

**State Company  
“Navoi Mining and  
Metallurgical  
Combinat”**

**Compliance Report for the London  
Bullion Market Association’s  
Responsible Gold Guidance  
for the year ended 31 December  
2019**

**Independent Limited Assurance Report to State Company "Navoi Mining and Metallurgical Combinat" on its Compliance Report for the London Bullion Market Association's Responsible Gold Guidance for the year ended 31 December 2019.**

We were engaged by State Company "Navoi Mining and Metallurgical Combinat" (the "Refiner") to provide limited assurance on its Compliance Report for the year ended 31 December 2019. The assurance scope consists of the Refiner's Compliance Report.

### **Responsibilities**

The management of the Refiner is responsible for the preparation and presentation of the Refiner's Compliance Report) in accordance with the LBMA Responsible Gold Guidance (the "Guidance"). This responsibility includes establishing and maintaining appropriate risk management and internal controls from which the reported information is derived. Furthermore, the responsibility includes designing, implementing and maintaining systems and processes relevant to the preparation of the Refiner's Compliance Report that is free from material misstatement, whether due to fraud or error. The information in relation to the activities described within the Refiner's Compliance Report is determined by management of the Refiner as appropriate and relevant for demonstrating compliance with the Guidance.

Our responsibility is to carry out a limited assurance engagement in order to express a conclusion based on the work performed. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements ISAE 3000 "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 (the "Audit Guidance").

The extent of evidence-gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.

This report has been prepared solely for the Refiner for the purpose of assisting management of the Refiner in determining whether the Refiner has complied with the Guidance 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.

### **Limited assurance procedures performed**

We planned and performed our work to obtain all the evidence, information and explanations considered necessary in relation to the above scope. These procedures included:

- enquiries of management to gain an understanding of the Refiner's processes and risk management procedures in place in relation to the gold supply chain;
- enquiries of relevant staff responsible for the preparation of the Refiner's Compliance Report;
- site visits to the Refiner;
- assessment of the suitability of the policies, procedures and internal controls that the Refiner has in place to conform to the Guidance; and
- review of the presentation of the Refiner's Compliance Report to ensure consistency with our findings.

## **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 different refiners to comply with the Guidance may differ.

## **Independence and competency statement**

In conducting our engagement, we have complied with the applicable requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control (ISQC) 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.

In conducting our engagement, we confirm that we satisfy the criteria for assurance providers as set out in the Audit Guidance pertaining to ethical conduct, fair presentation, due professional care, independence, integrity, and subject matter expertise to carry out the assurance engagement.

## **Conclusion**

Based on the limited assurance procedures performed, as described above, nothing has come to our attention that causes us to believe that, the Refiner's Compliance Report for the year ended 31 December 2019, does not describe fairly, in all material respects, the activities undertaken during the year to demonstrate compliance with the Guidance, and management's overall conclusion contained therein is not in accordance with the requirements of the Guidance.

*AD "Deloitte & Touche" LLC*

30 April 2021  
Tashkent, Uzbekistan

## REFINER'S COMPLIANCE REPORT

### Table 1 – Refiner's details:

**Refiner's name:** State Company Navoi Mining and Metallurgical Combinat ("NMMC")

**Location:** 27, Navoi Street, Navoi, Uzbekistan, 210100

**Reporting year-end:** 31 December 2019

**Date of report:** 30 April 2021

**Senior management for this report:** Chief Engineer – Mr. N. P. Snitka

### Table 2 – Summary of activities undertaken to demonstrate compliance:

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

##### **Compliance Statement with Requirement:**

During the reporting year, we have fully complied with Step 1: Establish strong management systems.

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

We adopted a company policy regarding due diligence for supply chains of gold.

##### **Comments and demonstration of compliance:**

In 2019, NMMC followed the guidelines set forth in its Gold Supply Chain Policy, approved by Compliance Officer, in line with Annex II of Organisation for Economic Cooperation and Development Due Diligence Guidance, and acknowledges its accountability to respect human rights and the possibility of significant, adverse impacts associated with the extraction, trade, handling, and export of gold, while reaffirming our commitment to refrain from any action that contributes to the financing of armed conflicts.

During the reporting period, NMMC was exposed to no risk associated with the gold supply chain, as in 2019, 100% of gold bearing material supplies to the refinery were from 100% owned NMMC mines.

We established a separate gold supply chain due diligence policy and also relied upon the number of internally set policies and instructions, as well as legislation of the Republic of Uzbekistan to ensure that our internal operations were in compliance with the requirements of the LBMA Responsible Gold Guidance (the "Guidance") pertaining to Anti-Money Laundering, Terrorist Financing and Human Rights violations.

NMMC has followed a number of relevant guidelines and laws during the reporting period including the following ones:

<b>Legislation of the Republic of Uzbekistan</b>	<b>Internally Set policies and instructions</b>
<ul style="list-style-type: none"><li>• Law on Anti-money laundering and terrorism financing;</li><li>• Law on health and safety;</li><li>• Policy on protection of child rights against all forms of exploitation, sale of children, child prostitution and child pornography;</li><li>• Law on foreign economic activity;</li><li>• Law on appeals of individuals and legal entities to the state/government bodies;</li><li>• Regulation on development of instructions on labour safety and protection.</li></ul>	<ul style="list-style-type: none"><li>• Regulation of Human Resources Department;</li><li>• Internal guidance rules on employment;</li><li>• Regulation of Complaints Department;</li><li>• Collective Agreement between Employer and Trade Union;</li><li>• Trade Union Policy;</li><li>• Regulation on technical and labour safety;</li><li>• Regulation on effective usage of financial means.</li></ul>

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

We have set up an internal management structure to support supply chain due diligence.

**Comments and demonstration of compliance:**

We have existing governance processes, reporting lines, organisational structure that are being used to support the Guidance. We appointed a qualified employee for the role of Compliance Officer. Our existing governance processes, reporting lines, internal audit communication and management procedures are being used to support the Guidance.

**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?**

We established a strong internal system, controls and transparency over the precious metal supply chain, including traceability and identification of other supply chain actors.

**Comments and demonstration of compliance:**

As in 2019 100% of gold bearing material supplies to the refinery from mines owned by NMMC, controls over supply chain relate to internal controls existed within NMMC. The stock controls are set as part of the internal transportation process within the gold supply chain. The overall transportation process is internal and is solely performed by NMMC. Stock controls exist at each of the 3 steps of transportation process: ore delivery, semi-finished products delivery and finished products delivery. Each of these steps involves controls such as weighting, reports and reconciliations at each and in between the delivery points. Furthermore, all transportation process is performed under direct supervision of the representatives of the State Security Service.

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

We had no engagement with gold supplying counterparties during the reporting period. Therefore, we have not assisted gold supplying counterparties in building due diligence capabilities. In 2019, NMMC mined and processed gold bearing materials only from mines owned and operated by NMMC.

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

We have established a company-wide communication mechanism to promote broad-based employee participation and risk identification to management via different sources.

**Comments and demonstration of compliance:**

We have a Department of Complaints, thus allowing employees to report anonymously on any breaches of policies, including, but not limited to, human rights, unfair dismissal, potential bribery etc., directly to the Head of HR Department.

In addition, we have twenty-four hour hot-line service, where employees can report any risks and incidents. The reported risks and incidents, depending on the risk level, are assigned to the relevant managers or even senior management to be resolved.

**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?**

We have a process to identify risks in the supply chain.

**Comments and demonstration of compliance:**

NMMC is not exposed to any country risk as all of the gold bearing material supplies are from the Republic of Uzbekistan. According to Heidelberg Barometer, Uzbekistan has a low risk rating as the political and economical situations in the Republic are stable. Also, Uzbekistan is a member of the Eurasian Group on Combating Money Laundering and Terrorist

Financing, one of the FATF Style Regional Bodies and is rated medium to low risk on the Basel AML index. There is a minimum company and commodity risk, as all gold bearing materials sources, processing, and smelting facilities, transportation chain belong to NMMC.

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

We assess risks in light of the standards of their due diligence system.

**Comments and demonstration of compliance:**

Due to the nature of our business in the reporting period, NMMC's supply chain was rated by NMMC as no risk as there were no external suppliers of gold.

**Does the Refiner report risk assessment to the designated manager?**

NMMC reports risk assessment to the Compliance officer.

**Comments and demonstration of compliance:**

NMMC has an assigned Compliance officer. As part of his duties, the Compliance officer assesses the risks of new chains and submits it to the Management. Compliance officer also assesses the processes within NMMC for compliance with the Guidance.

**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?**

Risk identification is based on the internal corporate risk control procedures. In 2019, there were no external suppliers of gold and/or gold bearing materials.

**Whenever a risk mitigation strategy is designed, it should include:**

**Measurable steps to be taken and achieved, monitoring of performance, periodic risk reassessment, and regular reporting to designated senior management.**

As there were no transactions with external suppliers in 2019, no risk events were identified. Internal NMMC procedures were monitored for compliance with the Guidance.

**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:**

NMMC engaged the services of "Deloitte & Touche" LLC Audit organization and obtained its independent limited assurance report.

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

We have fully complied with Step 5: For the year ended 31 December 2019.

**Comments and demonstration of compliance:**

We established a separate gold supply chain due diligence policy and also relied upon the number of existing policies and instructions. We appointed Compliance Officer in connection with the requirements of the Guidance.

**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, NMMC has implemented effective management systems, procedures, processes and practices to conform to the requirements of the Guidance.

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

**Table 4 – Other report comments**

NMMC has an approved gold supply chain due diligence policy in accordance with the Guidance.

If users of this report wish to provide any feedback to NMMC with respect to this report, they can send an e-mail to: [info@ngmk.uz](mailto:info@ngmk.uz)

**N. P. Snitka**

**Chief Engineer, State Company Navoi Mining and Metallurgical Combinat**