certified Public Accountants LLP

24th March, 2017
Shanghai, the People's Republic of China

Jiangxi Copper Company Limited
Responsible Gold Due Diligence
Compliance Report
(Year 2016)

Jiangxi Copper Company Limited

2017.03

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Introduction

Jiangxi Copper Company Limited (hereinafter referred to as "Jiangxi Copper", "the Company", or "We") is currently China's largest producer of copper cathode and its production capacity is among the world's top three. Jiangxi Copper's self-sufficiency rate for copper concentrate is the highest in China, and Jiangxi Copper is also the largest and most modernized copper production and processing base in China, as well as the country's major production base of sulphide chemicals and rare and precious metals such as gold, silver, selenium, tellurium and rhenium. Our annual yields of gold production are 26t, 25t and 26t in the year 2014, 2015, 2016 respectively. Jiangxi Copper was listed in Hong Kong Stock Exchange and Clear Limited (hereinafter referred to as "HEKx") and Shanghai Stock Exchange (hereinafter referred to as "SSE") in 1997 and 2002 respectively.

In 2005, Jiangxi Copper applied for the authentication of London Bullion Market Association (hereinafter referred to as "LBMA") and obtained the certification on September 30th, 2005, becoming one of the qualified delivery gold refiners of LBMA. Meanwhile, the silver ingot brand of Jiangxi Copper was also certificated by LBMA. Our gold products are also registered in Shanghai Gold Exchange as qualified commodities.

According to the requirement of *LBMA Responsible Gold Guidance* issued by LBMA, refiners should implement a strict due diligence to its suppliers in order to combat systematic or widespread abuses of human rights, to avoid contributing to conflict and to comply with high standards of anti-money laundering and combating terrorist financing practice. Jiangxi Copper compiles management policies related to gold supply chain due diligence and carries out the due diligence for gold suppliers accordingly. In March 2014, we issued a compliance report on responsible gold due diligence for the year 2012 and 2013 for the first time. In March 2015, we issued a compliance report on responsible gold due diligence for the year 2014. In March 2016, we issued a compliance report on responsible gold due diligence for the year 2015.

This report is the fourth time for Jiangxi Copper to issue a compliance report on responsible gold due diligence, summarizing the conditions that Jiangxi Copper follows the *LBMA Responsible Gold Guidance* in the year ended December 31st 2016 .

1. Company Profile

Company Name	Jiangxi Copper Company Limited
Location	15 Yejin Avenue, Guixi City, Jiangxi Province, P.R. China
Year of Report	Year ended December 31 st 2016
Executive Responsible for the Report	Mr. Dong Jiahui, Vice President

Jiangxi Copper is listed in both HKEx as H-share (stock code: 00358.HK) and SSE as A-share (stock code: 600362.SH). Therefore, we are asked to comply with the regulatory requirements of internal control for the listed corporation (HKEx: *Practice Note 21, Consolidated Main Board Listing Rules*, and SSE: *Basic Standard for Enterprise Internal Control* and its implementation guidelines). *Practice Note 21* sets a rule that the sponsor should review the internal control of the corporate planning to be listed. Besides, *Consolidated Main Board Listing Rules* requests directors at least annually review the effectiveness of internal control systems of the issuer and its affiliated corporations. The review should be reported to the stakeholders in *Corporate Governance Report*, which should cover all vital monitoring aspects, including operation monitoring, compliance monitoring, and risk management functions, etc. Firms listed in SEE should follow the requirements of *Basic Standard for Enterprise Internal Control* and its implementation guideline. These firms should also prepare a self-assessment for internal control and an assessment report. *Basic Standard for Enterprise Internal Control* and its implementation guideline clearly defines how to select a supplier in procurement business, for example, an enterprise should make a scientific assessment and admittance policy of the suppliers, determine the list of qualified suppliers, and make a comprehensive judgment of the suppliers.

Jiangxi Copper has been certified by ISO 9001:2008 and GB/T19001-2008 Quality System in January 2011, ISO14001:2004 and GB/T24001-2004 Environmental Management System in March 2013, as well as OHSAS 18001:2007 and GB/T28001-2011 Occupation Health Safety Management System in March 2013. These certifications cover the production and service of Cathode Copper, Sulphuric Acid, Gold, Silver, and Cupric Sulphate. We have also gained the certifications of ISO10012:2003 and GB/T19022-2003 Measurement Management System in January 2011, the certifications of ISO50001 Energy Management System in February 2015,

indicating that Jiangxi Copper meets the requirements of above system standards in relation to the management of products quality, professional health and safety, environment, energy, monitoring and measurement.

2. Compliance Overview

Step 1: Establish Strong Company Management Systems

Compliance overview for step 1: In the year ended December 31st 2016, we have fully complied with the requirement of Step 1: Establish strong company management systems.

Responsible Gold Internal Management Organization Structure

In December 2013, Jiangxi Copper has issued the *Notice of Founding the Responsible Gold Supply Chain Compliance Committee (File No. [2013]374)* to set up the Responsible Gold Supply Chain Compliance Committee (hereinafter referred to as "Compliance Committee"), which includes Mr. Dong Jiahui, the Vice President of the Company (Leader of Compliance Committee), Mr. Xiong Jianping, the Vice General Manager of Production Operation Department (Director and Deputy Leader of Compliance Committee), and the related staff coming from Production Operation Department, Trade Division (including Financial Management Department), Risk Control & Internal Audit Department and Legal Affairs Department. Mr. Dong Jiahui, the Vice President of the Company, has been working for 32 years, with wealthy experience in production control and enterprise management. Hence, Mr. Dong is appointed as the Leader of the Compliance Committee, and Mr. Xiong is appointed as Director of the Compliance Committee. As of December 31st 2016, the other members and responsibilities of the Compliance Committee have not been changed.

The Responsible Gold Supply Chain Compliance Committee held a meeting on March 7th 2016. This meeting was hosted by Mr. Xiong Jianping, the Director of the Compliance Committee. The members coming from Production Operation Department, Trade Division (including Financial Management Department), Risk Control & Internal Audit Department and Legal Affairs Department have joined the meeting. The work plan of the responsible gold Supply chain compliance due diligence was discussed in this meeting. Moreover, the training on the

latest version of *LBMA Responsible Gold Guidance* was also implemented. Matters and decisions that had been discussed in this meeting was recorded as a meeting minutes.

Responsible Gold Due Diligence Policy

According to the requirement of *LBMA Responsible Gold Guidance* and *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* (hereinafter referred to as "*OECD Due Diligence Guidance*"), we drafted the *Gold Supply Chain Due Diligence Management Policy* (hereinafter referred to as *Due Diligence Management Policy*), which was officially issued and implemented in December 2014 (*File No. [2014]371*). *Due Diligence Management Policy* includes the Definition of Terminologies, Organization and Responsibility, Supplier Information Collection, Risk Identification and Assessment, Trade Risk Monitoring, Record Maintenance, Training and Communication. Additionally, the Gold Supply Chain Due Diligence Flow Chart, the template of LBMA RGG Questionnaire, LBMA Due Diligence Checklist, LBMA Supplier Assessment Form, and Supplier Responsible Gold Commitment Letter were added to the *Due Diligence Management Policy* as attachments. In 2016, based on the updates of *LBMA Responsible Gold Guidance V.6* and *2015 LBMA Responsible Gold Guidance Compliance Management Report* issued by independent audit firm, we modified the *Gold Supply Chain Due Diligence Management Policy* and officially issued on December 6th, 2016 (*File No. [2016]266*).

Gold Supplier Cooperation

Following the requirement of *LBMA Responsible Gold Guidance* and the Appendix II of *OECD Due Diligence Guidance*, we drafted the *Supplier Responsible Gold Commitment Letter*. Trade Division of Jiangxi Copper is responsible for communicating with external relations of gold supply chain on complying with the *LBMA Responsible Gold Guidance* and *Due Diligence Management Policy* issued by Jiangxi Copper. Through the communication, we try to make the external relations understand the up-to-date responsible gold policies and procedures of LBMA timely and encourage the external relations to follow the related policies and procedures. Before the cooperation with the suppliers, we ask the suppliers to sign the *Supplier Responsible Gold Commitment Letter* to ensure that the supplies have known and abided *LBMA Responsible Gold Guidance* , and understand Jiangxi Copper's policies on gold supply chain as well as the related requirements, to reduce the cooperation risk. All four gold

bullion suppliers had cooperated with us in 2016 and signed the *Supplier Responsible Gold Commitment Letter* in 2016.

Training

In the *Due Diligence Management Policy* of Jiangxi Copper, it is clearly defined that the Production Operation Department is responsible for the staff training. The training can be implemented via centralized training, internal newspaper, Office Automation System propaganda, and exhibition publicity to let related employees be familiar with the contents of *LBMA Responsible Gold Guidance*.

On March 7th 2016, we conducted the training on introducing the requirements of the *LBMA Responsible Gold Guidance V.6*, the *OECD Due Diligence Guidance*, and the *Due Diligence Management Policy*.

Communication

In the *Due Diligence Management Policy* of Jiangxi Copper, the report mechanism and channel of gold supply chain management is clearly defined for both our internal staff and the employees of the gold suppliers. Anyone who has queries related to the executing policies or discovers the irregular behaviors can contact with the responsible person Mr. Zhang Bo through phone (0791-82710129) or Email (zhh@jxcc.com). This report mechanism and channel was announced in the internal network. Besides, we put the *Due Diligence Management Policy* on the Office Automatic System of our company. All the staff can access this policy via internal network.

Step 2: Identify and Assess Risks in the Supply Chain

Compliance Overview for step 2: In the year ended December 31st 2016, we have fully complied with requirement of Step 2: Identify and assess risks in the supply chain.

The main sources of Jiangxi Copper's gold products include the gold byproducts generated during copper smelting, and recasts coming from purchased gold bullion. According to the *LBMA Responsible Gold Guidance*, the gold byproducts generated during copper smelting are excluded from the scope of attestation. Thus, we mainly implement the due diligence for the

purchased gold bullion suppliers. In the year 2016, we bought part of the gold bullion from Shanghai Gold Exchange directly, and the rest of the purchased gold bullion came from four domestic suppliers: Lanxi Zili Copper Industry Co., Ltd., Jiangxi Xinjinye Industrial Co., Ltd., Jingmen Gelinmei new materials Co., Ltd and Shenzhen Jiangtong Marketing Co. Ltd (Jiangxi Copper has ended the transactions with Shenzhen Jiangtong Marketing Co. Ltd in June, 2016).

Supplier Information Collection

Before cooperating with the suppliers, Trade Division is responsible for collecting relevant information and materials. Regarding different types of gold-bearing material (mined gold or recyclable gold), Trade Division sends the *LBMA RGG Questionnaire – Mined Gold* or *LBMA RGG Questionnaire – Recyclable Gold* to the suppliers respectively to obtain relevant information and documentations, which include supplier's basic information, business activities, beneficial owner(s), management structure, financial details, human resource, gold origin, facilities, and responsible gold supply chain, etc.

After that, the collected information will be checked based on *LBMA Due Diligence Checklist – Mined Gold* or *LBMA Due Diligence Checklist – Recyclable Gold*.

Supplier Risk Identification

According to the feedback from the questionnaires and related documentations of the suppliers, Trade Division works in gold supply chain risk identification. In the process of risk identification, whether the suppliers may have risk events in the following areas are focused:

- Whether the gold was mined or purchased from higher risk origins;
- Whether the transportation and transaction process passed through high risk areas or conflict areas;
- Whether there was an illegal extortion or taxation during mining, transportation and transaction process (There might be a risk of indirectly contributing to conflicts or to non-state armed groups);
- Whether the actual controllers or important shareholders of suppliers also operate other high risk business like casino or diamond business (There might be a risk of money laundering);
- Whether all the origins of the gold are able to be traced, and whether there is behavior trying to cover up the real source (There might be a risk of corruption);

- Whether the detail of paying relevant taxes and expenses to the government is not disclosed, or whether there is unknown money paying to the government (There might be a risk of supporting non-state armed groups);
- Whether organizations in charge of security of the suppliers are suspected of armed conflict (There might be a risk of indirectly contributing to conflicts or to non-state armed groups);
- Whether there is a phenomenon of labor abuses in organizations that are responsible mine security of the suppliers (There might be a risk of human rights abuses).

Supplier Risk Assessment

The risk assessment of responsible gold supply chain of Jiangxi Copper includes three aspects: Country Risks, Company Risks and Commodity Risks. Before proceeding the transaction, Trade Division need conduct the risk assessment for the suppliers. The Country Risks involve two risk issues, such as the gold-bearing material is originating from or transported through a conflict-affected or human right abuse area (cross-reference to Heidelberg Barometer). The Company Risks involve five risk issues, such as the supplier or its up-streaming company is located in a high risk country that is related to money-laundering, criminal or corruption. The Commodity Risks include total five risk issues, such as one of which is the route of gold-bearing material output, transit or transaction transport passes through areas of worldwide conflict or high risk violations of human rights. The security and logistics companies directly or indirectly supported by non-governmental armed groups or the security forces, such as shipping and trading process is illegal extortion or taxation.

In the sight of the risk events mentioned above, we conduct the risk identification and assessment according to the steps of self-produced gold suppliers and purchased gold suppliers in *Due Diligence Management Policy*. If evidence obtained from the risk identification and assessment are not sufficient to exclude the presence or potential possibility of a supplier with medium or high risk, an additional due diligence is essential. The additional due diligence procedures include on-site visit, investigation, and a further verification for the gold chain due diligence information, etc.

As of December 31st 2016, we finished the tasks of information collection, risk identification, and risk assessment for all gold bullion suppliers. The results of the risk assessment were entirely recorded into corresponding *LBMA Supply Chain Assessment Form*, which includes

the basis of the assessment, the comments and date of the approval. In 2016, all the gold bullion suppliers were identified as low risk.

Moreover, every year we select a portion of raw material suppliers to conduct on site interview and onsite inspection by an inspection group which is composed of corresponding personnel in charge from the Production Operation Department, Trade Division, and Guixi Refinery Plant. In 2016, we selected one gold bullion suppliers, Jiangxi Xinjinye Industrial Co., Ltd., as the subject of the onsite inspection. We confirmed that the current business conditions of this supplier above are well, and explained that all the origins of gold are by-products from the copper refining process. Also, we summarized the result of the onsite inspection into the *Second-party Raw Material Inspection Report (Year 2016)*.

Step 3: Design and Implement Strategy to Respond to Identified Risks

Compliance overview for Step 3: In the year ended December 31st 2016, we have fully complied with step 3: Design and implement strategy to respond to identified risks.

According to the result of risk assessment, the suppliers are classified into three levels: low risk, medium risk, and high risk. We adopt various risk control measures for suppliers at different levels. The details are as follows:

Risk Level	Types of Suppliers	Risk Control Measures
Low Risk	Existing Suppliers	<ul style="list-style-type: none"> • New orders for gold material can be placed. • Existing orders can be shipped.
	New Suppliers	<ul style="list-style-type: none"> • New suppliers can be accepted.
Medium Risk	Existing Suppliers	<ul style="list-style-type: none"> • New orders for gold material should be deferred. • Existing orders should be put off to avoid the occurrence of irregular status • Until obtaining more information and evidences to confirm the risk level of the suppliers.
	New Suppliers	<ul style="list-style-type: none"> • The acceptance of new suppliers should be deferred. • The corrective action plan should be delivered by the suppliers • Until obtaining more information and evidences to confirm the

		risk level of the suppliers.
High Risk	Existing Suppliers	<ul style="list-style-type: none"> • All orders that have not been on boarding should be suspended. • If the goods have been on boarding, it should be disposed according to sales return procedures. • The production made from gold-bearing material provided by high risk suppliers should be preserved separately from others. • A re-assessment should be carried out within 180 days after the last assessment. If the non-compliance phenomenon is disappeared, the cooperation with the suppliers can be continued and the suppliers should be listed as medium risk. • The monitoring and assessment results should be termly reported to related senior management, which can support the management to decide whether to cooperate with the suppliers or not.
	New Suppliers	<ul style="list-style-type: none"> • New suppliers cannot be accepted

As a link of continuous due diligence, Trade Division needs to continually pay attention to transaction risk after the contract is signed and carry on the risk assessment. If Trade Division finds the existing normal cooperation of low risk suppliers may involve money laundering and terrorist financing, promote conflict, human rights abuses, Trade Division should immediately suspend the cooperation relations and carry out related investigations. If conclusive evidence exists to prove that suppliers involve money laundering and terrorist financing, promote conflict, human rights abuses, Jiangxi Copper should immediately stop purchasing and terminate the relations of cooperation.

As of December 31st 2016, we completed the risk identification and risk assessment of all gold bullion suppliers in 2016. All gold bullion suppliers in 2016 are low risk, and no potential problem was found. All the gold suppliers didn't involve in money laundering, terrorist financing, encouraging conflict or violation of human rights, etc. New orders for gold material are allowed to be placed and existing orders can be shipped.

Step 4: Carry out Independent Third-Party Audit of Refiner's Due Diligence Practices

Compliance overview for step 4: We have fully complied with Step 4: Carry out independent third-party audit of refiner's due diligence practices.

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 audit of our compliance practices adhered to *LBMA Responsible Gold Guidance*.

Deloitte performed a limited assurance engagement in accordance with *International Standard in Assurance Engagements Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000)*. Due to the fact that Deloitte conducted a reasonable assurance engagement toward 2013 and 2014 compliance, and a limited assurance engagement toward 2015 compliance, all with favorable conclusion, without any High, Medium risk deviation, which meets LBMA's Responsible Gold Due Diligence Requirements on LBMA's accredited delivery gold refiners, Deloitte and we agreed that a limited assurance can be applied to year 2016. The *Independent Limited Assurance Report* and the *Management Report* can be found in attached document.

Step 5: Report Annually on Supply Chain Due Diligence

Compliance overview for step 5: We have fully complied with Step 5: Report annually on supply chain due diligence.

We have issued *Jiangxi Copper Company Limited Responsible Gold Due Diligence Compliance Report (Year 2016)* in accordance with *LBMA Responsible Gold Guidance* to report our condition for the supply chain due diligence in the year ended December 31st 2016.

3. Management Conclusion

As of December 31st 2016, we established the management system of supply chain process and controls, issued and implemented *Due Diligence Management Policy*. We also collected the information of due diligence, identified and assessed risk in supply chain, designed the risk control measures, arranged for an independent third-party audit of supply chain due diligence and compiled a report on supply chain due diligence during 2016. Therefore, we have fully complied with *LBMA Responsible Gold Guidance* in the year ended December 31st 2016.

In the next phase of work, we are committed to continuous improvement on the basis of current gold supply chain due diligence system, and aim to combine the responsible gold supply chain process with our existing supply chain process more effectively. Any corrective action identified will be monitored internally on a regular basis by Jiangxi Copper.

4. Others

Users of this report can let us hear of their comments on this report by dialing +86 0791-82710129 or emailing zhb@jxcc.com. The responsible contact person is Mr. Zhang Bo.

5.2 Independent Limited Assurance Report

5.3 LBMA Responsible Gold Guidance Compliance Management Report