

AHLATÇI METAL RAFINERİ A.Ş.

**INDEPENDENT REASONABLE ASSURANCE
REPORT ON THE REFINER'S COMPLIANCE
REPORT FOR THE PERIOD
1 JANUARY TO 31 DECEMBER 2022**

**To the Board of Directors Ahlatçı Metal Refinery
Independent Reasonable Assurance Report on Ahlatçı Metal Refiner's Compliance Report**

Introduction

We were engaged by the Management of Ahlatçı Metal Refinery (Ahlatçı Metal Refineri) to provide a reasonable assurance on its 6 April 2023 dated Refiner's Compliance Report for the for the Reporting Period from 1 January to 31 December 2022.

Scope of our work

The objective of this engagement is to provide an opinion on whether the Ahlatçı Metal Refiner's Compliance Report describes fairly the activities undertaken during the year to demonstrate compliance, and whether management's overall conclusion has been drawn in accordance with the requirement of the DMCC Rules for Risk Based Due Diligence in the Gold and Precious Metals Supply Chain Version 2/2020 (the "DMCC Rules") and with the DMCC Review Protocol on Responsible Sourcing of Precious Metals Annex 2 to DMCC Rules (the "DMCC Review Protocol") both obtained from the DMCC website.

Management's responsibilities

The management of the Company is responsible for the preparation and presentation of the Refiner's Compliance Report in accordance with the *DMCC rules*. This responsibility includes conformance with Rules 1 to 5 of the DMCC Rules. The criteria identified by the management as relevant for demonstrating compliance with the DMCC Rules are the activities described within the Refiner's Compliance Report.

Our responsibility

Our responsibility is to carry out a reasonable assurance engagement to express an opinion as to whether the Refiner's Compliance Report, in all material respects, describes fairly the activities undertaken during the year to demonstrate compliance, and that management's overall conclusion contained therein is in accordance with the requirements of the Guidance. We conducted our engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board and DMCC Rules for Risk Based Due Diligence in the Gold and Precious Metals Supply Chain Version 2/2020 and its annex 2-DMCC Review Protocol on Responsible Sourcing of Precious Metals. This standard requires that we plan and perform this engagement to obtain a reasonable level of assurance.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about the fairness of the Refiner's Compliance Report and the fact that management's overall conclusion has been drawn in accordance with the requirements of the DMCC Rules and with the DMCC Review Protocol. The nature, timing and extent of procedures selected depend on our judgment, including the risk of material misstatements, whether due to fraud or error, in the Refiner's Compliance Report. In making those risk assessments, we considered internal control relevant to Ahlatçı Metals's preparation of the Refiner's Compliance Report.

Our work has been undertaken so that we report to **Ahlatçı Metal Refinery** on those matters that we have agreed to state to them in this report. Our tests are related to Ahlatçı Metal Refinery rather than performed to meet the needs of any particular customer.

Our report must not be recited or referred to in whole or in part in any other document nor made available, copied, or recited to any other party, in any circumstances, without our express prior written permission. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Ahlatçı Metal Refinery for our work, for this report or for the opinions we have formed.

Subject matter

This report covers the Ahlatçı Metal Refinery general level of compliance in accordance with the DMCC Rules for Risk Based Due Diligence in the Gold and Precious Metals Supply Chain (DMCC Rules for RBD – GPM / Version 2 / 2020) for market participants in the gold and precious metals industry and its annex 2 - DMCC Review Protocol as described in Refiner's Report as at 20 April 2021.

Scope based on Reasonable assurance:

The review procedures undertaken by us will cover to the followings:

- i. We have observed that Ahlatçı Metal Refinery has established a robust sustainable Supply Chain Management System. Ahlatçı's Gold and Precious Metals Supply Chain Policy includes a scope, distributed responsibilities and has customer acceptance policy. They have also training their staff regularly about the supply chain policy. Ahlatçı has assigned a dedicated compliance officer who has deep information regarding with supply chain policies. Ahlatçı Metals policies and procedures are being implemented and maintained by the assigned Compliance Officer, the procedures cover in-depth all aspects of its internal and external processes towards KYC documentation, country risk assessment, supply chain risk assessment, and reporting, and risk mitigation plan, this is well-prepared procedures that set as guidance available to all departments involved in the supply chain to successfully comply with the company's policies.

At the Ahlatçı, the Compliance Officer has the necessary competence, knowledge, experience, and training. He has a strong background in Anti-Money Laundering and Compliance. The Compliance Officer has direct communication with the top management, regulator, staff members, and supplier. He is responsible for implementing the company's policies and procedures, as well as reporting risk assessment results and suggesting risk mitigation plans to the Board of Directors, Senior Management, and heads of each department. He is fully immersed in the daily activities of the company, able to witness, check the documentation, and inspect any shipment received by the operation team.

He was given adequate resources and management support to establish and maintain a robust supply chain management system with the use of the following compliance toolkits (a) Worldcheck, (b) Knowyourcountry subscription, (c) Google alerts and researches, and (d) World Gold Council.

Every unit and all employed personnel engaged in gold and gold containing metal business within Ahlatçı Metal Refinery are responsible for meeting the requirements of corporate Gold Supply Chain Policy, informing on any problems or shortcomings within the shortest period, and carrying out appropriate corrective actions. Moreover, they have access to a grievance and whistleblowing platform that allows them to disclose complaints anonymously if they wish, easily and efficiently.

- ii. Ahlatçı Metals is able to identify and assess the risks in the supply chain. Ahlatçı Metals uses a strong management system to identify and assess the risks associated with gold and precious metals which they produce, distribute, transport, export and/or purchase. Ahlatçı Metals' risk assessment methodologies have developed and improved, that adheres to DMCC guidelines and incorporated (1) Geographical risk (2) Counterparty risk, and (3) Transactional risk factors. Ahlatçı Metal has developed a measured approach to calculate risk which allows it to classify suppliers' risk levels consistently and respond adequately.

Conducting a risk assessment on each party included in the supply chain from the mines (mined gold and precious metals) to the company including suppliers, exporters, and transporters (mined/recycled gold and precious metals) using a risk-based approach. Due diligence and risk assessment for each new and existing customer start upon account opening and continuously monitored on every shipment and transaction basis. KYC documents, information, researches, and transaction/shipment history that have been gathered and well keep and recorded will be used to calculate and measure risk level with the use of its multiple-step in the risk assessment process.

Ahlatçı Metals Risk assessment was carefully crafted to take into consideration all the requirements of DMCC Rules in identifying red flags according to (a) Location-based (b) Supplier-based, or (c) Circumstances-based red flags.

Formulated Overall risk ranking Matrix to cover not only geographical risk, includes conflict barometers such as;

- i. Governance-related risk,
- ii. Money laundering/terrorist financing risk,
- iii. International sanction Risk
- iv. Corruption risk,
- v. Narcotics major risk,
- vi. Human trafficking,
- vii. Financial transparency risks, and
- viii. Business number of years in the industry.

are considered high-risk, high-risk client or high-risk transactions.

With this objective, Ahlatçı Metal Refinery put into effect the Gold Supply Chain Policy, maintain its currency and through sharing, achieve a common collective consciousness among all company personnel, clients, business partners and other concerned third parties. All units of the Company involved in gold business have implemented a Gold Supply Chain Risk Management Plan and conduct client relationships within the principles of Client Acceptance Policy.

iii. The following steps have been taken to mitigate the following risks identified.

All new and existing customers are required to open an account with Ahlatçı Metals before doing any transaction. Account Opening procedure requires the submission of all necessary required documents that are required to perform the necessary enhanced due diligence.

- All compliance calculated risk pertains to transactional, geographical, and counterparty risk should be reported to the Top Management.
- Account will not be opened and no gold/metals shipment will be processed or accepted if there is incomplete information or documents.
- Any shipment is subjected to ongoing, proactive, and reactive due diligence in order to detect, avoid, and minimize risks that could have a negative effect on the business. If the compliance officer believes the risk associated with a transaction is high at any point during the process, an investigation is conducted and a management decision must be made.
- Physical segregation of shipments that have been marked as having a Red Flag.
- Ahlatçı Metals does not accept and directly discontinue transactions with upstream suppliers which were identified as high-risk due to involvement and or participation in non-state armed groups through the extraction, transport, trade, handling, or export of minerals which includes, but is not limited to, procuring minerals from, making payments to or otherwise providing logistical assistance or equipment to, non-state armed groups or their affiliates who;
 - i) Illegally control mine sites or otherwise control transportation routes, points where minerals are traded and upstream actors in the supply chain; and/or
 - ii) Illegally tax or extort money or minerals at points of access to mine sites, along transportation routes or at points where minerals are traded; and/or
 - iii) Illegally tax or extort intermediaries, export companies or international traders.
- Ahlatçı Metals does not offer, promise, give or demand any bribes, and will resist the solicitation of bribes to conceal or disguise the origin of precious metals to misrepresent taxes, fees, and royalties paid to governments for extraction, trade, handling, transport, and export.
- Ahlatçı Metals inform and report to the relevant authorities any suspicious individual, entities, and transactions arising upon implementing the provision of this policy.
- If Red flag has been identified – it is mandatory to carry out additional and more in-depth due diligence procedures. Shipment will be put on hold till necessary information is provided. Temporary suspending trading activities with the specific supplier where a red flag has been identified.
- If within 3 months, the supplier fails to comply with the mitigating control plan and fails to reduce the risk associated with its shipment, SPM will disengage.

iv. Ahlatçı Metals executes internal and independent audits within the framework of tracking and control activities through Compliance Unit and Compliance Committee in order to raise personnel awareness, to refresh information with training offered and for the purpose of tracking and controlling implementations.

Ahlatçı Metals has formed an internal audit system jointly with regular clients who conduct continuous business. Through annual controls at different periods, it audits regular supplier clients' administrative applications and conducts localized area inspections; thus, achieving risk evaluation of trade carried out.

Ahlatçı Metals also made an agreement with Aday Bağımsız Denetim A.Ş. a member firm of PKF International, in order to obtain an independent third-party audit report related with gold and precious metals due diligence practices.

- v. Ahlatçı Metals supports all preventative measures, efforts and applications to obstruct anti- money laundering and Combating Financing of Terrorism during the entire process covering mineral extraction, transportation, trade stages, including applications at points of passage to mining areas, export and taxation.

Inherent limitations

Non-financial information, such as that included in the Refiner's Compliance Report, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The methods used by Refiners to comply with the Guidance may differ. It is important to read the Ahlatçı Precious Metals FZ-LLC's Gold Supply Chain Policy available on Ahlatçı's website <https://www.ahlatcimetal.com.tr/>

Our testing of the accuracy of selected qualitative statements in the Refiner's Compliance Report relating to the material issues (such as management assertions and performance claims) were done through interviews and Ahlatçıs' document reviews.

The authenticity of documents produced by gold supplying counterparties was not checked by contacting the respective government organisations.

Independence and competency statement

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

In conducting our engagement, we confirm that we satisfy the criteria for assurance providers as set out in the Audit Guidance to carry out the assurance engagement.

Opinion

In our opinion, in all material respects, the accompanying Refiner's Compliance Report dated 6 April 2021 for the period from 1 January to 31 December 2022 prepared by the directors describes fairly the level of general compliance and management's overall conclusion contained therein is in accordance with the requirements of the **DMCC Rules or Risk Based Due Diligence in the Gold and Precious Metals Supply Chain (DMCC Rules for RBD — GPM / Version 2 / 2020) and its annex 2 - DMCC Review Protocol as at 20 January 2020.**

İstanbul- Türkiye, 07.04.2023

PKF Aday Bağımsız Denetim A.Ş.
(A Member of PKF International)



Abdulkadir SAYICI
Sorumlu Denetçi