

**ONSA RAFİNERİ A.Ş.**  
**MANAGEMENT REPORT ON THE**  
**REFINER'S GOLD AND SILVER**  
**COMPLIANCE REPORTS FOR THE**  
**YEAR ENDED 2023**

To the Management of  
Onsa Rafineri A.Ş.

## Management Report to Onsa Rafineri A.Ş.

### a) Name of the Refiner;

We were engaged by Onsa Rafineri A.Ş. ("Onsa") to prepare a management report on Onsa Rafineri's Gold & Silver Compliance Report dated 07.02.2024.

Onsa Rafineri was initially established as Onsa Rafineri San. ve Tic. Ltd. Şti. in 2005 and, the Company was given its current trade name in 2006. Currently, along with refining, waste recycling, dross and laboratory services, Onsa produces and trades precious metals (gold, silver). In addition to these, Onsa branded small bars of gold, silver products and exclusive collections are produced.

The Company is; accredited by Borsa İstanbul (BIST) in 2014 for gold and silver. Altınbaş Family is the primary shareholder of the Company, owning 100% of the total shares as of December 31, 2023. Onsa's head office is located in Esenyurt/İstanbul and has 2 branches in Yenibosna/İstanbul and Eminönü/İstanbul (Grand Bazaar). The Company maintains its operations with an average workforce of 241 employees during FY 2023.

- Head Office Osmangazi Mh. 3117.Sok. No:3 Esenyurt İstanbul - The refining and bullion production facility is at this location.
- Branch 1: Atölyeler Bloğu Zemin Kat 9.Sok. No:11 Yenibosna İstanbul -Wholesale of silver is in this location.
- Branch 2: Kılıççılar Sk. No.11 Çuhacı Han Eminönü İstanbul -Wholesale of silver is in this location.

### b) Reporting period subject to assurance;

We were assigned to prepare the management report on its London Bullion Market Association (LBMA) Refiner's Compliance Report ('the Report') related to 12 months period from 1 January to 31 December 2023.

### c) Assurance team's professional qualifications

We believe that our team possesses the core competencies of ethical conduct, fair presentation, due professional care, independence, and integrity.

Assurance team were composed of below auditors.

<u>Titles</u>	<u>Nama and Surname</u>	<u>Total Experience</u>
Engagement Partner	Kadir SAYICI	26 year
Manager	Abdulbaki Avcı	10 year
Senior Auditor	Ali Burak ŞAHİN	9 year
Assistant Auditor	Burcu Çoban	5 year

Each assurance team members have the knowledge, and skills and are open to improving their competencies. They were selected among auditors who have specialist knowledge and competence in auditing skills and techniques. They have experience in reporting and auditing practices and standards for ISAE 3000.

The engagement partner and his team have been preparing the ISAE 3000 reports since 2012 for the refineries in Turkey.

**d) Independence and competency statement**

We are completely independent from Onsa in financial and other matters. We have not provided any services for Onsa to design, establish, or implement Onsa's gold and silver supply chain practice in line with the LBMA Responsible Gold Guidance Version 9 and LBMA Responsible Silver Guidance Version 1, for at least 24 months before the engagement.

Since we comply with the "Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants" and we apply "International Standard on Quality Control 1", "Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements", we are entirely competent. Accordingly, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements and professional standards (including independence, and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior) as well as applicable legal and regulatory requirements.

As an audit company, we are free from the Refinery. We are providing only ISAE 3000 reporting to Onsa. We are not providing any of the following services to Onsa and its affiliates for a period of at least 24 months prior to the engagement:

- Design, establishment or implementation of the Refiner's gold and silver supply chain practice
- Bookkeeping
- Financial information systems design and implementation
- Appraisal or valuation services, fairness opinions, or contribution-in-kind reports
- Actuarial services
- Internal audit outsourcing services
- Management functions or human resources
- Broker-dealer, investment adviser, or investment banking services
- Legal services and expert services unrelated to the audit
- Any other consulting services for the Refinery

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

The assurance scope of this Management Report consists of Onsa's Compliance Report ("Report") and the Country-of-Origin Annex ("the annex") which includes details on assurance findings and recommendations.

We have expressed an independent conclusion in regards of reasonable assurance to Onsa, by taking into consideration the performed procedures and obtained evidence, whether the Report in all material respects, fairly describes the activities undertaken during the year to demonstrate compliance, and whether management's overall conclusion contained therein, is in line with the requirements of the LBMA Responsible Gold Guidance Version 9 and LBMA Responsible Silver Guidance Version 1.

**f) Summary of assurance procedures**

As an audit company, we prepared a detailed audit plan and performed our work to obtain the review of Onsa's Report, the annex, precious metals supply chain company policy, due diligence procedures, risk assessment manual, all the evidence, information, and explanations considered necessary which was clearly set out the scope, timing, and costs of the assurance.

(i) We visited the Onsa Refinery's facilities for our assurance engagement

(ii) We obtained the list of supplier/customer counterparties and made a search over their capacities.

We made several meetings with the compliance officer of the Company to assess the risks the company may anticipate.

Due to the risks which may be associated with extracting, handling, transporting, producing and trading precious metals, Onsa has implemented due diligence and know your counterparty and risk assessment procedures by taking into account also environmental, social and governance issues of its counterparties in its supply chain with a risk-based approach.

Know Your Customer procedure has been implemented under Onsa's Rafineri Responsible Supply Chain Company Policy, with details of screening, and controlling activities mentioned in the Risk Assessment Manual, which was updated in 2023 to cover LBMA Responsible Sourcing Program Version 9 requirements.

The controlling activities are mainly as below but not limited to;

- a. Origin country of gold and silver, counterparties
- b. Counterparties field of activity
- c. Risk of product or service rendered (recycled gold/mined gold and their sub-categories, or refining, change of shape, purchase/sale etc.)
- d. Business/duration of the relation with the counterparties
- e. Value of the commercial transactions and type of payment
- f. KYC forms & documentation of counterparties
- g. Environmental, social and governance information (ESG) of counterparties
- h. Screening of US, UK, EU, UN and relevant sanctions and, EU CAHRA lists
- i. Shipping/transportation documents (waybill/airway bill, proforma invoice, if applicable)

In accordance with the foregoing parameters, controlling activities are being carried out for counterparties on a risk-based approach, such as updating risk profiles twice a year, screening through World- Check or on desk research, controlling documents over Archive, and transactions over traceability and issuing monthly compliance reports.

We further did the following works;

- We questioned Onsa Rafineri Compliance Officer and relevant personnel over specific-due diligence documents and transactional examples that we had selected or observed.
- We visited the Onsa Rafineri to review the procedures for goods receiving, laboratory testing and refining gold/silver and to observe how these procedures support Onsa's compliance regime and systems such as CRM, Archive, and Traceability. Counterparties transactions are followed,

checked through the traceability system starting from goods acceptance, assay results and details of customs declaration or consignment bill, invoice.

- Meetings with Legal Compliance Department, Production Department, Marketing Department, Internal Audit Department at Onsa to assess their understanding and day-to-day implementation of the responsible sourcing due diligence compliance regime.
- Review of counterparties account opening processes through sample testing of a number of active, rejected and potential counterparties files. In this regard, review of Compliance Officer's monthly prepared reports and Risk Committee's reports.
- Review of due diligence documents for mined & scrap gold and silver through sample testing and list of transactions, entries at CRM, Archive and traceability systems.
- Review of enhanced due diligence cases

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

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 methods used by Refiners to comply with the Guidance may differ. It is important to read Onsa's methodology and precious metals responsible supply chain company policy available on Onsa website (<https://www.onsarafineri.com>).

We have not observed any significant or inherent limitations or areas not covered.

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

It has been observed that the organizational chart has been restructured. Gold Banking and Treasury activities have been consolidated under separate departments where the names have been changed but the unit and job descriptions remained same as before.

Since 13<sup>th</sup> of September 2021 Sustainability Committee is effective to monitor sustainability issues, to ensure implementation in a holistic and effective way to carry out improvements, and to present to the attention of the Board of Directors with necessary recommendations. In 2023, sub-committees have been incorporated under the headlines of governance, social & environment. A specific working

Onsa has all the legally required permissions and certificates such as ISO 9001: 2015 Quality Management System Certificate, ISO 10002:2018 Quality management — Customer satisfaction — Guidelines for business-to-consumer electronic commerce transactions, ISO 14001:2015 Environmental Management System Standard, ISO 27001:2013 Information Security Management System, ISO 45001: 2018 Occupational Health And Safety Management System In 2023 certificates have been revised and studies have started on the integrated system within the scope of ISO.

**It has been observed that in 2023;**

- Onsa Rafineri's Responsible Supply Chain Company Policy ("Company Policy") complies with the LBMA's Responsible Gold Guidance V.9 and Silver Guidance V.1.
- Company Policy was revised; zero tolerance principles are specified, and the criteria for high-risk supply chains have been detailed by categorizing them based on country, supplier, and material type. The flow and format of the policy have been updated in a stakeholder-friendly way. Also, it refers to several other company policies.

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- Various company policies include sufficient details on the gold/silver supply chain, such as AML/CFT Policy, Anti-Bribery, and Anti-Corruption Policy, Human Rights Policy, Whistleblowing Policy.
- Policies mentioned above align with Company Policy, and meet with the requirement of LBMA's Responsible Gold Guidance V.9 and Silver Guidance V.1, and Onsa's activities, including sustainability (environment, social, governance), combating systemic or pervasive human rights violations, and avoiding and contributing to conflicts.
- The "AML/CFT Company Policy" and Anti-Bribery, Anti-Corruption Policy and Human Rights Policy have been changed in stakeholder-friendly way.
- Onsa's Whistleblowing Policy was expanded to include all stakeholders and ESG factors and consolidated with a grievance mechanism.
- Onsa exemplified the actions/incidents/ crimes that may constitute the subject of the grievance and established a procedure which determines how to manage the whistleblowing and grievances that will come within these scopes.
- Onsa has updated its KYC forms in 2023 and relevant employees have been trained over it. KYC forms have been detailed with the questions relevant to AML/CFT and Anti-Bribery and Anti-Corruption, adding the questions according to Responsible Gold Guidance V9 and Toolkit and declaration related to Company Policies.
- The updated KYC forms have been sent to prospects, new suppliers, and current suppliers with a risk-based approach, along with their "Responsible Supply Chain Principles".
- Staff regulation has been revised and detailed accordingly Human Rights Policy's headlines.
- Onsa's Risk Assessment Manuel, which has been updated accordingly with Responsible Gold Guidance V9 and its Company Policy and AML/CFT Policy. All the KYC and due diligence procedures, required documentation and information for due diligence or enhanced due diligence, responsible persons/departments and their tasks & duties, risk assessment procedures and internal workflow were reviewed and detailed in Risk Assessment Manuel.
- While CRM stores the customer profiling; type of customer (bank, manufacturing jeweler, retailer jeweler, trader, mines, etc.), visit reports, provided services, etc; the Company's Archive system stores due diligence documents. According to the Risk Assessment, the country reports are prepared within the scope of counterparty's jurisdiction, the origin of goods etc. by screening the sanctions on world check, Heidelberg Barometer, CAHRA. The location, counterparty and type of material have been added to assess risks in the precious metals supply chain.
- Through the traceability system the compliance officer observes and performs transactional based risk assessment. The system includes information of good acceptance, assay reports, invoice. The good acceptance department takes records of each received goods like picture, weight, shape, origin, ownership, number custom declaration or way bill, date, reference no, barcode no. Assay results are directed into the traceability system. The compliance of the supplier counterparty's profile, capacity and origin, form, purity of metal are taken into consideration at risk assessment.

- As part of the on-site visit procedure of Onsa, the counterparties are visited based on both capacity-building and risk-based approaches. In 2023, one small-scale gold mining and manufacturer of jewelry as its supplier, and five customers of sub-suppliers are visited by competent employees. Due diligence documents are gathered about these visits and required toolkit forms have been provided. According to the risk assessment procedures of Onsa, it obtains a statement from sub-suppliers to ensure the content of the melted recycled material.
- PEP research was conducted on the suppliers with which the company has established a relationship and no negative results were found.
- Onsa is training all the related staff to increase capacity. This includes OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Company Policies by considering environmental and social effects Anti-Bribery and Anti-Corruption Policy, Anti- Money Laundering and Combating Financing Terrorism (AML/CFT) Policy, Whistle Blowing Policy, Human Rights Policy, Company Policies of Responsible Supply Chain), LBMA Responsible Gold Guidance V9, Borsa Istanbul regulation, about updating KYC Form, internal control and audit concept and implementations at international standards. In the scope of training, we identified all employees (%100) have been trained. Onsa is going to start over survey studies to improve training practices next year. But blue-collar workers are not included in the training programs since they are not directly involved in the responsible sourcing program. We are advising Onsa to extend their training programs to all the staff within the company.
- It has been observed that Onsa continues to support the OECD's regulations and Borsa İstanbul to develop Responsible Sourcing. Onsa is in ongoing contact with Central Bank of the Republic of Turkey and Ministry of Treasury, Finance of the Republic of Turkey and The Financial Crimes Investigation Board (MASAK) in context of AML/CFT and responsible supply chain implementations.

**i) Description of any low-risk deviations from conformance identified by the auditor (refer to Appendix 4 for definitions of compliance and non-compliance);**

N.A.

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

N.A.

**k) Assurance conclusion;**

In our opinion, the Report and Annex prepared by Onsa for the year ended 31 December 2023, in all material respects, fairly describe the activities undertaken during the year to demonstrate compliance, and management's overall conclusion contained therein, is in accordance with the requirements of the LBMA Responsible Gold Guidance Version 9 and LBMA Responsible Silver Guidance Version 1.



1) i- Countries of Origin Annex for mined and recycled gold including the amounts (Kgs.) received from each origin

Country	Material Type	Fine Gold Weight (kg)
Türkiye	LSM	4.714,80
Türkiye	Unprocessed Recyclable Gold	11.114,06
<b>TOTAL</b>		<b>15.828,86</b>

ii- Countries of Origin Annex for mined and recycled silver including the amounts (Kgs.) received from each origin

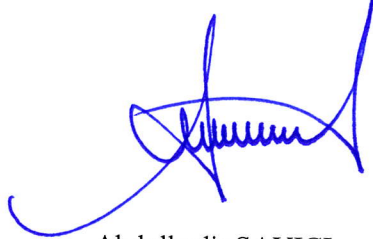
Country	Material Type	Fine Silver Weight (kgs)
Türkiye	LSM	33.105,72
Türkiye	Unprocessed Recyclable Silver	260,00
		<b>33.365,72</b>

m) Other relevant information.

N.A.

İstanbul- Türkiye, 20.03.2024

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(A Member of PKF International)



Abdulkadir SAYICI  
Sorumlu Denetçi