

# Joint Stock Company Prioksky Plant of Non-ferrous Metals

Independent Reasonable Assurance Report  
(ISAE (revised) 3000 engagements)  
on the Refiner's Compliance Report  
for the year ended 31 December 2020





## Independent Reasonable Assurance Report

To the Management of Joint-Stock Company "Prioksky Plant of Non-ferrous Metals":

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### Introduction

We were engaged by the Management of Joint-Stock Company "Prioksky Plant of Non-ferrous Metals" (hereinafter – the "Company") to provide reasonable assurance on its Refiner's Compliance Report for the year ended 31 December 2020 (hereinafter – the "Refiner's Compliance Report").

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### Description of the subject matter and applicable criteria

The Refiner's Compliance Report prepared in accordance with the London Platinum and Palladium Market (LPPM) Responsible Platinum/Palladium Guidance (Version 2) (hereinafter - "the LPPM 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 LPPM Guidance.

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### 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 LPPM 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 LPPM Guidance.

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### 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 LPPM Guidance;
- to perform our engagement following the relevant guidance set out in the LPPM 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 LPPM 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 Report<sup>1</sup>. 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.

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### 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.

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### 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 platinum and palladium 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 LPPM Guidance;
- testing, on a sample basis, of the Company's due diligence procedures 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

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<sup>1</sup> 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 LPPM 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.

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### 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 LPPM Guidance may differ.

It is important to read the Company's Platinum and Palladium Responsible Sourcing Guidance adopted on 26 December 2018 (or Version adopted on 15 February 2021), that is available on the Company's website in accordance with the LPPM Guidance requirements.

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### Our opinion

In our opinion, the Refiner's Compliance Report of the Company for the year ended 31 December 2020, 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*

12 March 2021  
Moscow, Russian Federation



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

Audited entity: Joint-Stock Company "Prioksky Plant of Non-ferrous metals"

Record made in the Unified State Register of Legal Entities on 28 March 2003 under State Registration Number 1036218001841

Taxpayer Identification Number 6226006397

391303, Ryazan region, Kasimov, Prioksky District

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 - London Platinum and Palladium Market's Responsible Platinum/Palladium Guidance – Platinum and Palladium

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 2020
Date of report	12 March 2021
Senior management responsible for this report	Nadezhda Igashova, Deputy Director of Production - Head of production and sales department

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></p> <p>PZCM (hereinafter – “the Company”/“Refiner”) has complied with Step 1: “Establish strong company management systems”.</p>
<p><b>Has the Refiner adopted a Company policy regarding due diligence for supply chains of platinum and palladium?</b></p> <p><b>Comments and demonstration of compliance:</b></p> <p>In December 2018 the Company implemented Building up and Managing Responsible Platinum/Palladium Guidance (hereinafter - “the PZCM Platinum/Palladium Guidance” or “the PZCM Guidance”) developed consistently with the London Platinum and Palladium Market's Responsible Platinum/Palladium Guidance (hereinafter – “the LPPM Platinum/Palladium Guidance” or “the LPPM Guidance”).</p> <p>On 15 February 2021 the Company introduced a supplement to the PZCM Platinum/Palladium Guidance, which identified an additional category of the suppliers for analysis.</p> <p>The PZCM Guidance, that was in force in 2020, covered all steps required by the LPPM Guidance, i.e.</p> <ol style="list-style-type: none"> <li>Scope;</li> <li>Organisation and responsibilities;</li> <li>Criteria for high-risk platinum and palladium supply chain;</li> <li>Supply chain due diligence, inclusive of the Know your Customer process;</li> <li>Monitoring of transactions;</li> <li>Maintaining records,</li> <li>Training.</li> </ol>
<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></p> <p>Throughout 2020 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 2020 in accordance with the PZCM Guidance.</p> <p>Starting 28 January 2019 according to the Order #52 Nadezhda Igashova, Head of Production and Sales department, was assigned the role of Responsible officer (currently Deputy Director of</p>



Production - Head of Production and Sales department).
<p><b>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?</b></p> <p><b>Comments and demonstration of compliance:</b></p> <p>The Company has a robust mined metals 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 registers the details of the transaction before processing platinum-bearing or palladium-bearing raw materials. Specific control procedures in accordance with internal policies and regulations related to raw materials received are carried out before refining. This control procedure was in operation and adhered to during 2020.</p>
<p><b>Has the Refiner strengthened company engagement with platinum and palladium-supplying counterparties and, where possible, assisted platinum and palladium-supplying counterparties in building due diligence capacities?</b></p> <p><b>Comments and demonstration of compliance:</b></p> <p>PZCM has strengthened company engagement with platinum and palladium-supplying counterparties, and where possible, assisted platinum and palladium-supplying counterparties in building due diligence capabilities.</p> <p>In respect of all supplies in 2020 in contracts, including those signed before 1 January 2020, there is a clause about supplier's compliance with LPPM requirements, including confirmation of non-involvement in any money-laundering, terrorism financing and/or human rights abuse activities. One of the key requirements to engage in business relationships with platinum and palladium-supplying counterparties is receipt of filled by counterparties KYC questionnaire using the form recommended by LPPM. These actions contributed to perform due diligence process in line with LPPM requirements and ensured collection of all necessary information about suppliers.</p>
<p><b>Has the Refiner established a company-wide communication mechanism to promote broad employee participation and risk identification to management?</b></p> <p><b>Comments and demonstration of compliance:</b></p> <p>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.</p> <p>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.</p>
<p><b>Step 2: Identify and assess risk in the supply chain</b></p>
<p><b>Compliance statement with requirement:</b></p> <p>The Refiner has complied with Step 2: "Identify and assess risk in the supply chain".</p>
<p><b>Does the Refiner have a process to identify risks in the supply chain?</b></p> <p><b>Comments and demonstration of compliance:</b></p> <p>In accordance with the PZCM Guidance, which was developed consistently with LPPM requirements, the Company identifies and assesses risks in platinum and palladium 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 platinum and palladium suppliers.</p>
<p><b>Does the Refiner assess risks in light of the standards of their supply chain due diligence system?</b></p> <p><b>Comments and demonstration of compliance:</b></p> <p>Due diligence and supplier identification processes defined in the PZCM Guidance were carried out</p>



each time the Company was engaging in business relationships with a platinum or a palladium supplier. In addition, the Company conducts appropriate scrutiny of suppliers' documents and monitoring of all transactions carried out through the course of business relationships. In 2020 the Company obtained and analyzed information about sanctions, as well as about suppliers' conformance with applicable legislation including social and sustainability legal requirements, based on data from specialized information systems. The Refiner distributes KYC questionnaire using the form recommended by LPPM, which has improved due diligence process and ensured collection of all necessary information about suppliers.

On 15 February 2021 the Company introduced a supplement to the PZCM Platinum/Palladium Guidance, which identified an additional category of the suppliers for analysis.

#### **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 LPPM requirements and measures taken to address exceptions. Senior management retains ultimate control and responsibility for the 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:**

In accordance with LPPM 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 platinum or palladium from such 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:**

The robust strategy for risk management and mitigation was implemented together with the adoption of the PZCM Guidance for platinum/palladium on 26 December 2018. There were no high risk suppliers identified in 2020.

#### **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 LPPM requirements the Company was to submit the Independent third-party audit of the supply chain due diligence report by 31 March 2021. The Company entered into a contract with AO PricewaterhouseCoopers Audit on 26 January 2021. The Independent third party reasonable assurance report will be published on [www.zvetmet.ru](http://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:**

Report on supply chain due diligence (Refiner's Compliance Report) was prepared on time and therefore the Company met the deadline established by LPPM.

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 LPPM Guidance have been set out in the PZCM Guidance which is available on our website [www.zvetmet.ru](http://www.zvetmet.ru).

**Table 3 – Management conclusion****Is the Refiner in compliance with the requirements of the LPPM Guidance for the reporting period?**

Yes

In conclusion, the Company developed and implemented an effective system of supply chain management, including procedures, policies and processes, for the purpose of compliance with the LPPM Guidance, as explained above in the Table 2, for the year ended 31 December 2020.


On 15 February 2021 the Company introduced a supplement to the PZCM Platinum/Palladium Guidance, which identified an additional category of the suppliers for analysis.

PZCM is committed to continuous improvement in respect of due diligence of the platinum and palladium supply chains. The implementation of all required corrective actions is subject to internal monitoring on a regular basis.

**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](mailto:pzcm@zvetmet.ru).

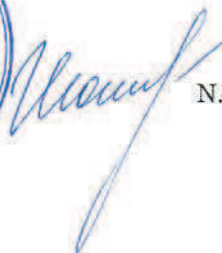
Acting General Director

 S.V. Slyusar

Deputy Director of Production –

Head of Production and Sales department



 N.V. Igashova