
JSC Krastsvetmet

Independent Reasonable Assurance Report
(ISAE (revised) 3000 engagements)
on the Refiner's Compliance Report
for the year ended 31 December 2019





Independent Reasonable Assurance Report

To the management of Open Joint Stock Company Krastsvetmet:

We were engaged by Open Joint Stock Company Krastsvetmet ("Krastsvetmet" / "the Company") to provide reasonable assurance on its Refiner's Compliance Report for the year ended 31 December 2019.

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 London Platinum and Palladium Market ("LPPM") Responsible Platinum and Palladium Guidance ("the LPPM 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 LPPM Guidance are the activities described within the Refiner's Compliance Report.

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 LPPM Guidance. We conducted our engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000 (revised) "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 LPPM Responsible Platinum and Palladium Programme – "Third Party Audit Guidance" ("the Audit Guidance").

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

Restriction of use

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

Summary of work performed

The assurance scope consists of the Refiner's Compliance Report.

Our reasonable assurance engagement included the following:

- Inquiring of management to gain an understanding of the Company's processes and risk management procedures in relation to the platinum and palladium supply chain in place;
- Inquiries of the relevant staff responsible for the preparation of the Krastsvetmet 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 LPPM Guidance;
- Performing a walkthrough of the Krastsvetmet 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 Krastsvetmet Refiner's Compliance Report; and
- Reviewing the presentation of the Krastsvetmet 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.

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 LPPM Guidance may differ. It is important to read Krastsvetmet's gold and other precious metals supply chain policy issued on 28 November 2013 (as amended on 25 October 2019)¹.

Our Independence, Quality Control and Competency statement

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, together with the ethical requirements of the Code of Professional Ethics of Auditors and the Rules of Independence of Auditors and Audit Organizations applicable to our audit procedures and other assurance tasks with respect to the Subject of Verification in the Russian Federation and we have met other ethical responsibilities in accordance with these requirements and the Code of IESBA.

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.

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 or Reporting Criteria when presented on the Company's website.



Opinion

In our opinion, the Refiner's Compliance Report for the year ended 31 December 2019, 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 LPPM Guidance.

AO PricewaterhouseCoopers Audit

31 March 2020
Moscow, Russian Federation

A.B. Fomin, certified auditor (licence no. 01-000059), AO PricewaterhouseCoopers Audit

Audited entity:
Open Joint Stock Company "Krasvetmet"

State registration certificate No. 187 issued by the Krasnoyarsk
Registration Chamber on 27 December 1994

Certificate of inclusion in the Unified State Register of Legal Entities
issued on 1 August 2002 under registration No. 1022402056324

660027, Krasnoyarsk, Transportniy Proezd, 1.

Independent auditor:
AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber
on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22
August 2002 under State Registration Number 1027700148431

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association
«Sodruzhestvo»

Principal Registration Number of the Record in the Register of
Auditors and Audit Organizations – 12006020338

AO PricewaterhouseCoopers Audit is included in the list of Approved
Service Providers by the London Platinum and Palladium Market
(LPPM)

Refiner's Compliance Report

Table 1 – Refiner's details	
Refiner's name	JSC Krastsvetmet
Location	Russian Federation, Krasnoyarsk
Reporting year-end	31 December 2019
Date of Report	31 March 2020
Senior management responsible for this report	Belov Sergey Valentinovich, Deputy Director General-Head of refining division

Table 2 – Summary of activities undertaken to demonstrate compliance
Step 1: Establish strong company management systems
<p>Compliance statement with requirement: JSC Krastsvetmet ("the Company" / "the Refiner") fully complied with Step 1: "Establish strong company management systems". For more details, please refer below.</p>
<p>Has the Refiner adopted a Company policy regarding due diligence for supply chains of platinum and palladium? Yes. The refiner has adopted a Company policy regarding due diligence for supply chains of platinum and palladium.</p> <p>Comments and demonstration of compliance: The Company used during the whole reporting period the formal Guidance for management of supply chains of gold and precious metals ("the Krastsvetmet Guidance") which was created in accordance with the requirements of the London Platinum and Palladium Market ("LPPM") Responsible Platinum and Palladium Guidance ("the LPPM Guidance") regarding due diligence of supply chains of platinum and palladium.</p>
<p>Has the Refiner set up an internal management structure to support supply chain due diligence? Yes. The Refiner has set up an internal management structure to support supply chain due diligence.</p> <p>Comments and demonstration of compliance: Internal management structure was used during the whole reporting period to support supply chain due diligence. Proper resources were assigned and relevant training was provided to staff on regular basis. The compliance officer was assigned to manage the process.</p>
<p>Has the Refiner established a strong internal system of due diligence, controls and transparency over platinum and palladium supply chains, including traceability and identification of other supply chain actors? Yes. The Refiner has established a strong internal system of due diligence, controls and transparency over platinum and palladium supply chains, including traceability and identification of other supply chain actors.</p> <p>Comments and demonstration of compliance: The Company has a robust raw materials supply management system. Prior to the testing and processing of materials containing precious metals, responsible employees of the Company obtain supporting documentation and post data into the electronic data management system of the Company. All information relating to the received materials is subject to special verification and control activities in accordance with the existing policies and procedures, which have to be successfully completed prior to material being admitted for refining. These procedures existed and were adhered to in 2019.</p>
<p>Has the Refiner strengthened company engagement with platinum-supplying and palladium-supplying counterparties and, where possible, assisted platinum-supplying and palladium-supplying counterparties in building due diligence capabilities? Yes. The Refiner has strengthened engagement with the counterparties in the platinum and palladium supply chain, and where possible, assisted those counterparties in building their due diligence capabilities. JSC Krastsvetmet assists suppliers in complying with their environmental and sustainability responsibilities, encourages to minimise adverse impact on biodiversity and compliance with the International Cyanide Management Code (when applicable).</p> <p>Comments and Demonstration of Compliance: JSC Krastsvetmet developed a comprehensive supplier identification process. The supplier agreements with the Company request that the counterparties confirm that they are not involved in activities related to money laundering, financing terrorism and human rights abuse.</p>
<p>Has the Refiner established a company-wide communication mechanism to promote broad employee participation and risk identification to management? Yes. The Refiner has established a company-wide communication mechanism to promote broad-based employee participation and risk identification to management.</p> <p>Comments and demonstration of compliance: The Company developed internal communication system designed to allow employees to voice their concerns in</p>

<p>relation to the gold and precious metals supply chain, or newly identified risk.</p> <p>Should the employee suspect the non-compliance with the combating terrorism and money laundering policies and procedures, he or she sends this information to the e-mail dmcc@krastsvetmet.ru, which is anonymous, and is monitored by an employee of the security department (assets protection department); this person would double check the information.</p> <p>Upon confirmation of the facts, the employee of the security department contacts risk officer of the department dealing with the respective counterparty. Further compliance officer informs the management in charge for decision making.</p>
<p>Step 2: Identify and assess risk in the supply chain</p> <p>Compliance statement with requirement: We have fully complied with Step 2: Identify and assess risk in the supply chain.</p> <p>Does the Refiner have a process to identify risks in the supply chain? Yes. The Refiner has process to identify risks in the platinum and palladium supply chain.</p> <p>Comments and demonstration of compliance: The Company identified and assessed risks in the supply chain. Every supplier is assigned a risk rating in accordance with the risk rating criteria. The Company uses the Krastsvetmet Guidance before entering any business relationship with each counterpart in the platinum and palladium supply chain.</p> <p>Does the Refiner assess risks in light of the standards of their due diligence system? Yes. The Refiner assesses risks in light of the standards of their supply chain due diligence system.</p> <p>Comments and demonstration of compliance: Prior to engaging with any supplier in the platinum and palladium supply chain, the Company performs supplier due diligence activities, including all activities required by the LPPM Guidance JSC Krastsvetmet analyzes the information from the sanction lists (based on special information systems) for the presence of suppliers in it and, also, carries out procedures to ensure that platina and palladium suppliers comply with applicable legislation, including labour and environmental laws. The Company also conducts appropriate scrutiny and monitoring of transactions undertaken through the course of the relationship. The Company did not enter into any transactions with high-risk suppliers during 2019.</p> <p>Does the Refiner report risk assessment to the designated manager? Yes. The Company reports on the results of the risk assessment to the responsible person – member of executive management responsible for supply chain management.</p> <p>Comments and demonstration of compliance: Risk officer submits annual report with commentary to the member of executive management responsible for supply chain management. The report contains information regarding supply chain's compliance with the applicable provisions of the LPPM Guidance and measures taken to address exceptions if any.</p> <p>Senior management retains ultimate control and responsibility for the platinum and palladium supply chain.</p>
<p>Step 3: Design and implement a management strategy to respond to identified risks</p> <p>Compliance statement with requirement: We have fully complied with Step 3: Design and implement a management strategy to respond to identified risks.</p> <p>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? Yes.</p> <p>Comments and Demonstration of compliance: A detailed risk assessment and management policy in line with the LPPM Guidance was used during the whole reporting period. It contains methodology of segregation of all suppliers by the risk and control mechanism as follows: (i) mitigation of the risk while continuing trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk by obtaining additional information/data confirming or refuting the adverse or disengage from the red-flagged company and/or sources of the risk.</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: The respective procedures are in place and where and when necessary appropriately applied. The Company maintains and updates profiles for each of the supplier and designates risk ratings in accordance with Krastsvetmet Guidance. The Company does not enter into transactions with high-risk suppliers and additional procedures are performed for medium-risk ones. The overall performance of the risk management system is reported to the relevant senior</p>

management representative.

According to LPPM Guidance, the Refiner must obtain information about ultimate beneficial owners, who holds 25% or more of the share capital in any corporate entity before entering into business relationship. The Refiner did not obtain information about ultimate beneficial owners of one company directly from them and obtained information about only foreign intermediate owners (holding companies). Thus, the Company conducted alternative procedures and identified ultimate beneficial owners using other sources and it was confirmed that the ultimate beneficial owners are not included in sanction lists and Rosfinmonitoring's list of terrorists. The Company also checked platinum-bearing and palladium-bearing raw materials origin and obtained evidence that it is not relating to conflict regions. The Refiner assigned low risk for this deviation in accordance with the risk rating criteria stated in LPPM Guidance.

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:

Krastsvetmet engaged the services of the assurance provider AO PricewaterhouseCoopers Audit, and their independent reasonable assurance report can be viewed on www.krastsvetmet.ru

Step 5: Report on supply chain due diligence

Compliance statement with requirement:

We have fully complied with Step 5: Report supply chain due diligence.

Further information and specific details of how Krastsvetmet's systems, procedures, processes and controls have been implemented to align to the specific requirements in the LPPM Guidance have been set out in our platinum and palladium supply chain policy, which is available on our company website www.krastsvetmet.ru

Table 3 – Management conclusion

Step of Framework	Rating	Comments
Step 1 Establish strong company management systems	Fully compliant	The Company performed procedures for establishing strong company management systems.
Step 2 Identify and assess risk in the supply chain	Fully compliant	The Company developed and implemented the policy for risk identification and assessment in the platinum and palladium supply chain, which was in place during the whole 2019 year.
Step 3 Design and implement a management strategy to respond to identified risks	Compliant with low risk rating deviation	Management strategy to respond identified risks was adopted and was in place during the whole 2019 year. The Company identified ultimate beneficial owners of one company from external sources. It was confirmed that the ultimate beneficial owners are not included in sanction lists and Rosfinmonitoring's list of terrorists; platinum-bearing and palladium-bearing raw materials origin is not related to conflict regions. The Company assigned low risk for this deviation in accordance with the risk rating criteria stated in LPPM Guidance.
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 AO PricewaterhouseCoopers Audit.
Step 5 Report on responsible supply chain due diligence	Fully compliant	All necessary reports are issued.

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

Fully compliant.

In conclusion, JSC Krastsvetmet implemented effective management systems, procedures, processes and practices to fully conform to the requirements of the LPPM Guidance, as explained in Table above, for the whole reporting year ended 31 December 2019.

JSC Krastsvetmet is committed to continuous improvement, and any corrective actions identified will be monitored internally on a regular basis.

Table 4 – Other reports comments

If users of this report wish to provide any feedback to JSC Krastsvetmet with respect to this report, they can contact us through email on info@krastvetmet.ru

Deputy Director General-Head of refining division

S. V. Belov