

**AHLATCI METAL RAFİNERİ A.Ş.  
COMPREHENSIVE MANAGEMENT  
REPORT PREPARED FOR THE YEAR  
ENDED 31 DECEMBER 2021**

**To the Board of Directors  
Ahlatcı Metal Rafineri A.Ş.**

## **COMPREHENSIVE MANAGEMENT REPORT**

**a) Name of the Refiner;**

Ahlatcı Metal Rafineri A.Ş. (AMR, the Company or the Refiner),

**b) Reporting period subject to assurance;**

1 January 2021 – 31 December 2021

**c) Assurance team's professional qualifications;**

*Eray YANBOL (Engagement Partner):*

Mr. Yanbol graduated from Galatasaray High School in 1994 and went on to obtain his Economics degree at Yıldız Technical University in 1999. Upon completing his University degree, he spent one year in the United Kingdom to improve his English.

Mr. Yanbol joined RSM Turkey Arkan Ergin Uluslararası Bağımsız Denetim A.Ş. (Arkan & Ergin) in the year 2000. During his professional career with Arkan & Ergin, Mr. Yanbol has worked with several companies across various industries on independent audits in compliance with International Financial Reporting Standards (IFRS) and Capital Markets Board (CMB) legislation. In 2004, Mr. Yanbol successfully obtained his Certified Public Accountant qualification. Currently, Mr. Yanbol continues his employment at Arkan & Ergin within the Independent Audit Department.

*Togan GÜDER (Assurance Manager):*

Mr. Güder has more than 15 years of experience in auditing of international companies. He has also assisted Mr. Eray Yanbol in several projects.

**d) Confirmation of the auditor's independence;**

Mr. Yanbol and Mr. Güder has declared and signed confirmation letter of auditor's independence.

**e) Assurance scope and level of assurance;**

Assurance scope of this work is Compliance Report of AMR which was prepared and delivered to us before our audit works. We issued a reasonable assurance report after our investigations, site seeing and other relevant audit procedures.

## COMPREHENSIVE MANAGEMENT REPORT (Continued)

### f) Summary of assurance procedures;

We 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 AMR'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 for the preparation of the Report and the required disclosures were obtained,
- Refiner's production site visited. The complete Gold Supply Chain process observed, the required disclosures obtained and necessary audits and controls performed regarding the functionality of the system. 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 were 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 **Emirates Bullion Market Committee (EBC) Rules for Risk Based Due Diligence in the Gold Supply Chain (EBC Rules for RBDG / Version 1 / 2021)**,
- 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.
- Above procedures have been evaluated in accordance to the interviews with the General Manager, Compliance, Refinery, Production, Import, Export, Accounting and Internal Audit Managers and key personnel.

### g) Any significant or inherent limitations or areas not covered;

Observations as a result of the audit and controls over documents and information of the Refinery were compared with the information within the Refinery's Compliance Report and it was observed that the report and its audit observations are consistent with each other.

### h) Assurance observations, findings and recommendations for improvement;

As a result of our assurance observations, it was observed that, as recommended in previous years, progress has been made in "Improving the training to increase awareness of all personnel related to the Gold Supply Chain Policy", and we have been informed about that the internal trainings will be continuing in following years. In this sense, it has been noticed that regular training sessions (basic and refreshing trainings) have been held for all staff involved with or holding responsibilities related to the supply chain, as well as the management team. It has also been noticed that The Company Policy has been communicated to all employees related to the gold/precious metals/silver (multi metal) refining process.

### i) Description of any low-risk deviations from conformance identified by the auditor;

There were no low - risk deviations identified during our assurance audit works.

### j) Specific observations with respect to the Refiner's Corrective Action Plan and implementation progress;

- Compliance officer organized several meetings within 2021 in order to increase the awareness of the personnel at all levels - with respect to the Gold Supply Chain Policy of the Refinery in accordance with requirements of **EBC Rules for RBDG** and **OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance)**.

## COMPREHENSIVE MANAGEMENT REPORT (Continued)

### k) Assurance conclusion (or reference to the conclusion within the independent assurance report);

We declared unqualified opinion in our independent reasonable assurance report dated - 19 April 2022.

#### *The Auditor's final overall rating:*

##### **Rule 1: Supply Chain Management Systems**

The company has established robust responsible supply chain management systems and the company is fully compliant with **OECD Guidance** and **EBC Rules for RBDG**.

##### **Rule 2: Supply Chain Risk Identification and Assessment**

The company is able to identify and adequately assess risks in the supply chain and the company is fully compliant with **OECD Guidance** and **EBC Rules for RBDG**.

##### **Rule 3: Risk Control Plan**

The company has developed and implemented a risk mitigation / control plan and the company is fully compliant with **OECD Guidance** and **EBC Rules for RBDG**.

##### **Rule 4: Independent Third-Party Audits**

The company is being audited annually on its measures implemented for responsible supply chain due diligence and the company is fully compliant with **OECD Guidance** and **EBC Rules for RBDG**.

##### **Rule 5: Annually Reporting on Responsible Supply Chain Due Diligence**

The company is reporting annually on its measures implemented for responsible supply chain due diligence in accordance to Step 4 and 5 of the **OECD Guidance** and fully compliant with **EBC Rules for RBDG**.

#### **Organisation and Nature of Operations**

Ahlatcı Metal Rafineri A.Ş., established over an outdoor area of 202.000 m<sup>2</sup> with an indoor space of 15.000 m<sup>2</sup>, has a capacity of refining 312 tons of gold on an annual basis. In a facility wherein "Aqua Regia" method is employed for refining process; pure silver is obtained through electrolyte technique in an annual quantity of 468 tons in addition to production of gold.

The registered address of the company is at Pınarçay Organize Sanayi Bölgesi ("OSB") 1. Cad. No: 60 Çorum/Turkey.

#### **Capital and Shareholding Structure**

As of 31 December 2021 and 2020, the shareholders and their respective shareholdings in the Company are as follows:

<b>Ahlatcı Metal Rafineri A.Ş.</b>	<b>31 December 2021</b>		<b>31 December 2021</b>	
	<b>Amount of Share</b>	<b>%</b>	<b>Amount of Share</b>	<b>%</b>
Ahlatcı Holding A.Ş.	75.000.000	100	75.000.000	100
<b>Capital</b>	<b>75.000.000</b>	<b>100</b>	<b>75.000.000</b>	<b>100</b>
<b>Ahlatcı Holding A.Ş.</b>	<b>31 December 2021</b>		<b>31 December 2021</b>	
	<b>Amount of Share</b>	<b>%</b>	<b>Amount of Share</b>	<b>%</b>
Ahmet Ahlatcı	197.500.000	79,00	197.500.000	79,00
Ahmet Emin Ahlatcı	37.500.000	15,00	37.500.000	15,00
Other two real shareholders	15.000.000	6,00	15.000.000	6,00
<b>Capital</b>	<b>250.000.000</b>	<b>100,00</b>	<b>250.000.000</b>	<b>100,00</b>

## COMPREHENSIVE MANAGEMENT REPORT (Continued)

### k) Assurance conclusion (or reference to the conclusion within the independent assurance report); (Continued)

#### **Audit Planning (Kick-off) Meeting**

As the auditors, we met with the Company's Chief Financial Officer Elvan Kesgin and Compliance Officer Onur Yolyapar on 6 April 2022 with "Microsoft Teams" meeting to conclude customer acceptance requirements and to plan the 2021 audit. We asked about the previous audit and took explanation about the changing of the previous auditors.

We discussed the overall audit strategy, complex audit issues, overall responses to engagement level risks, and the nature, timing, and extent of key audit procedures. We requested them for the previous year's auditors' assurance report.

After the meeting with the Compliance Department, the audit was planned as follows;

<b>Auditor</b>	: RSM Turkey Arkan & Ergin Uluslararası Bağımsız Denetim A.Ş. (Arkan & Ergin)
<b>Refiner</b>	: Ahlatıcı Metal Rafineri A.Ş. (AMR)
<b>Auditing Period</b>	: 1 January - 31 December 2021
<b>Auditing Dates</b>	: 5 April 2022 (engagement date) - 19 April 2022
<b>Audit Reporting Date</b>	: 29 April 2022
<b>Audit Type</b>	: Independent Reasonable Assurance
<b>Audit Methodology</b>	: ISAE 3000

Audit Team	Position	Experience	Planned Hours on Audit	Audit Role
Eray YANBOL <a href="mailto:eray.yanbol@rsmtr.com">eray.yanbol@rsmtr.com</a>	Engagement Partner	20 years	8	Audit Planning, Kick-off Meeting, Audit File Review Conclusion, Closing Meeting and Presentation of Audit Findings. Interview with CEO.
Togan GÜDER <a href="mailto:togan.guder@rsmtr.com">togan.guder@rsmtr.com</a>	Audit Manager	16 years	45	Audit Planning, Kick-off Meeting, Audit File Review, Evaluating Audit and Assurance Evidences, Closing Meeting and Presentation of Audit Findings. Interview with CEO and CFO, Refinery Manager, Compliance Manager, Production Manager.
Çağatay AKAR <a href="mailto:cagatay.akar@rsmtr.com">cagatay.akar@rsmtr.com</a>	Audit Senior	3 years	80	Performing Audit and Assurance Standards, Performing Tests on Audit Plan, Obtaining Audit and Assurance Evidence and Preparation of Audit File. Interview with Compliance Officer, Account Manager and key workers.
Banu KARAMEHMETOĞLU <a href="mailto:banu.karamehmetoglu">banu.karamehmetoglu</a>	Audit Assistant	2 years	100	Performing Audit and Assurance Standards, Performing Tests on Audit Plan, Obtaining Audit and Assurance Evidence and Preparation of Audit File. Interview with Compliance Officer, Account personnel and key workers.

**COMPREHENSIVE MANAGEMENT REPORT (Continued)**

**k) Assurance conclusion (or reference to the conclusion within the independent assurance report); (Continued)**

***Audit Observations***

Ahlatçı Metal Rafineri A.Ş. has six suppliers; five are located in Turkey and one in United Arab Emirates. Total volume of the gold purchased from abroad is 0,10 % total purchases and there is only one transaction.

There are no suppliers evaluated as high risk by the company management.

**Work Done:**

- We audited 140 transactions out of 494 transactions within the period 1 January 2021 31 December 2021 which was subject to audit;

We audited 28,34 % of all transactions, which amounted to 85,16 % of transactions value within the period subject to audit;

- We audited and collected all the 6 customers' "Know Your Client" (KYC) files and enhanced due diligence studies.
- We audited the geographical origin of the gold transactions and if they are Mined or Recyclable Gold;

Total volume of Mined and Recycled Gold in relation to the total number of transactions during the period subject to audit is 103.208,71 kg. 89,98 % of the transaction volume is Recyclable Gold and remaining 10,02 % is Mined Gold. Furthermore, 99,90 % of the total volume is purchased from Turkey and remaining 0,10 % is from abroad (Please see "Country of Origin Annex" enclosed to the end of the report).

- There are not any audit findings about cash transactions which exceed the government thresholds of the Accredited Members (which are investigated by Compliance Officers) place of domicile.

There are not any audit findings about unrelated third-party payments (i.e. cash, bank transfers and metal accounts held with bullion banks) and physical gold and/or precious metal deliveries in unusual circumstances that are not consistent with local and/or international market practices.

**Conclusion:**

The compliance controls that were tested, were operating with sufficient effectiveness for us to obtain reasonable assurance that the related level of compliance was achieved in the period 1 January 2021 to 31 December 2021.

	Compliance		Non - Compliance Risk Level		
	Fully Compliant	Low Risk	Medium	High	Zero Tolerance
Based on the assessment conclusions, the overall rating of the Refiner's performance is determined to represent:		✓			

## COMPREHENSIVE MANAGEMENT REPORT (Continued)

### k) Assurance conclusion (or reference to the conclusion within the independent assurance report); (Continued)

#### **Minimum Requirements of Reviewers**

We (Arkan & Ergin) as an Audit Company have declared that;

- have no relation with the AMR,
- there is no conflict of interest between the Arkan & Ergin and AMR subject to the relevant audit,
- there are no specific services being provided by the Arkan & Ergin to the AMR in relation to any due diligence exercise (other than general related guidance); and
- we keep the confidential information of AMR, subject to any legal requirements of disclosure or any other reasonable requirements of AMR, considering all circumstances (including the nature and ownership of the information and any previous dissemination of such information).

#### **Closing Meeting**

As of 19 April 2022, Mr. Togan Güder (Assurance Manager of Arkan & Ergin) made an audit closing meeting for 2021 audit in the Ahlatcı Metal Rafineri A.Ş.s headquarter with CEO Ahmet Emin Ahlatcı, General Manager İsmail Şahin, Chief Financial Officer Elvan Kesgin and Compliance Officer Onur Yolyapar. We discussed about the audit observations and shared our independent reasonable assurance report for the management consideration.

### l) Other relevant information.

There is no other relevant information.

The Comprehensive Management Report is prepared by the auditor. Its content is for the benefit of the Refiner and these contents are not disclosed publicly.

RSM Turkey Arkan Ergin Uluslararası Bağımsız Denetim A.Ş.  
Member, RSM International

Eray YANBOL  
Engagement Partner

A handwritten signature in blue ink, appearing to be 'Eray Yanbol', written over a horizontal line.

İstanbul  
29 April 2022

Enclosure:  
*ANNEX: Country of origin information for mined & recyclable gold*