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## ***JSC “ENFMPP”***

Independent Reasonable Assurance Report  
(ISAE 3000 engagements)  
on the Refiner’s Compliance Report  
for the year ended 31 December 2014





To the management of JSC “ENFMPP”:

## ***Independent Reasonable Assurance Report to Joint Stock Company “ENFMPP”***

We were engaged by JSC “ENFMPP” (“ENFMPP” / the “Company”) to provide reasonable assurance on its Refiner’s Compliance Report for the year ended 31 December 2014.

### **1. Management’s Responsibility**

The management of the Company is responsible for the preparation and presentation of the Refiner’s Compliance Report in accordance with the LBMA Responsible Gold Guidance (the “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 Guidance are the activities described within the Refiner’s Compliance Report.

### **2. Our Responsibility**

Our responsibility is to carry out a reasonable assurance engagement in order to express an opinion as to whether the Refiner’s Compliance Report, in all material respects, describes fairly the activities undertaken during the year to demonstrate compliance, and that management’s overall conclusion contained therein is in accordance with the requirements of the LBMA Responsible Gold Guidance. We conducted our engagement in accordance with the 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”).

This report has been prepared for ENFMPP for the purpose of assisting management in determining whether ENFMPP has complied with the Guidance and for no other purpose.

### **3. Restriction of use**

Our assurance report is made solely to ENFMPP in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than ENFMPP for our work, or for the conclusions we have reached in the assurance report.

### **4. Subject matter**

The assurance scope consists of the Refiner’s Compliance Report. Our reasonable assurance engagement included the following:

- Inquiring management to gain an understanding of the Company’s processes and risk management procedures around gold supply chain in place;
- Inquiring relevant staff responsible for the preparation of the Refiner’s Compliance Report;
- Assessing the suitability of the policies, procedures and internal controls that the Company has in place to conform to the requirements of the LBMA Responsible Gold Guidance;

### ***Independent Reasonable Assurance Report (Continued)***

- Reviewing a selection of the supporting documentation, including gold supplier counterparty due diligence questionnaires;
- Performing a walkthrough of the ENFMPP due diligence process to gain an understanding of implemented policies and procedures;
- Testing a selection of the underlying processes and controls that support the information in the ENFMPP Refiner's Compliance Report;
- Reviewing presentation of the ENFMPP Refiner's Compliance Report to ensure consistency with our findings.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **5. Inherent limitations**

Non-financial information, such as that included in the Refiner'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 methods used by Refiners to comply with the Guidance may differ. It is important to read ENFMPP's gold supply chain policy available on ENFMPP website (<http://www.ez-ocm.ru/politic/certificates/>).

#### **6. Independence and competency statement**

In conducting our reasonable 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.

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

#### **7. Emphasis of matter paragraph**

Without modifying our opinion, we draw attention to the description of the low risk deviations from conformance contained in Table 3 of the JSC ENFMPP Refiner's Compliance Report.

#### **8. Opinion**

In our opinion, the JSC ENFMPP Refiner's Compliance Report for the year ended 31 December 2014, in all material respects, describes fairly the activities undertaken during the year to demonstrate compliance, and that management's overall conclusion contained therein is in accordance with the requirements of the LBMA Responsible Gold Guidance.

*ZAO PricewaterhouseCoopers Audit*

29 April 2015  
Ekaterinburg, Russian Federation



## Refiner's Compliance Report

| Table 1: Refiner's details                    |   |
|---|---|
| Refiner's name                                | Joint-stock company «Ekaterinburg Non-Ferrous Metals Processing Plant» (JSC «ENFMPP»)   |
| Location                                      | Russia, 624097, Sverdlovsk oblast, Verkhnyaya Pyshma, Lenina str. (new street name – prospect Uspenskij), 131   |
| Reporting year-end                            | 31.12.2014  |
| Date of Report                                | 29.04.2015  |
| Senior management responsible for this report | Denis Borovkov, General Director<br>Stanislav Knyshev,<br>Head of quality management department<br>tel. +7 (343) 311-46-18,<br>e-mail: <a href="mailto:knyshev@ezocm.ru">knyshev@ezocm.ru</a> |

### JSC «ENFMPP»'s evaluation

| Table 2: Summary of activities undertaken to demonstrate compliance   |
|---|
| <b>Step 1: Establish strong company management systems</b>  |
| <p><b>Compliance Statement with Requirement:</b><br/>We have partially complied with Step 1: Establish strong management systems.</p>   |
| <p><b>Has the Refiner adopted a company policy regarding due diligence for supply chains of gold?</b></p> <p><b>Comments and Demonstration of Compliance:</b><br/>In January 2012 we have adopted "Policy for the Responsible Gold practice" regarding systems of supply which corresponds with Responsible Gold Guidance (see website <a href="http://ez-ocm.ru/politic/certificates/">http://ez-ocm.ru/politic/certificates/</a>, section "Responsible Gold Guidance"). There are also "Regulations of internal control for the purpose of combating money laundering and terrorist financing" (the Internal Control Rules) adopted and agreed with Urals State Inspection of Assay Supervision (USIAS) on 18th December 2013 and Contracting Policy to cover due diligence, Anti-Money Laundering – Combating Financing of Terrorism (AML-CFT) and Know Your Counterparty (KYC) requirements of the LBMA Responsible Gold Guidance (the Guidance).</p>   |
| <p><b>Has the Refiner set up an internal management structure to support supply chain due diligence?</b></p> <p><b>Comments and Demonstration of Compliance:</b><br/>Quality management system of the plant, introduced in 1994 and confirmed by the certificate which is valid till April 2016, as well as the Internal Control Rules, determine powers and liabilities of management, establish internal audit, communication and management review of the adopted policy.</p>  |
| <p><b>Has the Refiner established a strong internal system of due diligence, controls and transparency over gold supply chain, including traceability and identification of other supply chain actors?</b></p> <p><b>Comments and Demonstration of Compliance:</b><br/>Due diligence procedures are regulated by the Contracting policy and supplemented by the Internal Control Rules, adopted within the Company. Each contractor is identified and each contract has passed internal approval procedure. We have consistent processes of mined gold and recycled gold receipt and examination in place to ensure that required documentation is obtained and proper transactions are posted prior to material processing. Our chain of custody process is regulated by the quality management system policy «Receipt control of precious metals raw materials» and the «Instruction I-1001-2008 for accounting, receipt, consumption, storage, and stock-taking of precious metals and precious gems» which correspond to the provisions of federal laws and Instruction of Ministry of Finance in this area. The responsible person was nominated (Compliance Officer) who reports directly to the General Director on the compliance with "Policy for the Responsible Gold practice" and requirements of the Internal Control Rules.</p> |
| <p><b>Has the Refiner strengthened company engagement with gold supplying counterparties, and where possible, assisted gold supplying counterparties in building due diligence capabilities?</b></p> <p><b>Comments and Demonstration of Compliance:</b><br/>Due diligence capabilities in supply chains are required by the Russian Federal Anti-Money Laundering and Combating the Financing of Terrorism legislation, which all precious metals businesses in Russia are subject to. We are sourcing gold-bearing materials solely originated from the Russian Federation. So, management continuously interacts with the gold supplying counterparties for the purpose of compliance with the AML-CFT within the supply chain. Currently we are in process of updating our contracts with gold-bearing materials suppliers, so that they contain the reference to the OECD guidelines.</p>  |



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

**Comments and Demonstration of Compliance:**

In case if there are any indications that a transaction with a counterparty is subject to the obligatory control, according to the requirements of Law No. 115-FZ (AML-CFT), or if a transaction is regarded as unusual a respective record (deal notification) is created by the responsible employee who discovers this operation (Appendix No. 2 to Regulations of internal control).

**Step 2: Identify and assess risks in the supply chain**

**Compliance Statement with Requirement:**

We have partially complied with Step 2: Identify and assess risks in the supply chain.

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

**Comments and Demonstration of Compliance:**

For the purposes of AML-CFT compliance there is a monitoring regulation adopted within our Internal Control Rules ("Program of clients and beneficiaries identification and risk assessment of operations performed by the client connected with combating money laundering and terrorist financing").

We performed risk identification for all counterparties prior to start of any business relationships, through our KYC and contracting procedures.

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

**Comments and Demonstration of Compliance:**

The following programs regulating risk assessment are included into the Internal Control Rules:

- Identification of operations (deals), which are subject to the obligatory control, and operations (deals), which have indications of AML-CFT breaches;
- Required information registration;
- Working order for suspension of operations in accordance with the law No. 115-FZ (AML-CFT Federal Law);
- Training of employees of the company in the area of AML-CFT.

Our risk assessment regulations are based on the Russian AML-CFT legislation which is largely in line with the LBMA Guidance and has some differences in the area of risk rating assignment and beneficiary identification rules.

We applied additional retrospective analysis of all gold-bearing materials suppliers to identify potential high risk in the supply chain. As a result of this assessment we did not identify high risk contractors.

Though we have had beneficiary identification program in 2014, we performed additional comprehensive analysis of all gold-bearing materials suppliers in 2015 to verify that beneficiaries are not listed in the government restricted persons list. As a result of this comprehensive analysis we did not identify any restricted beneficiaries.

**Does the Refiner report risk assessment to the designated manager?**

**Comments and Demonstration of Compliance:**

Senior management of the Company retains ultimate control over the supply chain through the process of approving all new contracts and revising existing contracts on annual basis. Before approving, each contract passes verification routine, with Commercial, Finance, Security and Legal departments' reviews performed. Any concern is investigated, followed-up and escalated to the senior management of the company prior to entering into business relationships.

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

**Compliance Statement with Requirement:**

We have partially complied with Step 3: Design and implement a management system 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 to trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk?**

**Comments and Demonstration of Compliance:**

Our risk responding measures are based on the Internal Control Rules, which specify conditions on whether we should consider suspending or stopping trading operations with medium or high risk counteragents. Existing policies cover majority of Step 4 requirements of the Guidance, though it has some deviations, for example, due to the fact that we use only gold-bearing materials originated in Russia, we do not specify risk mitigation for the imported gold-bearing materials.

While comprehensive risk responding policy aligned with the LBMA Guidance was not formalised in 2014, our retrospective procedures showed that no "red-flag" counterparties were engaged in the reporting period. Thus existing policies and processes were effective to prevent the company from working with high risk suppliers.



**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.**

**Comments and Demonstration of Compliance:**

Our recurring approval process of contracts and practice to limit the contract for one year period allows senior management to ensure that periodic reassessment of the counterparty and its risks is performed. In the course of reassessment procedures necessary steps are taken to mitigate the risks.

**Step 4: Arrange for an independent third-party audit of the supply chain due diligence**

**Compliance Statement with Requirement:**

We have fully complied with Step 4: Arrange for an independent third-party audit of the supply chain due diligence.

**Comments and Demonstration of Compliance:**

We have engaged the services of the assurance provider ZAO PricewaterhouseCoopers Audit, and their independent reasonable assurance report will be available on our website when issued.

**Step 5: Report on supply chain due diligence**

**Compliance Statement with Requirement:**

We have partially complied with Step 5: Report on supply chain due diligence

**Comments and Demonstration of Compliance:**

Further information pertaining to how JSC "ENFMPP" systems, procedures, processes and controls have been implemented to align the requirements in the LBMA Responsible Gold Guidance have been published in our "Policy for the Responsible Gold practice" and the Internal Control Rules, which are available on our company website.

Though our policies and procedures are in line with the Guidance, there was no information publicly disclosed on how specific procedures, processes and controls are aligned to the specific requirements of the LBMA Guidance.

A public version of this report and independent assurance report will also be made available on the website (<http://ez-ocm.ru/en/politic/certificates/>).

**JSC «ENFMPP»'s overall conclusion**

**Table 3: Management assessment of all 5 steps of the LBMA Guidance**

| Step of Framework   | Rating                              | Comments   |
|---|-------------------------------------|--|
| Step 1: Establish strong company management systems                             | Low risk deviation from conformance | <p>Though we've adopted a number of internal regulations mentioned above in Step 1 which are largely in line with the Guidance, there was no formalized gold supply chain management policy in 2014 with information on how specific procedures, processes and controls applied by JSC "ENFMPP" are aligned to the specific requirements of the LBMA Guidance.</p> <p>JSC "ENFMPP" in 2014 did not require its gold supplying counterparts to commit to, and acknowledge in writing their compliance with a supply chain policy consistent with the LBMA Guidance.</p> |
| Step 2: Identify and assess risks in the supply chain                           | Low risk deviation from conformance | <p>Our risk assessment regulations are based on the Russian AML-CFT legislation which is largely in line with the LBMA Guidance and has some differences in the area of risk rating assignment and beneficiary identification rules.</p> <p>In 2015 the Company performed retrospective analysis of the supply chain existed in 2014, and concluded that there were no transactions with high risk suppliers and restricted companies/beneficiaries in 2014.</p>   |
| Step 3: Design and implement a management system to respond to identified risks | Low risk deviation from conformance | <p>Our risk responding measures are based on the Internal Control Rules, which specify conditions on whether we should consider suspending or stopping trading operations with medium or high risk counteragents. Existing policies cover the majority of Step 4 requirements of the Guidance,</p>   |

|  |                                     |  |
|--|-------------------------------------|--|
|  |                                     | <p>though it has some deviations, for example, due to the fact that we use only gold-bearing materials originated in Russia, we does not specify risk mitigation for the imported gold-bearing materials.</p> <p>While comprehensive policy aligned with the LBMA Guidance was not implemented in 2014, our retrospective procedures showed that we were not engaged with any “red-flag” counterparties in 2014.</p> |
| Step 4: Arrange for an independent third-party audit of the supply chain due diligence | Fully compliant                     | The Company engaged the services of the assurance provider ZAO PricewaterhouseCoopers Audit.   |
| Step 5: Report on supply chain due diligence   | Low risk deviation from conformance | <p>JSC “ENFMPP” has issued all required reports.</p> <p>Though our policies and procedures are in line with the Guidance, there was no information publicly disclosed on how specific procedures, processes and controls are aligned to the specific requirements of the LBMA Guidance.</p>  |

| <b>Table 4: Management conclusion</b>   |  |
|---|--|
| <b>Is the Refiner in compliance with the requirements of the LBMA Responsible Gold Guidance for the reporting period?</b> |  |
| <b>Yes</b>  | <p>For the reporting period, the refinery during its activity followed the requirements of the Responsible Gold Guidance.</p> <p>In conclusion, it's worth noticing that JSC “ENFMPP” has adopted effective systems of management, procedure, processes and methods to comply with the requirements of Responsible Gold Guidance, as explained above, for the reporting period ended 31 December 2014. JSC “ENFMPP” is committed to constantly progress in this regard, and any required corrective actions will come under internal monitoring regularly.</p> |

| <b>Table 5: Other report comments</b>  |
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| If users of this report wish to provide any feedback to us with respect to this report, they can contact us through email on knyshev@ezocm.ru. |

# **CONFIRMED**

General director of JSC “ENFMPP”

\_\_\_\_\_ Denis Borovkov

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The person responsible for filling in this questionnaire:  
Head of quality management department of JSC “ENFMPP”

\_\_\_\_\_ Stanislav Knyshev

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