

Refiner's compliance report

Table 1 – Refiner's details	
Refiner's name	Joint Stock Company "Prioksky Plant of Non-ferrous Metals" ("PZCM")
Location	Kasimov, Prioksky District, Ryazan region, 391303, Russia
Reporting year end	31 December 2015
Date of report	23 March 2016
Senior management responsible for this report	Aleksandr Shuktuev, Head of marketing and sales department

Table 2 – Summary of activities undertaken to demonstrate compliance
Step 1: Establish strong company management systems
<p>Compliance statement with requirement:</p> <p>PZCM (hereinafter – “the Company”/“Refiner”) has complied with Step 1: “Establish strong company management systems”.</p>
<p>Has the Refiner adopted a Company policy regarding due diligence for supply chains of gold?</p> <p>Comments and demonstration of compliance:</p> <p>In July 2013 the Company implemented Responsible Gold Policy and Building up and Managing Responsible Gold System guidance (hereinafter - “the PZCM Guidance”) developed consistently with the London Bullion Market Association's (hereinafter – “LBMA”) Responsible Gold Guidance (hereinafter – “the LBMA Guidance”).</p> <p>During the reporting year the Company revised the PZCM Guidance fully addressing recommendation from PwC 2014 audit. The revision resulted in further improvement of the gold supply chain due diligence processes and clarification of the requirements of the LBMA Guidance.</p> <p>The revised version of the PZCM Guidance, implemented on 20 April 2015, covers all steps required by the LBMS Guidance, i.e.</p> <ol style="list-style-type: none"> a. Scope; b. Organisation for high-risk gold supply chain; c. Supply chain due diligence, inclusive of the Know your Customer process; d. Monitoring of transactions; e. Maintaining records, f. Training.
<p>Has the Refiner set up an internal management structure to support supply chain due diligence?</p> <p>Comments and demonstration of compliance:</p> <p>Throughout 2015 the Company used official internal management supporting supply chain due diligence structure. All departments related to supply chain were carrying out their responsibilities in compliance with existing policies and procedures during the whole year of 2015 in accordance with the PZCM Guidance.</p> <p>According to the Order #253 issued on 25 June 2012 a person responsible for compliance with the PZCM Guidance and reporting directly to Director General was assigned (Maxim Timofeev,</p>

Commercial Director). On 23 June 2015 according to the Order #354 the new responsible person was assigned (Aleksandr Shuktuev, Head of marketing and sales department).

Has the Refiner established a strong internal system of due diligence, controls and transparency over gold supply chains, including traceability and identification of other supply chain actors?

Comments and demonstration of compliance:

The Company has a robust raw materials and secondary precious metals acceptance process instruction. Technological instruction for receiving raw materials was officially issued on 28 April 2014. In accordance with this instruction, the Company receives all required documents and register the details of the transaction before processing gold bearing raw materials. Specific control procedures in accordance with internal policies and regulations related to raw materials received are carried out before the refining. This control procedure was in operation and adhered to during 2015.

Has the Refiner strengthened company engagement with gold-supplying counterparties and, where possible, assisted gold-supplying counterparties in building due diligence capacities?

Comments and demonstration of compliance:

PZCM has strengthened company engagement with gold supplying counterparties, and where possible, assisted gold supplying counterparties in building due diligence capabilities.

In particular, in respect of the suppliers for which the contracts were concluded before April 2015 the Company followed the defined supplier identification process, which included preliminary scrutiny of suppliers. All suppliers submitted written confirmations of their compliance with the LBMA requirements including confirmation that they were not involved in any money laundering, financing terrorism and human rights abuse activities.

Starting from April 2015 all new contracts include a clause about supplier's compliance with LBMA requirements, including confirmation of non-involvement in any money-laundering, terrorism financing and/or human rights abuse activities. In addition, the Company has started distribution of KYC questionnaire using the form recommended by LBMA. These changes have improved due diligence process and ensured collection of all necessary information about suppliers.

The corrective action and recommendations from 2014 independent audit have been implemented in the course of the year.

Has the Refiner established a company-wide communication mechanism to promote broad employee participation and risk identification to management?

Comments and demonstration of compliance:

The Company developed internal communications system to support comprehensive employee involvement in sharing information on identified risks with management. Established internal communication system allows employees to raise their concerns related to precious metals supply chain or newly identified risk factors.

A dedicated mailbox is installed in the office of the Company and responsible person reviews all incoming complaints related to compliance with the PZCM Guidance.

Step 2: Identify and assess risk in the supply chain

Compliance statement with requirement:

The Refiner has partially complied with Step 2: "Identify and assess risk in the supply chain". The Company fully addressed PwC recommendations raised during 2014 independent audit and took corrective actions in the course of the year.

Does the Refiner have a process to identify risks in the supply chain?

Comments and demonstration of compliance:

In accordance with approved the PZCM Guidance, which was developed consistently with LBMA requirements, the Company identifies and assesses risks in gold supply chain. For each supplier the Company created a profile and defined a risk rating according to our criteria of risk ratings. This process is a mandatory requirement before engaging in any business relationships with gold suppliers.

Does the Refiner assess risks in light of the standards of their supply chain due diligence system?

Comments and demonstration of compliance:

Due diligence and supplier identification processes defined in the PZCM Guidance were carried out each time the Company was engaging in business relationships with a gold supplier. In addition, the Company conducts appropriate scrutiny of suppliers' documents and monitoring of all transactions carried out through the course of business relationships. However, in the first quarter of 2015 beneficial owner identification procedure was not executed to full extent in accordance with LBMA requirements due to specifics of the Russian legislation which gives companies the right not to disclose information about beneficial owners.

The Company performed a retrospective analysis of gold supply chains for the first quarter of 2015, including beneficial owners identification and check that the counterparty and their beneficial owners were not named on any government lists for wanted money launderers, known fraudsters or terrorists. All necessary procedures for gold origin identification were carried out according to reasonable and good faith efforts to ensure that all gold was mined in Russian Federation and no imported raw materials were processed in 2015.

As a result of retrospective analysis performed, the Company came to a conclusion that there were no transactions with high or medium risk and no gold from Conflict-Affected areas was identified. Therefore, policies and procedures that existed in the first quarter of 2015 were sufficient to protect the Company from interaction with high-risk suppliers.

In April 2015 beneficial owner identification procedure was improved and PZCM Guidance was revised accordingly (approved in April 2015). Since then the Refiner distributes KYC questionnaire using the form recommended by LBMA which has improved due diligence process and ensured collection of all necessary information about suppliers.

Does the Refiner report risk assessment to designated manager?

Comments and demonstration of compliance:

The responsible person monitors compliance with the requirements of the PZCM Guidance and submits annual report to Director General. The report contains information on supply chain management system's compliance with LBMA requirements and measures taken to address exceptions. Senior management retains ultimate control and responsibility for the gold and precious metals supply chain.

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

Compliance statement with requirement:

The Company has complied with Step 3: "Design and implement a management strategy to respond to identified risks".

Has the Refiner devised a strategy for risk management of an identified risk by either (i) mitigation of the risk while continuing trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk?

Comments and Demonstration of compliance:

<p>In accordance with LBMA requirements the Company has established the system of risk assessment for each supplier, defined in the PZCM Guidance, which includes detailed risk assessment and management procedures: (i) mitigation of the risk while continuing trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk by terminating business relationships with high risk suppliers, including immediately stopping refining gold from such suppliers.</p>
<p>Where a management strategy of risk mitigation is undertaken, it should include measureable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk and regular reporting to designated senior management.</p> <p>Comments and Demonstration of compliance:</p> <p>The robust strategy for risk management and mitigation was implemented together with the adoption of the PZCM Guidance on 30 July 2013. There were no high risk suppliers identified in 2015.</p>
<p>Step 4: Arrange for an independent third-party audit of the supply chain due diligence</p>
<p>Compliance statement with requirement:</p> <p>The Company has complied with Step 4 “Arrange for an independent third-party audit of the supply chain due diligence”.</p>
<p>Comments and demonstration of compliance:</p> <p>According to LBMA requirements the Company was to submit the Independent third-party audit of the supply chain due diligence report by 31 March 2016. The Company entered into a contract with ZAO PricewaterhouseCoopers Audit on 3 March 2016. The Independent third party reasonable assurance report will be published on www.zvetmet.ru upon completion.</p>
<p>Step 5: Report on supply chain due diligence</p>
<p>Compliance statement with requirement:</p> <p>The Company has complied with Step 5 “Report supply chain due diligence”.</p>
<p>Comments and demonstration of compliance:</p> <p>Report on supply chain due diligence (Refiner’s Compliance Report) was prepared on time and therefore the Company met the deadline established by LBMA.</p> <p>Further information and specific details on how PZCM’s systems, procedures, processes and controls have been implemented and used to align to the specific requirements in the LBMA Guidance have been set out in the PZCM Guidance which is available on our website www.zvetmet.ru.</p>

Table 3 – Management conclusion	
Is the Refiner in compliance with the requirements of the LBMA Guidance for the reporting period?	
Compliant with low risk deviations	<p>Up to April 2015 the Company used the PZCM Guidance adopted on 30 July 2013.</p> <p>The Company developed and implemented an effective system of supply chain management, including procedures, policies and processes, for the purpose of compliance with the LBMA Guidance.</p>

	<p>In the course of 2014 independent audit it was identified that the PZCM Guidance did not cover all the areas described in the LBMA Responsible Gold Guidance in full detail. A review of the existing system of gold supply chain management was performed and detailed procedures, processes and practices to fully conform to the requirements of the LBMA Responsible Gold Guidance were developed and added to the revised edition of the PZCM Guidance adopted in April 2015. Since the revised edition of the PZCM Guidance was adopted the Refiner conducted retrospective analysis of the gold supply chain for the first quarter of 2015 and concluded that there were no transactions with high or medium risk.</p> <p>Hence, policies and procedures that operated in the first quarter of 2015 were sufficient to protect the Company from interaction with high-risk suppliers.</p> <p>Therefore, aforementioned exceptions are considered to be purely of documentary nature, and therefore low risk in accordance with LBMA classification.</p> <p>PZCM is committed to continuous improvement and all corrective actions required are monitored internally on a regular basis.</p> <p>The revised edition of the PZCM Guidance has fully addressed previous year's audit findings and ensures full compliance with the LBMA Guidance.</p>
--	--

Table 4 – Other reports comments

If users of this report wish to provide any feedback to PZCM with respect to this report, they can contact us through email at pzcm@zvetmet.ru.

Head of marketing and sales department

 A. Shuktuev

General Director



 V.S. Sonkin

Appendix to Refiner's Compliance Report – Country of Origin Information for Mined Gold

Table 1 – Information about the Refinery Plant	
Refiner's name	Joint Stock Company "Prioksky Plant of Non-ferrous Metals" ("PZCM")
Location	Kasimov, Prioksky District, Ryazan region, 391303, Russia
Reporting year end	31 December 2015
Date of report	23 March 2016
Senior management responsible for this report	Aleksandr Shuktuev, Head of Marketing and sales department

Table 2 – Countries of Origin for Mined Gold
All gold-bearing raw materials released into production during 2015 were delivered by the legal entities registered in the Russian Federation. We analyzed the origin of 100% of the delivered gold-bearing raw materials. We ensured that all gold-bearing raw materials were produced on the territory of the Russian Federation.

Table 3 – Any other information
No other information is available

Head of marketing and sales department



A. Shuktuev

General Director



V.S. Sonkin