



LBMA Responsible Gold Guidance - Third-Party Audit Checklist

For third-party audits based on ISO19011:2011.

Prepared for: London Bullion Market Association (LBMA)

Date: 15 May 2017

MOSCOW

2017

ASSESSMENT INFORMATION	
Refiner Name:	<i>JSC Shyolkovsky Factory of Secondary Precious Metals</i>
Refiner Location:	<i>103A Zarechnaya Str., Shchelkovo, Moscow Oblast 141100, Russia</i>
Refiner Contact Person: Name, Title: Email: Phone:	<i>Mariya Yurevna Kirillova, Senior Engineer of Raw Materials Preparation and Procurement Department info@zavodvdm.ru +7 (496) 566-49-05, ext. 248</i>
Type of Assessment	Full Re-Assessment (Periodic-every 3 years)
Date(s) of Assessment:	24.04.2017 – 28.04.2017
Assessment Team Name(s):	<i>Maria I. Yakovleva Elena A. Pleskova</i>
Assessment Period	01.01.2016 - 31.12.2016

ASSESSMENT CONCLUSIONS							
<i>Refer to the LBMA Third-Party Audit Guidance, Appendix 1 to determine the level of conformance for each sub-category¹.</i>							
			Non Compliance – risk level				
	CATEGORY	SUBCATEGORY	Compliant	Low	Medium	High	Zero Tolerance
A.	General Information						
B.	Step 1: Establish strong Refiner management systems	1.1:	+				
		1.2	+				
		1.3	+				
		1.4	+				
		1.5	+				
C.	Step 2: Identify and assess risk in the supply chain	2.1	+				
		2.2	+				
		2.3	+				
D.	Step 3: Design and implement a management strategy to respond to identified risks	3.1	+				
		3.2	+				
E.	Step 4: Arrange for an independent third-party audit of the supply chain due diligence	4.1	+				
F.	Step 5: Report on supply chain due diligence	5.1	+				
		5.2	+				
		5.3	+				

Auditors are required to apply the audit methodology as defined in the LBMA Third-Party Audit Guidance, relevant sections based on ISO19011:2011 Standard, for this assessment. In particular, auditors are expected to take into account any applicable sampling guidelines.

GENERAL INFORMATION		
A.	What types of Gold-bearing material does the Refiner refine?	<i>Secondary gold-bearing material</i>
B.	What types of products does the Refiner produce for commercialization?	<i>Finished product: minted and standard bullions of refined gold Products manufactured in the give-and-take basis: non-standard bullions and rounds of refined gold</i>
C.	What are the main processes carried out onsite?	<i>Testing and recycling of gold-bearing metal material, tests and recycling of bulky gold-bearing material, manufacture of minted, standard and non-standard bullions of refined gold,</i>

¹ LBMA Responsible Gold Programme-Third Party Audit Guidance. Appendix 1: Definitions of Non-compliances. Pg. 42.

GENERAL INFORMATION		
		<i>manufacture of refined gold rounds.</i>
D.	Does the Refiner process any “excluded material”? <i>Refer to the definition of “excluded material” in the LBMA Third Party Audit Guidance.</i>	No
E.	How many direct Gold supplying counterparties does the audited Refiner have?	<i>179 suppliers of recycled gold-bearing material under sale and purchase agreements; 64 suppliers of gold-bearing material under the give-and-take agreements (secondary give-and-take material).</i>
F.	Indicate the estimated percentage for each category of the Gold supplying counterparties in the Refiner’s supply chain during the assessed period.	<i>Industrial mining operations (large or small): 0% Artisanal mining operations: 0% Traders/brokers: 0% Recycled material/collector: 10% Industrial scrap providers: 90% Others: specify 0%</i>
G.	Where are these Gold supplying counterparties primarily located?	<i>Russian Federation</i>
H.	How are Gold supplying counterparties selected?	<i>Rules for identification and examination of the Refiner’s counterparties are governed by paragraph 2.3 and 3 of the Rules for Internal Control of JSC Shyolkovsky Factory of Secondary Precious Metals for purposes of anti-money laundering and terrorism financing (as subsequently amended), as set forth on January 09, 2017.</i>
I.	Were there any limitations to the assessment?	No

I. Step 1: Establish strong Refiner management systems			
1.1 Adopt a Refiner policy regarding due diligence for supply chains of Gold			
<i>Provide an overview of the management systems governing the due diligence policy for Gold supply chains.</i>			
1.1.1	Does the Refiner have a Gold supply chain policy in compliance with the LBMA Responsible Gold Guidance*? (For all sources, including mined Gold, recycled Gold and other sources).	Yes	<p><i>The Refiner has developed and implemented the Gold Supply Chain Policy in compliance with the LBMA Responsible Gold Guidance.</i></p> <p><i>The Refiner has also the following internal regulations in place that govern the management of gold-bearing materials supply:</i></p> <ol style="list-style-type: none"> <i>1. Rules for internal control at JSC Shyolkovsky Factory of Secondary Precious Metals for purposes of anti-money laundering and terrorism financing (as subsequently amended), as set forth on January 09, 2017 (hereinafter referred to as The Rules);</i> <i>2. Rules about activities at JSC Shyolkovsky Factory of Secondary Precious Metals in order to perform the rules and requirements of the LBMA Responsible Gold Guidance, as adopted on June 27, 2016;</i> <i>3. Instruction No. 04-05 For Control of Precious Metals and Materials Bearing Such Metals, approved on May 31, 2005, agreed with Letter No. 40-14-11/827 of May 16, 2005 of the Russian State Assay Chamber;</i> <i>4. Rules for the Raw Materials Preparation and Procurement Department of JSC Shyolkovsky Factory of Secondary Precious Metals, approved on</i>

			April 07, 2003.
1.1.2	Is the policy publicly available?	Yes	The Refiner's policy is publicly available at http://zavodvdm.ru/announcements/competitions/gold_supply_chan_policy/
1.1.3	Does the policy require that Gold supplying counterparties not participate in any of the following activities at any point in their supply chain?		
	<ul style="list-style-type: none"> • Conflict financing 	Yes	The gold supply chain policy of JSC Shyolkovsky Factory of Secondary Precious Metals requires that gold supplying counterparties not to participate in money laundering, terrorism financing, bribery, abuse of human rights (paragraph 2 of the Policy).
	<ul style="list-style-type: none"> • abuse of human rights 	Yes	
	<ul style="list-style-type: none"> • money laundering 	Yes	
	<ul style="list-style-type: none"> • terrorism financing 	Yes	
1.1.4	Does the policy include information on the following topics?		
	<ul style="list-style-type: none"> • Scope 	Yes	Paragraph 2.3 of the Rules sets forth the list of operations that must be controlled. Mandatory control applies to sale and purchase transactions, if their value equals or exceeds RBL 600, 000 or their value equals the amount denominated in foreign currency equivalent of RBL 600, 000 or exceeds it. In case of payment by several payment orders within the framework of one contract, the excess of 600 thousand is monitored and fixed manually (by summation) by the head of the control office - responsible for performing this operation.
	<ul style="list-style-type: none"> • Organisation and responsibilities 	Yes	Paragraph 14 "Functions, powers, duties assigned to a special officer of JSC Shyolkovsky Factory of Secondary Precious Metals, responsible for compliance with internal control rules and programs for its implementation" of the Rules sets forth requirements to a person charged with internal control, his/her duties and rights.
	<ul style="list-style-type: none"> • Criteria for high risk Gold supply chain 	Yes	The list of signs of an increased degree (level) of risk is given in <u>Appendix № 6</u> to the Rules.
	<ul style="list-style-type: none"> • Supply chain due diligence, inclusive of the "Know Your Customer" process 	Yes	The policy of supply chain due diligence and transactions monitoring is laid down in paragraph 3. " <u>Identification program</u> ", paragraph 5 " <u>The program for transactions identifying</u> " and paragraph 11 " <u>The program for studying the customer when providing access to service and by the provision of services</u> " of the Rules.
	<ul style="list-style-type: none"> • Monitoring of transactions 	Yes	
	<ul style="list-style-type: none"> • Maintaining records 	Yes	The accounting procedure is laid down in paragraph 6 " <u>Procedure for documenting information</u> " and paragraph 10 " <u>Information storage program</u> " of the Rules.
	<ul style="list-style-type: none"> • Training 	Yes	Paragraph 8 " <u>The program for Training of Employees in the field of Countering the Legalization (money laundering) of Proceeds from Crime and Financing of Terrorism</u> " of the Rules establishes the procedure for training Refiner's employees. The purpose of the Program is to provide employees with the knowledge in the field of combating the legalization money (laundering) of proceeds from crime and financing of terrorism necessary for compliance with the legislation of the Russian Federation, as well as the internal control rules of JSC Shyolkovsky Factory of Secondary Precious Metals, its implementation programs and other organizational and administrative documents of the Plant adopted for the

			<p>purpose of organizing and implementing internal control.</p> <p>Paragraph 8 of the Rules establishes a list of the Refiner's employees who have to undergo compulsory training in order to counteract the legalization (money laundering) of proceeds from crime and the financing of terrorism, as well as the forms, frequency and terms of training.</p> <p>Training of employees is carried out in three formats:</p> <ol style="list-style-type: none"> 1. Induction training - is conducted with employees first involved in the implementation of internal control (before commencing their work functions related to the implementation of internal control); 2. Special-purpose training - is carried out with respect to persons who plan to perform the functions of a special executive and is held once before the commencement of such functions. The fact that such an executive has undergone special purpose training is confirmed by a document issued by the organization conducting the special-purpose training; 3. Additional training – is conducted by a special executive at least once a year or in the following cases: <ul style="list-style-type: none"> • when the effective statutory acts of the Russian Federation are changes or the new ones come into force; • when the Refiner approves new or amends the existing internal control rules; • when a Refiner's employee is transferred to another permanent position (temporary position) within the Refiner in the event when his / her knowledge in the field of combating the legalization (money laundering) of proceeds from crime and financing of terrorism is insufficient to comply with the legislation of the Russian Federation; • when instructing a Refiner's employee to do work usually performed by Refiner's employees specified in paragraph 8.1 of this Program, but not due to the employment contract concluded with him, when the performance of such work does not entail changes in the conditions of the employment contract concluded with the employee.
1.1.5	Is the policy consistent with the model policy set forth in Annex II of the OECD Due Diligence Guidance ² ?	Yes	<i>The policy of the JSC Shyolkovsky Factory of Secondary Precious Metals is consistent with the model policy set forth in Annex II of the OECD Due Diligence Guidance.</i>
1.1.6	Is the Refiner certified/validated in either of these programs:		
	<ul style="list-style-type: none"> • Conflict-free smelter under the Electronic Industry Citizenship Coalition (EICC) 	No	

²OECD Due Diligence Guidance for Responsible supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Annex II: Model Supply Chain Policy for a Responsible Global Supply Chain of Minerals from Conflict Affected and High-Risk Areas. Pg. 17.

	– Global e-Sustainability Initiative (GeSI) Conflict Free Smelter Program (CFS), Gold Supply Chain Transparency – Refiner Audit Protocol		
	• Chain of Custody Certification from the Responsible Jewellery Council (RJC)	No	
1.2	Set up an internal management structure to support supply chain due diligence		
	<i>Review the management structure for due diligence, including the methods of communication to internal and external parties.</i>		
1.2.1	Has the facility assigned a person with necessary competence and experience <i>from senior management*</i> responsible for the implementation of the due diligence policy? <i>*Not to be confused with the Compliance Officer.</i>	Yes	<i>Sergey I. Rogov, Director for Economics</i>
1.2.2	Does this person have the necessary knowledge, competence and experience to perform the tasks assigned to him/her?	Yes	
1.2.3	Has the Refiner ensured that the necessary resources exist to support the operation and monitoring of the due diligence processes?	Yes	
	<i>External communication</i>		
1.2.4	Has the Refiner communicated the procurement policy to all its Gold supplying counterparties?	Yes	<i>Most of the Refiner's counterparties are its long-term and loyal customers who are well informed about the list, time and rules for providing information to the Refiner that will allow it to perform and monitor the Due Diligence procedures in relation to gold-bearing materials supplies.</i>
1.2.6	If the Refiner sources from other Gold refiners, is the gold bearing material originating in high risk areas?	No	<i>In 2016, the Refiner did not receive any materials from other Refiners.</i>
1.2.7	If so, has the Refiner obtained evidence that the sourcing practices of these third party refineries has been independently verified?	N/A	
	<i>Internal communication</i>		
1.2.7	Is the policy clearly communicated to and understood by all employees affected by its implementation?	Yes	<i>The contents of the Refiner's internal regulations governing the gold-bearing materials supplies management system is communicated to all the employees who are involved in it, including:</i> <i>1. Raw Materials Preparation and Procurement Department;</i> <i>2. Control Office (Accountants);</i> <i>3. Warehouse of untested raw material;</i>

			<p>4. Gold refinery section;</p> <p>5. Central Factory Laboratory of Refinery.</p>
1.2.8	Is there a clear organization chart explaining the reporting structures in place for conducting due diligence tasks?	Yes	<i>The plant has a clear organization chart explaining, among other things, the reporting structures for conducting due diligence tasks. The accountability structure is described in detail in the Instruction for recording precious metals and gold-bearing materials № 04-05 (approved on 31 May 2005, by letter № 40-14-11/827 of the Russian State Assaying Chamber dated 16 May 2005).</i>
1.2.9	<p>Have responsibilities related to supply chain due diligence clearly been communicated to all relevant employees and have employees been equipped with the required skill and resources to perform the tasks assigned to them?</p> <p><i>Examples of relevant employees include:</i></p> <ul style="list-style-type: none"> • <i>Shipping and receiving personnel</i> • <i>Purchasing/sales employees</i> • <i>Refining back office employees</i> 	Yes	<i>As the audit shows, the information about responsibilities related to supply chain due diligence has been clearly communicated to all relevant employees of the raw materials preparation and procurement department, control office, warehouse of untested raw materials. The employees of the above units have the required skills and resources to perform the tasks assigned to them.</i>
1.2.10	Have the individuals responsible for implementation of due diligence measures on the gold supply chain been adequately trained regarding their respective tasks?	Yes	<i>Induction (primary) training for those charged with gold supply chain due diligence is carried out before people start performing their duties. Special-purpose (off-schedule) training is carried out upon request of a person charged with implementation of supply chain due diligence policies. The last training was held in November 2016.</i>
1.2.11	If yes: Does the Refiner provide regular refresher trainings?	Yes	<i>Induction trainings for people charged with supply chain due diligence tasks are held before they start performing their duties.</i>
1.2.12	Has the Refiner included this responsibility in relevant job descriptions?	N/A	<i>Paragraph 8 of the Rules sets forth the rules for trainings of the Refiner's employees charged with implementation of supply chains due diligence tasks.</i>
1.3	Establish a strong internal system of due diligence, controls and transparency over Gold supply chains, including traceability and identification of other supply chain actors		
	<i>Inventory Control Mechanism: Conduct a review of the inventory control mechanism and the documentation kept on file for Gold bearing material.</i>		
1.3.1	Is each input of Gold bearing material assigned a unique reference number upon receipt?	Yes	<p><i>As for sale and purchase agreements:</i></p> <p><i>Each input of unopened scrap and waste, which, based on documents, contain gold-bearing materials, is received at the warehouse where it is accepted, assigned a unique number indicating the supplier and number of places in input (Form 1-БУДМ Preliminary Statement of Acceptance of Input with Scrap and Waste at Warehouse 1 for untested raw materials).</i></p> <p><i>Then each input of raw materials is transferred from the untested material warehouse to a refinery shop, depending on the nature of materials – to the inspection board for testing and recycling gold-bearing metal materials or to the inspection board for testing and recycling of bulky gold-bearing materials. The inspection board unpacks an input, reconciles it with documents provided by those who delivered them in terms of net weight and name of raw materials (Form 3-БУДМ Statement of Scrap and Waste Lot Opening).</i></p>

			<p>Afterwards the board conducts technological tests of each gold-bearing materials input and settles accounts with suppliers (Form 4-БУДМ List and Passport of Suppliers' Accounts). After the material is tested (gold-bearing bullions), it is recognized on the Refiner's balance sheet. That is why in the future, when gold is received at the refinery section, there is no need in control using unique numbers of inputs.</p> <p><u>As for services contracts:</u></p> <p>Each input of gold-bearing materials is documented with statements, with a unique number assigned to it indicating a supplier and number of places in it (Form 1-БУДМ Preliminary Statement of Acceptance of Scrap and Waste Input at Warehouse 1 for untested raw materials). Afterwards, each input of gold-bearing materials is transferred to a refinery shop where it is processed into non-standard bullions and rounds of refined gold, with the unique number kept.</p>
1.3.2	Do unique reference numbers correspond to information gathered on the supply chain for each input of Gold bearing material?	Yes	As the audit identified, unique numbers of each input completely corresponded to information gathered about the supply chains for each input of gold-bearing material.
1.3.3	Does the Refiner quarantine any shipments, pending receipt of additional information, in the event that: <ul style="list-style-type: none"> Shipments are suspected to be associated with any of the practices prohibited by the LBMA Responsible Gold Guidance, the Refiner's Gold supply chain policy and/or OECD Standards³; Shipments received are lacking information on gold origin. Shipments from High-Risk areas are lacking key documentation (see definition of key documentation in question 2.2.3). 	Yes	As set forth in the Rules for activity at JSC Shyolkovsky Factory of Secondary Precious Metals to perform rules and requirements of the LBMA Responsible Gold Guidance (approved on June 27, 2016). The Refiner respects the LBMA Responsible Gold Guidance, including quarantine of shipments, which are suspected to relate to some activities prohibited by the Guidance or there is no information about the origin of shipments.
1.3.4	During observation, are the following material confirmed to fit the description of the type of material: <ul style="list-style-type: none"> Mined material Recycled material Grandfathered material Excluded material? 	Yes	During the Refiner's audit, there were acknowledgments received confirming that gold-bearing materials that had been received in 2016 were mainly recycled gold-bearing materials received from manufacturing facilities, ie suppliers of industrial scrap.
1.3.5	Does the Refiner maintain any documentation regarding its implementation of the LBMA Responsible Gold Guidance ⁴ for at least five years following the end of the Refiner's fiscal year?	Yes	As the Refiner's audit confirms, the Refiner maintains necessary documents compliant with the LBMA Responsible Gold Guidance. The precious metals control office (the chief accountant of the office is a person charged with such responsibilities) accounts and stores the documents for a five year period from the date when a contract between the Company and counterparty expires.

³ OECD Due Diligence Guidance for Responsible supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

⁴ LBMA Responsible Gold Guidance.

1.3.6	Has this requirement been formalized in the Refiner's record-keeping policy?	Yes	<p>As set forth in paragraph 10 "<u>Information storage program</u>" of the Rules, the Refiner stores the following documents during five years from the date of termination of relations with the client:</p> <ul style="list-style-type: none"> documents containing information about the client, the representative of the client, beneficiary; documents related to operations (transactions), information about which was submitted to the Federal Service for Financial Monitoring, and reports on such transactions (transactions); documents relating to transactions subject to documentary recording in accordance with Article 7 of the Federal Law dated 7 August 2001, No. 115-FZ On Countering the Legalization (Money Laundering) of Criminally Obtained Incomes and Financing Terrorism, requirements for the "Rules" and the "Rules"; documents on transactions for which internal communications were prepared; internal communications; results of analysis of the grounds and objectives of the identified unusual operations (transactions); documents relating to the activities of the client, including business correspondence and other documents; other documents obtained as a result of the application of internal control rules.
			Compliance Officer: Review the job description and organizational chart for the designated compliance officer.
1.3.7	Is there an assigned compliance officer who is responsible for all matters regarding the Gold supply chain?	Yes	Mariya Y. Kirillova, Senior Engineer of the Raw Materials Preparation and Procurement Department, is Compliance Officer.
1.3.8	Does this Compliance Officer report directly to the member of Senior Management who is responsible for the supply chain due diligence process?	Yes	As prescribed in Order 39 of JSC Shyolkovsky Factory of Secondary Precious Metals of August 15, 2012, the Compliance Officer is a member of a working team performing supply chain due diligence process, being accountable to the specialist charged with implementation of supply chain due diligence policy S. I. Rogov. Furthermore, as stipulated in the Regulation on the Raw Materials Preparation and Procurement Department of JSC Shyolkovsky Factory of Secondary Precious Metals, the department operates under direct control of the Director for Economics.
1.3.9	Is this person responsible for the following tasks:		
	<ul style="list-style-type: none"> Gold supply chain due diligence. 	Yes	<p>The Compliance Officer:</p> <ul style="list-style-type: none"> is responsible for scrutinizing counterparties to verify whether they have provided documents. takes part in selecting sellers of materials and equipment as well as offers that are the most acceptable for the Company per technical compatibility, reliability and timeline of supply, supplier's reputation, transportation costs.
	<ul style="list-style-type: none"> Assessing if due diligence measures are adequate and requesting additional documentation or information if necessary. 	Yes	
	<ul style="list-style-type: none"> Ensuring that appropriate measures are executed in case of high risk supply chains or transactions. 	Yes	
	<ul style="list-style-type: none"> Training of employees with respect to the responsible 	No	

	sourcing of gold bearing material.		
	<ul style="list-style-type: none"> Preparing and updating the Gold supply chain policy 	Yes	<i>The Compliance Officer:</i> <ul style="list-style-type: none"> formulates suggestions on how to amend/supplement the internal regulations of the Refiner governing the gold-bearing materials supply management system; formulates and provides to the specialist charged with implementation of supply chain due diligence policy reports describing risks identified as a result of examination of gold-supplying counterparties..
	<ul style="list-style-type: none"> Providing reports on the risk assessment results to the Senior Management. 	Yes	
1.4	Strengthen Refiner engagement with Gold supplying counterparties, and where possible, assist Gold supplying counterparties in building due diligence capacities		
	<i>Review the due diligence policy communicated to the Gold bearing counterparties.</i>		
1.4.1	Has the Refiner asked Gold supplying counterparties to commit to and acknowledge in writing compliance with the Refiner's own Gold supply chain policy?	Yes	<i>The Refiner informed the gold-supplying counterparties about its gold supply chain policy by placing this policy at its website. The majority of counterparties have been the Refiner's clients for many years and, thus, they are well-informed about the list of documents, timelines and procedures for providing information to the Refiner that allows to carry out and monitor the gold-supplying counterparties' due diligence. The Refiner uses the procedure of having their counterparties to commit to and acknowledge in writing compliance with the Refiner's supply chain policy.</i>
1.4.2	Where Gold supplying counterparties commit to a policy that is not the Refiner's own Gold supply chain policy, has the Compliance Officer reviewed this policy to ensure it is consistent with Annex II of the OECD Due Diligence Guidance Model Policy for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas ⁵ ?	N/A	<i>In 2016, the Refiner's counterparties did not commit to a policy that is not the Refiner's own Gold supply chain policy.</i>
1.5	Establish a Refiner-wide communication mechanism to promote broad employee participation and risk identification to management		
	<i>Review the internal communication mechanisms in place at the Refiner focusing on the mechanism for voicing concerns over the gold supply chain.</i>		
1.5.1	Does the refiner have a communication mechanism in place that allows employees to voice concerns over the Gold supply chain or any newly identified risk?	Yes	<p><i>Paragraph 6.3 of the Rules sets forth that in case of revealing the signs of the client performing an operation (transaction) subject to mandatory control, in accordance with the requirements of the Federal Law, or in the event of an unusual operation (transaction), the Refiner's employee (raw materials procurement department, precious metals department, planning and economic department), who identified such an operation (transaction) must prepare an internal message with the following details:</i></p> <ul style="list-style-type: none"> <i>the category of operation (transaction) (subject to mandatory control or an unusual operation), criteria (characteristics) or other circumstances (reasons) due to which the operation (transaction) can be attributed to operations subject to mandatory control, or to unusual operations (transactions);</i>

⁵ Model Supply Chain Policy for a Responsible OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Appendix II. Global Supply Chain of Minerals from Conflict-Affected and High-Risk Areas. Pages 20-24.

			<ul style="list-style-type: none"> ▪ content (nature) of the operation (transaction), date, amount and currency of the transaction; ▪ information about the person(s) conducting the operation (transaction) (the Refiner does not cooperate with foreign organizations that are not legal entities); ▪ description of the difficulties encountered in the qualification of the transaction as subject to mandatory control or reason why the operation (transaction) is qualified as unusual. ▪ information about the employee who communicated about the operation (transaction) and his signature; ▪ the date of the internal communication on the operation (transaction); ▪ a record (mark) on the decision of a special executive made in respect of the internal communication about the operation (transaction) and its reasoned justification; ▪ a record (mark) on the decision of the head of the Refiner or an official authorized by him, taken with respect to the internal communication about the operation (transaction); ▪ a record (mark) of additional measures (other actions) undertaken by the Refiner regarding the client in connection with the identification of an unusual operation (transaction) or its signs.
1.5.2	How can employees voice concerns?		See above p.1.5.1
1.5.3	Is there evidence that concerns raised have been effectively addressed?	Yes	-
1.5.4	Does this mechanism allow for concerns to be voiced anonymously?	No	<i>The communication mechanism provides for direct exchange of information between an employee and the specialist charged with the due diligence policy.</i>
1.5.5	Are employees aware of this communication mechanism?	Yes	<i>The interviews with the Refiner's employees helped to identify that the employees were aware of the communication mechanism.</i>

Step 2: Identify and assess risk in the supply chain			
2.1	Identify risks in the Gold supply chain		
	<i>Assess the risk assessment policy for all Gold supply chains.</i>		
2.1.1	Does the Refiner have a system for assessing risk among Gold supplying counterparties according to the <i>LBMA Responsible Gold Guidance</i> ?	Yes	<i>Rules for internal control at JSC Shyolkovsky Factory of Secondary Precious Metals for purposes of anti-money laundering and terrorism financing (as subsequently amended), as set forth on January 09, 2017, set the list of necessary documents, which the Refiner's counterparties must submit. In addition, Appendix № 5 to the Rules sets forth the criteria for identification and signs of unusual transactions, and Appendix № 6 to the Rules - the signs of transactions, types and conditions of activity that have an increased risk of customers transactions for the purpose of money-laundering and the terrorism financing.</i>
2.1.2	Does this system allow taking into account risks in the entire Gold supply chain, from the point of origin to the Refiner (e.g. transportation, hubs, and traders)?	Yes	<i>The Refiner's profile of counterparties mainly includes the Russian manufacturing enterprises supplying industrial scrap, thus keeping the risks of the entire gold supply chain at the minimum level.</i>
2.1.3	Does this risk assessment system include, at a minimum, the following		

	topics:		
2.1.4	<ul style="list-style-type: none"> Systematic or widespread human rights abuses associated with the extraction, transport or trade of Gold 	Yes	<i>The risk assessment system for purposes of supply chains is mainly focused on identification of gold supplying counterparties involved into money laundering and terrorism financing.</i>
	<ul style="list-style-type: none"> Direct or indirect support to non-state armed groups or public or private security forces 	Yes	
	<ul style="list-style-type: none"> Bribery and fraudulent misrepresentation of the origin of Gold 	Yes	
	<ul style="list-style-type: none"> Money laundering and terrorist financing 	Yes	
	<ul style="list-style-type: none"> Contribution to conflict 	Yes	
2.1.5	Does the risk assessment apply to all inputs of mined Gold and recycled Gold received within the assessment period?	Yes	<i>The risk assessment system for purposes of supply chains in 2016 covers all the gold supplying counterparties.</i>
2.2	Assess risks in light of the standards of their supply chain due diligence system:		
	Supply chain due diligence: Review "Gold supplying counterparty" files to verify if the Refiner collects the following basic information for all business entities:		
2.2.1	What information does the Refiner systematically request, gather and maintain on file for each Gold supplying counterparty ?	Yes	<p><i>The Refiner systematically requests, collects and stores in the file for each supplier of gold-containing materials (customer questionnaire) the following information:</i></p> <p><i>1. For legal entities (in accordance with Appendix No. 1 to the Rules):</i></p> <ul style="list-style-type: none"> <i>Name (full, abbreviated (if available) and name in a foreign language (if available)).</i> <i>Organizational and legal structure.</i> <i>Taxpayer's identification number or the code of the foreign organization (for a legal entity registered in a foreign country).</i> <i>Information on state registration: the main state registration number (OGRN) (for a legal entity registered in a foreign country - registration number in the country of registration); series and number of the document confirming the state registration.</i> <i>Address (location) indicated in the Unified State Register of Legal Entities, the location specified in the constituent documents; address of a legal entity registered in a foreign country - the address of a legal entity in the country where it is registered.</i> <i>Contact phone numbers and fax numbers, e-mails.</i> <i>Information on the risk level (degree), including the rationale for risk assessment.</i> <i>The results of checking the client, the representative of the client, the beneficiary for the presence / absence of information on them in the list of organizations and individuals for whom there is evidence of their involvement in extremist activities and terrorism (posted on the official website of the Federal Financial Monitoring Service), date of such a check.</i> <i>Information on the client's identity (registration, residence, location, bank account) to the country (area) that does not comply with the recommendations of the Financial Action Task</i>

			<p>Force (FATF).</p> <ul style="list-style-type: none"> The date of the beginning of the relationship with the client (the date of the conclusion of the first contract for operations with money or other property). <p><u>2. For individual entrepreneurs that are not a legal entity (in accordance with Appendix No. 2 to the Rules):</u></p> <ul style="list-style-type: none"> Name, nationality, date of birth. Details of the identity document; Migration card data. Data of a document confirming the right of a foreign citizen or stateless person to reside in the Russian Federation. Identification number of the taxpayer (if any). Information (address) on registration at the place of residence and on the actual place of residence (place of stay). Place of birth (with the consent of an individual). Information on the state registration of an individual as an individual entrepreneur: the main state registration number of a record of state registration of an individual entrepreneur (OGRN); the date of state registration and the data of the document confirming the fact of entry into the Unified State Register of Individual Entrepreneurs of the record of the said state registration; name and address of the registering authority. Postal address and contact phone and fax numbers, e-mail. Information on the risk level (degree), including the rationale for risk assessment. Information about the client's belonging to a foreign public official. Information on the client's identity (registration, residence, location, bank account) to the state (territory) that does not comply with the recommendations of the Financial Action Task Force (FATF). The date of the beginning of the relationship with the client (the date of the conclusion of the first contract for the operations with money or other property).
2.2.2	Does the information on file correspond to what the Refiner's policies and procedures prescribe?	Yes	<p>Information about suppliers of gold-bearing materials corresponds to the requirements of the internal regulations governing the gold-bearing materials supply management system:</p> <ol style="list-style-type: none"> Rules for internal control at JSC Shyolkovsky Factory of Secondary Precious Metals for purposes of anti-money laundering and terrorism financing, as set forth on January 09, 2017. Rules about activities at JSC Shyolkovsky Factory of Secondary Precious Metals in order to perform the rules and requirements of the LBMA Responsible Gold Guidance, as adopted on June 27, 2016.
2.2.3	As a minimum, does the Refiner require the following information to be		

	maintained on file:		
	<ul style="list-style-type: none"> • Verification of the identity of the gold supplier counterparty 	Yes	<p><i>Documents with the mentioned information are enlisted in p. 2.2.1.</i></p> <p><i>The procedure for identifying of the beneficiary owners of the counterparty is established by paragraph 3 of the Rules. The requirements for the beneficiary owners questionnaire are set by Appendix №. 7 to the Rules.</i></p>
	<ul style="list-style-type: none"> • Identification of the beneficial owner(s) of the counterparty 	Yes	
	<ul style="list-style-type: none"> • Check that the counterparty and their beneficial owners are not named on any government lists for wanted money launderers, known fraudsters or terrorists 	Yes	
	<ul style="list-style-type: none"> • Business and financial details of the counterparty 	Yes	
	<ul style="list-style-type: none"> • Purpose and intended nature of the business relationship. 	Yes	
2.2.4	If not, what percentage of suppliers reviewed lacked a given file?		0%
2.2.5	What sources does the Refiner use to verify the counterparty's identity?		<p><i>When reviewing counterparties, the Refiner relies upon the following sources:</i></p> <ol style="list-style-type: none"> <i>1. Documents about the counterparties' activity, ie constitutive documents, certificates of state registration, certificate of special registration with the Assay Control Inspectorate, quotas for extraction of minerals, licences for subsoil use;</i> <i>2. List of entities and individuals that may be involved into extremism and terrorism published at the official website of the Federal Service For Financial Monitoring: http://www.fedsfm.ru/documents/terr-list;</i> <i>3. Services of the Federal Tax Service of Russia;</i> <i>4. Card files of arbitration proceedings at the official website of the Supreme Arbitration Court of Russia: http://kad.arbitr.ru/;</i> <i>5. Database of court enforcement proceedings of the Federal Bailiff Service of Russia: http://fssprus.ru/iss/ip/;</i> <i>6. List of mala fide suppliers at the website of the Federal Antimonopoly Service of Russia: http://rnp.fas.gov.ru/;</i> <i>7. Official books of reference, and contacting a counterparty using the addresses and telephone numbers indicated.</i>
2.2.6	Are the sources used by the Refiner reliable and independent?	Yes	
2.2.7	Does the Refiner use sub-contractor(s) for any part of the value adding process for products bearing Gold material?	No	
2.2.8	<p>If yes:</p> <p>Has the Refiner taken adequate steps to ensure all sub-contractor(s) either:</p> <ul style="list-style-type: none"> • maintain Gold-bearing material from the Refiner segregated from other material throughout the storage, processing and shipment; or • carry out due diligence on their own Gold supply chain that 	-	-

	fulfills the requirements of the LBMA Responsible Gold Guidance ⁶ ?		
2.2.9	Does the Refiner receive any Gold-bearing material from intra-company transfers?	No	
2.2.10	If yes: Has the Refiner taken adequate steps to ensure due diligence has been carried out on each intra-company transfer that is in accordance with the requirements of the LBMA Responsible Gold Guidance ⁷ ?	-	-
<i>Verify that files contain complete information on the Gold supplying counterparties:</i>			
2.2.11	For Gold supplying counterparties of mined Gold, at a minimum, does the Refiner maintain the following documentation:		
	<ul style="list-style-type: none"> • Identification of the origin of the Gold based on reasonable and good faith efforts; 	N/A	<i>In 2016, the Refiner did not conclude contracts for supply of primary gold. The Refiner gathered and maintained documents indicated in paragraph 2.2.1 of this Report regarding primary gold supplying counterparties.</i>
	<ul style="list-style-type: none"> • Mining license, if applicable; 	N/A	
	<ul style="list-style-type: none"> • Import/export Gold license, if applicable; 	N/A	
	<ul style="list-style-type: none"> • Collection and assessment of mining practice; 	N/A	
	<ul style="list-style-type: none"> • Data on mining capacity; if available 	N/A	
2.2.12	When available, does the Refiner maintain certificates or other supporting documentation related to other certification schemes for the <u>mined gold bearing material</u> that it purchases?		<i>Note: If the answer to the following points is yes, it should be noted that no further due diligence enquiries will be required for this material.</i>
	<ul style="list-style-type: none"> • RJC Chain of Custody Transfer Document has been issued by a RJC certified Entity. 	N/A	<i>In 2016, the Refiner did not conclude contracts for supply of primary gold.</i>
	<ul style="list-style-type: none"> • Management Statement of Conformance document is issued which accompanies the gold shipments or gold shipments over a period of time, in accordance with the World Gold Council Conflict-Free Gold Standard. 	N/A	
	<ul style="list-style-type: none"> • FAIRTRADE and FAIRMINED gold. 	N/A	
	For mined Gold from artisanal and small-scale mining ("ASM"), at a minimum, does the Refiner address the following areas:		
2.2.13	Does the Refiner assess whether ASM can be considered to be involved in legitimate artisanal and small-scale mining?	Yes	<i>In 2016 the Refiner did not conclude contracts for supply of ASM primary gold. The Refiner gathered and maintained documents indicated in paragraph 2.2.1 of this Report regarding the suppliers of ASM</i>

⁶ LBMA Responsible Gold Guidance. Step 2.2. Pages 5-6.

⁷ LBMA Responsible Gold Guidance. Step 2.2. Pages 5-6.

2.2.14	For any Gold containing material received from ASM operations that cannot be considered legitimate , does the Refiner take supporting measures to build secure, transparent, and verifiable Gold supply chains from mine to market?	Yes	<i>primary gold.</i>
2.2.15	If yes , please describe the measures the Refiner and/or other stakeholders (e.g. governments, civil society and other supply chain actors) are taking in accordance with Appendix 1 of the Supplement on Gold of OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas: ⁸ :		
2.2.16	When available, does the Refiner maintain certificates or other supporting documentation related to other certification schemes for the <u>ASM mined gold bearing material</u> that it purchases?		<i>Note: If the answer to the following points is yes, it should be noted that no further due diligence enquiries will be required for this material.</i>
	<ul style="list-style-type: none"> RJC Chain of Custody Transfer Document issued by a RJC certified Entity. 	N/A	<i>In 2016 the Refiner did not conclude contracts for primary ASM gold supply.</i>
	<ul style="list-style-type: none"> Management Statement of Conformance document issued in accordance with the World Gold Council Conflict-Free Gold Standard. 	N/A	
	<ul style="list-style-type: none"> Certificates related to FAIRTRADE and FAIRMINED gold status. 	N/A	
2.2.17	For Recycled Gold, does the Refiner collect and assess the Recycled Gold supplying counterparty's AML-CFT policy and practices?	No	<i>The Refiner's counterparties are mostly Russian industrial chemical, metallurgical, electric power companies supplying industrial scrap, which results in minimal risks for the whole supply chain. In accordance with paragraphs 3.13 and 3.14 of the Rules, the Refiner does not cooperate with individuals and with foreign organisations without forming of legal entity.</i>
2.2.18	When available, does the Refiner maintain RJC Chain of Custody Transfer Document issued by a RJC certified Entity for the <u>Recycled gold-bearing material</u> that it purchases?	No	-
<i>Review the Refiner's Risk Assessment for all "Gold supplying counterparties:</i>			
2.2.19	What process does the Refiner employ to assign risk to each Gold supplying counterparty?		<i>The Refiner assigns risk to each gold supplying counterparty by checking compliance with the criteria for identification of unusual transactions. Such compliance is sufficient to assign a high risk level to a supply chain.</i>

⁸ OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas Supplement on Gold. Suggested measures to create economic and development opportunities for artisanal and small scale miners. Pg. 47.

2.2.20	Has the Refiner formalized the risk assessment process in a written procedure?	Yes	<i>A written risk assessment procedure is given in paragraph 4 of the Rules for internal control at JSC Shyolkovsky Factory of Secondary Precious Metals for purposes of anti-money laundering and terrorism financing, as set forth on January 09, 2017, as well as in Appendix № 6 to the Rules.</i>
2.2.21	When assigning a high risk rating to a supply chain, are the following minimum criteria considered:		
	<ul style="list-style-type: none"> The Mined Gold or Recycled Gold originates from, has transited or has been transported via a conflict-affected or human rights abuse high risk area; 	Yes	<i>Each of the given criteria is sufficient to assign a high risk level to the supply chain and is the reason for refusal to conclude a contract for gold-bearing materials supply (sale and purchase or services contract).</i>
	<ul style="list-style-type: none"> The Mined Gold is claimed to be originated from a country that has limited known reserves, likely resources or expected production levels of Gold; 	Yes	
	<ul style="list-style-type: none"> The Recycled Gold comes from a country where Gold from conflict-affected and human right abuse high-risk areas are known, or reasonably suspected to transit; 	Yes	
	<ul style="list-style-type: none"> Gold supplying counterparty or other known upstream companies are located in a country representing high risk for money laundering, crime or corruption; 	Yes	
	<ul style="list-style-type: none"> Gold supplying counterparty or other known upstream companies or their beneficial owners are politically exposed persons; 	Yes	
	<ul style="list-style-type: none"> Gold supplying counterparties or other known upstream companies are active in a higher risk business activity such as arms, gaming and casino industry, antique and art, diamond merchants, sects and their leaders. 	Yes	
2.2.22	Does the Refiner apply any other criteria for determining risk associated with Gold supplying counterparties?	No	-
2.2.23	Does the company use relevant criteria, based on reliable data, to determine areas that are conflict-affected, high risk transit areas that carry high risk of human rights abuses, high risk of money laundering, crime or corruption?	No	<i>In 2016 the Company cooperated with Russian suppliers of gold-bearing materials only.</i>
2.2.24	Does the Refiner collect information on the known reserves or stocks of countries of origin of Gold in order to determine high risk categories	No	<i>In 2016 the Refiner cooperated with Russian suppliers of gold-bearing materials only.</i>

2.2.25	Has the Refiner assigned a risk level to each Gold supplying counterparty ?	Yes	<i>In 2016 the Refiner assigned a risk level to each gold supplying counterparty.</i>
2.2.26	Provide estimated percentage of Gold supplying counterparties for each risk category:		<i>90% counterparties – low risk level; 10% counterparties – medium risk level.</i>
Additional Required Due Diligence:			
<i>Review "Gold supplying counterparty" files to verify if, based on the above Risk Assessment exercise, the Refiner conducts any further verification of business partner information:</i>			
<i>Describe additional due diligence measures for higher risk suppliers:</i>			
2.2.27	Have files of <u>existing</u> Gold supplying counterparties been updated to include all the information required under the LBMA Responsible Gold Guidance?	Yes	<i>Information files for each gold supplying counterparty are updated annually before a new sale contract or services contract is concluded.</i>
2.2.28	Are Gold supplying counterparty accounts reviewed at least annually?	Yes	
2.2.29	Are changes to the Gold supplying counterparty's businesses reflected in the files?	Yes	
2.2.30	Are changes to the government watch list information recorded in the files?	Yes	
2.2.31	Are changes to the information regarding the affiliation of the Gold supplying counterparty to the government, political parties or military and criminal networks reflected in the files?	N/A	
2.2.32	Has the Refiner conducted onsite investigations / visits to substantiate the documentary supply chain due diligence findings?	No	
2.2.33	Does the Refiner verify the identity of the Company and identify the beneficial owners and check the name of the Company and its beneficial owners for each company involved in the Gold supply chain, including the following entities:		
2.2.34	<ul style="list-style-type: none"> For large scale mining, all companies, including Gold producers, intermediaries, Gold traders and exporters as well as transporters <u>from the mine to the Refiner</u>? 	N/A	<i>In 2016 the Company did not conclude any contracts for primary gold supply.</i>
2.2.35	<ul style="list-style-type: none"> For ASM Gold companies, all companies, including Gold exporters, international Gold traders and transporters <u>from the Gold exporter to the Refiner</u>. 	N/A	<i>In 2016 the Company did not conclude any contracts for supply of primary ASM gold.</i>
2.2.36	<ul style="list-style-type: none"> For recycled Gold: all companies, including transporters <u>from the Gold supplying counterparties to the Refiner</u>. 	Yes	<i>The Company verifies all its recycled gold suppliers.</i>
2.2.37	Does the Refiner use reliable and independent sources for this verification?	Yes	
2.2.38	When was the verification last performed?		<i>Each supplier is verified every time before a new sale and purchase or services contract is concluded</i>
Monitoring of transactions			

<i>Review a sample of transactions received by the Refiner during the assessment period⁹.</i>			
		Full assessment transaction review sample size for all categories (mined recycled, grandfathered)	Assessment review transaction sample size for all categories (mined recycled, grandfathered)
	Low Risk	a. 2% of total transaction (Minimum 50, maximum 100)	a. 1% of total transactions (min. 10, maximum 50)
	High Risk	a. 2% of total transactions (Minimum 50, maximum 100) b. 25% of transactions from high risk supply chains. (Minimum 50, maximum 100)	a. 1% of total transactions b. 10% of transactions from high risk supply chains. (minimum 10, maximum 50)
2.2.39	Does the Refiner have a risk based approach for monitoring transactions to ensure that these are consistent with information on the counterparties' supply chain and risk profile?	Yes	<i>The risk based approach for monitoring transactions is set forth in paragraph 4 of the Rules for internal control at JSC Shyolkovsky Factory of Secondary Precious Metals for purposes of anti-money laundering and terrorism financing, as set forth on January 09, 2017, as well as in Appendix 6 to the Rules.</i>
2.2.40	If so, please describe:		Click here to enter text.
2.2.41	Does the Refiner systematically request, gather and maintain the following documentation on file for each lot of Gold-bearing material received?		
2.2.42	For mined Gold:		
	o Estimated weights and assay results (from counterparty)	N/A	<i>In 2016 the Refiner did not conclude any contracts for primary gold supply.</i>
	o Shipping/transportation documents (e.g. Waybill/airway bill, pro-forma invoice)	N/A	
	o Export and import form for high risk transaction	N/A	
2.2.43	For recycled Gold:		
	o Estimated weight (from counterparty)	Yes	
	o Shipping/transportation documents (Waybill/airway bill, pro-forma invoice)	Yes	
	o Export and import form for high risk transaction	N/A	<i>In 2016 the Refiner cooperated with Russian suppliers of gold-bearing materials only.</i>
2.2.44	Based on the transactional documentation reviewed, characterize the Refiner's due diligence mechanisms:	Choose an item.	Click here to enter text.
	• Sufficient Gold supplying counterparty transactional documentation is maintained on file	Yes	<i>100% files contain sufficient gold supplying counterparty transactional documentation.</i>
	• Occasional failure to request and obtain transactional documentation	No	<i>0%</i>
	• Recurrent failure to request and obtain transactional	No	<i>0%</i>

⁹ LBMA Responsible Gold Programme-Third Party Audit Guidance, Table 10, p.21

	documentation		
	<ul style="list-style-type: none"> Systemic failure to request and obtain transactional documentation. 	No	0%
2.2.45	Are transactional documents verified to ensure that they are consistent with the information about this entities' supply chain?	Yes	
2.2.46	Where documents are not found to be consistent, has the Refiner investigated the discrepancy and recorded the findings of this investigation in writing?	N/A	<i>No discrepancies were identified.</i>
2.2.47	Is there a / are there designated person(s) responsible for reviewing the documentation?	Yes	<i>The documentation is reviewed by the employees of Raw Materials Preparation and Procurement Department (responsible person - Mariya Yurevna Kirillova, Senior Engineer), precious metals control office (responsible person – chief accountant).</i>
2.3	Risk assessment reporting		
	<i>Evaluate the risk assessment reporting mechanisms, organization chart and communication.</i>		
2.3.1	Are risk assessment procedures clearly defined as part of the Compliance Officer's tasks? <i>Review SOP or job description.</i>	Yes	<i>Risk assessment procedures are defined as part of the Compliance Officer's tasks. For instance, they are described in the Regulation on Raw Materials Preparation and Procurement Department of JSC Shyolkovsky Factory of Secondary Precious Metals.</i>
2.3.2	Is a member of Senior Management responsible for approving each new supply chain that is assessed as high risk?	Yes	<i>Decisions on every supply chain with high risk level fall within competence of the Company's senior management (CEO and Director for Economics).</i>
2.3.3	Are there documented consequences if the risk assessment reporting tasks are not completed?	No	<i>Risk assessment reporting tasks are completed in the scope stipulated by internal regulatory documents.</i>
2.3.4	Has this been communicated to relevant departments and personnel? <i>(e.g. Sales, customer service, shipping/receiving)</i>	No	-
2.3.5	Does the member(s) of Senior Management review these high risk supply chains on an annual basis in order to determine whether to continue the business relationship?	N/A	<i>High risk level of a supply chain results in refusal to cooperate with such a supplier.</i>
	STEP 3: RISK MITIGATION STRATEGY		
3.1	<i>Policy: Please provide the following information on the formal risk mitigation strategy in place.</i>		
3.1.1	Does the facility have a formalized risk mitigation strategy?	Yes	<i>A formalized risk mitigation strategy is set forth in the Rules for internal control at JSC Shyolkovsky Factory of Secondary Precious Metals for purposes of anti-money laundering and terrorism financing, as set forth on January 09, 2017</i>
3.1.2	Who is responsible for ensuring that this strategy is carried out?		<i>Director for Economics of the Company (person responsible for implementation of the policy on due diligence of the supply chains)</i>
3.1.3	Does Senior Management provide support for this strategy?	Yes	<i>See paragraph 3.1.2</i>
3.1.4	If the due diligence carried out under Step 2 concludes that <u>there is evidence</u> that a business or actor in a Gold supply chain engages in money laundering, terrorist financing, contribution to conflict, human right abuses, or if the possibility of the same is deemed too high does the risk	Yes	<i>Paragraph 7.1. of the Rules stipulates that the Company suspends a transaction with a legal entity or a private individual in case there is properly obtained information that such entity or individual participates in terroristic activity; or the legal entity is directly or indirectly owned or controlled by such entities or individuals; or a private individual or a legal entity performs on behalf or under assignment of such</i>

	mitigation strategy <u>require the Refiner to stop refining such Gold immediately?</u>		<i>organizations or persons.</i>
3.1.5	If the due diligence carried out under Step 2 concludes <u>that it is possible</u> for an actor in a Gold supply chain to engage in money laundering, terrorist financing, contribution to conflict, human right abuses, does the risk mitigation strategy <u>require the Refiner to suspend refining</u> Gold from this provenance until it can obtain additional information or data refuting or confirming the preliminary findings?	Yes	<i>Paragraph 7.2. of the Rules stipulates that the Company has right to reject a counterparty's order to perform a transaction if no documents containing information in compliance with Federal Law No.115-FZ On Combating Money Laundering and Financing Terrorism of 7 August 2001 are provided for this transaction.</i>
3.1.6	Are materials in the above mentioned cases quarantined pending further investigation and/or are they returned to the Gold supplying counterparties?	Yes	
3.1.7	What process does the Refiner use to determine that a business relationship should be terminated?		<i>The Company reconciles the data for counterparties with the List of Organizations and Private Individuals Reported to Be Involved into Extremist Activity or Terrorism (is published by Federal Service for Financial Monitoring).</i>
3.1.8	Who is responsible for that decision?		<i>Director for Economics of the Company (person responsible for implementation of the policy on due diligence of the supply chains). CEO of the Company.</i>
3.1.9	How is this decision communicated to the Gold supplying counterparty? Are any reasons communicated to them?		<i>During 2016 the Company did not suspend the business relationship with the suppliers of gold-bearing materials with whom contractual relationship was concluded.</i>
3.1.11	What process does the Refiner apply to quarantined material after additional information has been collected and a decision has been made to suspend the business relationship?		
3.1.12	Has the Refiner suspended the business relationship with any Gold supplying counterparty during the assessment period, based on the Gold supply chain due diligence measures?	No	-
3.1.13	If yes: Please describe the case(s).		-
3.1.14	Has the Refiner required that a Gold supplying counterparty provide evidence for reasonable and good faith efforts and a timeframe for their implementation where the result of the due diligence is not fully satisfactory (improvement plan)?	Yes	<i>In accordance with paragraph 5.4 of the Rules, if an unusual transaction (or its signs) is detected in the counterparty's activity, the Company may ask the counterparty for necessary explanations, including additional information explaining the economic meaning of the unusual transaction.</i>
3.2	<i>Improvement plans: Please describe the strategy regarding the procedures for following up on improvement plans.</i>		
	Where a Refiner adopts an improvement strategy:		
3.2.1	Are there clear performance objectives that include qualitative and/or quantitative indicators for measuring progress?	No	<i>High risk level of a supply chain results in refusal to cooperate with such a supplier. If any counterparty fails to submit some documents mentioned in the list given in paragraph 2.2.1. hereof, the Company requests missing data from a counterparty. The Company has an accurate formalized plan for mitigation of possible consequences of risk events.</i>
3.2.2	Please describe what these performance objectives are.		
3.2.3	Who is responsible for their		

	implementation?		<i>The performance objectives that are set forth in this plan, are clear enough.</i>
3.2.4	Are reasonable deadlines communicated to all parties concerned?	Yes	
3.2.5	Is advancement in the plan regularly reviewed? If yes , by whom?	Yes	<i>Mariya Yurevna Kirillova, Senior Engineer of the Raw Materials Preparation and Procurement Department reviews whether the counterparties provide missing data meant to minimize risk events related to supply chains.</i>
3.2.6	Is advancement communicated to senior management?	Yes	
3.2.7	Are the actors in the Gold supply chain informed as to the expected response times and deliverables?	Yes	
3.2.8	Once the deadline for remediation has been met, are subsequent document-based reviews performed in order to determine if the actor in the Gold supply chain has completed the expected measures?	Yes	
3.2.9	Are there clearly stated repercussions if an actor in the Gold supply chain does not provide sufficient follow up information on improvement?	Yes	<i>If the submitted information does not comply with the list of the documents given in paragraph 2.2.1. hereof, the Company does not have contractual relationship with a counterparty.</i>
3.2.10	Is there any evidence on record that these repercussions have been carried out?	Yes	
STEP 4: Arrange for an independent third-party audit of the supply chain due diligence			
4.1.1.	Has the Refiner undergone third-party audits in the frequency and according to requirements defined in Step 4 and the Audit Guidance document*? <i>*Not relevant for first audits, but applicable for all subsequent audits.</i>	Yes	
4.1.2	Has the refiner ensured that these audits are completed within the established timeframes in Step 4?	Yes	
4.1.3	If the Refiner has affirmed that they are certified/validated under one of the initiatives listed in question 1.1.6 (EICC-GeSI CFS, RJC CoC), do these certification periods cover at least ¾ of the LBMA assessment period?	-	-
STEP 5: Report on supply chain due diligence			
5.1	Has the Refiner published the following information?		
	• Refiner details and date of the audit.	Yes	<i>The information is available on: http://zavodvdm.ru/announcements/lbma__summary_report/</i>
	• Audit activities and methodology.	Yes	
• Audit conclusion for each step of the LBMA Responsible Gold Guidance.	Yes		
5.2	Has the Refiner published the LBMA Summary Report in accordance with the LBMA Third-Party Audit Guidance? ¹⁰	Yes	
5.3	Has the Refiner published its		Yes

¹⁰ LBMA Responsible Gold Programme-Third Party Audit Guidance. 3.1 Public Reporting by Refiners. Page. 32.

	Responsible Supply Chain Policy?		
5.4	What (if any) information has the Refiner published on the due diligence approach?		-