

**Joint-Stock Company
“Navoi Mining and
Metallurgical Company”**

**Compliance Report for the London
Bullion Market Association’s Responsible Gold
Guidance for the year ended 31 December 2023**

Independent limited assurance report on the compliance report for the London Bullion Market Association’s responsible gold guidance for the year ended 31 December 2023.

To the management of Joint-Stock Company “Navoi Mining and Metallurgical Company”.

Introduction

We were engaged by Joint-Stock Company “Navoi Mining and Metallurgical Company” (the “Refiner”) to provide limited assurance on its Compliance Report for the London Bullion Market Association’s Responsible Gold Guidance – version 9 (the “Guidance”) for the year ended 31 December 2023 (the “Report”).

Subject matter and criteria

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

Our engagement was performed with the objective of providing a limited assurance conclusion on whether the assertions made by the Refiner in its Report, with respect to the activities undertaken to demonstrate compliance with the Guidance, 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 methods used by refiners to comply with the Guidance may differ. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques that can result in materially different measurements and can impact comparability.

Management’s responsibilities

The management of the Refiner is responsible for the preparation and presentation of the Report in accordance with the Guidance and establishment of such internal control as management determined 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 Report.

Assurance providers' responsibility

Our responsibility is to issue the Report on the subject matter discussed above based on our limited assurance engagement. We conducted our assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 (Revised)"), issued by the International Auditing and Assurance Standards Board and the guidance set out in the LBMA Responsible Sourcing Programme - Third Party Audit Guidance for ISAE 3000 (Revised) Auditors ("the Audit Guidance").

This standard requires that we plan and perform procedures in order to obtain limited level of assurance as to whether the Report is in conformance with the Guidance.

Our engagement has involved performing procedures to obtain evidence about the information included in the Report. The procedures performed on the Report have been based on our professional judgement and have included inquiries, primarily with the Refiner's personnel responsible for the preparation of information included in the Report, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

- enquiry of management to gain an understanding of the Refiner's processes and risk management procedures in place in relation to the gold supply chain;
- enquiry of relevant staff responsible for the preparation of the Report;
- site visit to the Refiner's venue and operating sites for observing the production process and obtaining information on the process adopted by the Refiner in order to comply with the requirements of the Guidance;
- assessment of the suitability of the policies, procedures and internal controls that the Refiner has in place to conform to the Guidance;
- obtaining of supporting documentation in order to analyse the consistency of the qualitative and quantitative information included in the Report with the available evidence; and
- assessment of the underlying processes and controls that support the information in the Report.

The extent of evidence-gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, thus providing less assurance and is substantially less in scope than a reasonable assurance engagement.

Independence and Other Ethical Requirements

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) 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 Management (“ISQM”) 1 and, accordingly, maintains a comprehensive system of quality management including documented policies or 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 procedures performed, nothing has come to our attention that causes us to believe that the accompanying Report for the year ended 31 December 2023, did not describes 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 in accordance with the requirements of the Guidance.

Emphasis of Matter - Reissuance

We draw attention to “Table 5 – Reissuance” to the Report which describes the reissuance of the Report as a result of the decision of the management to enhance disclosures in the Report. As such, this Report and the related independent limited assurance report replaces the previously issued Report and related independent limited assurance report dated 29 March 2024. Our conclusion is not modified in respect of this matter.

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 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.

AO "Deloitte & Touche" LLC

4 September 2024
Tashkent, Uzbekistan

REFINER'S COMPLIANCE REPORT

Table 1 – Refiner's details:

Refiner's name: Joint-Stock Company Navoi Mining and Metallurgical Company (“NMMC”)

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

Reporting year-end: 31 December 2023

Date of report: 4 September 2024

Senior management for this report: Chief Engineer – Mr. A. F. Ravshanov

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.

1.1. 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 2023, 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.

NMMC was exposed to very low gold supply chain risks during the reporting period as no significant quantities of gold bearing material supplies were provided to the refinery by external suppliers in 2023. Almost all gold bearing material supplies came from 100% NMMC-owned mines. Other materials supplied by Artisanal and Small-Scale Miners (“ASMs”) represent less than 0.14%. 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.

Short Summary

In 2023, the Company had no relationships involving gold-bearing materials with exporters from high-risk locations. All gold-bearing materials were mined within the territory of the Republic of Uzbekistan.

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

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

Internally Set Policies and Instructions

<https://www.ngmk.uz/en/home/blog/leaders/internal-documents>

1.2. 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.

Supervisory Board Structure and Responsibilities

The Supervisory Board comprises directors with relevant experience in the precious metals industry. The members possess the necessary competence, knowledge, and expertise to oversee the supply chain due diligence framework and its outcomes. The Supervisory Board grants authority and oversight to the Company's Internal Audit and Compliance departments, as well as the Compliance Officer, to ensure internal accountability for the effectiveness of the due diligence policy and its associated processes and procedures.

Organizational structure of JSC NMMC: <https://www.ngmk.uz/en/home/blog/about-nmmc/structure-of-nmmc>

Supervisory and management board: <https://www.ngmk.uz/en/home/blog/leaders>

Compliance officer and due diligence policy: <https://www.ngmk.uz/en/home/pressa/534-cooperation-with-lbma.html>

1.3. 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 factors?

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

Comments and demonstration of compliance:

As in 2023, no significant quantities of gold bearing material supplies were provided to the refinery by external suppliers, 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.

Record Keeping, Employee Training and Compliance Framework

All transactions are reflected in the local accounting systems and ERP, with supporting internal/external documents, enabling transparent and traceable record of each production step and counterparty. In line with Uzbekistan legislation and RGG v9 requirements, NMMC keeps all transaction records and supporting documents for at least 5 years.

NMMC employees attend trainings on a regular basis, including in case of changes in the regulatory environment, related to anti-corruption, anti-bribery, supply chain and due diligence processes and etc. as stated in the publicly available policies on the NMMC website. Such training must be conducted internally or by an external consultant (based on the Company's needs) at least once a year and must be provided to all new relevant employees.

Compliance, legal and ESG departments regularly update all necessary databases related to sanctions, ESG matters, derogatory information and etc. Transparency of counterparty engagements related to purchases of gold-bearing materials is additionally supported by open tender and selection process as outlined in the NMMC official website provided below.

Proceeds from sales and payment to counterparties are processed via the NMMC's local banks. NMMC is prohibited from using cash for precious metals payments.

Internal documents: <https://www.ngmk.uz/en/home/blog/leaders/internal-documents>

Tenders and competitions: <https://www.ngmk.uz/en/home/blog/our-contact-information/interactive-services/-tenders-and-competitions>

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

Gold-bearing material procurement departments are responsible for communicating with external counterparties on the requirements of LBMA RGG and the Refiner's policies and procedures regarding responsible gold supply chain management. The responsible employee informs its counterparties about their obligation to accept the Refiner's due diligence policy. We are in efforts to make sure the external counterparties understand and follow our policies and procedures under LBMA responsible gold requirements.

During the reporting period, NMMC was exposed to very low risk associated with the gold supply chain, as in 2023, no significant quantities of gold bearing material supplies were provided to the refinery by external suppliers.

EITI Compliance

NMMC does not buy mined gold from a State-Owned Enterprise operating in an EITI member countries. In 2023, an insignificant amount of gold-bearing materials was purchased from the Republic of Uzbekistan. According to the Law of the Republic of Uzbekistan, the purchase agreement includes all necessary clauses related to anti-bribery, terrorist financing, and etc. Before the contract is concluded, the counterparty undergoes a due diligence check in accordance with our policy.

1.5. 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:

NMMC has established a confidential grievance mechanism. We have a Department of Complaints, thus allowing employees and external stakeholders 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.

Summary of Issues Reported

In 2023, no grievance related to the precious metals supply chain has been received.

Link:

<https://www.ngmk.uz/en/home/blog/our-contact-information/communication-channels-of-reporting-corruption>

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.

2.1. 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 medium 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.

NMMC's Risk Assessment and Compliance Measures in Gold Supply Chain Management

Risks within the NMMC's business processes, including gold supply chain, are identified, assessed and addressed in accordance with the risk assessment procedures designed within the Company. Risk assessment procedures are supervised and periodically reported by the compliance service and internal audit. Both are independent and directly accountable to the NMMC's supervisory board.

These procedures assign high, medium and low risks levels to business processes, which is applied as part of counterparty acceptance.

As part of the mandatory requirements for participation in the tender/selection for suppliers, in line with Uzbekistan legislation, minimum package of documents for participants include:

- statement on the prevention of corruption (form No. 2)
- certificate of state registration (re-registration) of a legal entity
- information on a conflict of interest (form No. 3).
- questionnaire (form No. 4), which indicates details about the structure, management and beneficiaries of the organization, relationship with state officials and PEPs, information on affiliated companies, origins of the supplied materials
- statutory documents (Memorandum of Association / Charter / Regulation)
- financial statements for the last 2 years
- supporting document (certificate) on the absence of overdue debts on taxes and other mandatory payments to the budget.

Such information must be collected prior to the transaction. All gathered information is analyzed by the procurement commission, including compliance service, also considering UN/US/UK/EU sanctions lists. Banks of counterparties are checked for sanctions as well.

Our definition of high risk is aligned with the LBMA Responsible Gold Guidance and Annex II of the 'OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas' (OECD DDG). In cases where it becomes clear, as a result of the risk assessment, that the Precious metals meet the Criteria for high-risk, we do not conduct business with those Precious metals.

We analyse all significant Artisanal Small-Scale Miner (“ASM”) suppliers and acquire the Precious metals from ASM, provided that ASM activities are legitimate (per the definition given in the OECD FAQs) and that risks are identified and managed accordingly. We will not consider ASM mining activities as legitimate when they contribute to conflict and serious abuses associated with the extraction, transport or trade of minerals as defined in Annex II of the Due Diligence Guidance. We will work with artisanal miners or ASM entities which show genuine commitment to cooperate and engage in a credible process of legalisation.

Supply chain policy: <https://www.ngmk.uz/uploads/photo/about-ngmk/certificates/Precious%20Metals%20Supply%20Chain%20Policy%20JSC%20NMMC%202022.pdf>

NMMC compliance service and internal audit as independent structures, on a quarterly basis report to the Supervisory board on work done and findings.

Compliance officer and due diligence policy: <https://www.ngmk.uz/en/home/prensa/534-cooperation-with-lbma.html>

Compliance reports (public): <https://www.ngmk.uz/en/home/blog/about-nmmc/anti-corruption/reports>

Tenders and competitions: <https://www.ngmk.uz/en/home/blog/our-contact-information/interactive-services/-tenders-and-competitions>

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

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

Comments and demonstration of compliance:

During the reporting period, NMMC was exposed to very low risk associated with the gold supply chain, as in 2023, no significant quantities of gold bearing material supplies were provided to the refinery by external suppliers.

2.3. 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?

In 2023, no significant quantities of gold bearing material supplies were provided to the refinery by external suppliers.

NMMC's Risk Assessment and Compliance Measures in Gold Supply Chain Management

Risk identification is based on the internal corporate risk control procedures and addresses risks while continuing to trade, as well as suspending trade and disengagement from the risk. The Company has set-up an ongoing screening of all counterparties by responsible departments for identifying risks. The Compliance officer, jointly with responsible employees who may provide necessary information, are assessing identified risk and brought up to an attention for further actions, including suspension of the counterparty and escalation to the Supervisory Board. If the Precious metals meet the Criteria for high-risk, we do not conduct business with those Precious metals.

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.

During the reporting period, NMMC was exposed to very low risk associated with the gold supply chain, as in 2023, no significant quantities of gold bearing material supplies were provided to the refinery by external suppliers. Internal NMMC procedures were monitored for compliance with the Guidance.

Ongoing Monitoring and Risk Assessment in NMMC's Gold Supply Chain Management

NMMC applies ongoing monitoring and periodic risk assessment in relation to counterparty activities as an integral part of effective internal control procedures. Responsible departments must monitor the Gold Supply Chain for each transaction during the execution of contracts concluded with Counterparties, collecting information about the risk associated with the region and type of such transactions.

Responsible departments must report in writing to the responsible officer if the Counterparty, which has been assigned the status of "Regular Counterparty", is further suspected of being involved in money laundering, terrorist financing or in connection with the Conflict Regions. The Working Group should, subsequently, initiate the collection of additional information on the Counterparty, which has a high risk. If, during the collection of additional information, convincing evidence is obtained that the Counterparty is involved in money laundering, terrorist financing or in relations with the Conflict Regions, NMMC will immediately refuse to cooperate with such Counterparty.

The Responsible Officer shall regularly review the results of the Gold Supply Chain Due Diligence for each Counterparty prior to the expiration of the contract concluded with that Counterparty.

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 organisation to issue a limited assurance report on our Compliance Report for the year ended 31 December 2023.

Step 5: Report on supply chain due diligence

We have fully complied with Step 5: For the year ended 31 December 2023.

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, partially.

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

However, the Report was issued after the reporting deadline specified in the Guidance due to its reissuance (refer to Table 5 – Reissuance).

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.

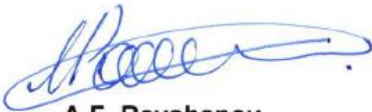
If users of this report wish to provide any feedback to NMMC with respect to this report, they can send an e-mail to: info@ngmk.uz

Table 5 – Reissuance

In the Refiner’s Compliance Report for the year ended 31 December 2023, dated 29 March 2024 management determined that some enhancements were necessary to the disclosures in the “Table 2 - Summary of activities undertaken to demonstrate compliance”, and as such, it was decided to reissue the Report. New paragraphs and subsections were added to the following Steps of the “Table 2 - Summary of activities undertaken to demonstrate compliance” of the Refiner’s Compliance report for the year ended 31 December 2023:

- Step 1.1. – One paragraph under the heading Short summary and one paragraph under the heading Internally Set Policies and Instructions paragraphs;
- Step 1.2. – Subsection Supervisory Board Structure and Responsibilities;
- Step 1.3. – Subsection Record Keeping, Employee Training and Compliance Framework;
- Step 1.4. – Subsection EITI Compliance;
- Step 1.5. – Subsection Summary of Issues Reported;
- Step 2.1. – Subsection NMMC’s Risk Assessment and Compliance Measures in Gold Supply Chain Management;
- Step 3 – One paragraph under the heading NMMC’s Risk Assessment and Compliance Measures in Gold Supply Chain Management and subsection Ongoing Monitoring and Risk Assessment in NMMC’s Gold Supply Chain Management.

These enhancements resulted in changes to “Table 3 – Management conclusion”, specifically altering the conclusion from “Yes” to “Yes, partially”, along with an explanatory note for the adjustment.



A.F. Ravshanov
Chief Engineer, JSC Navoi Mining and Metallurgical Company