



Тел.: +7 727 331 31 34  
Факс: +7 727 331 31 35  
info@bdokz.com  
[www.bdokz.com](http://www.bdokz.com)

ТОО “BDO Kazakhstan”  
ул. Габдуллина, 6  
Алматы, Казахстан  
050013

Tel: +7 727 331 31 34  
Fax: +7 727 331 31 35  
info@bdokz.com  
www.bdokz.com

BDO Kazakhstan LLP  
6 Gabdullin Street  
Almaty, Kazakhstan  
050013

15 October 2020

To the Management of KyrgyzAltyn OJSC

**Independent reasonable assurance report on the compliance report for the London Bullion Market Association’s responsible gold guidance for the years ended 31 December 2017-2019**

We were engaged by Kyrgyzaltyn OJSC (“Kyrgyzaltyn” or “Refiner”) to provide reasonable assurance on its Compliance Report of Kyrgyzaltyn for the London Bullion Market Association’s Responsible Gold Guidance (the “LBMA RGG”) for the years ended 31 December 2017-2019.

**Subject matter and criteria**

Kyrgyzaltyn has assessed and reported its level of compliance with the LBMA RGG in the Report. The subject matter of our engagement is the assertions made by Kyrgyzaltyn in its Report. The LBMA RGG specifies the criteria to be used for the purposes of evaluating Kyrgyzaltyn’s assertions in its Report.

Our engagement was performed with the objective of providing a reasonable assurance conclusion on whether the assertions made by Kyrgyzaltyn in its Report, with respect to the activities undertaken to demonstrate compliance with LBMA RGG, are fairly described.

**Inherent limitations**

Non-financial information, such as that included in the 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 policies and procedures implemented by Kyrgyzaltyn to comply with the LBMA RGG may differ from other companies and accordingly, users of this report should read Kyrgyzaltyn’s relevant policies.

**Management’s responsibility**

KyrgyzAltyn’s management is responsible for the preparation and presentation of the Refiner’s Compliance Report in accordance with the LBMA RGG, as described in the Report. This responsibility includes establishing appropriate risk management and internal controls from which the reported information is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error. The criteria identified by the management as relevant for demonstrating compliance with the Guidance are the activities described within the Refiner’s Compliance Report. Management is also responsible for the information and assertions contained within the Report.

**Assurance provider’s responsibilities**

Our responsibility is to express a reasonable assurance conclusion based on the work performed, on whether the Report describes fairly, in all material respects, the activities performed by Kyrgyzaltyn during the years 2017-2019 to demonstrate compliance and that management’s overall conclusion is in accordance with the requirements of LBMA RGG.

Товарищество с ограниченной ответственностью “BDO Kazakhstan”, зарегистрированное в соответствии с законодательством Республики Казахстан, является участником международного объединения BDO International Limited, британского общества с ответственностью, ограниченной гарантией его участников, и является частью международной сети независимых компаний BDO.

BDO Kazakhstan, a limited liability partnership, registered under the laws of the Republic of Kazakhstan, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information (“ISAE 3000”) issued by the International Auditing and Assurance Standards Board and the guidance set out in the LBMA Responsible Gold Programme - Third Party Audit Guidance for ISAE 3000 Auditors (“the Audit Guidance”).

That standard requires us to perform our reasonable assurance engagements engagement to obtain sufficient appropriate evidence on which to base our reasonable assurance conclusion.

A reasonable assurance engagement, in accordance with ISAE 3000, involves performing procedures to obtain evidence about the fairness of the assertions made by the management in the Report. The nature, timing and extent of procedures selected depend on our judgement, including the risk of material misstatements, whether due to fraud or error, in the Report. In making those risk assessments, we considered internal controls relevant to the preparation of the report.

Our engagement also includes assessing the appropriateness of the Report with the criteria of the Guidance, obtaining an understanding of the compilation of the non-financial information to the sources from which it was obtained, evaluating the reasonableness of the information.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our reasonable assurance conclusion.

#### **Independence and quality control**

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. Furthermore, we confirm that we satisfy the criteria for assurance providers as set out in the LBMA Third Party Audit Guidance pertaining to ethical conduct, fair presentation, due professional care, independence, integrity, and subject matter expertise to carry out the assurance engagement.

In accordance with International Standard on Quality Control 1, BDO Kazakhstan 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 engagement, we confirm that we satisfy the criteria for assurance providers, as set out in the Audit Guidance to carry out the assurance engagement.

#### **Conclusions**

In our opinion, the Refiner’s Report for the years ended 31 December 2017-2019, in all material respects, describes fairly the activities undertaken during the years to demonstrate compliance with LBMA RGG, and management’s overall conclusion contained therein, is in accordance with the requirements of the LBMA RGG.

## Restriction on distribution and use

This report has been prepared for the Refiner for the purpose of assisting the management in determining whether the Refiner has complied with the LBMA RGG and for no other purpose. Our assurance report is made solely to the Refiner in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than the Refiner for our work, or for the conclusions we have reached in the assurance report.

BDO Kazakhstan LLP  
Almaty, the Republic of Kazakhstan

T. Omarov



# **OJSC KYRGYZALTYN**

Refiner's Compliance Report  
For the years ended 31 December 2017-2019

## LBMA Responsible Guidance Compliance Report

The *LBMA Responsible Gold Guidance* has been established for Good Delivery Refiners to adopt high standards of due diligence in order to combat systematic or widespread abuses of human rights, to avoid contributing to conflict, to comply with high standards of anti-money laundering and combating terrorist financing practice.

**Table 1: Refiner's details**

Refiner's name	Kyrgyzaltyn OJSC
Location	195 Abdumomunov str, Bishkek, Chui, The Kyrgyz Republic
Reporting year-end	2017-2019
Date of Report	15 October 2020
Senior management responsible for this report	Seidaliev Jenish Kanybekovich

**Table 2: Summary of activities undertaken to demonstrate compliance**

### Step 1: Establish strong company management systems

*During 2017-2019, we have fully complied with Step 1: Established strong management systems.*

#### Comments and demonstration of compliance:

*On 24 May 2016 Kyrgyzaltyn JSC adopted the "Precious Metals Supply Chain policy" in accordance with Annex II of the Organization for Economic Cooperation and Development (the "OECD") guidelines, as required by the London Bullion Market Association (the "LBMA"), which came into force from 1 January 2014.*

*On 14 October 2020, Kyrgyzaltyn OJSC made changes to the "Precious Metals Supply Chain Policy" in accordance with Edition 8 dated 11 December 2018 of LBMA Responsible Gold Guidelines.*

#### Has the Refiner adopted a company policy regarding due diligence for supply chains of gold?

#### Comments and demonstration of compliance:

*Kyrgyzaltyn OJSC has formalized and established policy regarding due diligence for supply chains of gold which is fully compliant with the requirements of the LBMA Responsible Gold Guidance.*

*Kyrgyzaltyn OJSC is a company exposed to a minimum risk associated with gold supply chain, as 100% of the gold supplies are from third parties based in Kyrgyzstan. Therefore, all origin of gold is from/within Kyrgyzstan.*

*The legislation of the Kyrgyzstan is very strict on import/export of gold and gold containing materials. All companies operating with precious metals are to be included in special register of the State Committee of Industry, Energy and Subsoil Use and all import/export transactions shall include information on origin of precious metal.*

*On 24 May 2016 Kyrgyzaltyn OJSC has adopted the "Precious Metals Supply Chain Policy", which is effective for annual periods starting 1 January 2017 and developed measures to familiarize its personnel with this Policy.*

*During 2017-2019, Kyrgyzaltyn OJSC has also relied on existing policies such as:*

- Risk management policy*
- Instructions on storage, accounting and delivery of precious metals in Refinery.*

**Has the Refiner set up an internal management structure to support supply chain due diligence?**

**Comments and demonstration of compliance:**

*Kyrgyzaltyn OJSC has set up internal management structure to support a higher quality-based supply chain due diligence. An internal management system has been set up to define the governance, roles and responsibilities, internal audit, communication and senior management review as per adopted policy. The compliance officer has been assigned to manage the process, and has a direct line of reporting to the senior management. The existing governance structure is to comply with the LBMA Responsible Gold Guidance. For instance, the legal department, is to comply with anti-money laundering laws, while approving the contracts in accordance with the established procedures.*

**Has the Refiner established a strong internal system of due diligence, controls and transparency over gold supply chain, including traceability and identification of other supply chain actors?**

**Comments and demonstration of compliance:**

*Kyrgyzaltyn OJSC has established a strong internal system of due diligence, controls and transparency over gold supply chain, including traceability and identification of other supply chain actors.*

*Kyrgyzaltyn OJSC has established a reliable procedure of precious metals production. Before any gold-bearing material can be processed, specific documents such as: subsoil use contract for supplied gold containing materials; charter documents; and Value Added Tax residency certificates, must be obtained and all the transaction details, such as supplier details; information on type of gold bearing material; weight, must be documented. Every lot to be delivered must be supported by the required documented in accordance with the contract terms and conditions. Prior to the material processing, special control measures prescribed by internal instructions, such as review of integrity of packaging, weighing of received lots with attraction of independent parties are taken.*

*Kyrgyzaltyn OJSC maintained records of the supply chain documentation that demonstrate that appropriate and ongoing Due diligence is being followed. The documentation is kept for at least 5 years.*

*Kyrgyzaltyn OJSC conducted training during 2017-2019 for the employees that work in the gold supply chain, according to the Training program approved in 2016. Every employee signs off training attendance list.*

*Kyrgyzaltyn OJSC nominated a Compliance Officer who reports to senior Management.*

*Kyrgyzaltyn OJSC make and receive payments through official banking channels as per Precious Metals Supply Chain Policy.*

*Kyrgyzaltyn OJSC cooperate with government authorities. In particular during due diligence process on client acceptance, information provided by the potential contractor is rechecked through government authority channels.*

**Has the Refiner strengthened company engagement with gold supplying counterparties, and where possible, assisted gold supplying counterparties in building due diligence capabilities?**

**Comments and demonstration of compliance:**

*Kyrgyzaltyn OJSC has strengthened company engagement with gold supplying counterparties and informed them of the necessity to conform with the LBMA Responsible Gold Guidance. As per typical contractual terms, the Supplier is obliged to support in performance of due diligence for supply chains of gold, as well as provision of supporting documents on origin of supplied gold and delivery route.*

*Kyrgyzaltyn OJSC sent communication letters to its counterparties. At present moment all counterparties expressed their commitment to the Policy of Kyrgyzaltyn OJSC, which is consistent with the model set out in the Annex II of the OECD Due Diligence Guidance. They demonstrated that they are not involved in activities related to money laundering, financing terrorism and human rights abuse, bribery and fraudulent misrepresentation of the origin of gold, contribution to conflicts and other risks.*

*In confirmation of this, counterparties fill out the Counterparty Survey, which is the integral part in assessing risks. In order to assess the risks, we take into account the availability of constituent documents and the counterparty's certificates. For each counterparty separate paper and electronic folders are set up. The first risk assessment is carried out after receiving all documents, with a high risk for each new counterparty. Reassessment of risks for all counterparties was carried out after 6-12 months. Counterparties are familiar with the results of the two evaluations. Further activities are undertaken to support counterparties in their commitment to due diligence of the gold supply chain.*

**Has the Refiner established a company-wide communication mechanism to promote broad-based employee participation and risk identification to management?**

**Comments and demonstration of compliance:**

Kyrgyzaltyn OJSC has established a company-wide communication mechanism to promote broad-based employee participation and risk identification to the management. Kyrgyzaltyn OJSC has adopted Guidance on risk assessment of supply chain of precious metals on 24 May 2016 that aims to address the broad-based employee participation and risk identification to management. It was provided to all departments to familiarize with and thereafter to become a part of responsible company-wide communication mechanism. Among the aspects of the Guidance there is a dedicated functional mailbox [priemnava@kyrgyzaltyn.kg](mailto:priemnava@kyrgyzaltyn.kg) that is established to allow anyone (employees, stakeholders or counterparties) to express any kind of concern over the Precious Metals Supply Chain and any possible related risks (anonymously). Our Compliance Officer is responsible of monitoring and assessing all incoming messages and of keeping Senior Management informed about every relevant newly identified risk. There were no such case during the years ended 31 December 2017-2019.

**Step 2: Identify and assess risks in the supply chain**

We have fully complied with Step 2: Identify and assess risks in the supply chain.

**Does the Refiner have a process to identify risks in the supply chain?**

**Comments and demonstration of compliance:**

Kyrgyzaltyn OJSC has processes to identify risks in the supply chain based on an assessment of country, company and commodity risks, as follows:

*Country risk: Country risk is minimal as all of the gold bearing material supplies to refinery are from Kyrgyzstan.*

*Company risk: Contracts with suppliers are concluded annually. Per contractual terms, each supplier is required to provide the following documentation to confirm LBMA compliant production of gold bearing materials:*

- State gold mining license
- State registration Certification
- Charter
- Tax registration certificate
- Information about bank details, etc.

*For a company to obtain a mining license in Kyrgyzstan, the background checks are carried out on the company and its directors. Therefore, Kyrgyzaltyn OJSC relies on the fact that these checks have been conducted if material suppliers have valid mining licenses.*

*Kyrgyzaltyn OJSC has developed a "Counterparty Survey", which differs for Mined Gold and Recycled Gold, to be determined in accordance with Annex II of the OECD Guidance. On the basis of the data provided in this Survey analysis of possible risks if any performed as well. Besides this, all companies have to provide an official letter to Kyrgyzaltyn OJSC where they confirm to follow Precious Metals Supply Chain policy" in accordance with Annex II of the Organization for Economic Cooperation and Development (the "OECD") guidelines, as required by the London Bullion Market Association (the "LBMA").*

*Commodity risk: The supply is inspected according to the Refiner's standards on quality and quantity, against acceptance certificates. The Refiner discusses the reliable transportation and packaging with the supplier.*

*The main risk identification processes in the Supply Chain are outlined in the Guidance on risk assessment of supply chain of precious metals approved by the Chairman of the Board on 24 May 2016. For each supplier, the client database was established and risks were assessed according to the risk profile criteria, on the basis of which Senior Manager makes decisions regarding the continuation of the business relationship.*

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

**Comments and demonstration of compliance:**

*Kyrgyzaltyn OJSC assessed risks based on the existing corporate standards and based on Responsible Gold Supply Chain Due Diligence Policy. Supply chain due diligence comprising measures required by the LBMA Responsible Gold Guidance is performed before entering into a business relationship with any counterpart. On an ongoing basis counterpart are monitored.*

*During 2017-2019, Kyrgyzaltyn OJSC has established a customer database for each counterparty and evaluated the risks in accordance with the risk categories defined by LBMA Responsible Gold Guidance.*

To assess the risks in cooperation with counterparties, in account was taken the availability of constituent documents (including licenses), the Counterparty Survey, as well as the counterparty's references, from which information was collected:

- 1) the beneficiaries of the counterparty and their non-participation in the government lists of wanted persons involved in money-laundering, known fraudsters or terrorists;
- 2) about business and financial data regarding the counterparty and the alleged nature of the business relationship.

For each counterparty, separate paper and electronic folders are set up. The first risk assessment is carried out after receiving all documents, with a high risk for each new counterparty. Reassessment of risks for all counterparties was carried out after 6-12 months. The contractors are familiar with the results of the two evaluations.

Kyrgyzaltyn OJSC conducts appropriate verification and monitoring of transactions in the process of cooperation. After application of the "Due Diligence" system of the Supply Chain, Kyrgyzaltyn OJSC systematically conducted a "Due Diligence" along with all the measures required by the LBMA's Responsible Gold Guidance. Moreover, the "Guidance on the Risk Assessment of the Supply Chain of Precious Metals" is a special criterion for high risk and a mechanism for its elimination. The "Refinery" receives and documents information for each lot received, including the weight and results of assay analyzes (from the counterparty), transport documents, etc. according to other requirements.

Does the Refiner report risk assessment to the designated manager?

Comments and demonstration of compliance:

The Compliance Officer reports the results of the risk assessment of the counterparties before the negotiation of an agreement to the senior manager. For each counterparty, the Chief LBMA Specialist (Compliance officer) has established a client database and assessed the risks in accordance with the risk categories. The senior manager is informed about the results of the risk assessment. Decisions on continuing cooperation on the basis of risk assessment were adopted by the senior manager. The chief specialist in LBMA is fully provided with the necessary resources.

Step 3: Design and implement a management system to respond to identified risks

We have fully complied with Step 3: Design and implement a management system 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 to trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk?

Comments and demonstration of compliance:

Risk identification is based on the internal corporate risk control. Mitigation procedures for identified risks are set up in the Company's regulatory documents. Kyrgyzaltyn OJSC adheres to the Guidance for managing identified risks related to money laundering, financing of terrorism, infringement of human rights, corruption, false indications of gold origin and financing of conflicts and other risks that each counterparty may incur.

Kyrgyzaltyn OJSC has developed a strategy for managing identified risks by eliminating risk through the termination of joint activities or its suspension.

Where a management strategy of risk mitigation is undertaken, it should include measurable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk and regular reporting to designated senior management.

Comments and demonstration of compliance:

The relevant procedures are in place and where and when necessary appropriately applied. Risks are managed based on the existing control system over raw materials supply chain.

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

*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:**

*Kyrgyzaltyn OJSC engaged the services of the assurance provided BDO Kazakhstan and its independent reasonable assurance report will be published on the official corporate web-site <http://kyrgyzaltyn.kg>.*

**Step 5: Report on supply chain due diligence**

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

**Comments and demonstration of compliance:**

*Further information and specific details of the systems, procedures, processes and controls being implemented by Kyrgyzaltyn OJSC to align to the specific requirements in the LBMA's Responsible Gold Guidance set out in our gold supply chain policy are available upon request.*

**Overall conclusion**

**Table 3: Management conclusion**

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

Yes.

*In conclusion, Kyrgyzaltyn OJSC implemented effective management systems, procedures, processes and practices to conform to the requirements of the LBMA Responsible Gold Guidance.*

*Responsible Gold Guidance Chain Due Diligence Policy in line with the LBMA Responsible Gold Guidance has been implemented in 2016. Kyrgyzaltyn OJSC is committed to continuous improvement, and any corrective actions identified will be monitored internally on a regular basis.*

**Table 4: Other report comments**

If users of this report wish to provide any feedback to Kyrgyzaltyn OJSC with respect to this report, they can contact our senior manager by sending him an e-mail ([aliev@kyrgyzaltyn.kg](mailto:aliev@kyrgyzaltyn.kg), [oved.lbma@kyrgyzaltyn.kg](mailto:oved.lbma@kyrgyzaltyn.kg)).

