



## İSTANBUL GOLD REFINERY INC. (IGR) LBMA COMPLIANCE REPORT

The 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 to combat terrorist financing practice.

This report summarizes how Istanbul Gold Refinery Inc. (IGR) has complied with the requirements of the LBMA Responsible Gold Guidance.

**TABLE 1: REFINER'S DETAILS**

<b>REFINER'S NAME</b>	: İstanbul Gold Refinery Inc. (IGR)
<b>LOCATION</b>	: Kuyumcukent Factory No.7 - 34197 Yenibosna - İstanbul/TURKEY
<b>REPORTING PERIOD</b>	: January 1, - December 31, 2019
<b>DATE OF REPORT</b>	: January 20, 2020

**SENIOR MANAGEMENT RESPONSIBLE FOR THIS REPORT:** Att. Özcan HALAÇ ([ozcan@iar.com.tr](mailto:ozcan@iar.com.tr))

### İSTANBUL GOLD REFINERY (IGR)'S EVALUATION:

IGR's primary objective is to create exceptional value for its customers, suppliers, partners and shareholders, within a culture of responsible sourcing, complying with the regulations and the needs of the relevant certifications, performance, governance, trust and respect.

"Responsible sourcing" is a key and very important principle for Istanbul Gold Refinery Inc. (IGR). As a LBMA "Good Delivery List Refinery", IGR implements the whole KYC due diligence process starting from the origin of the gold to ensure that it complies with all related regulations and applicable laws both in Turkish local market and globally considering LBMA Responsible Gold Guidance V8 and OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

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**TABLE 1: REFINER'S DETAILS (CONTINUED)**

**İSTANBUL GOLD REFINERY (IGR)'S EVALUATION (CONTINUED):**

IGR is an exception in the Turkish gold market and always expressing its sensitivity on responsible sourcing. As LBMA Responsible gold certificated refinery, IGR is able to identify and assess the risks in the precious metals supply chain as detailed in and referring to LBMA Responsible Gold Guidance V8 Rules and fulfilling objectives of the audit program based on ISAE 3000 as detailed in the LBMA Third Party Audit Guidance V3. So that neither in the previous years nor in the reporting year IGR has not sourced any gold and/or gold bearing material from sanctioned countries. As a leader of the precious metals industry in Turkey and in the region, IGR recognizes the unique opportunity that it has to play in the development, implementation and continuous improvement of systems designed to detect and prevent commercial activities that contribute to the financing of armed groups, human rights abuses, money laundering, terrorist financing, and other illegal activities. IGR works with its suppliers of precious metals to ensure they are aware of responsible sourcing mentality and IGR's precious metals supply chain policy and procedures and that the precious metals they deliver to IGR do not contribute to such illegal activities.

All suppliers and customers including their origin countries are verified and complied by using "World-Check" as well as other systems and open sources which includes but not limited to UN, UK, EU and US sanctions and any other relevant list that is applicable to IGR.

This report lists and summarizes the minimum requirements that must be satisfied by Refiners in accordance with the LBMA Responsible Gold Guidance V8 to demonstrate compliance and provides commentary on IGR's compliance. IGR fully complied with the requirements of the LBMA Responsible Gold Guidance V8 during the reporting year 2019 for all type of precious metals sourced and refined.

**TABLE 2: SUMMARY OF ACTIVITIES UNDERTAKEN TO DEMONSTRATE COMPLIANCE**

**STEP 1: ESTABLISH STRONG COMPANY MANAGEMENT SYSTEMS**

**Compliance Statement with Requirement:**

IGR has fully complied with Step 1: Establish strong management systems.

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**TABLE 2: SUMMARY OF ACTIVITIES UNDERTAKEN TO DEMONSTRATE COMPLIANCE (CONTINUED)**

**STEP 1: ESTABLISH STRONG COMPANY MANAGEMENT SYSTEMS (CONTINUED)**

**a. Has the refiner adopted a company policy regarding due diligence for supply chains of gold?**

IGR has adopted a company-wide precious metals supply chain policy and procedures binding for all its entities regarding due diligence for the responsible supply chain of precious metals including Gold, as well as other precious metals.

**Comments and Demonstration of Compliance:**

During the reporting year, IGR implemented properly its responsible precious metals supply chain policy and procedures, which are consistence with the model, set out in the Annex II of the OECD Due Diligence Guidance. This sets out IGR's responsibility for conducting risk-based due diligence, screening and monitoring of transactions and governance in place accordingly.

IGR has adapted an on-going, proactive and reactive process and a wide range of company internal policies and procedures(*The precious metals supply chain policy and the other related policies and procedures: Compliance directive, Precious metals supply chain policy, Risk management plan, Corrective action plan, Customer acceptance KYC policy, workflow forms of the supply chain management, Anti-Bribery&Anti-Corruption policy, AML&CFT policy, Whistleblowing policy and Code of Conduct&Business ethics policy*)regarding due diligence for supply chain of precious metals in compliance with LBMA Responsible Gold Guidance V7 and Annex II of the OECD Due Diligence Guidance. All of these policies and procedures are communicated to all management staff and employees related to the gold/silver/precious metals (*multi metal*) refining process.

IGR's KYC forms, and account opening guidelines are available on the IGR's website.

[www.iar.com.tr/Kurumsal/gold-supply-chain-policy/19](http://www.iar.com.tr/Kurumsal/gold-supply-chain-policy/19)

<http://www.iar.com.tr/iletisim/open-an-account/427>

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**TABLE 2: SUMMARY OF ACTIVITIES UNDERTAKEN TO DEMONSTRATE COMPLIANCE (CONTINUED)**

**STEP 1: ESTABLISH STRONG COMPANY MANAGEMENT SYSTEMS (CONTINUED)**

**a. Has the refiner adopted a company policy regarding due diligence for supply chains of gold?  
(Continued)**

**Comments and Demonstration of Compliance (Continued):**

Quarterly performed regular training sessions (*basic and refreshment*) have been held for all staff involved with or holding responsibilities related to the precious metals supply chain, as well as the management team. The Company precious metals supply chain policy and procedures have been communicated to all employees related to the gold/silver/precious metals (*multi metal*) refining process.

IGR continually improves its environmental performance implementing a systematic approach to setting environmental objectives, to achieving these and to demonstrating that they have been achieved. IGR has a robust environmental management system and it is an ISO 14001 certified organization.

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

IGR has set up an internal management structure to support its precious metals supply chain due diligence.

**Comments and Demonstration of Compliance:**

IGR has implemented an organizational management structure and communication processes to define the governance, roles and responsibilities, internal audit, communication and senior management review as per the adopted policy. IGR's internal management system collects and maintains documentation regarding the sources of mined material, recycled material, or any other feedstock, in order to ensure that they have not financed conflict, have not participated in abuse of human rights or money laundering, nor financed terrorism at any point in the supply chain.

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**TABLE 2: SUMMARY OF ACTIVITIES UNDERTAKEN TO DEMONSTRATE COMPLIANCE (CONTINUED)**

**STEP 1: ESTABLISH STRONG COMPANY MANAGEMENT SYSTEMS (CONTINUED)**

**b. Has the refiner set up an internal management structure to support supply chain due diligence?  
(Continued)**

**Comments and Demonstration of Compliance (Continued):**

A Compliance Officer has been assigned since 2012 to manage and oversee the supply chain process and has a direct line of reporting to Senior Management. A compliance committee which consists of senior manager and other related personnel have been gathered mainly on a quarterly basis or whenever it is needed to evaluate high risk operations. Besides the IGR compliance officer, an internal/branch compliance officer has been appointed for each of the internal branches in the IGR. These officers are working in coordination with the IGR chief compliance officer to implement and follow the requirements of the precious metals supply chain policy and procedures of IGR. IGR compliance officer visits all internal branches and branch compliance officers at least quarterly basis and performs inspections and onsite trainings as well. All these visits and trainings are being recorded and filed accordingly. IGR compliance officer is also following all LBMA responsible sourcing webinars and attending all of them whenever they are organized.

IGR has a Lot and traceability system database and its own designed enterprise resource planning ERP and the other systems that record each lot refined. The Compliance Officer/also named as supply chain officer has been appointed to manage the supply chain process and supervises the whole precious metals supply chain cycle starting from the origin of the gold/silver/precious metals and the due diligence process in the refinery and reports directly to senior management.

IGR also has gained Authorized Economic Operator (AEO) certification since April 2018. By having this certification, IGR voluntarily meets a wide range of criteria and works in close cooperation with world customs authorities to assure the common objective of precious metals supply chain security and is entitled to enjoy benefits throughout the EU and some of the major trading partners of the EU.

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**TABLE 2: SUMMARY OF ACTIVITIES UNDERTAKEN TO DEMONSTRATE COMPLIANCE (CONTINUED)**

**STEP 1: ESTABLISH STRONG COMPANY MANAGEMENT SYSTEMS (CONTINUED)**

**c. 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?**

IGR has established a strong internal system of due diligence, controls and transparency over precious metals supply chain, including traceability and identification of other supply chain actors.

**Comments and Demonstration of Compliance:**

IGR has a robust “lot” receipts process. Specific and relevant documents must be received and all transactional details must be entered to the relevant system before the shipments are being processed in the refinery. All transactions are registered in the IT, ERP and the other internal record keeping systems. The ERP and the other internal systems give ability and traceability to IGR to report and track metal batches from receipt to finished goods stage. IGR maintains all customer, supplier or shipment related documentation and records properly and accordingly. In addition, IGR keeps all necessary records of client on boarding files and transaction documents which are maintained for ten years, as per Turkish legislation. By using ERP, effective IT and the other record keeping systems, IGR has full traceability of each individual lot to the specific supplier or customer.

Regular training sessions are held for all staff involved with or holding responsibilities related to the supply chain, as well as the management team. The Company precious metals supply chain policy and procedures are communicated to all employees related to the gold/silver/precious metals-refining process. The basic and refreshment trainings were held for all staff and departments of IGR on quarterly basis. IGR training program includes 5 category trainings on the general overview of the Company precious metals supply chain policy and procedures, Anti-Bribery & Anti-Corruption policy, AML & CFT policy, Whistleblowing policy, Code of Conduct & Business Ethics policy and the Financial Crimes Investigations Board of Turkey – MASAK & suspicious transactions reporting policies. All the training records for the reporting year were documented and filed well.

IGR’s Compliance training policy that states that employees are to receive ongoing basic and refreshing trainings with respect to the responsible supply chain has been implemented accordingly on every three months period. The basic and refreshing trainings have been strengthened the roles of those with compliance responsibilities and communication between staff and management. Regular training sessions have been held for all staff involved with or holding responsibilities related to the precious metals supply chain, as well as the management team. The all of the precious metals supply chain related policies and procedures have been communicated to all employees related to the precious metals refining process.

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**TABLE 2: SUMMARY OF ACTIVITIES UNDERTAKEN TO DEMONSTRATE COMPLIANCE (CONTINUED)**

**STEP 1: ESTABLISH STRONG COMPANY MANAGEMENT SYSTEMS (CONTINUED)**

**c. 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?(Continued)**

**Comments and Demonstration of Compliance (Continued):**

Moreover, IGR's Corrective action plan is one of its internal compliance process inspection tool. Compliance officer implements this policy when it is needed during the internal audit process after the planned training sessions has been performed in the related branches. The purpose of the corrective action plan is to identify activities in order to correct all non-compliance issues identified throughout all gold/silver/precious metals supply chain processes and related branches and personnel in the company.

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

IGR has strengthened company engagement with gold supplying counterparties and where possible, assisted gold/silver/precious metals supplying counterparties in building due diligence capabilities.

**Comments and Demonstration of Compliance:**

During the reporting period, IGR has strengthened company engagement with gold and silver supplying counterparts, as well as the other suppliers of potentially conflict minerals. IGR has communicated the precious metals supply chain policy and procedures to its precious metal suppliers/customers, either in writing or verbally, and encouraged and requested them to comply with the policy. All new suppliers or customers have to go through IGR's responsible sourcing due diligence KYC process. Compliance department reviews in every six months period all customer or suppliers' KYC files and updates the related documentations when necessary.

IGR requires each supplier to accept its terms and conditions in order to start business. This is undersigned by each one of them by filling and signing the compliance agreement form. IGR's KYC due diligence process is strictly in compliance with OECD, LBMA and other relevant authorities' regulations. IGR has also have special KYC documentations and regulations for the suppliers/customers in the local Turkish market and it has also been strictly in compliance with the Financial Crimes Investigations Board of Turkey-MASAK regulations.

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**TABLE 2: SUMMARY OF ACTIVITIES UNDERTAKEN TO DEMONSTRATE COMPLIANCE (CONTINUED)**

**STEP 1: ESTABLISH STRONG COMPANY MANAGEMENT SYSTEMS (CONTINUED)**

**d. Has the Refiner strengthened company engagement with gold supplying counterparties, and where possible, assisted gold supplying counterparties in building due diligence capabilities? (Continued)**

**Comments and Demonstration of Compliance (Continued):**

In this sense, the precious metals supply chain policy documents and forms that are prepared in accordance with the OECD/LBMA guidelines in the scope of the due diligence have been shared with our customers/suppliers, and IGR has requested that all gold-supplying counterparties have committed to and acknowledged in writing compliance with IGR's Company Policy.

Site visits have been planned and implemented to suppliers/customers during the reporting year to inspect, educate them and as well as enhance our own knowledge of responsible sourcing.

**e. Has the refiner established a confidential grievance mechanism?**

IGR has developed a mechanism allowing any employee or external stakeholder to anonymously voice concerns over the gold supply chain or any newly identified risk.

**Comments and Demonstration of Compliance:**

IGR has developed a mechanism allowing any precious metals supply chain actor/employees or stakeholder to voice concerns over the gold/silver/precious metals supply chain or a newly identified risk. A functional physical mail box – compliance access point and an e-mail ([compliance@iar.com.tr](mailto:compliance@iar.com.tr)) has established which are reviewed by the Compliance Officer. Physical compliance access point mail boxes has been located in different locations of the company which can be accessed by the workers and all staff easily anytime they want to use this mechanism to report any suspicious activities.

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**TABLE 2: SUMMARY OF ACTIVITIES UNDERTAKEN TO DEMONSTRATE COMPLIANCE (CONTINUED)**

**STEP 1: ESTABLISH STRONG COMPANY MANAGEMENT SYSTEMS (CONTINUED)**

**e. Has the refiner established a confidential grievance mechanism? (Continued)**

IGR has also established a Whistleblowing policy aims to create a work environment where employees, vendors, service providers, customers and other stakeholders are able to raise concerns on misconduct, irregularities or malpractices, without fear of harassment and/or victimization and with an assurance that their concerns will be taken seriously and investigated, and the outcome duly communicated. Employees are internal whistle blowers who report incidents of misconduct in an organization involving a peer/colleague, a supervisor or indeed a senior management official. External whistle blowers who are mostly customers/suppliers report wrong doings of employees to the Compliance, Internal audit and Human Resources. This whistleblowing policy allows IGR to be alerted of risks in its precious metals supply chain as to the problems in addition to the company fact and risk assessments. The personal data of Whistle-blowers and of any other parties involved that is obtained while handling the Reports (including any sensitive data, such as racial and ethnic background, religious and philosophical beliefs, political opinions and personal data indicative of a person's health and sexual orientation) are being processed in full compliance with the provisions of current legislation regarding the protection of personal data, and in any case in line with the provisions of the IGR Group Personal Data Protection Policy. Only the data strictly necessary for verifying the validity of the Report and for handling is being processed.

Circumstances that maybe subject to grievances, including but not limited to, are the financial malpractice or impropriety or fraud, failure to comply with a legal obligation or applicable laws, human rights abuses (including dangers to health & safety and child labour), severe damage to the environment, criminal activities, improper conduct or unethical behaviours, attempts to conceal any violations of the IGR precious metals supply chain and AML/CFT policies (early warning risk awareness mechanism), falsification of documents or fraudulent suppliers and direct or indirect link to conflict-affected or high-risk area gold financing.

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**TABLE 2: SUMMARY OF ACTIVITIES UNDERTAKEN TO DEMONSTRATE COMPLIANCE (CONTINUED)**

**STEP 2: IDENTIFY AND ASSESS RISKS IN THE SUPPLY CHAIN**

**Compliance Statement with Requirement:**

IGR has fully complied with Step 2: Identify and assess risks in the supply chain.

**a. Does the refiner have a process to identify risks in the supply chain?**

IGR has processes in place to identify the risks in the supply chain

**Comments and Demonstration of Compliance:**

IGR has developed a strong risk assessment procedure called as Risk management plan which aims to identify and assess all risks in the precious metals supply chain. These procedures are supervised by the compliance department, legal advisors and the other relevant personal.

IGR identifies and assess risks in the precious metals supply chain. IGR has established clearly defined criteria's for low, medium and high-risk categories and systematically apply them to all precious metals supplying counterparties. IGR has a client database, records and allocated a risk profile to its risk profile criteria.

IGR does not do any business with counterparties in conflict areas, sanctioned/embargoed countries or individuals or with Red Flags counterparties.

IGR is using search tool (*World-Check*) as a source of information for individuals, companies, countries to help identification of persons, corporate entities or companies such as sanctioned, politically exposed or maybe involved in activities that go against its moral, ethical principles and its Precious metals supply chain policy and Risk Assessment Plan requirements. IGR is also using open source tools which are based on risk assessment of UN, UK, EU, US sanctions and any other relevant list that is applicable to IGR including but not limited to money laundering, terrorism financing, drug trafficking.

IGR established a mechanism to report identified risks to the senior management. The precious metals supply chain due diligence team as well as the foreign trade, treasury, finance and accountancy departments are working in an open office environment and in very close contact with the compliance officer. This makes it possible to follow the situation at the minute. All employees are instructed to report irregularities and unusual circumstances that are not consistent with normal situations.

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**TABLE 2: SUMMARY OF ACTIVITIES UNDERTAKEN TO DEMONSTRATE COMPLIANCE (CONTINUED)**

**STEP 2: IDENTIFY AND ASSESS RISKS IN THE SUPPLY CHAIN (CONTINUED)**

**a. Does the refiner have a process to identify risks in the supply chain? (continued)**

**Comments and Demonstration of Compliance (Continued):**

IGR established a client/supplier database and allocated a risk profile according to its risk profile criteria written in the Risk management plan. Supplier/Customer risk evaluation is a formal requirement, an obligatory step before engagement with gold/silver/precious metals supplying counterparties.

IGR has a legal advisor as well as a compliance officer who report to senior management on all matter regarding the risks of the precious metals supply chain. Compliance officer is also responsible for the continuous training of employees for identifying risks on the precious metals supply chain with respect to the responsible sourcing. Reporting to Senior Management occurs at least once per month.

**b. Does the refiner assess risks in light of the standards of their supply chain due diligence system?**

IGR assess risks in light of the standards of its supply chain due diligence system.

**Comments and Demonstration of Compliance:**

IGR identifies and assess risks in the precious metals supply chain. IGR has established clearly defined criteria's for low, medium and high-risk categories and systematically apply them to all precious metals supplying counterparties.

Before entering into a business relationship with any precious metals supplying counterparty IGR systematically performs its responsible precious metals supply chain due diligence in line with all measures required by the LBMA Responsible Gold Guidance V8 and the OECD Due Diligence Guidance for Responsible Supply Chains.

IGR identifies the Gold-Supplying counterparty and verifying its identity using reliable, independent source documents, data or information and controls the beneficial owner(s) of the Gold-Supplying counterparty. Checking that the gold supplying counterparties and their beneficial owners are not named on UN, UK, EU, US sanctions and any other relevant list and checking politically exposed person (PEP) details of the beneficial owners. IGR performs enhanced due diligence for all high risk categories which is listed in its supply chain assessment form (*LBMA toolkit form*), which includes but not limited to those where gold/silver/precious metals originates from or transit via a conflict-affected, human rights abuse high-risk areas or artisanal mining areas.

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**TABLE 2: SUMMARY OF ACTIVITIES UNDERTAKEN TO DEMONSTRATE COMPLIANCE (CONTINUED)**

**STEP 2: IDENTIFY AND ASSESS RISKS IN THE SUPPLY CHAIN (CONTINUED)**

**b. Does the refiner assess risks in light of the standards of their due diligence system?(Continued)**

**Comments and Demonstration of Compliance (Continued):**

In this sense, The Risk management plan and Customer acceptance policy have been implemented to identify the risks in the gold/silver/precious metals supply chain process, take action, and apply corrective actions to that effect while carrying out measures that will prevent the repetition of similar risky cases. For every supplier/customer, IGR have established a client database and allocated a risk profile according to its risk profile criteria written in the Risk management plan. Supplier/Customer risk evaluation is a formal requirement, an obligatory step before engagement with precious metals supplying counterparties. For mined and recycled materials, different KYC questionnaires' and self-assessment forms (*LSM and ASM*) has been implemented and evaluated accordingly considering the LBMA toolkit forms.

Enhanced due diligence includes the completion of a site visit when necessary. IGR employs a risk-based transaction monitoring approach towards its gold/silver/precious metals supplying counterparties. IGR employs both qualitative and quantitative assessments both mined and recycled gold/silver/precious metals supplying counterparties.

In addition, IGR conducts appropriate scrutiny and monitoring of transactions undertaken through the course of the relationship. Beginning from the supplier/customer and goods acceptance stage of gold from mines, supply chain due diligence and precautions are put into practice in accordance with the LBMA Responsible Gold Guidance and procedures. Procedures are put into practice that will help with the control and audit of the system, including transportation routes and monitoring of all procedures related to the precious metals supply chain.

**c. Does the refiner report risk assessment to the designated manager?**

IGR reports risk assessment to the designated manager.

**Comments and Demonstration of Compliance:**

IGR Compliance Committee is created to periodically review and maintain the responsible precious metals supply chain compliance process. The committee gathers every 3 months to assess the processes, risks, and the resulting decisions.

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**TABLE 2: SUMMARY OF ACTIVITIES UNDERTAKEN TO DEMONSTRATE COMPLIANCE (CONTINUED)**

**STEP 2: IDENTIFY AND ASSESS RISKS IN THE SUPPLY CHAIN (CONTINUED)**

**c. Does the refiner report risk assessment to the designated manager?(Continued)**

**Comments and Demonstration of Compliance (Continued):**

All risk assessments are controlled by the Compliance officer and Compliance Committee, and high risk customers/suppliers are reported to the senior management. Senior Management is responsible for approving all new precious metals supplying counterparties regardless of their risk category. Periodic reports are presented by the Compliance Officer to the CEO and senior management. Senior Management retains the ultimate control and responsibility for IGR's precious metals supply chain.

Compliance officer prepares monthly reports for the senior management and keeps all relevant records and charts regarding the customer KYC process. The compliance officer is also provides a commentary report to the senior management. Senior management retains the ultimate control and responsibility for the precious metals supply chain, and senior management must also approve all new suppliers classified as high risk.

**STEP3: DESIGN AND IMPLEMENT A MANAGEMENT SYSTEM TO RESPOND TO IDENTIFIED RISKS**

**Compliance Statement with Requirement:**

IGR has fully complied with Step 3: Design and implement a management system to respond to identified risks.

**a. 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?**

IGR has 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.



**TABLE 2: SUMMARY OF ACTIVITIES UNDERTAKEN TO DEMONSTRATE COMPLIANCE (CONTINUED)**

**STEP 3: DESIGN AND IMPLEMENT A MANAGEMENT SYSTEM TO RESPOND TO IDENTIFIED RISKS  
(CONTINUED)**

- a. 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? (Continued)**

**Comments and Demonstration of Compliance:**

IGR uses LBMA's country profiling risk rating as guidance. A Risk Management Plan/Strategy for IGR has prepared and put into practice, in which risky situations and the appropriate procedures to follow during such cases of risk, as well as, the risk management principles were identified. The strategy includes establishing the level of the risk, considering the country of origin, supplier, product, complexity of the supply chain, business model, sanction lists and any other relevant circumstances. The level of risk is regularly reviewed and updated. Moreover, response methods have introduced such as abolishing business relations in risky situations, the suspension of trade that would result in the alleviation of risks or achieving the alleviation of risk through other means while continuing with the trading activities.

The strategy instructs that necessary steps and investigations be carried out under the supervision of the Compliance officer while the product identified the risk factor is put into quarantine.

IGR uses the due diligence assessment forms, checklists, questionnaires and on-site visit forms for its suppliers/customers from mined or recycled sources. The Compliance Officer has been appointed to manage the supply chain process. Compliance Officer supervises the whole precious metals supply chain cycle starting from origin of the gold/silver/precious metal and the due diligence process in the refinery and reports directly to senior management.

IGR's internal control processes provide robust administrative controls for due diligence procedures carried out across all precious metal suppliers independent of their origin. These procedures have been further strengthened since the implementation of the LBMA Responsible Gold Guidance and information resulting from due diligence procedures is centralized and documented in a single source for each counterparties and managed by a dedicated individual. As it is mentioned earlier, an appropriate internal communication system has also developed and a system of notification of non-compliance has established that enables direct reporting to senior management/executive committee.

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**TABLE 2: SUMMARY OF ACTIVITIES UNDERTAKEN TO DEMONSTRATE COMPLIANCE (CONTINUED)**

**STEP 3: DESIGN AND IMPLEMENT A MANAGEMENT SYSTEM TO RESPOND TO IDENTIFIED RISKS (CONTINUED)**

- a. 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? (Continued)**

**Comments and Demonstration of Compliance (Continued):**

IGR considers seriously any Red Flags which is identified in any part of the entire precious metals supply chain. Red flags could be location-based, supplier-based or circumstances-based. Red Flags are reviewed in an in-depth and detailed manner including desk research, on-site visits and random sample verifications of the transactional records.

Where a Red Flag has been identified, IGR considers the following as an indicative measure of an approach to activities with the relevant supplier/customer; with the low risk level-start or continue trading activities, with medium risk level-start or continue trading activities whilst mitigating the identified risks, with high risk level- suspend trading activities whilst mitigating the identified risks by obtaining additional information/data confirming or refuting the adverse risk assessments or disengage from the source of the risk. Good faith efforts to make meaningful improvements on the precious metals supply chain by the suppliers/customers are very important to consider to decide the continuity of the relations with them.

- b. 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.**

IGR's management strategy of risk mitigation includes measurable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk and regular reporting to designated senior management.



**TABLE 2: SUMMARY OF ACTIVITIES UNDERTAKEN TO DEMONSTRATE COMPLIANCE (CONTINUED)**

**STEP 3: DESIGN AND IMPLEMENT A MANAGEMENT SYSTEM TO RESPOND TO IDENTIFIED RISKS (CONTINUED)**

**b. 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. (Continued)**

**Comments and Demonstration of Compliance:**

Based on the framework of risk analysis and the principles of the Risk Management Plan and Supplier/Customer Acceptance Policy, measures were taken by IGR to allow the monitoring of all transactions within the process, including transportation roads and means. The relevant supplier/customer documents are registered and examined in the scope of the Supplier/Customer Acceptance Policy, and periodic reports are relayed to senior management. As it explained above, IGR has devised and adopted an appropriate strategy for risk management any identified new issue based on a 'prevent, detect and respond model', as required by LBMA Responsible Gold Guidance and the OECD Due Diligence Guidance. Risk assessments are completed in detail considering risk assessment matrix mentioned in the risk assessment plan and additional administrative measures, and further precautions are taken when accepting goods and to ensure safe business relations with all suppliers/customers.

IGR's policy is not to purchase any precious metal from a supplier whose origin poses a high risk, as such avoiding the main risk identified in the Guidance published by the OECD Due Diligence for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

As the result of risk assessment on the gold/silver/precious metals containing material which IGR purchased during the reporting year, IGR did not identify the possibility purchasing conflict minerals originated from conflict-affected and high-risk areas.

**STEP 4: ARRANGE FOR AN INDEPENDENT THIRD-PARTY AUDIT OF THE SUPPLY CHAIN DUE DILIGENCE**

**Compliance Statement with Requirement:**

IGR has fully complied with Step 4: Arrange for an independent third-party audit of the supply chain due diligence.

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**TABLE 2: SUMMARY OF ACTIVITIES UNDERTAKEN TO DEMONSTRATE COMPLIANCE (CONTINUED)**

**STEP 4: ARRANGE FOR AN INDEPENDENT THIRD-PARTY AUDIT OF THE SUPPLY CHAIN DUE DILIGENCE (CONTINUED)**

**Comments and Demonstration of Compliance:**

This is the eighth year that IGR completes the requirements of LBMA Responsible Gold Guidance and OECD Due Diligence Guidance, with audits completed once a year. IGR has ensured that these audits are diligently completed in accordance with the LBMA Responsible Gold Guidance and OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

Considering the reporting year, as it has been done in the previous years, IGR voluntarily preferred to be implemented a higher level of assurance which is reasonable assurance audit and engaged the services of the assurance provider, Arkan&Ergin JPA Turkey. Their Independent Reasonable Assurance Report is available on IGR website:

<http://www.iar.com.tr/Kurumsal/independent-assurance-reports/89>

**STEP 5: REPORT ON SUPPLY CHAIN DUE DILIGENCE**

**Compliance Statement with Requirement:**

IGR has fully complied with Step 5: Report on supply chain due diligence.

IGR Precious metals supply chain policy is available on the IGR website, together with the Refinery Compliance Report and Independent Reasonable Assurance Report [www.iar.com.tr/eng](http://www.iar.com.tr/eng).

**TABLE 3: MANAGEMENT CONCLUSION**

**IGR'S OVERALL CONCLUSION**

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

Yes.

IGR has demonstrated its commitment to continuous improvement and implemented effective and robust management systems, procedures and practices to confirm to the requirements of the LBMA Responsible Gold Guidance, as explained above in Table 2, for the reporting year ended December 31, 2019.

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### TABLE 3: MANAGEMENT CONCLUSION (CONTINUED)

#### IGR'S OVERALL CONCLUSION (CONTINUED)

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

As mentioned earlier in this report, "Responsible sourcing" is a key and very important principle for IGR. As a LBMA "Good Delivery List Refinery", IGR implements its risk based KYC due diligence process starting from the origin of the gold to ensure that it complies with all related regulations and applicable laws both in Turkish local market and globally considering LBMA Responsible Gold Guidance and OECD Due Diligence Guidance for Responsible Supply Chains. IGR is always aware of its exceptional responsibility and also acting as a leading refinery in Turkish Gold market and in the region in terms of responsible sourcing of precious metals.

### TABLE 4 : OTHER REPORT COMMENTS

Users of this report are welcome to provide any feedback or address relevant queries to IGR by emailing [compliance@iar.com.tr](mailto:compliance@iar.com.tr)

January 20, 2020

Att. Özcan HALAÇ

General Manager

İSTANBUL ALTIN RAFİNERİSİ A.Ş.

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