

“Kazakhmys Smelting” Limited Liability Partnership

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

Independent Limited Assurance Report to “Kazakhmys Smelting” LLP on the Compliance Report for the London Bullion Market Association’s Responsible Silver Guidance for the year ended 31 December 2023.

To the management of “Kazakhmys Smelting” LLP

Introduction

We were engaged by “Kazakhmys Smelting” LLP (the “Refiner”) to provide limited assurance on its Compliance report for the London Bullion Market Association’s Responsible Silver Guidance – version 1 (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 LBMA RSG 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. The policies and procedures implemented by “Kazakhmys Smelting” LLP to comply with the LBMA RSG may differ from other companies and accordingly, users of this report should read “Kazakhmys Smelting” LLP silver supply chain policy available on website www.kazakhmys.kz.

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 the management determined is necessary to enable the preparation of the Report that it 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 Assurance Guidance for ISAE 3000 (Revised) Auditors (“the Audit Guidance”).

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

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 LBMA RSG.

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 Refiners processes and risk management procedures in place in relation to the silver supply chain;
- Enquiry of relevant staff responsible for the preparation of the Report;
- Site visits 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;
- Testing, on a sample basis, supporting documentation including due diligence conducted on engaging with a precious metal supplying counterparty and transactions documentation;
- Assess the suitability of the policies, procedures and internal controls that the Refiner has in place to conform to the Guidance;
- Assessment of the underlying processes and controls that support the information in the Report;
- Obtaining of supporting documentation in order to analyse the consistency of the qualitative and quantitative information included in the Report with the available evidence.

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 behaviour.

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 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 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 in accordance with the requirements of the Guidance.

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.

Deloitte LLP



28 June 2024

Almaty, Kazakhstan

REFINER'S COMPLIANCE REPORT

Table 1 – Refiner's details:

Refiner's name: "Kazakhmys Smelting" LLP

Location: Republic of Kazakhstan, Karaganda Region, Balkhash City, Abay str. 1, 100000

Reporting year-end: 31 December 2023

Date of report: 28.06.2024

Senior management for this report: Director of sales department/ LBMA officer - Abbas Kamirdinov

Table 2 – Summary of activities undertaken to demonstrate compliance:

Step 1: Establish Strong Responsible Sourcing 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 supply chain policy regarding due diligence for supply chains of silver?

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

Comments and demonstration of compliance:

In 2023, "Kazakhmys Smelting" LLP followed the guidelines set forth in its Silver Supply Chain Policy, approved by Director and the LBMA Compliance Officer. The Silver Supply Chain Policy acknowledges its accountability to respect human rights and the possibility of significant, adverse impacts associated with the extraction, trade, handling, and export of silver, while reaffirming our commitment to refrain from any action that contributes to the financing of armed conflicts.

"Kazakhmys Smelting" LLP was exposed to very low silver supply chain risks during the reporting period as no significant quantities of silver bearing material supplies were provided to the Refinery by external suppliers in 2023, in particular:

- Significant part of silver bearing material supplies came from Group-owned mines: 73% of silver bearing material supplies came from mines operated by Kazakhmys Group;
- 25% of silver bearing material supplies came from mines operated by "Kaz Minerals" PLC, a related party;

We established a separate silver 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 Kazakhstan to ensure that our internal operations were in compliance with the requirements of the LBMA Responsible Silver Guidance (the "Guidance") pertaining to Anti-Money Laundering, Terrorist Financing and Human Rights violations. This sets out the responsibility for conducting risk based due diligence, screening and monitoring of all transactions and

governance structures in place. The latest policy on responsibly-sourced metals can be found on the Company's website at the https://www.kazakhmys.kz/files/smelting_politics_en.pdf.

In 2023, we created a department for Sustainable Development and began a transformation process aimed at introducing the necessary processes and procedures.

We have developed a Sustainable Development and ESG strategy, which is currently in the final stages of approval by the management.

In 2024, we plan to issue a non-financial hybrid report in accordance with the requirements of the recommendations of the Global Reporting Initiative (GRI) for the reporting period of 2023.

In addition, the transformation process includes special training for staff on Sustainable Development and the principles of corporate social responsibility (ESG). These trainings are aimed at increasing employees' awareness of the importance of sustainability, their understanding of key ESG aspects, and teaching them the specific skills and techniques needed to successfully implement sustainable practices within their professional activities.

Particular attention is paid to the development of the regions in which the company is present. Social risk mitigation projects are being implemented in this area, including:

- Improving access to quality health services: This includes programs to build and renovate health facilities, purchase modern medical equipment, provide medical courses and training for staff, and expand health services in remote areas.
- Investment in Social Infrastructure: This includes the construction of new facilities or the reconstruction of existing schools, hospitals, roads, water systems, electrical networks and other socially significant facilities necessary to ensure the smooth functioning of society and improve the quality of life of its members.

Various measures and strategies are being implemented to ensure the safety of the workers and reduce occupational injuries including:

- Training and awareness programs;
- Improvement of working conditions;
- Development of safety systems;
- Implementation of new technologies;
- Implementation of risk management systems;
- Promotion of safety culture, and more.

Kazakhmys Group has spent more than 11 billion tenge in 2023 as part of its efforts to implement socially responsible projects.

"Kazakhmys Smelting" LLP has followed a number of relevant guidelines and laws during the reporting period including the following ones:

Legislation of the Republic of Kazakhstan	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"> • Regulation of Human Resources Department; • Internal guidance rules on employment; • Regulation of Complaints Department; • Regulation on technical and labour safety; • Regulation on effective usage of financial means; • Silver Supply Chain Policy; • Internal Environmental Protection Policy; • Speak-Up regulation; • Anti-corruption.

We acknowledge that the Company and its activities are subject to periodic coverage by the media. Management firmly believes that the Company consistently adheres to our established internal policies, standards, and the required norms governing our industry, as well as all current laws and regulations of the Republic of Kazakhstan. We prioritize compliance, ethical conduct, and responsible business practices. The remediation work undertaken by the Company is adequately disclosed throughout this Compliance report.

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. Our existing governance processes, reporting lines, internal audit communication and management procedures are being used to support the Guidance.

a) Compliance officer

We appointed a qualified employee for the role of Compliance Officer who is the Head of the Marketing and Sales department. The Compliance Officer is responsible for designing, supervising and reviewing the overall process, and has a direct line of reporting to the Board of Directors.

b) Board level oversight

The Company's overarching authority and accountability sits with the Board.

The Board has sufficient skills and experience to carry out its oversight if responsible sourcing activities. The Board provides authority and oversight to the Compliance Officer to ensure internal accountability of the effectiveness of Silver Supply Chain Policy and associated processes and procedures.

Training

A training program has been developed for all staff involved in the Company's supply chain.

The Compliance officer is responsible for providing necessary training to staff. The Compliance officer identified employees who involved in the supply chain are required to undergo trainings. 10 employees who are involved in the silver supply chain (33% of all staff in the Marketing and Sales Department) received training on supply chain due diligence matters during 2023. In 2022, 11 employees received training which accounts for 37% of the Marketing and Sales Department staff.

1.3 Has the Refiner established a traceability system over silver supply chains, including chain of custody mapping and identification of 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 actors.

Comments and demonstration of compliance:

"Kazakhmys Smelting LLP" uses strict protocols for KYC compliance check which includes, but is not limited to, identifying the precious metal's origin, from source origin to "Kazakhmys Smelting" LLP.

Specific controls regarding received materials (evaluation of quality through laboratory analysis, weight) are carried out before processing incoming material as outlined in the Silver Supply Chain Policy). Regular training of the employees ensures that the guidelines are followed through; in case of non-conformance, it will be

immediately reported to the compliance officer. During the reporting period no violations of internal due diligence process have taken place.

The stock controls are set as part of the internal transportation process within the silver supply chain. The overall transportation process is internal and is solely performed by “Kazakhmys Smelting” LLP. “Kazakhmys Smelting” LLP has a structure of Precious Metals Plant producing silver ingots that meet the Good Delivery Quality of LBMA, accepts and undertakes to comply with the requirements of the LBMA Guidelines for Responsible Silver Supply Chain Practices. “Kazakhmys Smelting” LLP has designed and approved rules and policies required by the LBMA Guidelines on UNESCO World Heritage requirements. In fact, there were no suppliers which extracted the materials on the UNESCO World Heritage Site.

As in 2023 no significant quantities of silver bearing material supplies were provided to the Refinery by external suppliers, controls over supply chain relate to internal controls existed within “Kazakhmys Smelting” LLP (73% of silver bearing materials were provided by the Group, 25% - by the related party).

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

Marketing and Sales department is responsible for communicating with external counterparties and related parties on the requirements of LBMA RSG and the Refiner's policies and procedures regarding responsible silver supply chain management.

"Kazakhmys Smelting" LLP applies a strict KYC process which includes, at a minimum, an assessment of the supplier's compliance with labour policies, health and safety policies, environmental and sustainability policies and legislation.

"Kazakhmys Smelting" LLP's suppliers are required to commit to the Company's Silver Supply Chain Policy. Responses are formally approved by senior management before a business relationship is commenced.

"Kazakhmys Smelting" engages and educates our counterparties on responsible silver sourcing. Counterparties who have been unable to wholly satisfy "Kazakhmys Smelting" LLP's due diligence process are not approved to trade with "Kazakhmys Smelting" LLP.

During the reporting period, "Kazakhmys Smelting" LLP was exposed to a very low risk associated with the silver supply chain, as in 2023, no significant quantities of silver bearing material supplies were provided to the Refinery by external suppliers.

1.5 Has the Refiner established a company-wide confidential grievance mechanism?

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 "Speak Up", 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. In 2023, 181 complaints were reported compared to 85 complaints in 2022. Of the 181 requests, 174 were reviewed (82 in 2022), 4 requests are under review (0 in 2022).

Step 2: Identify and Assess Supply Chain Risks

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

2.1 Does the Refiner have a due diligence process to identify risks in the supply chain?

"Kazakhmys Smelting" LLP performs supply chain due diligence following a risk-based approach.

Comments and demonstration of compliance:

"Kazakhmys Smelting" LLP is not exposed to any country risk as most of the silver bearing material supplies are from the Republic of Kazakhstan. According to Heidelberg Barometer, Republic of Kazakhstan has a low risk rating as the political and economic situations in the Republic are stable. Also, Republic of Kazakhstan 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 of the silver bearing materials sources came from Kazakhmys Group and its related party, KAZ Minerals PLC. Processing and smelting facilities, transportation chain belong to "Kazakhmys Smelting" LLP.

2.2 How does the Refiner classify identified risks in light of the standards of its due diligence system?

“Kazakhmys Smelting” LLP classifies its silver supply chain based on the risk profile determined during the initial due diligence which incorporates factors stipulated in Step 1.1 of the RSG.

Comments and demonstration of compliance:

In the reporting period we did not identify any high risk or zero-tolerance in our supply chain.

“Kazakhmys Smelting” LLP’s supply chain due diligence follows a risk-based approach before entering any business relationship, which is ongoing throughout the relationship.

As outlined in Step 1.1, the Company’s assessment of risk in the supply chain begins with the origin of silver, identifying the beneficial owners, obtaining business and financial details, and information on the purpose and intended nature of the business relationship.

Zero-tolerance supply chains

If “Kazakhmys Smelting” LLP identified any such zero-tolerance issues, “Kazakhmys Smelting” LLP would not enter a business relationship with a supplier and, if in such a relationship, would immediately terminate the relationship. The LBMA would be immediately notified as outlined in the RSG

High-risk supply chains

If “Kazakhmys Smelting” LLP identifies a high-risk supply chain, EDD would be triggered.

2.3 Has the Refiner undertaken EDD measures for identified high-risk supply chains?

“Kazakhmys Smelting” LLP undertakes enhanced due diligence measures for high-risk supply chains. During the reporting period we did not identify any high risk in our supply chain.

Comments and demonstration of compliance:

Where EDD is triggered, “Kazakhmys Smelting” LLP undertakes an on-site visit at the mine site or silver supplying counterparty. During the reporting period no high risk in the supply chain was identified.

During the reporting period, “Kazakhmys Smelting” LLP was exposed to a very low risk associated with the silver supply chain, as in 2023, no significant quantities of silver bearing material supplies were provided to the Refinery by external suppliers. Nevertheless, we performed Enhanced Due Diligence on one of the suppliers of copper concentrate who has its mining sites located near UNESCO World Heritage Site in Tajikistan. We obtained an official confirmation from the Committee for Environmental Protection under the Government of the Republic of Tajikistan that the territory of the deposit is not located on the UNESCO World Heritage Site. Additionally, the supplier, provided an official letter dated January 29, 2024 to Kazakhmys Smelting from the Committee for Environmental Protection under the Government of the Republic of Tajikistan that the process of carrying out economic activities does not cause damage to the historical monument - the ancient settlement of Sarazm.

Step 3: Design and Implement Management Strategy 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 2023, no significant quantities of silver bearing material supplies were provided to “Kazakhmys Smelting” LLP by external suppliers.

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, “Kazakhmys Smelting” LLP was exposed to a very low risk associated with the silver supply chain, as in 2023, no significant quantities of silver bearing material supplies were provided to the Refinery by external suppliers. Internal “Kazakhmys Smelting” LLP procedures were monitored for compliance with the Guidance.

In 2023 “Kazakhmys Smelting” LLP incurred a fine of 4.5 million tenge for multiple environmental violations. The fine has been paid in full. “Kazakhmys Smelting” LLP is planning to modernize its production by 2026, aiming for a 50% reduction in emissions. “Kazakhmys Smelting” LLP emphasizes that modernization requires substantial funds and time. Construction is scheduled to be completed in 2026.

Step 4: Obtain Independent Third-Party Assurance on Supply Chain Due Diligence Practices

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:

"Kazakhmys Smelting" LLP engaged the services of "Deloitte" LLP to issue an independent limited assurance report.

Step 5: Report Annually on Supply Chain Due Diligence

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

Comments and demonstration of compliance:

"Kazakhmys Smelting" LLP's Compliance Report for the calendar year 2023 is available on the LBMA website.

We established a separate silver 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 Silver Guidance for the reporting period?

Yes.

In conclusion, "Kazakhmys Smelting" LLP has implemented effective management systems, procedures, processes and practices to conform to the requirements of the Guidance.

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

Table 4 – Other report comments

"Kazakhmys Smelting" LLP has an approved Silver supply chain due diligence policy in accordance with the Guidance.

If users of this report wish to provide any feedback to "Kazakhmys Smelting" LLP with respect to this report, they can send an e-mail to: info@kazakhmys.kz

Director of sales department/ LBMA officer - Abbas Kamirdinov

