



# NADİR METAL RAFİNERİ

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Nadir Metal Rafineri Sanayi ve Ticaret Anonim Şirketi

LBMA Responsible Silver Guidance

Compliance Report

Year 2021

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

The London Bullion Market Association (LBMA) Responsible Silver 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 anti-money laundering and combating terrorist financing practices and addressing environmental, social and governance 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 Silver Guidance Version 1 and OECD's Due Diligence Guidance for Responsible Supply Chains for the Year 2021.

Refiner's details	
Refiner's name:	Nadir Metal Rafineri San.ve Tic A.Ş
Location:	Istanbul Vizyonpark Genel Merkez Plaza Yenibosna Merkez Mahallesi Kuyumcular Sokak No: 4 İç Kapı No: 1101, Bahçelievler /İstanbul Turkey
Reporting year-end:	December 31, 2021
Date of report:	February 8, 2022
Senior Management responsible for this report:	Abdullah TÜTÜNCÜ, Chairman,  İstanbul Vizyonpark Genel Merkez Plaza Yenibosna Merkez Mahallesi Kuyumcular Sokak No: 4 İç Kapı No: 1101, Bahçelievler /İstanbul Turkey  Phone number: +90 212 886 6729

## Summary of Activities Undertaken to Demonstrate Compliance

### Step 1: 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 silver?**

#### Comments and Demonstration of Compliance:

Nadir Metal recognizes the risks which may be associated with extracting, handling, transporting, producing and trading precious metals from conflict-affected and high-risk areas. We commit to refraining from any action which contributes to conflict and terrorist financing activities, money laundering, corruption, abuses of human rights and to comply with relevant sanctions. Furthermore, we



commit to taking into account environmental and social issues which may have negative impacts on humans, the environment while carrying out our activities.

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 to with the model set out in Annex II and The London Bullion Market Association Responsible Silver Guidance with a board resolution since 2017. Our company policy is regularly reviewed and updated according to the changes in legislation or needs in the course.

In the Year 2021 Borsa İstanbul, which shelters Precious Metals and Diamond Markets, one of the leading marketplaces of precious metals trading in Turkey has adopted its Responsible Precious Metals Supply Chain Program. The Program consists of mainly three directives; Responsible Supply Chain Guidance, Internal Control Systems and Compliance Principles of Precious Metals for Members and Refineries, Responsible Supply Chain Assurance Audit. With the new regulation it became mandatory for all Borsa İstanbul Precious Metals Members and accredited Refineries to comply with the Responsible Sourcing Programme. Our Responsible Supply Chain Policy has been revised to cover Borsa İstanbul's regulation and includes details of our company process of risk management as V6 in the Year 2021. For all stakeholders our Responsible Supply Chain Policy V6 is available at our website: <https://www.nadirmetal.com.tr/en/responsible-gold-and-silver/>

Nearby our Responsible Sourcing Policy, company policies of AML/CFT and Whistleblowing have been revised during 2021. Our AML/CFT Policy has been detailed accordingly to comply with the obligations of The Financial Crimes Investigation Board (MASAK). Furthermore Nadir Metal respects and considers always human rights while carrying out its activities with a sustainability-oriented approach. We aim also to ensure the oversight of basic human rights throughout society. In this regards Nadir Metal has adopted its Human Rights Policy.

We consider the environmental and social effects in our company policies and implement necessary improvements in our activities while assessing the principles of sustainability in our supply chain. Nadir Metal has all the legally required permissions and certificates such as ISO 14001: 2015 Environmental Management, Environmental Impact Assessment Positive Report, ISO 45001:2018 Occupational Health and Safety. Nearby our company policies, our due diligence and know your customer, risk assessment processes take into account environmental and social issues of our Suppliers/Customers in our supply chain with a risk-based approach.

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

Comments and Demonstration of Compliance:

Starting from the Year 2012 an internal management system has been established within the scope of our Responsible Supply Chain Policy and developed according to the needs and requirements. The tasks, responsibilities and authorities of the relevant persons who are responsible for the implementation of policies and procedures of due diligence, monitoring, controlling, risk management, communication, internal audit have been defined clearly.

A compliance officer to supervise, review the overall process with the necessary skills, competence has been appointed 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, supported by internal and external legal counsels under the Legal &





Compliance Unit with a direct line to the Chief Executive Officer. The compliance officer and if necessary, the Risk Committee evaluates the strong possibilities or existence of facts mentioned under 'Criteria's About High-Risk Gold/ Silver Supply Chains' within the Company's Policy. In high-risk cases, the ultimate decision about a future or existing business relationship is taken by the Risk Committee, which is supported by external lawyers since 2014. The Compliance Officer submits monthly-prepared reports, which consist of information on new suppliers/customers, internal controls, supplier/client, and transaction-based risk assessments to the senior management. The Chief Executive Officer and the Board of Directors retain the ultimate control and responsibility for the precious metals supply chain.

Under the supervision of the Compliance Officer, controlling tasks have been assigned to relevant employees and/or units by the senior management to ensure proper workflow and internal communication in the context of the responsible supply chain, as well as AML/CFT obligations. To build up and strengthen capacity, training activities are conducted for employees. The Compliance Officer is responsible for yearly planning and supervising internal and external training with the approval of senior management. Due to Covid 19 circumstances, the training activities have been conducted virtually in the scope of the Borsa Istanbul Responsible Sourcing Programme, obligations under AML/CFT Legislation, Conflict-Affected and High-Risk Areas and Other Relevant Definitions at Responsible Sourcing Guidances in the Year 2021.

The internal audit unit provides assurance and consultancy services to the Board of Directors to assure the effectiveness and adequacy of the integrity of the compliance program. Company policies, monitoring and controlling processes, risk management and training activities are audited and reported at a minimum once a year to the Board of Directors.

**Has the Refiner established a strong internal system of due diligence, controls and transparency over silver supply chain, including traceability and identification of other supply chain actors?**

Comments and Demonstration of Compliance:

Nadir Metal is responsible for its silver supply chain by conducting due diligence with a risk-based approach, screening, monitoring and controlling the transactions, maintaining records, checking the respect to the supply, transport and trade in silver-related precious metals. An internal Risk Assessment Manuel is in place where all relevant compliance, controlling and risk management procedures with workflows, responsible persons/units; due diligence & KYC toolkits, risk assessment, relevant forms and processes have been detailed. The internal Risk Assessment Manuel and has been updated accordingly with our Company Policies of Responsible Sourcing and AML/CFT in 2021.

According to Nadir Metal's procedures specific and relevant documents must be received and verified, client profiling must be completed and approved before any commercial relationship is initiated or any silver-bearing material is accepted and processed. Nadir Metal requires all necessary information and documents in the context of 'know your customer process' for the due diligence of the counterparty and its supply chain to ensure profiling and risk assessment. As a minimum; field of activity, jurisdiction, the ultimate beneficial owner and persons authorized to act on behalf of the counterparty, scope of the business relationship, the origin of the goods are required. In 2021, no business relationship has been built with the 64% of the new silver-related suppliers/customers who have not concluded the requirements of our due diligence procedure.

Once the required information and documents have been received and the supplier/client profiling has been completed the Compliance Officer is responsible for screening the sanctions (worldcheck) and controlling activities, on desk research and risk assessment. The risk assessment must be completed





and approved by the compliance officer before any precious metal is accepted and processed. With the approval, the details of the supplier and the country list of origin of the goods are entered into the traceability system for the goods acceptance unit. If any high-risk supply chain is detected, enhanced due diligence is conducted by the Compliance Officer and the ultimate decision to initiate a business relationship or not, is taken by the Risk Committee.

Records of suppliers, sub-suppliers and clients are kept through the CRM system. All the due diligence and supporting documents are stored within the archive program. A robust traceability system database that begins from goods acceptance with a reference number, structured as client/supplier, sub-supplier IDs with reference to the silver supplying counterparty's due diligence file and lot details for each transaction, including information of date, bill of conveyance, weight, type, origin etc. of precious metal and results of analyses, output are in place to have a transactional base monitoring and risk assessment.

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

Comments and Demonstration of Compliance:

Nadir Metal has supported its silver supplying counterparts in building their own due diligence, risk assessment capabilities to comply with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas for several years. We have carried out several initiatives through media, internal & external training activities, conferences and engagement with stakeholders like OECD, Borsa Istanbul to raise awareness of responsible supply chain practices.

Nadir Metal is holding yearly internal training activities 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. We refer to our Responsible Supply Chain Policy, The London Bullion Market Association Responsible Silver Guidance and OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas at our KYC questionnaire", agreements and in detail by a declaration which is required to be signed by our suppliers/clients. Hence special training activities are provided for dealers and domestic market players to improve their responsible supply chain practices.

In 2021, our efforts have been put under restraint by the pandemic circumstances. Although virtual training activities have been conducted for Nadir Metal's affiliates, dealers and related employees in the scope of AML/CFT legislation and obligations, Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and especially screening, controlling activities for assurance of risk management. Several related employees have attended trainings organized by Borsa İstanbul and The Financial Crimes Investigation Board's (MASAK).

**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 any stakeholder to express any kind of concern or indication that violates legislation, company's ethical principles, policies and procedures, as well as Responsible Supply Chain Policy. A dedicated email address of [etik@nadirmetal.com.tr](mailto:etik@nadirmetal.com.tr) has been established allowing any employee, supply chain actor or any other stakeholder to voice any concern,



risk over the precious metals supply chain. The Legal & Compliance Unit is responsible for monitoring and informing the senior management and if necessary defined units about the incoming notifications.

In 2021, our company policy has been detailed in the scope of definitions, processes. Communication channels have been enhanced; nearby an email address, a fixed phone line has been dedicated for whistleblowers. Furthermore, an internal directive of "Procedure to be Implemented in the Framework of Whistleblowing Policy" has been accepted by the Board of Directors. No whistleblowing notifications have been received in the year 2021.

## **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 precious metals supply chain; applying to every customer/supplier due diligence with a risk-based approach and allocating a risk profile according to the company's risk 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 are constantly being reviewed and updated due to the requirements, needs and implementations.

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

#### Comments and Demonstration of Compliance:

With the due diligence process and profiling, every silver business-related client/supplier is categorized according to risk levels, including the risk assessment of business type, services provided and the type of the silver-bearing material, 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 system takes control of client/supplier's transactions beginning from goods acceptance and allows to conduct transactional-based tracking and controlling, risk assessment. Those tools and processes enable Nadir Metal to monitor, assess and identify risks in its silver supply chain, including but not limited; the origin, weight and form of the silver.

In 2021 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 silver supply chains. The mined silver materials originated from Turkey. LBMA Toolkit for mined silver best practices has been applied and the on-site visits have been conducted.

### **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 detail within its Risk Assessment Manuel. The system itself is supported by relevant employees and the Risk Committee, is ongoing basis monitored by the compliance officer and reported monthly 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 appreciative risk management procedure of possible or identified risks. All clients/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 the business relationship, jurisdiction, the origin of goods and form...etc. For the risk assessment of the country of origin and jurisdiction certain risk parameters are taken into consideration like governance, human rights, sanction lists of UN, US, EU, UK but not limited. If necessary enhanced due diligence and at minimum every 6 months risk reviews are conducted under the supervision of the compliance officer and/or as well as by the Risk Committee.

If there is a strong possibility or existence of facts that have been mentioned as high risk according to the company policy's 'Criteria's About High-Risk Silver Supply Chains', it is submitted to the Risk Committee for further evaluation and senior management is informed by the compliance officer. 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.

In the Year 2021, one high-risk, related to politically exposed persons (PEP) have been identified and submitted to the Risk Committee by the compliance officer for evaluation. A business relationship has been initiated with a risk mitigation plan of regular monitoring and monthly based reporting by the compliance officer to the committee and senior management.

**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.**

#### Comments and Demonstration of Compliance:

Corresponding procedures are in place, detailed within our Risk Assessment Manuel and applied. Compliance Officer submits monthly reports which include also risk assessments, if any. Risk mitigation plans, risk reports that were prepared within the framework of the knowledge and approval of the Risk Committee and monitoring of results of the risk mitigation plan to 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](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 of the LBMA Responsible Silver Guidance Version 1 have been set out in our silver supply chain policy, compliance report and independent third party audit report which are publicly available on Nadir Metal's website, [www.nadirmetal.com.tr](http://www.nadirmetal.com.tr)

#### **Management Conclusion**

##### **Is the Refiner in compliance with the requirements of the LBMA Responsible Silver Guidance for the reporting period?**

Yes. In conclusion, Nadir Metal implemented effective management systems, procedures, processes and practices to conform with the requirements of the LBMA Responsible Silver Guidance, as explained above for the reporting year ended December 31, 2021

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

#### **Other Report Comments**

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

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