Joint-Stock Company
"Uralelektromed"

Independent Reasonable Assurance Report (ISAE 3000 (revised) engagements) on the Refiner’s Compliance Report for the year ended 31 December 2018
Independent Reasonable Assurance Report

To the management of Joint-Stock Company “Uralelektromed”:

We were engaged by Joint-Stock Company “Uralelektromed” (hereinafter – JSC “Uralelektromed” / “the Company”) to provide reasonable assurance on its Refiner’s Compliance Report for the year ended 31 December 2018.

Management’s Responsibility

The management of the Company is responsible for the preparation and presentation of the Refiner’s Compliance Report in accordance with the London Bullion Market Association (“LBMA”) Responsible Gold Guidance and the LBMA Responsible Silver Guidance (“the LBMA Guidance”). This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived. The criteria identified by the management as relevant for demonstrating compliance with the LBMA Guidance are the activities described within the Refiner’s Compliance Report.

Our Responsibility

Our responsibility is to carry out a reasonable assurance engagement in order to express an opinion as to whether the Refiner’s Compliance Report, in all material respects, describes fairly the activities undertaken during the year to demonstrate compliance, and that management’s overall conclusion contained therein is in accordance with the requirements of the LBMA Guidance. We conducted our engagement in accordance with the International Standard on Assurance Engagements (“ISAE”) 3000 (revised) “Assurance Engagements other than Audits or Reviews of Historical Financial Information” issued by the International Auditing and Assurance Standards Board and the guidance set out in the LBMA Responsible Gold Programme – Third Party Audit Guidance for ISAE 3000 Auditors and in the LBMA Responsible Silver Programme – “Third Party Audit Guidance” for ISAE 3000 Auditors (together “the Audit Guidance”).

This report has been prepared for JSC “Uralelektromed” for assisting management in determining whether Company has complied with the LBMA Guidance and for no other purpose.

Restriction of use

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

Summary of work performed

The assurance scope consists of the Refiner’s Compliance Report.
Our reasonable assurance engagement included the following:

- Inquiring of management to gain an understanding of the Company's processes and risk management procedures in relation to the gold and silver supply chain in place;
- Inquiring of the relevant staff responsible for the preparation of the Refiner's Compliance Report;
- Assessing the suitability of the policies, procedures and internal controls that the Company has in place to conform to the requirements of the LBMA Guidance;
- Reviewing a selection of the supporting documentation, including gold supplier counterparty due diligence questionnaires;
- Performing a walkthrough of the JSC “Uralelektromed” due diligence process to gain an understanding of implemented policies and procedures;
- Testing a selection of the underlying processes and controls that support the information in the JSC “Uralelektromed” Refiner's Compliance Report; and
- Reviewing the presentation of the JSC “Uralelektromed” Refiner’s Compliance Report to ensure consistency with our findings.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

_Inherent limitations_

Non-financial information, such as that included in the Refiner's Compliance Report, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The methods used by Refiners to comply with the LBMA Guidance may differ. It is important to read the Company's Responsible Gold Guidance adopted on 27 November 2015 and the Company’s Responsible Gold and Silver Guidance adopted on 26 March 2019¹.

_Our Independence, Quality Control and Competency statement_

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

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

¹ The maintenance and integrity of the Company’s website is the responsibility of management; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Subject matter or Reporting Criteria when presented on the Company’s website.
In conducting our reasonable assurance engagement, we confirm that we satisfy the criteria for assurance providers as set out in the Audit Guidance to carry out the reasonable assurance engagement.

Opinion

In our opinion, the JSC “Uralelektromed” Refiner’s Compliance Report for the year ended 31 December 2018, in all material respects, describes fairly the activities undertaken during the year to demonstrate compliance, and management’s overall conclusion contained therein, is in accordance with the requirements of the LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance.

29 March 2019
Moscow, Russian Federation

A.N. Rusinov, certified auditor (licence no. 01-000273),
AO PricewaterhouseCoopers Audit

Audited entity: JSC “Uralelektromed”
Record made in the Unified State Register of Legal Entities on 31 July 2002 under State Registration Number: 102660726657
624090, Russia, the Sverdlovsk region, Verkhnyaya Pyshma, Uspensky Prospect, 1.

Independent auditor: AO PricewaterhouseCoopers Audit
State registration certificate № 008.890, issued by the Moscow Registration Chamber on 20 February 1992
Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 10277700148231
Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)
CRN № 116030050547 in the register of auditors and audit organizations

AO PricewaterhouseCoopers Audit is included in the list of Approved Service Providers by the London Bullion Market Association (LBMA)
Refiner's Compliance Report

### Table 1 - Refiner's details

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<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>Refiner's name</strong></td>
<td>Joint Stock Company Uralelektromed (JSC Uralelektromed)</td>
</tr>
<tr>
<td><strong>Location</strong></td>
<td>1, prospect Uspensky, Verkhnyaya Pyshma, the Sverdlovsk region, Russian Federation, 624091</td>
</tr>
<tr>
<td><strong>Reporting year-end</strong></td>
<td>31 December 2018</td>
</tr>
<tr>
<td><strong>Date of Report</strong></td>
<td>29 March 2019</td>
</tr>
<tr>
<td><strong>Senior management responsible for this report</strong></td>
<td>Kolotushkin Vladimir Sergeevich, Director of JSC Uralelektromed</td>
</tr>
</tbody>
</table>

### Table 2 - Summary of activities undertaken to demonstrate compliance

**Step 1: Establish strong company management systems**

**Compliance statement with requirement:**
JSC Uralelektromed (hereinafter, the "Company" / "Refiner") fully complied with Step 1: "Establish strong company management systems" for supply chain of gold and partially complied for supply chain of silver.

**Has the Refiner adopted a Company policy regarding due diligence for supply chains of gold?**
In 2018 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”).

**Has the Refiner adopted a Company policy regarding due diligence for supply chains of silver?**
No formal policy regarding the silver supply chains existed in 2018. Nevertheless, the Responsible Gold Guidance was applied by the Company to silver supply chains as well. The Responsible Gold and Silver Guidance was established and enforced on 26 of March 2019.

**Comments and demonstration of compliance:**
The Responsible Gold Guidance was established and enforced on 27 of November 2015 and was applied to gold supply chains and to silver supply chains as well. The Responsible Gold and Silver Guidance was established and enforced on 26 of March 2019.

**Has the Refiner set up an internal management structure to support supply gold and silver 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 Uralelektromed 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 2018. 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 and silver supply chains, including traceability and identification of other supply chain actors?**
JSC Uralelektromed has established strong internal system of due diligence, controls and transparency over supply chain of materials containing gold and silver, including traceability and identification of other supply chain participants.

**Comments and demonstration of compliance:**
JSC Uralelektromed 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 Uralelektromed. 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 counterparties and, where possible, assisted counterparties in building due diligence capacities?**
JSC Uralelektromed has strengthened interaction with the counterparties of the supply chain of materials containing gold and silver, 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 Uralelektromed 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 Uralelektromed 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 7 «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.

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**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 for supply chain of gold and fully complied for supply chain of silver.

**Does the Refiner identified risks in the gold and silver 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 the Company 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 2018 tests results, there were no suppliers with a high risk level identified.

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**Does the Refiner assess risks in light of the standards of their supply chain due diligence system?**
The Company assesses risks of supply chain of materials containing gold and silver 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 these to the regulatory authorities for further decision on the Company’s ability to proceed with the supplier.

**Comments and demonstration of compliance in respect of supply chains of gold:**
The Company performs supplier due diligence activities, including activities required by the LBMA Guidance. Monitoring of operations (transactions) of counterparties is performed by the Company constantly. In 2018, the Company did not identify suppliers with high risk level.

In 2018 the Company has partially complied with Step 2 because the procedures aimed at identifying risks in the supply chain of gold against foreign suppliers have been carried out to a limited extent. There were two foreign vendors in 2018. Both of them are international traders and supply copper matte with low gold content (nearly 0.00013% gold by weight). One of the suppliers is in the top list of the largest commodity traders in the world, furthermore it is a public company that discloses human rights policies, anti-corruption policies, reports on the “Know your counterparty” procedures, as well as reports on its social responsibility on publicly available websites. As for the second supplier, the Company received the minimum package of documents required for the conclusion of the contract. During 2018 the Company performed a one-time purchase of copper matte that contains 24 kg of gold (content ratio is less than 0.00014%, share of this vendor in gold supplies for 2018 is 0.23%). Management of the Company concluded that there is a low risk of unfaithful status of these counterparties. Based on the results of the performed procedures, these both vendors were assigned with a medium level of risk.

**Comments and demonstration of compliance in respect of supply chains of silver:**
The Company performs supplier due diligence activities, including activities required by the LBMA Guidance. In 2018, 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.

**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 supply chain of materials containing gold and silver.

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**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 for supply chains of both gold and silver.

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 2018 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 2018 the Company conducted its activities in accordance with the Guidance, which suggests Low, Medium 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 supply chain of materials containing gold and silver counterparties for 2018 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 for supply chains of gold and silver.

Comments and demonstration of compliance:
The Company has engaged 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/good-delivery/).

Step 5: Report supply chain due diligence
Compliance statement with requirement:
We have fully complied with Step 5: Report supply chain due diligence for supply chains of gold and silver.

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/good-delivery/).

<table>
<thead>
<tr>
<th>Step of Framework</th>
<th>Rating</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1 Establish strong company management systems</td>
<td>Fully compliant (for materials containing gold)</td>
<td>The Company has Gold Supply Chain Policy, which is compliant with the requirements of the LBMA Guidance. The Responsible Gold Guidance was established and enforced on 27 of November 2015 and was applied to silver supply chains. The Responsible Gold and Silver Guidance was established and enforced on 26 of March 2019.</td>
</tr>
<tr>
<td></td>
<td>Partially compliant with low-risk deviations (for materials containing silver)</td>
<td></td>
</tr>
<tr>
<td>Step 2 Identify and assess risk in the supply chain</td>
<td>Partially compliant with low-risk deviations (for materials containing silver)</td>
<td>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. In 2018 the Company have partially complied with Step 2</td>
</tr>
<tr>
<td></td>
<td>Fully compliant (for materials containing gold)</td>
<td></td>
</tr>
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<td></td>
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### 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 for supply chains of gold and silver.

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 2018, as explained in Table 3 above. Policies and procedures that existed in 2018 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
Person responsible for filling in this questionnaire:
Deputy Director for quality and operations with precious metals, JSC Uralelektromed

A.N. Batuev

"28" urtles 2019