

Refiner's Compliance Report

Table 1 – Refiner's details	
Refiner's name	Joint Stock Company Uralektromed (JSC Uralektromed)
Location	1, prospect Uspensky, Verkhnyaya Pyshma, the Sverdlovsk region, Russian Federation, 624091
Reporting year-end	31 December 2017
Date of Report	30 March 2018
Senior management responsible for this report	Kolotushkin Vladimir Sergeevich, Director of JSC Uralektromed

Table 2 – Summary of activities undertaken to demonstrate compliance	
Step 1: Establish strong company management systems	
Compliance statement with requirement: JSC Uralektromed (hereinafter, the "Company" / "Refiner") fully complied with Step 1: "Establish strong company management systems".	
Has the Refiner adopted a Company policy regarding due diligence for supply chains of gold? In 2017 the Company applied the Gold Supply Chain Policy – Responsible Gold Guidance (hereinafter, the "Guidance"), which complies with London Bullion Market Association ("LBMA") Responsible Gold Guidance (hereinafter, the "LBMA Guidance").	
Comments and demonstration of compliance: The Responsible Gold Guidance was established and enforced on 27 of November 2015.	
Has the Refiner set up an internal management structure to support supply chain due diligence? The Company set up a formalized internal management structure to support supply chain due diligence. Detailed description of the structure is reflected in the Internal Control Rules (Article 3 «Program of internal control organization»).	
Comments and demonstration of compliance: As mentioned above, JSC Uralektromed has formal management structure to support supply chain due diligence. All departments related to supply chain management have fulfilled their responsibilities in accordance with existing policies and procedures during 2017. According to the performed analysis, there were no high-risk level operations identified.	
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? JSC Uralektromed has established strong internal system of due diligence, controls and transparency over gold supply chain, including traceability and identification of other supply chain participants.	
Comments and demonstration of compliance: JSC Uralektromed has 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 JSC Uralektromed. 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.	
Has the Refiner strengthened company engagement with gold-supplying counterparties and, where possible, assisted gold-supplying counterparties in building due diligence capacities? JSC Uralektromed has strengthened interaction with the counterparties of the gold supply chain, and where possible, assisted those counterparties in building their due diligence capacities. Also due diligence procedures with respect to supply chains are required by Russian Federal Law No 115-FZ (AML-CFT Federal Law), which all precious metals businesses in Russia must follow.	
Comments and Demonstration of Compliance: JSC Uralektromed developed a comprehensive supplier identification process. The Company fills questionnaires, which evidence that suppliers are not involved in activities related to money laundering and financing of terrorism.	
Has the Refiner established a company-wide communication mechanism to promote broad employee participation and risk identification to management? JSC Uralektromed established company-wide communication mechanism to promote broad-based employee participation and communication of identified risks to the management. Details of the mechanism reflected in the Internal Control Rules (Article 6 «the Program of identifying operations (transactions), which are subject of obligatory control»).	

Comments and demonstration of compliance:

JSC Uralelektromed developed internal communication procedures designed to allow employees to voice their concerns in relation to precious metals supply chain, or newly identified risk. Employees of the Company within the limits of their area of responsibility identify operations, which are subject to obligatory control according to the legislation of the Russian Federation, and unusual transactions that match criteria and characteristics of transactions that can be related to money-laundering or terrorism financing. Upon confirmation of the concerns in respect of the supplier, employees immediately inform responsible person (Deputy Director for quality and operations with precious metals - Batuev A.N.) who makes further decision on recognition of identified operations as either unusual or subject to documentary fixation according to the legislation of the Russian Federation.

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

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

Does the Refiner identified risks in the gold supply chain?

The Company has a formal process to identify risks in supply chain in line with requirements of the AML-CFT Federal Law, which is mostly consistent with requirements of the LBMA Guidance. Additionally we perform risk assessment to comply with LBMA Guidance in accordance with Guidance.

Comments and demonstration of compliance:

According to the Guidance and the Internal Control Rules, the Company assigns level of risk to each supplier based on the risk identification criteria. This process is mandatory requirement for initiation of collaboration with all counterparties. Based on 2017 tests results, there were no suppliers with a high risk level identified.

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

The Company assesses risks of gold supply chain members in accordance with the standards of its due diligence system documented in the Guidance and the Internal Control Rules. This system is fully compliant with the requirements of the Laws of Russian Federation. The requirements contain provisions regarding assessment of risks associated with suppliers as well as measures to identify suspicious transactions and reporting of those to the regulatory authorities for further decision on the Company's ability to proceed with the supplier.

Comments and demonstration of compliance:

The Company performs supplier due diligence activities, including activities required by the LBMA Guidance. In 2017, the Company did not identify suppliers with high risk level. The monitoring of operations (transactions) of counterparties is performed by the Company constantly. The Company does not work with suppliers with the high-risk level. In 2017, procedures aimed at identifying risks in the supply chain against foreign suppliers have been carried out to a limited extent. Since these suppliers are one of the largest commodity traders in the world, as well as public companies that disclose human rights policies, anti-corruption policies, reports on the "Know your counterparty" procedures, as well as reports on their social responsibility on publicly available websites, we concluded that there is a low risk of unfaithful status of these counterparties. Based on the results of the performed procedures, these providers were assigned with a medium level of risk.

Does the Refiner report the results of risk assessment to Senior Management?

The Company informs Senior management of all instances of revealing high risks.

Comments and demonstration of compliance:

Not less than once in a year, the controller, who was appointed by the Director of the Company and is under supervision of the responsible person, prepares a Report with comments to the Senior Management that holds ultimate control and responsibility for the gold supply chain.

Step 3: Design and implement a management strategy to respond to identified risks**Compliance statement with requirement:**

We have fully 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?

In 2017 the Company carried out its activities in accordance with the Laws of Russian Federation which are developed in spirit of international principles on anti-money laundering. Activities of the Company complied with the requirements of the LBMA Guidance as well. The Guidance and the Internal Control Rules include risk identification process as well as procedures of cancellation of cooperation with suppliers in case of identification of money-laundering or terrorism financing.

Comments and Demonstration of compliance:

In 2017 the Company conducted its activities in accordance with the Guidance, which suggests Normal, Possible and High risk classification of suppliers. High risk relates to transactions with potential suspicious characteristics which are all subject for reporting to the Russian Regulator.

The Company did not identify suppliers with high-risk level, which evidence that the Guidance and the Internal Control Rules were sufficient to prevent the Company from collaborating 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 Senior Management.

Comments and demonstration of compliance:

Corresponding procedures are documented in the Guidance and the Internal Control Rules and are applied consistently. Assessment of gold supply chain counterparties for 2017 demonstrated absence of high level of risk suppliers.

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:

The Company has engaged AO PricewaterhouseCoopers Audi to provide respective assurance services, and their independent reasonable assurance report can be viewed on the Company's web-site once issued (http://www.elem.ru/ru/activity/management_system/status-good-delivery-lbma/)

Step 5: Report 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 systems, procedures, processes and controls of the Company are implemented and used to comply with requirements of the LBMA Guidance is set out in the Company's Guidance and the Internal Control Rules available on the Company's web-site

(http://www.elem.ru/ru/activity/management_system/rukovodstvo-po-otvetstvennym-postavkam-zolota-v-aouralektromed/).

Table 3 – Management assessment of all 5 steps of the LBMA Guidance

Step of Framework	Rating	Comments
Step 1 Establish strong company management systems	Fully compliant	The Company has Gold Supply Chain Policy, which is compliant with the requirements of the LBMA Guidance.
Step 2 Identify and assess risk in the supply chain	Partially compliant	<p>The Company has formal process to identify risks in supply chain in line with requirements of Russian AML-CFT regulations, which is to a greater extent consistent with the LBMA requirements. According to the Guidance and the Internal Control Rules, the Company assigns level of risk to each supplier based on the risk identification criteria.</p> <p>In 2017, procedures aimed at identifying risks in the supply chain in relation to foreign suppliers have been carried out to a limited extent. Since these suppliers are one of the largest commodity traders in the world, as well as public companies that disclose human rights policies, anti-corruption policies, reports on the "Know your counterparty" procedures, as well as reports on their social responsibility on publicly available websites, we concluded that there is a low risk of unfaithful status of these counterparties. Based on the results of the performed procedures, these suppliers were assigned with a medium level of risk.</p>

Table 3 – Management assessment of all 5 steps of the LBMA Guidance

Step 3 Design and implement a management strategy to respond to identified risks	Fully compliant	In 2017, the Company carried out its activities in accordance with the Laws of Russian Federation, which are developed in the spirit of international principles on anti-money laundering and to a greater extent consistent with requirements of the LBMA Guidance. The Company did not identify suppliers with high-risk level, which evidence that adopted policies were sufficient to prevent the Company from collaborating with high risk suppliers. Risk management (mitigation) strategy that includes measurable actions taken had been fully formalized.
Step 4 Arrange for an independent third-party audit of the supply chain due diligence	Fully compliant	The Company has engaged AO PricewaterhouseCoopers Audi to provide respective assurance services.
Step 5 Report on responsible supply chain due diligence	Fully compliant	All necessary reports are prepared in 2017 were publicly available once issued. The Refiner's compliance report and the Independent Reasonable Assurance Report are available on the Company's web-site.

Table 4 – Management conclusion

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

For the reporting period, the Refiner followed the requirements of the Responsible Gold Guidance in the course of its operations.

JSC Uralelektromed has implemented effective management systems, procedures, processes and practices that conform to the requirements of the LBMA Guidance, for the entire reporting period ended 31 December 2017, as explained in Table 3 above.

Policies and procedures that existed in 2017 were effective in preventing the Company from conducting activities with high-risk suppliers.

Table 5 – Other reports comments

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

CONFIRMED

Director, JSC Uralelektromed



[Signature]
V.S. Kolotushkin

_____ 2018

Person responsible for filling in this questionnaire:

Deputy Director for quality and operations with precious metals, JSC Uralelektromed

[Signature] A.N. Batuev

"30" марта 2018