



Independent Reasonable Assurance Report

To the Management of Joint-Stock Company “Moscow Special Alloys Processing Plant”:

Introduction

We were engaged by the Management of Joint-Stock Company “Moscow Special Alloys Processing Plant” (hereinafter – the “Company”) to provide reasonable assurance on its Refiner’s Compliance Report for the year ended 31 December 2021 (hereinafter – the “Refiner’s Compliance Report”).

Description of the subject matter and applicable criteria

The Refiner’s Compliance Report prepared in accordance with the London Bullion Market Association (LBMA) Responsible Gold Guidance (Version 8) (hereinafter - “the LBMA Guidance”) by the Management of the Company is the subject matter of our engagement for the purposes of preparing our reasonable assurance report. We were engaged to express an opinion as to whether the Refiner’s Compliance Report describes fairly the activities undertaken during the year to demonstrate compliance and that management’s overall conclusion contained therein is in accordance with the LBMA Guidance.

Responsibility of the Management of the Company

The Management of the Company is responsible for the preparation and presentation of the Refiner’s Compliance Report in accordance with the LBMA Guidance. This responsibility includes establishing and maintaining appropriate risk management and internal controls from which the reported information is derived. Furthermore, the responsibility includes designing, implementing and maintaining systems and processes relevant to the preparation of the Refiner’s Compliance Report that is free from material misstatement, whether due to fraud or error. The information in relation to the activities described within the Refiner’s Compliance Report is determined by the Management of the Company as appropriate and relevant to validate the degree of compliance with the LBMA Guidance.

Our responsibility and applicable professional standards

Our responsibility is:

- to plan and perform our engagement to obtain reasonable assurance as to whether the Refiner’s Compliance Report describes fairly the activities undertaken during the year to demonstrate compliance and that management’s overall conclusion contained therein is in accordance with the LBMA Guidance;
- to perform our engagement following the relevant guidance set out in the LBMA Responsible Sourcing Programme – Third Party Audit Guidance (version 1) (“the Audit Guidance”);
- to express an opinion based on our work performed; and
- to provide our opinion to the Management of the Company.

We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements other than Audits or Reviews of Historical Financial Information” issued by the International Auditing and Assurance Standards Board.



This report, including our opinion, has been prepared solely for the Management of the Company for assisting management in determining whether the Company has complied with the LBMA Guidance and for no other purpose. We permit this report to be disclosed in the Refiner's Compliance Report, to assist the management in responding to their governance responsibilities by obtaining an independent reasonable assurance report in connection with the Refiner's Compliance Report¹. Our reasonable assurance report is made solely to the Company in accordance with the terms of our reasonable assurance engagement. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Management of the Company for our work performed and this report.

Our independence, quality control and competency statement

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our reasonable assurance engagement in respect of the Refiner's Compliance Report in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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.

Summary of work performed

Our reasonable assurance engagement included the following procedures regarding the subject matter:

- inquiry of management to gain an understanding of the Company's processes and risk management procedures in place in relation to the gold supply chain;
- inquiry of the relevant staff responsible for the preparation of the Refiner's Compliance Report;
- walkthrough of the Company's due diligence process to gain an understanding of implemented policies and procedures;
- assessment of the suitability of the policies, procedures and internal controls that the Company has in place to conform to the requirements of the LBMA Guidance;
- testing, on a sample basis, of the Company's due diligence conducted before engaging with a potential precious metal supplying counterparty;
- testing, on a sample basis, of transactions to evaluate whether due diligence processes are being followed;
- testing a selection of the underlying processes and controls that support the information in the Refiner's Compliance Report; and

¹ The maintenance and integrity of the Company's website is the responsibility of management; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Subject Matter (the Refiner's Compliance Report) or Reporting Criteria (the LBMA Guidance) when presented on the Company's website.



- review of the statements made by the management in the Refiner's Compliance Report as compared to the findings arising from the above procedures performed.

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

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 different refiners to comply with the LBMA Guidance may differ.

It is important to read the Company's Gold supply chain management guidance adopted on 08 April 2015 and Version adopted on 25 May 2021 (hereinafter – "the MZSS Guidance"), that is available on the Company's website in accordance with the LBMA Guidance requirements.

Opinion

In our opinion, the Refiner's Compliance Report of the Company for the year ended 31 December 2021, in all material respects, describes fairly the activities undertaken during the year to demonstrate compliance, and management's overall conclusion contained therein is in accordance with the requirements of the LBMA Guidance.

AO PricewaterhouseCoopers Audit

25 March 2022
Moscow, Russian Federation



A.N. Rusanov is authorised to sign on behalf of the general director of AO PricewaterhouseCoopers Audit (Principal Registration Number of the Record in the Register of Auditors and Audit Organizations (PRNR) - 12006020338), certified auditor (PRNR - 21906109776)

Refiner's compliance report - the London Bullion Market Association's Responsible Gold Guidance

Table 1 – Refiner's details	
Refiner's name	Joint Stock Company Moscow Special Alloys Processing Plant ("MZSS")
Location	31 Obrucheva st., Moscow 117246, Russia
Reporting year end	31 December 2021
Date of report	25 March 2022
Senior management responsible for this report	Mikhail Portsman, Senior technologist

Table 2 – Summary of activities undertaken to demonstrate compliance
<p>Step 1: Establish strong company management systems</p> <p>Compliance statement with requirement:</p> <p>Joint Stock Company Moscow Special Alloys Processing Plant (hereinafter – “the Company” / “Refiner” / “MZSS”) has complied with Step 1: “Establish strong company management systems” with low-risk deviations. For more detail see below.</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 order to bring the gold supply chain management to full compliance with the London Bullion Market Association (hereinafter – “LBMA”) Responsible Gold Guidance (hereinafter – “the LBMA Guidance”), the Company developed and adopted the Gold supply chain management guidance (hereinafter - “the MZSS Guidance”) on 8 April 2015.</p> <p>On 25 May 2021 the Company amended the MZSS Guidance to formalize the control procedures regarding environmental and social responsibilities as suggested by LBMA Guidance version 8.</p> <p>The MZSS Guidance is aimed at providing reliable selection and evaluation of suppliers in order to minimize risks of direct or indirect contribution to conflict or other forms of human rights abuse. The MZSS Guidance covers all items required by the LBMA Guidance requirements, i.e.:</p> <ul style="list-style-type: none"> a. Scope; b. Organization and responsibilities; c. Criteria for high-risk gold supply chain; d. Supply chain due diligence, inclusive of the Know Your Customer process; e. Monitoring of transactions; f. Maintaining records; g. 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>LBMA internal management structure requirements to support supply chain due diligence, including governance, roles and responsibilities, communication and senior management review were confirmed in the MZSS Guidance. A person responsible with the necessary competence, knowledge and experience to oversee the supply chain due diligence process and reporting directly to the representative of gold supply chain management was assigned by the order N522 on 19 December 2019.</p> <p>Has the Refiner established a strong internal system of due diligence, controls and transparency over gold supply chain, including traceability and identification of other</p>

supply chain actors?**Comments and demonstration of compliance:**

The Company has a robust raw materials supply management system. Prior to assaying and processing gold bearing materials, the Company's responsible employees obtain supporting documentation and enter data into the electronic data management system. Special control procedures, in accordance with internal policies and regulations related to raw materials received, are executed before their refining.

The Company's policies prescribe a comprehensive training process that describes the types and timing of training to be performed and the range of employees that should pass the trainings. There is a system of inductions, additional trainings, targeted trainings and increases of knowledge level. Low risk deviation was identified for 2021 in relation to presence of few employees on scheduled trainings. The Company plans to strengthen procedures in relation to trainings monitoring, updates of training plans and assigning of remediation options for the staff.

The Compliance officer, responsible for all matters regarding the gold supply chain, has been formally assigned. These control procedures were in operation and adhered to during 2021.

In April 2015 the Company issued the MZSS Guidance, which was subsequently updated in 2021. In accordance with the MZSS Guidance, the following documents are to be additionally included into the supplier's profile or included within the contract as additional information:

- confirmations in writing of gold supplier's compliance with LBMA requirements (included into the text of a contract of refining services), including confirmation of non-involvement in any money-laundering, terrorism financing and/or human rights abuse activities, for all suppliers (confirmed by a letter of guarantee);
- KYC questionnaire using the form recommended by LBMA.

Due to collection of KYC questionnaires the client identification process is effective as planned and contributes to the quality of due diligence process.

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:**

In 2021 the Company followed the defined supplier identification process which included due diligence of gold supply chain. The Company sends KYC questionnaire using LBMA recommended pro-forma and collects replies in writing from gold suppliers about their compliance with LBMA requirements, including confirmation of non-involvement in activities related to money-laundering, financing terrorism and/or human rights abuse.

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 has internal communication system designed to allow employees to voice their concerns about gold supply chain or relevant risks. This system of internal communication was upgraded through the implementation of MZSS Guidance. All incoming messages to e-mail address market@mzss.ru regarding compliance with MZSS Guidance are reviewed by responsible person – Compliance officer.

Step 2: Identify and assess risk in the supply chain**Compliance statement with requirement:**

The Refiner has complied with Step 2: "Identify and assess risk in the supply chain".

Does the Refiner have a process to identify risks in the supply chain?**Comments and demonstration of compliance:**

The process of risk identification and assessment in regard to gold supply chain is described in the MZSS Guidance. Following the process is a formal requirement before entering any business

relationships with a gold supplying counterparty.

For every supplier the Company creates a client file, adds required documents and allocates a risk profile according to the risk assessment criteria determined in the MZSS Guidance. In the process of counterparties' assessment, the responsible employees take into account geographical location of suppliers, information from public sources (mass media, internet), including information about suppliers' conformance with law and sanctions information. As part of the process of identifying risks in the supply chain in 2021, the Company took into account the compliance of gold suppliers with social and environmental legislation.

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

Comments and demonstration of compliance:

Supply chain due diligence comprising measures required by the LBMA Guidance is performed before entering into a business relationship with any gold supplying counterparty. Due diligence and supplier identification processes defined in the MZSS Guidance were carried out each time the Company was engaging in business relationships with new 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. The Company performed procedures as part of gold supply chains due diligence process in order to identify beneficial owners and check that the counterparty and their beneficial owners were not named on any government lists for wanted money launders, known fraudsters or terrorists, and not included within the international sanction lists. All necessary procedures for gold origin identification were carried out according to reasonable and good faith efforts to ensure that all gold was mined or produced in Russian Federation and no imported raw materials were processed in 2021. As a result of procedures performed, the Company came to a conclusion that there were no transactions with high or medium risk.

The Company collects and analyzes information from open sources in addition to supplier questionnaires to identify cases of non-compliance by suppliers with the legislation including social and environmental matters. Whether such instances of violation are detected for a gold supplier, the Company revises the supplier's risk assessment.

Does the Refiner report risk assessment to designated manager?

Comments and demonstration of compliance:

Compliance officer submits annual report with commentary to the member of executive management responsible for supply chain management (Technical director). The report contains information regarding supply chain's compliance with the applicable provisions of the LBMA Guidance 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:

A Risk Management Plan for the Company has been prepared and put into practice. The plan lists risk factors as well as appropriate procedures to address them.

The MZSS Guidance includes segregation of all suppliers by the risk and control mechanism in the following way:

Level of risk	Strategy
Low	Commencement or continuation of

	cooperation
Moderate	Commencement or continuation of cooperation after mitigating the potential impact of the identified risks
High	Suspension of cooperation while mitigating the identified risks by obtaining additional information or termination of cooperation

Where a management strategy of risk mitigation is undertaken, it should include measurable 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:

The robust strategy for risk management and mitigation was implemented together with the adoption of the MZSS Guidance on 8 April 2015. There were no high and medium risk suppliers identified in 2021.

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

Compliance statement with requirement:

The Company has complied with Step 4 "Arrange for an independent third-party audit of the supply chain due diligence".

Comments and demonstration of compliance:

According to LBMA requirements the Company was to submit the Independent third-party audit of the supply chain due diligence report for 2021 by 31 March 2022. The Company entered into a contract with AO PricewaterhouseCoopers Audit on 24 January 2022. The Independent third party reasonable assurance report will be published on www.zvetmet.ru upon completion.

Step 5: Report on supply chain due diligence

Compliance statement with requirement:

The Company has complied with Step 5 "Report supply chain due diligence".

Comments and demonstration of compliance:

MZSS Compliance Report was prepared on time meeting requirement of LBMA.

Further information and specific details on how MZSS's systems, procedures, processes and controls have been implemented to align to the specific requirements in the LBMA Guidance have been set out in MZSS Guidance, which is available on our website www.mzss.ru.

Table 3 – Management conclusion

Is the Refiner in compliance with the requirements of the LBMA Guidance for the reporting period?

Yes – compliant with low-risk deviations

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 as described above.

In 2021 the Company amended the existing guidance to formalize the control procedures regarding environmental and social responsibilities as suggested by LBMA Guidance version 8.

MZSS is committed to continuous improvement and all corrective actions required will be monitored internally on a regular basis.

Table 4 – Other reports comments

If users of this report wish to provide any feedback to MZSS with respect to this report, they can contact us through email at info@mzss.ru

Technical director

Senior technologist

V.P. Kirichenko

M.A. Portsman

