

**AHLATÇI METAL RAFINERİ A.S.  
INDEPENDENT LIMITED ASSURANCE  
REPORT PREPARED AS OF  
31 DECEMBER 2019, 2018 AND 2017 IN  
ACCORDANCE WITH INTERNATIONAL  
STANDARD ON ASSURANCE  
ENGAGEMENTS ISAE 3000 ISSUED BY  
THE INTERNATIONAL AUDITING AND  
ASSURANCE STANDARDS BOARD**

**ISAE 3000 INDEPENDENT LIMITED ASSURANCE REPORT ON THE ABSENCE OF BUSINESS AND TRADE OF GOLD AND PRECIOUS METALS BETWEEN AHLATCI METAL RAFİNERİ A.S. AND THE ISLAMIC REPUBLIC OF IRAN, BOLIVARIAN REPUBLIC OF VENEZUELA AND OTHER BANNED COUNTRIES' PUBLIC AND PRIVATE COMPANIES AND REAL PERSONS**

**To the Board of Directors**

**Ahlatci Metal Rafineri A.S. (AMR, Ahlatci Metal Refinery, the Company or the Refinery)**

We were engaged by the Board of Directors of Ahlatci Metal Rafineri A.S. (AMR, Ahlatci Metal Refinery, the Company or the Refinery) to perform a limited assurance engagement on the "Subject Matter Selected for Limited Assurance", within the context of Gold Supply Chain Policy of the Company. Independent limited assurance work was conducted in accordance with International Standards 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 with the guidance set out in the LBMA Responsible Gold Programme - Third Party Audit Guidance for ISAE 3000 Auditors (the Audit Guidance) issued by the LBMA. This independent limited assurance report ("the Report") was prepared for the years ended 31 December 2019, 2018 and 2017.

**Subject Matter Selected for Limited Assurance**

The scope of our work was limited to assurance over the below selected information for the years ended 31 December 2019, 2018 and 2017;

- a) The Company has not purchased gold or related precious metals from any of the Islamic Republic of Iran, Bolivarian Republic of Venezuela and other banned countries' public and private companies or real persons
- b) The Company has not sold gold or related precious metals to any of the Islamic Republic of Iran, Bolivarian Republic of Venezuela and other banned countries' public and private companies or real persons
- c) The Company does not have any other kind of business relationship with any of the Islamic Republic of Iran, Bolivarian Republic of Venezuela and other banned countries' public and private companies or real persons

Our assurance does not extend to any other information for the current year or for previous periods unless otherwise indicated.

### **The Management Responsibilities**

The management of Ahlatci Metal Refinery are responsible for the preparation and presentation of the Subject Matter Selected for Limited Assurance within the context of Gold Supply Chain Policy of the Company in accordance with the Refinery's internally defined procedures and for the development of the Reporting Criteria. This responsibility includes establishing 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 for the preparation of the information in a way that is free of material misstatements.

### **The Auditor's Responsibility and Capability**

Our responsibility is to carry out a limited assurance engagement in order to express a conclusion based on the work performed. We conducted our assurance engagement in accordance with International Standards 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 with the guidance set out in the LBMA Responsible Gold Programme - Third Party Audit Guidance for ISAE 3000 Auditors (the Audit Guidance) issued by the LBMA.

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 provided. The choice of audit procedures is subject to the auditor's own judgement.

This report has been prepared for Ahlatci Metal Refinery for the purpose of assisting the management in determining whether there has been any trade or business of gold and precious metals between AMR and the Islamic Republic of Iran, Bolivarian Republic of Venezuela and other banned countries' Public and private companies and real persons for no other purpose. Our assurance report is made solely to AMR in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than AMR for our work, or for the conclusions, we have reached in the assurance report.



#### Assurance team's professional qualifications

We believe that our team possess the core competences of ethical conduct, fair presentation, due professional care, independence and integrity.

Assurance team were composed of below auditors.

<b>Titles</b>	<b>Nama and Surname</b>	<b>Total Experience</b>
Engagement Partner	Abdulkadir SAYICI	23
Manager	Mahmut Kahya	14
Auditor	Cengiz Özgür	9
Assistant Auditor	Merve Demir	5

Each assurance team member has knowledge, skills and are open to improve their competencies. They were selected among auditors who have specialist knowledge and competence in auditing skills and techniques. They have experience in reporting and auditing practices and standards for ISAE 3000.

The Engagement partner and his team have been preparing ISAE 3000 reports since 2012 for refiners in Turkey.

#### Limited assurance procedures performed

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

- Enquiries of management to gain an understanding of Ahlatci Metal Refinery's Gold Supply Chain Policy and Risk Management protocols. Questions about the Refinery's Compliance System were asked and required disclosures were obtained,
- Enquiries of relevant, responsible staff and the required disclosures were obtained,
- We visited the Ahlatci Metal Refinery to review the procedures for goods receiving, laboratory testing and refining gold and to observe how these procedures support Ahlatci Metal Refinery's compliance regime and systems of CRM, Archive, and Traceability. Client transactions are covered through the traceability system starting from goods acceptance, assay results and details of customs declaration or consignment bill to invoicing. It was observed that the Refinery is producing according to domestic and international standards and certificates,
- Procedures, documents and information related to gold suppliers, buyers and other related parties selected in order to assess if the Refinery has an effective compliance system. As a result of the assessments, it was seen that the Refinery has established an effective compliance system that is in accordance with LBMA Responsible Gold Regulations,

- It was observed that the Refinery has established and put into force an effective management system regarding with the Refinery's Gold Supply Chain, which is in harmony with domestic and international standards. It was also observed that the Refinery has adopted appropriate internal control and intercommunication systems. The Refinery has formed a set of procedures and applications in order to identify risks in the supply chain. It was observed that the Refinery formed an appropriate "Know Your Client" (KYC) policy and "Risk Management Plan" within the context of KYC and is maintaining the system's operation. It has been found that the entire system is kept in operation by establishing a Risk Management Plan, which is also used by an appropriate Customer Acceptance Policy and Compliance systems,

We have carried out the following audit procedures in order to test the "Subject Matter Selected for Limited Assurance":

We have checked sales and trade receivable accounts of the Company between 01 January – 31 December 2019, 2018 and 2017. We listed all the clients according to the transaction values. We checked client files according to Company's gold supply chain policy, customer acceptance policy, risk assessment policy and the other related documents.

We have checked suppliers/trade payables and cost of goods sold accounts between 01 January – 31 December 2019, 2018 and 2017. We checked suppliers' files according to the company's gold supply chain policy, supplier acceptance policy - know your client (KYC) policy, risk assessment policy and the other related documents. We randomly selected suppliers' files and tested them accordingly.

The assessment of risk in a supply chain begins with the origin of gold supply. The Company has put forth the reasonable and good faith efforts, as well as additional first-hand evidence (collected through engagement with suppliers and desk research) and credible sources in order to make reasonable determinations of gold origin. identification and "know your client" information of all actors in the gold supply chain, including, but not limited to, the gold producers, intermediaries of AMR, gold traders and exporters and re-exporters, as well as third party service providers handling the gold (e.g. logistics, processors and transportation companies).

We tried to identify the ownership (including beneficial ownership) of the companies in which the Refinery has business relations, corporate structure (including the names of corporate officers and directors) and the related businesses such related parties, affiliates and subsidiaries of the companies.



The procedures selected depend on our judgement, including the assessment of the risk of material misstatement of the Gold Supply Chain Policy, whether due to fraud or error. In assessing the risk, we consider the internal controls relevant to the Company's preparation of the Gold Supply Chain Policy in order to design procedures that are appropriate in the circumstances. We have not carried out any work on data reported for prior reporting periods except for data that was included in the prior year's assurance scope, nor have we performed work in respect to future projections and targets. We have not conducted any work outside of the agreed scope and therefore restrict of our opinion to the "Subject Matter Selected for Limited Assurance", within the context of Gold Supply Chain Policy of the Company.

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

#### **Inherent limitations**

Information on non-financial activities is subject to more inherent limitations than financial information due to the characteristics of such subject matter and the obligations arising from the determination, calculation, sampling and forecasting of such information. The absence of an important regulatory body, which may provide for the selection of different but acceptable measurement techniques subject to assurance, may lead to significant measurement differences in this respect. This will lead to significant impact on comparability. The accuracy of different measurement techniques can also vary. In addition, the methods used to determine such information and the nature of the work and the measurement techniques and accuracy used may vary over time. The most important issue is that the Limited Independent Assurance Report can be read within the given criteria.

In particular, where information relies on information obtained from third parties, such as lab test results, our limited independent assurance efforts do not involve testing third party information that may be of interest to such information.

#### **Independence and competency statement**

We have compiled this report in accordance with the International Federation of Accountants' Code of Ethics for Professional Accountants, which includes comprehensive independence and other requirements founded on the fundamental principles of integrity, objectivity, and professional competence and due care, confidentiality and professional behavior. Our engagement was conducted by a team of assurance specialists with experience in responsible gold reporting.

**Limited assurance conclusion**

Following the work carried out in accordance with the scope set out in this letter, we confirm that:

1. The compliance procedures, managements systems and internal controls of AMR were in all material respects prepared and presented in accordance with OECD and DMCC Guidances and the requirements of the LBMA Responsible Gold Guidance
2. Nothing has come to our attention that causes us to believe that Ahlatci Metal Rafineri A.S. with regards to the "Subject Matter Selected for Limited Assurance", has purchased or sold or had any other type of business relationship with the Islamic Republic of Iran, Bolivarian Republic of Venezuela and other banned countries' public and private companies or real persons for the years ended 31 December 2019, 2018 and 2017; and
3. Because the compliance procedures of AMR are compliant in the manner described above and nothing has come to our attention with regards to the "Subject Matter for Limited Assurance", we have reasonable confidence that Ahlatci Metal Rafineri A.S has not purchased or sold or had any other type of business relationship with the Islamic Republic of Iran, Bolivarian Republic of Venezuela and other banned countries' public and private companies or real persons for the years ended 31 December 2019, 2018 and 2017.

**Restriction of use of Our Report**

This report has been prepared for Ahlatci Metal Refinery for the purpose of assisting the management in determining whether Ahlatci Metal Refinery has complied with the Guidances and for no other purpose. Our assurance report is made solely to Ahlatci Metal Refinery in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than Ahlatci Metal Refinery for our work, or for the conclusions we have reached in the limited assurance report.

ADAY Bağımsız Denetim ve S.M.M.M. A.Ş.

A Member of PKF International

Abdulkadir SAYICI

Partner



İstanbul, Türkiye, July 16, 2020

Tel +90 212 426 00 93 • Fax +90 212 426 84 44 • Email info@pkfistanbul.com

PKF İstanbul Aday Bağımsız Denetim ve S.M.M.M. A.Ş. • Eski Büyükdere Cad. No.14 Park Plaza Kat.3 P.K.34398 • Maslak • İstanbul • Turkey

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AHLATCI METAL RAFİNERİ  
Organize Sanayi Bölgesi ÇORUM  
T: 0364 224 66 66 F: 0364 224 11 57  
www.ahlatcimetal.com

## REFINERY COMPLIANCE REPORT

### TABLE 1: REFINERY INFORMATION

REFINERY NAME: Ahlatcı Metal Rafineri A.S.

LOCATION: Pınarcay OSB Mh. OSB 1 Cd. No: 60/1 Corum, Turkey

REPORTING PERIOD: 01/01/2019 - 31/12/2019

REPORT DATE: 15/06/2020

COMPLIANCE OFFICER RESPONSIBLE FOR THIS REPORT: Onur YOLYAPAR

#### REFINERY'S ASSESSMENT:

The tables and statements which are listed below are Ahlatcı Metal Refinery A.Ş.'s statement of compliance and explanations regarding its operations and applications in accordance with LBMA Responsible Gold Guidance V.8 and OECD Due Diligence Guidance for Responsible Supply Chains requirements.

### TABLE 2: THE SUMMARY OF PERFORMED ACTIVITIES TO INDICATE COMPLIANCE

#### **STEP 1: ESTABLISHING STRONG COMPANY MANAGEMENT SYSTEMS**

##### Compliance statement:

We declare to comply with the first step (Establishing strong company management systems).

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

##### Compliance indicators and comments:

Ahlatcı Metal Rafineri A.Ş., within 01/01/2019 - 31/12/2019 reporting period, has continued to initiate previously developed Gold Supply Chain Company Policy in compliance with the model as set forth in Annex 2 of OECD Due Diligence Guidance, and commenced the initiation of such Guidance. In accordance with the principles of such policy, the control and monitoring of all supply chain through implementation of risk-based due diligence, assessment of risks and process for accepting the metals with gold content in compliance with the customer acceptance criteria have been performed.





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Organize Sanayi Bölgesi ÇORUM  
T: 0364 224 66 66 F: 0364 224 11 57  
www.ahlatcimetal.com

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

**Compliance indicators and comments:**

Ahlacı Metal Rafineri (AMR) developed internal management structure in compliance with Gold Supply Chain Company Policy. Compliance Officer has been assigned and appointed, a Compliance Department was also established, and a Compliance Committee was formed so as to perform internal auditing, and it was ensured to have convened periodically, and a direct reporting system was provided for the management after having established incompliance notification system, and activity and implementation chain compatible with the operation of the Compliance system was followed by providing suitable training for the staff.

**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?**

**Compliance indicators and comments:**

A systematic structure was established for the purpose of following up the process in conformity with the system of reference/ID/lot order from customer and material acceptance to production and sales stage. Furthermore, according to AMR's risk assessment procedures, all specified documents must be received, reviewed and approved before conducting business and can be traced via our CRM system.

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

**Compliance indicators and comments:**

The related documents, certificates and forms prepared in accordance with the directives of OECD under due diligence are shared with the customers, and their statements are obtained by executing compliance agreements with them, and determinations and evaluations are made in regards to supply chain processes and the compliance thereof through both customer interviews and on-the-spot visits.

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

**Compliance indicators and comments:**

Compliance transition points are formed for the purpose of notifying the incompliances detected during the gold supply chain process, and in-house communication system has been established for putting into practice an early risk diagnosis and preventive/corrective activity implementation by instituting a fast communication system (mevzuatuyum@ahlatci.com.tr) which will enable direct access to managers and compliance department on the existing internet network.



AHLATCI METAL RAFİNERİ  
Organize Sanayi Bölgesi ÇORUM  
T: 0364 224 66 66 F: 0364 224 11 57  
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## **STEP 2: IDENTIFYING AND ASSESING THE RISKS IN THE SUPPLY CHAIN**

### **Compliance statement:**

We declare to comply with the second step (Identify and assess risks in the supply chain).

### **Does the Refiner have a process to identify risks in the supply chain?**

#### **Compliance indicators and comments:**

The Risk Management Plan and Customer Acceptance Policy is established with respect to identifying and preventing the risks involved in the gold supply chain process, and to preventing the recurrence of similar risks by implementing corrective actions to this effect.

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

#### **Compliance indicators and comments:**

A supply chain due diligence system and precautions are put into practice, starting from the phase of acceptance of the customer and precious metals in accordance with LBMA Responsible Gold Guidance V.8 and OECD Due Diligence Guidance for Responsible Supply Chains.

All procedures which shall ensure the control and inspection of the system including monitoring of all operations in respect of transportation routes and processes through high level risk due diligence in connection with the gold from high risk zones inflicted by conflicts where human rights are violated further to the institution of risk-based due diligence process starting from the source of gold.

AMR only source from recycled and mined gold supply chains. Recycled gold sources are only from established jewelers of Turkey and mined gold sourced only from Koza Gold Mines in 2019.

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

#### **Compliance indicators and comments:**

A Compliance Committee has been formed with regards to the supply chain compliance process and is ensured to convene once in every three months. The Committee evaluate risks, decide and the decisions reported to the management in the same period.





AHLATCI METAL RAFİNERİ  
Organize Sanayi Bölgesi ÇORUM  
T: 0364 224 66 66 F: 0364 224 11 57  
www.ahlatcimetal.com

### **STEP 3: DESIGN AND IMPLEMENT MANAGEMENT SYSTEM TO RESPOND TO IDENTIFIED RISKS**

#### **Compliance statement:**

We declare to comply with the third step (design and implement 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 (iii) disengagement from the risk?**

#### **Compliance indicators and comments:**

All clients and suppliers are regularly assessed by our compliance department in guidance of our AMR-C- 005 Gold supply chain risk management plan.

In high risk circumstances, the courses of action and the principles of risk management is determined by the management, whether by using risk covering methods such as terminating the trading contract, or mitigating the risks involved through suspension of trade.

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

#### **Compliance indicators and comments:**

Procedures are being performed according to our AMR- C- 005 Gold supply chain risk management plan, which includes requested steps.

### **STEP 4: ARRANGE FOR AN INDEPENDENT THIRD-PARTY AUDIT OF THE SUPPLY CHAIN DUE DILIGENCE**

#### **Compliance indicators and comments:**

PKF Istanbul has been performing independent audits of AMR regarding supply chain due diligence since 2016.



AHLATCI METAL RAFİNERİ  
Organize Sanayi Bölgesi ÇORUM  
T: 0364 224 66 66 F: 0364 224 11 57  
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## **STEP 5: REPORT ON SUPPLY CHAIN DUE DILLIGENCE**

### **Compliance statement:**

We declare to comply with the fifth step (Report on supply chain due diligence).

AMR policies and procedures of supply chain prepared in accordance with LBMA policy and procedures have been shared with all parties and customers involved in the process, and efforts were made for their compliance with the process and annual refinery reports were published to share the indicators in respect of compliance with third parties. Please visit [www.ahlatcimetal.com.tr](http://www.ahlatcimetal.com.tr) for further details.

## **OVERALL RESULTS**

### **TABLE 3: REVIEW OF THE BOARD**

**Is the Refiner in compliance with the requirements of the LBMA Responsible Gold Guidance for the reporting period 01/01/2019 - 31/12/2019? YES**

As set out in the statements and comments in table 2 hereinabove, a robust management system has been implemented so as to follow an effective compliance process through implementation of policies and procedures by fulfilling the requirements of LBMA Responsible Gold Guidance for the report year ended December 31th, 2019.

Risk assessments have been made in compliance with the AMR policy and procedures under compliance process and corrective actions were planned and implemented by having processed the detected incompliance notifications.

### **TABLE 4: OTHER COMMENTS**

Please send email for your comments regarding the report to [mevzuatuyum@ahlatci.com.tr](mailto:mevzuatuyum@ahlatci.com.tr)

  
**Ahlacmetal**  
Metal Rafineri A.Ş.  
Pınarçay Ösb. Mh. Organize San.  
1. Cd. No : 60/2 ÇORUM  
Çorum V.D.No : 010 041 8853  
Tic.Sic.No:11214 Mersis No : 0010 0418 8530 0011





AHLATCI METAL RAFİNERİ  
Organize Sanayi Bölgesi ÇORUM  
T: 0364 224 66 66 F: 0364 224 11 57  
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## REFINERY COMPLIANCE REPORT

### TABLE 1: REFINERY INFORMATION

REFINERY NAME: Ahlatcı Metal Rafineri A.Ş.

LOCATION: Pınarcay OSB Mh. OSB 1 Cd. No: 60/1 Corum, Turkey

REPORTING PERIOD: 01/01/2018 - 31/12/2018

REPORT DATE: 15/02/2019

COMPLIANCE OFFICER RESPONSIBLE FOR THIS REPORT: Onur YOLYAPAR

#### REFINERY'S ASSESSMENT:

The tables and statements which are listed below are Ahlatcı Metal Refinery A.Ş.'s statement of compliance and explanations regarding its operations and applications in accordance with LBMA Responsible Gold Guidance and OECD Due Diligence Guidance for Responsible Supply Chains requirements.

### TABLE 2: THE SUMMARY OF PERFORMED ACTIVITIES TO INDICATE COMPLIANCE

#### **STEP 1: ESTABLISHING STRONG COMPANY MANAGEMENT SYSTEMS**

##### Compliance statement:

We declare to comply with the first step (Establishing strong company management systems).

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

##### Compliance indicators and comments:

Ahlatcı Metal Rafineri A.Ş., within 01/01/2018 - 31/12/2018 reporting period, has continued to initiate previously developed Gold Supply Chain Company Policy in compliance with the model as set forth in Annex 2 of OECD Due Diligence Guidance, and commenced the initiation of such Guidance. In accordance with the principles of such policy, the control and monitoring of all supply chain through implementation of risk-based due diligence, assessment of risks and process for accepting the metals with gold content in compliance with the customer acceptance criteria have been performed.



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Organize Sanayi Bölgesi ÇORUM  
T: 0364 224 66 66 F: 0364 224 11 57  
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**Has the Refiner set up an internal management structure to support the supply chain due diligence?**

**Compliance indicators and comments:**

Ahlatci Metal Rafineri (AMR) developed internal management structure in compliance with Gold Supply Chain Company Policy. Compliance Officer has been assigned and appointed, a Compliance Department was also established, and a Compliance Committee was formed so as to perform internal auditing, and it was ensured to have convened periodically, and a direct reporting system was provided for the management after having established incompliance notification system, and activity and implementation chain compatible with the operation of the Compliance system was followed by providing suitable training for the staff.

**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?**

**Compliance indicators and comments:**

A systematic structure was established for the purpose of following up the process in conformity with the system of reference/ID/lot order from customer and material acceptance to production and sales stage. Furthermore, according to AMR's risk assessment procedures, all specified documents must be received, reviewed and approved before conducting business and can be traced via our CRM system.

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

**Compliance indicators and comments:**

The related documents, certificates and forms prepared in accordance with the directives of OECD under due diligence are shared with the customers, and their statements are obtained by executing compliance agreements with them, and determinations and evaluations are made in regards to supply chain processes and the compliance thereof through both customer interviews and on-the-spot visits.

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

**Compliance indicators and comments:**

Compliance transition points are formed for the purpose of notifying the incompliances detected during the gold supply chain process, and in-house communication system has been established for putting into practice an early risk diagnosis and preventive/corrective activity implementation by instituting a fast communication system (mevzuatuyum@ahlatci.com.tr) which will enable direct access to managers and compliance department on the existing internet network.





AHLATCI METAL RAFİNERİ  
Organize Sanayi Bölgesi ÇORUM  
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## **STEP 2: IDENTIFYING AND ASSESING THE RISKS IN THE SUPPLY CHAIN**

### **Compliance statement:**

We declare to comply with the second step (Identify and assess risks in the supply chain).

### **Does the Refiner have a process to identify risks in the supply chain?**

#### **Compliance indicators and comments:**

The Risk Management Plan and Customer Acceptance Policy is established with respect to identifying and preventing the risks involved in the gold supply chain process, and to preventing the recurrence of similar risks by implementing corrective actions to this effect.

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

#### **Compliance indicators and comments:**

A supply chain due diligence system and precautions are put into practice, starting from the phase of acceptance of the customer and precious metals in accordance with LBMA Responsible Gold Guidance and OECD Due Diligence Guidance for Responsible Supply Chains.

All procedures which shall ensure the control and inspection of the system including monitoring of all operations in respect of transportation routes and processes through high level risk due diligence in connection with the gold from high risk zones inflicted by conflicts where human rights are violated further to the institution of risk-based due diligence process starting from the source of gold.

AMR only source from recycled and mined gold supply chains. Recycled gold sources are only from established jewelers of Turkey and mined gold sourced only from Koza Gold Mines in 2018.

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

#### **Compliance indicators and comments:**

A Compliance Committee has been formed with regards to the supply chain compliance process and is ensured to convene once in every three months. The Committee evaluate risks, decide and the decisions reported to the management in the same period.



AHLATCI METAL RAFİNERİ  
Organize Sanayi Bölgesi ÇORUM  
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www.ahlatcimetal.com

### **STEP 3: DESIGN AND IMPLEMENT MANAGEMENT SYSTEM TO RESPOND TO IDENTIFIED RISKS**

#### **Compliance statement:**

We declare to comply with the third step (design and implement 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 (iii) disengagement from the risk?**

#### **Compliance indicators and comments:**

All clients and suppliers are regularly assessed by our compliance department in guidance of our AMR- C- 005 Gold supply chain risk management plan.

In high risk circumstances, the courses of action and the principles of risk management is determined by the management, whether by using risk covering methods such as terminating the trading contract, or mitigating the risks involved through suspension of trade.

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

#### **Compliance indicators and comments:**

Procedures are being performed according to our AMR- C- 005 Gold supply chain risk management plan, which includes requested steps.

### **STEP 4: ARRANGE FOR AN INDEPENDENT THIRD-PARTY AUDIT OF THE SUPPLY CHAIN DUE DILIGENCE**

#### **Compliance indicators and comments:**

PKF Istanbul has been performing independent audits of AMR regarding supply chain due diligence since 2016.





AHLATCI METAL RAFİNERİ  
Organize Sanayi Bölgesi ÇORUM  
T: 0364 224 66 66 F: 0364 224 11 57  
www.ahlatcimetal.com

## **STEP 5: REPORT ON SUPPLY CHAIN DUE DILLIGENCE**

### **Compliance statement:**

We declare to comply with the fifth step (Report on supply chain due diligence).

AMR policies and procedures of supply chain prepared in accordance with LBMA policy and procedures have been shared with all parties and customers involved in the process, and efforts were made for their compliance with the process and annual refinery reports were published to share the indicators in respect of compliance with third parties. Please visit [www.ahlatcimetal.com.tr](http://www.ahlatcimetal.com.tr) for further details.

## **OVERALL RESULTS**

### **TABLE 3: REVIEW OF THE BOARD**

**Is the Refiner in compliance with the requirements of the LBMA Responsible Gold Guidance for the reporting period 01/01/2018 - 31/12/2018? YES**

As set out in the statements and comments in table 2 hereinabove, a robust management system has been implemented so as to follow an effective compliance process through implementation of policies and procedures by fulfilling the requirements of LBMA Responsible Gold Guidance for the report year ended December 31th, 2018.

Risk assessments have been made in compliance with the AMR policy and procedures under compliance process and corrective actions were planned and implemented by having processed the detected incompliance notifications.

### **TABLE 4: OTHER COMMENTS**

Please send email for your comments regarding the report to [mevzuatuyum@ahlatci.com.tr](mailto:mevzuatuyum@ahlatci.com.tr)



**Ahlac1**  
Metal Rafineri A.Ş.

Pınarcay Osb. Mh. Organize San.  
T. Cd. No: 60/2 ÇORUM  
Çorum V.D. No: 910 041 8853  
Tic. Sic. No: 11214 Mersis No: 0810 0418 8530 0011



AHLATCI METAL RAFİNERİ  
Organize Sanayi Bölgesi ÇORUM  
T: 0364 224 66 66 F: 0364 224 11 57  
www.ahlatcimetal.com

## REFINERY COMPLIANCE REPORT

### TABLE 1: REFINERY INFORMATION

REFINERY NAME: Ahlatcı Metal Rafineri A.S.

LOCATION: Pınarcay OSB Mh. OSB 1 Cd. No: 60/1 Corum, Turkey

REPORTING PERIOD: 01/01/2017 - 31/12/2017

REPORT DATE: 10/02/2018

COMPLIANCE OFFICER RESPONSIBLE FOR THIS REPORT: Onur YOLYAPAR

#### REFINERY'S ASSESSMENT:

The tables and statements which are listed below are Ahlatcı Metal Refinery A.Ş.'s statement of compliance and explanations regarding its operations and applications in accordance with LBMA Responsible Gold Guidance and OECD Due Diligence Guidance for Responsible Supply Chains requirements.

### TABLE 2: THE SUMMARY OF PERFORMED ACTIVITIES TO INDICATE COMPLIANCE

#### **STEP 1: ESTABLISHING STRONG COMPANY MANAGEMENT SYSTEMS**

##### Compliance statement:

We declare to comply with the first step (Establishing strong company management systems).

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

##### Compliance indicators and comments:

Ahlatcı Metal Rafineri A.Ş., within 01/01/2017 - 31/12/2017 reporting period, has continued to initiate previously developed Gold Supply Chain Company Policy in compliance with the model as set forth in Annex 2 of OECD Due Diligence Guidance, and commenced the initiation of such Guidance. In accordance with the principles of such policy, the control and monitoring of all supply chain through implementation of risk-based due diligence, assessment of risks and process for accepting the metals with gold content in compliance with the customer acceptance criteria have been performed.





AHLATCI METAL RAFİNERİ  
Organize Sanayi Bölgesi ÇORUM  
T: 0364 224 66 66 F: 0364 224 11 57  
www.ahlatcimetal.com

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

**Compliance indicators and comments:**

Ahlatci Metal Rafineri (AMR) developed internal management structure in compliance with Gold Supply Chain Company Policy. Compliance Officer has been assigned and appointed, a Compliance Department was also established, and a Compliance Committee was formed so as to perform internal auditing, and it was ensured to have convened periodically, and a direct reporting system was provided for the management after having established incompliance notification system, and activity and implementation chain compatible with the operation of the Compliance system was followed by providing suitable training for the staff.

**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?**

**Compliance indicators and comments:**

A systematic structure was established for the purpose of following up the process in conformity with the system of reference/ID/lot order from customer and material acceptance to production and sales stage. Furthermore, according to AMR's risk assessment procedures, all specified documents must be received, reviewed and approved before conducting business and can be traced via our CRM system.

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

**Compliance indicators and comments:**

The related documents, certificates and forms prepared in accordance with the directives of OECD under due diligence are shared with the customers, and their statements are obtained by executing compliance agreements with them, and determinations and evaluations are made in regards to supply chain processes and the compliance thereof through both customer interviews and on-the-spot visits.

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

**Compliance indicators and comments:**

Compliance transition points are formed for the purpose of notifying the incompliances detected during the gold supply chain process, and in-house communication system has been established for putting into practice an early risk diagnosis and preventive/corrective activity implementation by instituting a fast communication system (mevzuatuyum@ahlatci.com.tr) which will enable direct access to managers and compliance department on the existing internet network.



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## **STEP 2: IDENTIFYING AND ASSESING THE RISKS IN THE SUPPLY CHAIN**

### **Compliance statement:**

We declare to comply with the second step (Identify and assess risks in the supply chain).

### **Does the Refiner have a process to identify risks in the supply chain?**

#### **Compliance indicators and comments:**

The Risk Management Plan and Customer Acceptance Policy is established with respect to identifying and preventing the risks involved in the gold supply chain process, and to preventing the recurrence of similar risks by implementing corrective actions to this effect.

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

#### **Compliance indicators and comments:**

A supply chain due diligence system and precautions are put into practice, starting from the phase of acceptance of the customer and precious metals in accordance with LBMA Responsible Gold Guidance and OECD Due Diligence Guidance for Responsible Supply Chains.

All procedures which shall ensure the control and inspection of the system including monitoring of all operations in respect of transportation routes and processes through high level risk due diligence in connection with the gold from high risk zones inflicted by conflicts where human rights are violated further to the institution of risk-based due diligence process starting from the source of gold.

AMR only source from recycled and mined gold supply chains. Recycled gold sources are only from established jewelers of Turkey and mined gold sourced only from Koza Gold Mines in 2017.

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

#### **Compliance indicators and comments:**

A Compliance Committee has been formed with regards to the supply chain compliance process and is ensured to convene once in every three months. The Committee evaluate risks, decide and the decisions reported to the management in the same period.



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### **STEP 3: DESIGN AND IMPLEMENT MANAGEMENT SYSTEM TO RESPOND TO IDENTIFIED RISKS**

#### **Compliance statement:**

We declare to comply with the third step (design and implement 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 (iii) disengagement from the risk?**

#### **Compliance indicators and comments:**

All clients and suppliers are regularly assessed by our compliance department in guidance of our AMR-C- 005 Gold supply chain risk management plan.

In high risk circumstances, the courses of action and the principles of risk management is determined by the management, whether by using risk covering methods such as terminating the trading contract, or mitigating the risks involved through suspension of trade.

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

#### **Compliance indicators and comments:**

Procedures are being performed according to our AMR- C- 005 Gold supply chain risk management plan, which includes requested steps.

### **STEP 4: ARRANGE FOR AN INDEPENDENT THIRD-PARTY AUDIT OF THE SUPPLY CHAIN DUE DILIGENCE**

#### **Compliance indicators and comments:**

PKF Istanbul has been performing independent audits of AMR regarding supply chain due diligence since 2016.





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## **STEP 5: REPORT ON SUPPLY CHAIN DUE DILLIGENCE**

### **Compliance statement:**

We declare to comply with the fifth step (Report on supply chain due diligence).

AMR policies and procedures of supply chain prepared in accordance with LBMA policy and procedures have been shared with all parties and customers involved in the process, and efforts were made for their compliance with the process and annual refinery reports were published to share the indicators in respect of compliance with third parties. Please visit [www.ahlatcimetal.com.tr](http://www.ahlatcimetal.com.tr) for further details.

## **OVERALL RESULTS**

### **TABLE 3: REVIEW OF THE BOARD**

**Is the Refiner in compliance with the requirements of the LBMA Responsible Gold Guidance for the reporting period 01/01/2017 - 31/12/2017? YES**

As set out in the statements and comments in table 2 hereinabove, a robust management system has been implemented so as to follow an effective compliance process through implementation of policies and procedures by fulfilling the requirements of LBMA Responsible Gold Guidance for the report year ended December 31th, 2017.

Risk assessments have been made in compliance with the AMR policy and procedures under compliance process and corrective actions were planned and implemented by having processed the detected incompliance notifications.

### **TABLE 4: OTHER COMMENTS**

Please send email for your comments regarding the report to [mevzuatuyum@ahlatci.com.tr](mailto:mevzuatuyum@ahlatci.com.tr)

**Ahlataci**  
Metal Rafineri A.Ş.  
Pınarcay Osb. Mh. Organize San.  
Cd. No : 60/2 ÇORUM  
Tic. Sic. No : 11214 / Mersis No : 0010 0418 8530 0011