

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

**INDEPENDENT LIMITED ASSURANCE
REPORT ON GOLD SUPPLY CHAIN
PREPARED IN ACCORDANCE WITH
INTERNATIONAL STANDARDS ON
ASSURANCE ENGAGEMENTS ISAE 3000
AS OF 31 DECEMBER 2019**

**Independent Limited Assurance Report on Nadir Metal Refinery's Compliance Report 2019
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") in accordance with an agreement dated 20 January 2020 to provide limited assurance on its London Bullion Market Association(LBMA) Refiner's Compliance Report ('the Report') to LBMA Responsible Gold-Programme for the year ended December 31, 2019.

Scope of our work

A limited assurance engagement involves planning and performing procedures to obtain sufficient appropriate evidence to give reasonable assurance over the Refiner's Compliance Report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the Report whether due to fraud or error.

In making those risk assessments, we considered internal control relevant to the preparation and presentation of the Refiner's Compliance Report in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of Nadir Metal Refinery's internal control over the preparation and presentation of the Refiner's Compliance Report. Our engagement also included: assessing the suitability of the Reporting Criteria in the circumstances of the engagement; evaluating the appropriateness of the methods, policies, procedures, environmental and sustainability responsibility and models used in the preparation of the Refiner's Compliance Report; the reasonableness of estimates made by the directors; and evaluating the overall presentation of the Refiner's Compliance Report.

Management Responsibilities

The management of Nadir Metal Refinery is responsible for the preparation and presentation of the Compliance Report in accordance with the LBMA Responsible Gold Guidance (the Guidance). This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived. The criteria identified by the management as relevant for demonstrating compliance with the Guidance are the activities described within the Refiner's Compliance Report.

Our Responsibility

Our responsibility is to carry out a limited assurance engagement and to express an independent 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 LBMA Responsible Gold Programme -Third Party Audit Guidance for ISAE 3000 Auditors V1 11.12.2018 (the "Audit Guidance"). This standard requires that we plan and perform this engagement to obtain a limited level of assurance.



The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a limited level of assurance is provided.

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

We refer to the fact that the Compliance Report subject to our assurance engagement comprises the Annex "Countries of origin of precious metals". We draw attention to the fact that the Country of Origin Annex is not publically available.

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:

- Detailed analysis of needs assesment to gain an understanding of Nadir Refinery's processes or systems, and risk management procedures around the gold supply chain in place.
- Interviews with relevant staff at the corporate office responsible for the preparation of the Report.
- Site visits to Nadir Refinery to evaluate if the management system is in place as described in the compliance report
- Testing on a sample basis to evaluate whether the requirements of LBMA Responsible Gold Guidance are being executed and followed by Nadir Metal.
- Assessing the suitability of the policies, systems, procedures and internal management systems that Nadir Refinery has in place to conform with the Guidance.
- Addressing the environment and sustainability responsibilities
- Review of a selection of the supporting documentation, including gold supplier counterparty due diligence file and transaction's documentation and furthermore the due diligence documents and risk assesment for the upstream of its suppliers.
- Enquiries of relevant staff responsible for supply chain management of Nadir Doviz which is one of the main client/supplier of Nadir Refinery and also a member of Nadir Group of Companies.
- Test a selection 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.

We believe that the evidences we have obtained are sufficent and appropriate to provide a basis for our opinion.



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 that can result in materially different measurements and can impact comparability. 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 and gold supply chain policy available on Nadir Refinery website (<http://www.nadirmetal.com.tr>).

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

Based on the limited assurance procedures performed, as described above, nothing has come to our attention that would lead us to believe that Nadir Refinery's Compliance Report, for the year ended 31 December 2019, is not in all material respects, describe fairly the activities undertaken during the year to demonstrate compliance, and management's overall conclusion contained therein, is not in accordance with the requirements of LBMA Responsible Gold Guidance, V8 11.12.2018.

ADAY Bağımsız Denetim ve S.M.M.M. A.Ş.
A Member of PKF International

Abdulkadir SAYICI
Partner



İstanbul, Türkiye, March 12, 2020



NADİR METAL RAFİNERİ

Nadir Metal Rafineri Sanayi ve Ticaret Anonim Şirket

LBMA Responsible Gold Guidance

Compliance Report

Year 2019

nadirmetal.com.tr

The London Bullion Market Association (LBMA) Responsible Gold Guidance has been established for Good Delivery Refiners 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 and addressing environmental and sustainability responsibilities.

This report summarizes how Nadir Metal Rafineri Sanayi ve Ticaret Anonim Şirketi ("Nadir Metal" or "we") has complied with the requirements of the LBMA Responsible Gold Guidance Version 8 and furthermore OECD's Due Diligence Guidance for Responsible Supply Chains.

Refiner's details	
Refiner's name:	Nadir Metal Rafineri Sanayi ve Ticaret Anonim Şirketi
Location:	Istanbul Vizyonpark Genel Merkez Plaza Yenibosna Merkez Mahallesi Kuyumcular Sokak No: 4 İç Kapı No: 1101, Bahçelievler /İstanbul Türkiye
Reporting year-end:	December 31, 2019
Date of report:	January 20, 2020
Senior Management responsible for this report:	Abdullah Tutuncu, Chairman, Istanbul Vizyonpark Genel Merkez Plaza Yenibosna Merkez Mahallesi Kuyumcular Sokak No: 4 İç Kapı No: 1101, Bahçelievler /İstanbul Türkiye Phone number: +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:

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

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, according with the model set out in the Annex II and The London Bullion Market Association Responsible Gold Guidance since 2012 and is regularly monitoring, reviewing and if necessary updating its Responsible Supply Chain Policy. The Guidance has been updated as version 8 in 2018 for the production during the financial year 2019, and in this regards our policy has been updated accordingly at the end of 2018 to fulfill the requirements, especially in our environmental and sustainability responsibilities.

Nadir Metal has continued to publish its yearly Sustainability Report in the field of refining in 2019. Beside its commitment to Anti-corruption and Anti Money Laundering and Combating the Financing of Terrorism; environmental, social and occupational security, are key for Nadir Metal's sustainable point of view as well. In particular, while we support the principles of sustainability in the supply chain, we are aware that the environmental impact is important along with the economic and social effects in our activities. In this context, Nadir Metal has all legally required permissions and licenses such as ISO 14001: 2004 Environmental Management, Environmental Impact Assessment Positive Report, ISO 45001:2018 Occupational Health and Safety, Emission Certificate.

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

Comments and Demonstration of Compliance:

Starting from 2012 a strong internal management system has been established within the scope of our Responsible Supply Chain Company Policy and developed according to needs and requirements. The tasks, responsibilities and authorities of the relevant persons have been defined. In this context, Nadir Metal is responsible for its gold supply chain by conducting KYC procedures and due diligence with risk-based approach, screening, monitoring transactions, maintaining records, checking the respect to the supply, transport and trade in gold related precious metals, supported with internal & external trainings. An internal Risk Assessment Manuel has been prepared where all relevant compliance procedures; due diligence & KYC toolkit, risk assessment, relevant forms take place and has been updated accordingly with our Company Policy Regarding The Examination Of Supply Chains Of Gold

and Silver. Furthermore, Nadir Metal supports its gold supplying counterparts in building their own 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 since 2012. 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 her/his duties with a direct line to the senior management; CEO of the company and Risk Committee where she/he submits her/his monthly-prepared reports in this matter. The compliance officer and if necessary the Risk Committee evaluates the strong possibilities or existence of facts mentioned within the Company's Policy under 'Criteria's About High-Risk Gold/Silver 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.

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?

Comments and Demonstration of Compliance:

Nadir Metal is identifying and recording all its new and existing suppliers and clients within the supply chain. According to our Risk Assessment Manuel specific and relevant documents must be received and verified, client profiling must be completed and approved before any precious metal is accepted and processed. Records of suppliers' and clients' profile, call & visit reports and risk assessments are kept through the CRM system. All the due diligence and supporting documents, checklists and LBMA Best Practice Toolkit forms are stored within the archive program. A robust traceability system database that begins from goods acceptance with a reference number structured as client/supplier ID with reference to the gold supplying counterparty due diligence file and lot for each transaction, including information of date, bill of conveyance, weight, type, origin ...etc. and results of analyses, output are in place to have a transactional base monitoring and risk assessment.

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

Comments and Demonstration of Compliance:

Nadir Metal is carrying out works through media and trainings to raise awareness of local precious metal market players 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.

Nadir Metal is holding yearly internal 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. Internal and external trainings have been provided just like every year in 2019. We make reference to our Responsible Supply Chain Policy, The London Bullion Market Association Responsible Gold Guidance and OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas at our KYC Questionnaires' and in details by a declaration which is signed by our suppliers/clients. Hence special trainings have been provided for dealers and domestic market players to improve their responsible supply chain practices.

In 2019, Nadir Metal Rafineri has participated as speaker to several trainings or conferences to raise awareness of responsible supply chain practices. We have been invited by Istanbul Mineral and Metals Exporters Association to speak at the training for its local members. Information about the international / national legal and regulation frame, compliance procedures, due diligence and Know Your Customer Practices have been given to the local exporting companies in precious metals sector. Furthermore we have been invited to speak with the representative of OECD about Responsible Gold Sourcing, national / international compliance issues in gold trade and their effects on jewelry sector at the 8th ASEAN Gem & Jewellery Association Conference in Istanbul. Nadir Metal has participated the training of Borsa Istanbul organized with OECD and shared its compliance, due diligence practices with local precious metal market participants.

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

Comments and Demonstration of Compliance:

Nadir Metal has a Whistleblowing Policy which allows anyone (employee, dealer or client/supplier...etc) to express any kind of concern, unexpected risks involved in its precious metals supply chain. A dedicated email address of etik@nadirmetal.com.tr has been established allowing any employee, supply chain actor or stakeholder to voice any concerns over the precious metals supply chain or newly identified risk. The Compliance Officer is responsible for monitoring, assessing and informing the senior management about the incoming information.



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:

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

Comments and Demonstration of Compliance:

Nadir Metal has a process to identify risks in the supply chain, apply due diligence following a risk based approach and allocate a risk profile according to the company's risk profile criteria. Nadir Metal has gathered its risk criteria, risk defining and assessment processes, KYC and due diligence procedures within the supply chain in its Company Policy and Risk Assessment Manuel. Along with this Manuel the company's due diligence and risk assessment processes have been documented in details and they are constantly reviewed and updated according to the requirements and implementations.

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

Comments and Demonstration of Compliance:

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. The traceability systems takes control of client/supplier's transactions beginning from goods acceptance and allows to conduct transactional based risk assessment. Those tools and processes enable Nadir Metal to identify, assess and monitor risks in its gold supply chain beginning with the origin of the gold and its form.

In 2019 Nadir Metal has conducted enhanced due diligence for its potential and current suppliers/clients where necessary. We have not sourced from artisanal mining supply chains. We sourced from recycled and mined gold supply chains. Mined gold is sourced from well-established, licensed and regulated mid to large sized mines in Turkey. LBMA Toolkit for mined gold best practices has been applied.



Does the Refiner report risk assessment to the designated manager?

Comments and Demonstration of Compliance:

Nadir Metal has developed an internal risk management system, which is documented in details within its Risk Assessment Manuel. The system itself is supported by relevant employees and is ongoing basis monitored by the compliance officer and reported regularly to the senior management.

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.

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 or (iii) disengagement from the risk?

Comments and Demonstration of Compliance:

Nadir Metal has devised and adopted an appreciate risk management procedure of possible or identified risks. All client/suppliers and their transactions are regularly assessed and reported when necessary to the designated parties. According to our Risk Assessment Manuel every client/customer within our supply chain is receiving a risk profile according to certain risk criteria like duration of business relationship, jurisdiction, origin of goods and form...etc. For the assessment of country of origin and jurisdiction certain risk parameters are taking into consideration like human rights, sanction lists like UN, US, UK Sanction Lists but not limited. If necessary enhanced due diligence and renewed risk review is conducted under the supervision of the compliance officer and as well as by the Risk Committee.

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 for information to the senior management. The final decision about the future or existing business relationship is taken by the Risk Committee. 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 plan has to be composed by measurable objectives to mitigate the associated risks. The compliance department and if necessary further counterparties are responsible for monitoring the risk



mitigation plan. Once the deadline comes on and 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 directly.

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

Comments and Demonstration of Compliance:

Corresponding procedures are in place and detailed with in our Risk Assessment Manuel, applied if necessary to inform the Senior Management.

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 limited assurance report can be viewed on Nadir Metal's web page, 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 Version 8 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



Management Conclusion

Is the Refiner in compliance with the requirements of the LBMA Responsible Gold Guidance for the reporting period?

Yes.

In conclusion, Nadir Metal implemented effective management systems, procedures, processes and practices to conform to the requirements of the LBMA Responsible Gold Guidance, as explained above for the reporting year ended December 31, 2019.

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

Other Report Comments

If users of this report wish to provide any feedback to Nadir Metal Rafineri with respect to this report, they can contact by emailing etik@nadirmetal.com.tr

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