

**NADİR METAL RAFİNERİ  
SANAYİ VE TİCARET A.Ş.**

**INDEPENDENT LIMITED ASSURANCE  
REPORT PREPARED IN ACCORDANCE  
WITH INTERNATIONAL STANDARDS ON  
ASSURANCE ENGAGEMENTS ISAE 3000  
AS OF 31 DECEMBER 2017**

**Independent Limited Assurance Report  
To the Board of Directors and Management of Nadir Metal Refinery**

We were engaged by Nadir Metal Rafineri Sanayi ve Ticaret A.Ş. (“Nadir Metal Refinery or Nadir Refinery”) to provide limited assurance engagement on Nadir Refinery DMCC’s refiner’s independent limited assurance report (‘the Report’) for the year ended December 31, 2017.

**Scope of our work**

The assurance scope consists of the Refiner’s Compliance Report, which includes a summary of the assessment procedures designed and implemented by Nadir Refinery in accordance with the DMCC Practical Guidance for Market Participants in the Gold and Precious Metals Industry (the “DMCC Guidance”), and with DMCC Review Protocol on Responsible Sourcing of Precious Metals which collectively is now referred to as the DMCC Rules for Risk Based Due Diligence in the Gold and Precious Metals Supply Chain (the “DMCC Rules for RBD-GPM”) Version 1/2016

**Responsibilities**

The management of Nadir Metal Refinery are responsible for the preparation and presentation of the Compliance Report in accordance with the DMCC’s rules. This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived.

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our assurance engagement in accordance with International Standard on Assurance Engagements ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board and the guidance set out in the DMCC Review Protocol.

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 is provided.

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 Nadir Metal for our work, for this report or for the opinions we have formed.

#### Limited assurance procedures performed

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

- Review whether Nadir Metal Refinery has established robust sustainable supply chain management systems like in the scope of company policy, assigning Compliance officer's duties and responsibilities, holding on training both their staff and local precious metal market players as detailed in and referring to Rule 1 of the DMCC guidance and fulfilling objectives of the review program as detailed in the DMCC review protocol.
- Review whether Nadir Metal Refinery is able to identify and assess the risks in the supply chain as detailed in and referring Rule 2 of the DMCC Rules and fulfilling objectives of the review program as detailed in the DMCC review protocol.
- Review whether Nadir Metal Refinery is has developed and implemented a risk mitigation and/or control plan referring Rule 3 of the DMCC Rules and fulfilling objectives of the review program as detailed in the DMCC review protocol.
- Inquiries of relevant staff at the corporate office responsible for the preparation of the Report.
- Assessing the suitability of the policies, procedures and internal controls that Nadir Refinery has in place to conform with the Standard.
- Review of a selection of the supporting documentation, CRM system and archive program
- Enquiries of relevant staff responsible for supply chain management of Nadir Doviz which is one of the main supplier of Nadir Refinery and also a member of Nadir Group of Companies.
- Review a sample of the underlying processes and controls which support the information in the Report.
- Review of the presentation of the Report to ensure consistency with our findings.
- Review whether the Nadir Refinery is reporting annually on its measures implemented for responsible supply chain due diligence and that the measures being reported are consistent with the independent 3rd party audit review program findings as detailed in and referring to step 5 of the DMCC guidance and fulfilling objectives of the review program as detailed in the DMCC review protocol.
- Review Nadir Metal's activities related to conducting due diligence for adherence to DMCC's Anti-Money Laundering and Combating Financing of Terrorism Policy as well as Financial Crimes Investigation Board in Turkey

### 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 absence of a significant body of established practice on which to draw allows for the selection of different but acceptable assessment techniques. The nature and methods used to determine such information, as well as the assessment criteria may change over time. It is important to read Nadir Refinery's methodology described in the Report.

### 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 for Accountants. 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.

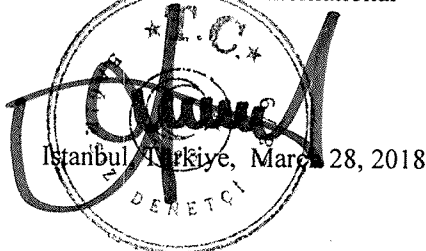
### Conclusion

In our opinion, in all material respects:

- i. The accompanying report by the directors describes fairly the level of general compliance of the refiner's with DMCC Practical Guidance for Market Participants in the Gold and Precious Metals Industry (the "DMCC Guidance"), and with DMCC Review Protocol on Responsible Sourcing of Precious Metals which collectively is now referred to as the DMCC Rules for Risk Based Due Diligence in the Gold and Precious Metals Supply Chain (the "DMCC Rules for RBD-GPM") Version 1/2016 as at 31 December 2017.
- ii. Based on our review, nothing has come to our attention that causes us to believe that the Nadir Metal Refinery relevant structure, policies, procedures, processes, activities, due diligence and KYC/AML/CFT activities, do not generally conform to DMCC Practical Guidance for Market Participants in the Gold and Precious Metals Industry.
- iii. The compliance controls that were tested, as set out in the attachment to this report, were operating with sufficient effectiveness for us to obtain limited, but not absolute, assurance that the related level of compliance were achieved in the period 01.01.2017 to 31.12.2017

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

A Member of PKF International

  
İstanbul, Türkiye, March 28, 2018



# NADİR METAL RAFİNERİ

---

Nadir Metal Rafineri Sanayi ve Ticaret Anonim Şirket

DMCC's Review Protocol on Responsible Sourcing of  
Gold

Compliance Report Year

2017

---

[nadirmetal.com.tr](http://nadirmetal.com.tr)

DMCC Practical Guidance for Market Participants, DMCC Review Protocol on Responsible Sourcing of Precious Metals and lately with the DMCC Rules for Risk Based Due Diligence in the Gold and Precious Metals Supply Chain Version 1/ 2016 have been established to adopt high standards of due diligence in order to combat systematic or widespread abuses of human rights, to avoid contributing to conflict, to comply with high standards of anti-money laundering and combating terrorist financing practice.

This report summarizes how Nadir Metal Rafineri Sanayi ve Ticaret Anonim Şirketi ("Nadir Metal" or "we") has complied with the requirements of the DMCC Rules for Risk Based Due Diligence in the Gold and Precious Metals Supply Chain Version 1/ 2016.

Refiner's details	
Refiner's name:	Nadir Metal Rafineri Sanayi ve Ticaret Anonim Şirketi
Location:	Akçaburgaz Mah. 3114 Sok. No:6 Esenyurt-İSTANBUL
Reporting year-end:	December 31, 2017
Date of report:	February 5, 2018
Senior Management responsible for this report:	Abdullah Tütüncü, CEO  Head Office:  Yenibosna Merkez Mahallesi Ladin Sokak No: 4 İç Kapı No: Z 015, Atölye Blok Kuyumcukent Bahçelievler  İstanbul / Türkiye  Tel No: +90 212 886 6729



## **Summary of Activities Undertaken to Demonstrate Compliance**

### **Step 1: Establish strong company Management systems**

#### Compliance Statement with Requirement:

We have fully complied with Step 1: Establish strong management systems as detailed below:

#### Comments and Demonstration of Compliance:

Nadir Metal has adopted its Responsible Supply Chain Policy in line with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas and The London Bullion Market Association Responsible Gold Guidance and DMCC Practical Guidance. Our policy has been updated accordingly to fulfill the requirements in this regards. A strong internal management system has been established within the scope of this policy. The tasks, responsibilities and authorities of the relevant persons have been defined. In this context Nadir is responsible for its gold supply chain to conducting KYC procedure and due diligence with risk based approach, screening, monitoring transactions, maintaining records, checking security with the respect to the supply, transport and trade in gold related precious metals, conducting trainings. Furthermore Nadir Metal supports its gold supplying counterparts in building their due diligence capabilities to comply with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas.

A compliance officer and relevant employees have been appointed to manage all these processes. The compliance officer's duties and responsibilities have been undertaken with a board resolution. Furthermore the compliance officer has been equipped with the necessary authority to fulfill his duties with a direct line to the senior management, CEO of the company and Risk Committee where he submits his monthly-prepared reports in this matter. The compliance officer and if necessary the Risk Committee evaluates the strong possibilities or existence of facts within the Company's Policy 'Criteria's About High Risk Gold Supply Chains'. The ultimate decision about the future or existing business relationship is taken by the Risk Committee, which is supported by external lawyers since 2014.

Nadir Metal is identifying and recording all it's suppliers and clients within the supply chain. Records of suppliers' profiles, visit reports and risk assessments are kept through the CRM system. All due diligence (jurisdiction, beneficial ownership, authorized representatives, banking details, company documentation, licenses, identity/passport copies... etc) and supporting documents (country reports, internet search...etc) are stored within the archive program. A tracking system that begins from goods acceptance with a structure of client/supplier ID and lot is in place to have transactional base monitoring and risk assessment. According to our Risk Assessment Guidance specific and relevant documents must be



received, client profiling must be completed before any precious metal is accepted and processed.

A dedicated email address of [etik@nadirmetal.com.tr](mailto:etik@nadirmetal.com.tr) has been established by Nadir Metal to allow anyone to express any kind of concern, unexpected risks. The compliance officer is responsible for monitoring, assessing and informing the senior management about the incoming information.

Nadir Metal is holding regular trainings regarding Responsibilities within the Legislation of Criminal Revenues, Suspicious Transaction Types, OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas, "Know Your Customer" process with case studies and company's working principals of client acceptance, risk assessments for new and current clients/suppliers mentioned within the company's Risk Assessment Guidance, required documentation, on-site visits and call reports. Internal and external trainings have been provided just like every year in 2017. Furthermore Nadir Metal is carrying out works to raise awareness of local precious metal market players to support and help them to manage challenges in this context. Nadir Metal has been the main sponsor of the translation of 'OECD Due Diligence Guidance for Responsible Supply Chains' into Turkish together with Borsa Istanbul and as well as of the 'Train The Trainer' workshop organized by Borsa Istanbul and OECD. Additionally, to its yearly internal trainings Nadir Metal has hosted a training to support certain local gold counterparties in building their due diligence capabilities which comply with the guidance of OECD and Borsa Istanbul.

In 2017, Nadir Metal published its first sustainability report in the field of refining in Turkey. Its commitment to environmental, social and occupational security, Anti-corruption and Anti Money Laundering and Combating the Financing of Terrorism, stakeholder engagement is key for Nadir Metal's sustainable point of view.

## **Step 2: Identify and assess risks in the supply chain**

### Compliance Statement with Requirement:

We have fully complied with Step 2: Identify and assess risks in the supply chain as details may be found below:

### Comments and Demonstration of Compliance:

Nadir Metal has gathered its risk defining and assessment processes within the supply chain in its Company Policy, Risk Assessment Guidance and precautions are put into practice in





accordance with the DMCC Rules for Risk Based Due Diligence in the Gold and Precious Metals Supply Chain Version 1/ 2016. Along with this guidance the company's due diligence and risk assessment processes have been documented in details. Our Risk Assessment Guide, is constantly being reviewed and updated due to the requirements of implementations. Every gold business related client/supplier has a profile and allocated risk assessment, which is updated periodically within the CRM system, supported by the archive program where all the documents of the counterparties are kept and monitored. Furthermore the tracking system takes control of client/supplier's transactions beginning from goods acceptance and allows to conduct transactional based risk assessment. Those tools and processes enables Nadir Metal to identify, assess and monitor the risks in its gold supply chain beginning with the origin of the gold and product type.

In 2017, Nadir Metal has conducted enhanced due diligence for its suppliers where necessary. For the years 2017 we have not sourced from artisanal mining supply chains. We source from recycled and mined gold supply chains. Mined gold is sourced from well-established, licensed and regulated mid to large sized mines in Turkey.

### **Step 3: Design and implement a Management system to respond to identified risks**

#### Compliance Statement with Requirement:

We have fully complied with Step 3: Design and implement a management system to respond to identified risks as detailed below.

#### Comments and Demonstration of Compliance:

Nadir Metal has developed an internal management and risk management system, which are documented in details within its Risk Assessment Guidance. The system itself is supported by relevant employees and is ongoing basis monitored by the compliance officer and reported regularly to the senior management. If there is strong possibilities or existence of facts that have been mentioned as high risk according to the company policy's 'Criteria's About High Risk Gold Supply Chains', it is submitted to the Risk Committee by the compliance officer for further evaluation and to the senior management for information.

The Risk Committee rejects or ends the business relationship or might decide to build up or continue the relationship, however generates a risk mitigation plan, which can be valid up to 3 months. The compliance department and if necessary further counterparties is/are responsible for monitoring this plan. Once the deadline comes on, if the high risk factors still continue, the Risk Committee might extend the time period or might suspend the business relationship until high risk factors do not exist or might end the business relationship.



#### **Step 4: Arrange for an independent third-party audit of the supply chain due diligence**

##### Compliance Statement with Requirement:

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:

Nadir Metal engaged the services of the assurance provider PKF Istanbul and their independent reasonable assurance report can be viewed on Nadir Metal's web page, [www.nadirmetal.com.tr](http://www.nadirmetal.com.tr)

#### **Step 5: Report on supply chain due diligence**

##### Compliance Statement with Requirement:

We have fully complied with Step 5: Report on supply chain due diligence

##### Comments and Demonstration of Compliance:

Further information and specific details of how Nadir Metal's systems, procedures, processes and controls have been implemented to align to the specific requirements in the LBMA Responsible Gold Guidance and DMCC Practical Guidance have been set out in our gold supply chain policy, compliance report and independent third party audit report which are available on Nadir Metal's website, [www.nadirmetal.com.tr](http://www.nadirmetal.com.tr)

#### **Management Conclusion**

In conclusion, Nadir Metal implemented effective Management systems, procedures, processes and practices to conform to the requirements of the DMCC Practical Guidance for Market Participants in the Gold and Precious Metals Industry, DMCC Review Protocol on Responsible Sourcing of Precious Metals, and DMCC Rules for Risk Based Due Diligence in the Gold and Precious Metals Supply Chain Version 1/ 2016 as explained above for the reporting year ended December 31, 2017.

Nadir Metal is committed to ensure its social responsibilities and regulatory requirements and will continue review and update its internal controls on an ongoing basis.

NADIR METAL RAFINERİ  
SAN. VE TİC. A.Ş.  
Yenibosna Merkez Mah. Nadir Sk.  
No:4 Altıyol Blok. 2015 Beşiktaş/İST.  
Teli: 0212 603 09 87 Faks: 0212 603 09 72  
Marmara Kurumları V.D. : 627 037 0745