



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

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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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 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.



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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 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 incomppliance notifications.

TABLE 4: OTHER COMMENTS

Please send email for your comments regarding the report to mevzuatuyum@ahlatci.com.tr



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