

Refiner's Compliance Report

Table 1 – Refiner's details	
Refiner's name	Open Joint Stock Company Krastsvetmet
Location	Russian Federation, Krasnoyarsk
Reporting year-end	31 December 2014
Date of Report	27 March 2015
Senior management responsible for this report	Belov Sergey Valentinovich, Deputy Director General of refining

Table 2 – Summary of activities undertaken to demonstrate compliance	
Step 1: Establish strong company management systems	
Compliance statement with requirement: OAO Krastsvetmet ("the Company" or "the Refiner") fully complied with Step 1: "Establish strong company management systems". For more details please refer below.	
Has the Refiner adopted a Company policy regarding due diligence for supply chains of gold? Yes. The refiner has adopted a Company policy regarding due diligence for supply chains of gold.	
Comments and demonstration of compliance: The Company used during the whole reporting period the formal Guidance for management of supply chains of gold and precious metals ("the Krastsvetmet Guidance") which was created in accordance with the requirements of the Practical Guidance for Market Participants in the Gold and Precious Metals Industry issued by the Dubai Multi Commodity Centre ("DMCC") ("the DMCC Guidance") regarding due diligence of supply chains of gold.	
Has the Refiner set up an internal management structure to support supply chain due diligence? Yes. The Refiner has set up an internal management structure to support supply chain due diligence.	
Comments and demonstration of compliance: Internal management structure was used during the whole reporting period to support supply chain due diligence. Proper resources were assigned and relevant training was provided to staff on regular basis. The compliance officer was assigned to manage the process.	
Has the Refiner established a strong internal system of due diligence, controls and transparency over gold supply chains, including traceability and identification of other supply chain actors? Yes. The Refiner has established a strong internal system of due diligence, controls and transparency over gold supply chains, including traceability and identification of other supply chain actors.	
Comments and demonstration of compliance: The Company has a 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 The Company. 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. These procedures existed and were adhered to in 2014.	
Has the Refiner strengthened company engagement with gold-supplying counterparties and, where possible, assisted gold-supplying counterparties in building due diligence capacities? Yes. The Refiner has strengthened engagement with the counterparties in the gold supply chain, and where possible, assisted those counterparties in building their due diligence capacities.	
Comments and Demonstration of Compliance: OAO Krastsvetmet developed a comprehensive supplier identification process. The supplier agreements of the Company request that the counterparties confirm that they are not involved in activities related to money laundering, financing terrorism and human rights abuse. The Company also shared DMCC Guidance with the counterparties and requested confirmation of receipt and compliance.	
Has the Refiner established a company-wide communication mechanism to promote broad employee participation and risk identification to management? Yes. The Refiner has established a company-wide communication mechanism to promote broad-based employee participation and risk identification to management.	
Comments and demonstration of compliance: The Company developed internal communication system designed to allow employees to voice their concerns in relation to the gold and precious metals supply chain, or newly identified risk.	
Should the employee suspect the non-compliance with the combating terrorism and money laundering policies and procedures, he or she sends this information to the e-mail dmcc@krastsvetmet.ru , which is anonymous, and is monitored by an employee of the security department (assets protection department); this person would double check	

the information.

Upon confirmation of the facts, the employee of the security department contacts risk officer of the department dealing with the respective counterparty. Further compliance officer informs the management in charge for decision making.

Step 2: Identify and assess risk in the supply chain

Compliance statement with requirement:

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

Has the Refiner identified risks in the gold supply chain?

Yes. The Refiner has identified risks in the gold supply chain.

Comments and demonstration of compliance:

The Company identified and assessed risks in the supply chain. Every supplier is assigned a risk rating in accordance with the risk rating criteria. The Company uses the Krastsvetmet Guidance before entering any business relationship with each counterparty in the gold supply chain.

Has the Refiner assessed risks in light of the standards of their supply chain due diligence system?

Yes. The Refiner has assessed risks in light of the standards of their supply chain due diligence system.

Comments and demonstration of compliance:

Prior to engaging with any supplier in the gold and precious metals supply chain, the Company performs supplier due diligence activities, including all activities required by the DMCC Guidance. The Company also conducts appropriate scrutiny and monitoring of transactions undertaken through the course of the relationship. The Company did not enter into any transactions with high-risk suppliers during 2014.

Has the Refiner reported the results of risk assessment to designated Senior Management?

Yes. The Company reports on the results of the risk assessment to the responsible person – member of executive management responsible for supply chain management.

Comments and demonstration of compliance:

Risk officer submits annual report with commentary to the member of executive management responsible for supply chain management. The report contains information regarding supply chain's compliance with the applicable provisions of the DMCC Guidance and measures taken to address exceptions if any.

Senior management retains ultimate control and responsibility for the gold and precious metals supply chain.

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

Compliance statement with requirement:

We have fully complied with Step 3: Design and implement a management strategy to respond to identified risks.

Has the Refiner devised a strategy for risk management of an identified risk by either (i) mitigation of the risk while continuing trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk?

Yes.

Comments and Demonstration of compliance:

A detailed risk assessment and management policy in line with the DMCC Guidance was used during the whole reporting period. It contains methodology of segregation of all suppliers by the risk and control mechanism as follows: (i) mitigation of the risk while continuing trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk by obtaining additional information/data confirming or refuting the adverse or disengage from the red-flagged company and/or sources of the risk.

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

Comments and demonstration of compliance:

The respective procedures are in place and where and when necessary appropriately applied. The Company maintains and updates profiles for each of the supplier and designates risk ratings in accordance with Krastsvetmet Guidance. The Company does not enter into transactions with high-risk suppliers and additional procedures are performed for medium-risk ones. The overall performance of the risk management system is reported to the relevant senior management representative.

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

We have fully complied with Step 4: Arrange for an independent third-party audit of the supply chain due diligence.

Comments and demonstration of compliance:

Krastsvetmet engaged the services of the assurance provider ZAO PricewaterhouseCoopers Audit, and their independent reasonable assurance report can be viewed on www.krastsvetmet.ru

Step 5: Report supply chain due diligence**Compliance statement with requirement:**

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

Further information and specific details of how Krastsvetmet's systems, procedures, processes and controls have been implemented to align to the specific requirements in the DMCC Guidance have been set out in our gold supply chain policy, which is available on our company website www.krastsvetmet.ru

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

Step of Framework	Rating	Comments
Step 1 Establish strong company management systems	Fully compliant	The Company performed procedures for establishing strong company management systems.
Step 2 Identify and assess risk in the supply chain	Fully compliant	The Company developed and implemented the policy for risk identification and assessment in the gold supply chain, which was in place during the whole 2014 year.
Step 3 Design and implement a management strategy to respond to identified risks	Fully compliant	Management strategy to respond identified risks was adopted and was in place during the whole 2014 year.
Step 4 Arrange for an independent third-party audit of the supply chain due diligence	Fully compliant	The Company engaged the services of the assurance provider ZAO PricewaterhouseCoopers Audit.
Step 5 Report on responsible supply chain due diligence	Fully compliant	All necessary reports are issued.

Table 4 – Management conclusion

Is the Refiner in compliance with the requirements of the DMCC Guidance for the reporting period?
Fully compliant.

In conclusion, OAO Krastsvetmet implemented effective management systems, procedures, processes and practices to fully conform to the requirements of the DMCC Guidance, as explained above in Table 3, for the whole reporting year ended 31 December 2014

OAO Krastsvetmet is committed to continuous improvement, and any corrective actions identified will be monitored internally on a regular basis.

Table 5 – Other reports comments

If users of this report wish to provide any feedback to OAO Krastsvetmet with respect to this report, they can contact us through email on info@krastsvetmet.ru

Deputy Director General of refining



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