

## **PRECIOUS METALS RESPONSIBLE SUPPLY CHAIN COMPLIANCE POLICY**

### **Introduction and Scope**

As a precious metals intermediary institution operating in Borsa İstanbul Precious Metals Market, QNB (hereinafter referred to as “the Bank”) prepared this Precious Metals Responsible Supply Chain Compliance Policy (hereinafter referred to as “the Policy”) to determine principles and procedures to ensure compliance with the regulations of Borsa İstanbul A.Ş. (Borsa İstanbul) and international standards in precious metal supply.

Adequacy and effectiveness of the Policy are assessed on an annual basis at least or whenever necessary. This Policy is prepared in accordance with “Borsa İstanbul Compliance Directive on Responsible Supply Chain”, “Borsa İstanbul Compliance Guide on Precious Metals Responsible Supply Chain”, “Borsa İstanbul Directive on Responsible Supply Assurance Audit” and “Borsa İstanbul Directive on Internal Control System and Compliance Principles of Precious Metals Broker Institutions and Refineries”.

### **Purpose**

The purpose of this Policy is to establish a set of measures to execute precious metal supply practices by respecting human rights and prevent contribution to regional conflicts, terrorism financing, and money laundering in precious metal supply and to ensure the following issues:

- Prevent precious metal supply of the Bank violating national and international regulations on responsible supply chain,
- Prevent sanctions that may be imposed on the Bank by complying with current laws and regulations,
- Ensure that appropriate strategies are prepared to minimize the risks that may be encountered by the Bank,
- Guide the senior management as well as the managers and employees of the Bank.

### **Responsibilities**

The BoD of the Bank is ultimately responsible for the effective implementation of the Policy.

Supply Chain Internal Control and Compliance Officer is responsible for controlling and supervising the implementation of the Policy approved by the BoD of the Bank.

The Bank and its employees are primarily responsible for executing precious metal supply practices by respecting human rights and preventing contribution to regional conflicts, terrorism financing, and money laundering in precious metal supply process.

The Bank carries out its activities in line with the Policy and policies and procedures covering requirements in national and international regulations on precious metal responsible supply chain.

It is obligatory for the managers and employees of the Bank to have knowledge about and appropriately act with the Policy and relevant procedures in order to execute precious metal supply practices in line with the regulations.

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The Bank employees are obliged to provide support regarding the identification of actions in violation of regulations in precious metal supply. Therefore, the employees should be aware that any failure in implementing relevant procedures aiming to prevent violation of responsible supply chain policies and procedures is considered gross negligence and results in disciplinary proceedings.

### **Establishment of Corporate Policies and Procedures of the Bank**

The Policy includes principles regarding risk management, monitoring and control, training, and internal audit at minimum.

With the corporate policy, it is ensured that employees are informed and aware of the below issues:

- Compliance with obligations of precious metal responsible supply chain,
- Evaluation of precious metal supply transactions of customers and suppliers with a risk-based approach,
- Determination of strategies to minimize potential risks, internal corporate controls and measures, operation rules, and responsibilities.

Responsibilities in processes to be established for precious metal supply transactions, thresholds and rules to be implemented in approval of transactions, reporting, and monitoring activities are clearly defined.

Recommendations, principles, standards, and guidelines introduced by other local and international organizations are also used while preparing corporate policies and procedures provided that they do not violate local regulations.

### **Notification of Supply Chain Internal Control and Compliance Officer and Deputy Compliance Officer to Borsa İstanbul**

An effective internal control mechanism should be established covering the organization plan implemented by the Bank and all relevant principles and procedures in order to regularly, efficiently, and effectively carry out all operations and activities including the Bank's off-site organizational units in accordance with the management strategy and policies and within the framework of applicable legislation and rules, ensure integrity and reliability of accounting and recording systems and accessibility of information in data system in a timely and accurate manner, ensure document and record order, back-up and storage as well as detect and prevent mistakes, frauds, and breaches.

In order to conduct the compliance program within the scope of the Policy, Supply Chain Internal Control and Compliance Officer and Deputy Compliance Officer should be determined and notified to Borsa İstanbul.

Supply Chain Internal Control and Compliance Officer reports to the BoD of the Bank.

Supply Chain Internal Control and Compliance Officer and Deputy Compliance Officer should have sufficient seniority, knowledge, and authorization to fulfill their responsibilities independently.

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### **Responsibilities of Supply Chain Internal Control and Compliance Officer**

- Perform necessary engagements to ensure compliance of the Bank with foreign exchange legislation, Borsa İstanbul Compliance Directive on Responsible Supply Chain and regulations published as per the relevant legislation for responsible supply chain practices and ensure necessary communication and coordination with Borsa İstanbul and other relevant institutions and organizations.
- Prepare corporate policies and procedures and submit them to the approval of the BoD.
- Establish controls to record and store documents regarding recognition of customers and suppliers.
- Ensure that the processes regarding suppliers and customers as well as their transactions such as asset, service, money transfer, etc. are defined and establish controls to store relevant documents and records.
- Conduct research about transactions (that were submitted or learned ex officio) that may violate relevant legislation, evaluate the information and obtained findings and notify violations to the Ministry of Treasury and Finance (the Ministry) and Borsa İstanbul and other relevant institutions and organizations in writing within 5 business days.
- Conduct research about issues (that were submitted or learned ex officio) that can be evaluated within the scope of zero tolerance principle included in Directive on Responsible Supply Chain Assurance Audit, evaluate the information and obtained findings and notify identified violations to the Ministry and Borsa İstanbul in writing within 24 hours at the latest.
- Take necessary measures to ensure confidentiality of internal and external violation notifications and other related issues.
- Regularly keep results, information, and statistics of internal control and training activities and submit them to the BoD and Borsa İstanbul in periods determined in the regulations.
- Fulfill the Bank's responsibility of providing information and documents to Borsa İstanbul as part of ensuring necessary communication and coordination with Borsa İstanbul regarding internal control and compliance within the framework of the responsible supply chain.

In case it is determined that Supply Chain Internal Control and Compliance Officer fails to perform roles, authorizations, and responsibilities, the BoD discharges and this issue is immediately notified to Borsa İstanbul within 10 days at the latest.

### **Notification of Internal Control Results**

Concerning the engagements performed within the scope of internal control activity, Supply Chain Internal Control and Compliance Officer reports to the BoD and Borsa İstanbul the Bank

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business volume, the total number of employees, the total number of branches, agencies, and similar affiliated units, the number of audits branches, agencies and similar units, dates of audits carried out in such units, total audit time, the number of audit personnel and audited transactions within the first 10 business days of the month following 3-month period.

### **Absence or Resignation of Supply Chain Internal Control and Compliance Officer**

- In case Supply Chain Internal Control and Compliance Officer is temporarily absent due to annual leave, illness and similar reasons, identity and communication information of the person who will act as a deputy is submitted to the Ministry and Borsa İstanbul within one business day.
- The person who will act as Deputy Supply Chain Internal Control and Compliance Officer possesses roles, authorizations and responsibilities of Supply Chain Internal Control and Compliance Officer. Supply Chain Internal Control and Compliance Officer is not responsible for the activities carried out during this resignation.
- Supply Chain Internal Control and Compliance Officer cannot be substituted for 30 successive days and/or more than 60 days in total in a calendar year.
- In case Supply Chain Internal Control and Compliance Officer no longer meets the conditions specified in the Policy or it is understood that does not possess such conditions or he somehow resigns, the new delegation is notified to the Ministry and Borsa İstanbul within 10 days at the latest.

### **Precious Metal Responsible Supply Chain Five-Step Approach**

Five-Step Approach is the basis of responsible precious metal supply chain. Five-Step Approach is accepted as a minimum standard to establish and continuously develop compliance practices for each of key areas of the Bank (one of precious metals intermediary institutions) in supply chain.

Principles of five-step approach are provided below:

- Establishing strong company management systems,
- Identifying and assessing risks in supply chain,
- Designing and implementing a strategy to respond to identified risks,
- Carrying out independent third-party audit of compliance engagements (Independent Assurance Report),
- Annually reporting supply chain compliance engagements.

### **Conflict-Affected and High-Risk Areas (CAHRAs)**

CAHRAs are areas where armed conflicts, widespread violence or other risks that may harm people prevail. Armed conflict may take a variety of forms such as a conflict of international or non-international character involving two or more states, or may consist of wars of liberation, insurgencies, civil wars, etc. High-risk areas include areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure and widespread violence.

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Such areas are often characterized by widespread human rights abuses and violations of national or international law.

### **Supply Chain Policy for Responsible Supply Chain of Metals of CAHRAs**

Recognizing that having the responsibility to minimize significant adverse impacts of extracting, trading, processing, and exporting metals in CAHRAs and respect human rights in these areas and not contribute to conflicts, it is undertaken to adopt, widely disseminate and incorporate in agreements and/or contract with suppliers the following policies to represent a common reference for conflict-sensitive sourcing practices and suppliers' risk awareness in all processes from extraction to supply to end-user. It is undertaken to refrain from any action which contributes to the financing of conflicts and complying with relevant UN sanctions, resolutions, and national laws implementing such resolutions.

#### **1. Serious Abuses Associated with Extraction, Transfer or Trade of Metals:**

While sourcing from or operating in CAHRAs, profit from and contribute to the following will neither be tolerated nor by any means:

- i. any form of torture, cruelty, inhuman and degrading treatment,
- ii. any form of forced labor, which means work or service involuntarily or as a penalty,
- iii. the worst forms of child labor,
- iv. other gross human rights violations such as widespread sexual violence,
- v. war crimes, other serious violations of international humanitarian law, crimes against humanity or genocide.

#### **2. Risk Management Regarding Serious Frauds and Abuses:**

Engagement with manufacturing suppliers will immediately be suspended or discontinued when a serious risk is identified that manufacturing suppliers are sourcing from or linked to any party committing serious frauds and abuses as defined in paragraph 1.

#### **3. Direct or Indirect Support to Non-State Armed Groups:**

Any direct or indirect support to non-state armed groups through extraction, transfer, trade, processing or export of metals will not be tolerated. "Direct or indirect support" to non-state armed groups through extraction, transfer, trade, processing or export of minerals includes, but not limited to, procuring minerals from, making payments to or otherwise providing logistical assistance or equipment to non-state armed groups or their affiliates that:

- i. Illegally control mine sites or transfer routes, trade areas, and producers in supply chain and/or
- ii. Illegally collect tax or extort money in access points of mine sites, transfer routes or trade areas and/or
- iii. Illegally collect tax or extort money from intermediaries, export companies or international traders.

#### **4. Risk Management Regarding Direct or Indirect Support to Non-State Armed Groups:**

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Engagement with suppliers will immediately be suspended or discontinued when a serious risk is identified that they source precious metal from or they are linked to any party directly or indirectly supporting non-state armed groups stated in paragraph 3.

### **5. Public or Private Security Forces:**

- i. It is undertaken not to give any direct or indirect support to public or private security forces that illegally control mine sites, transfer routes and producers in supply chain, illegally collect tax or extort money in access points of mine sites, transfer routes or trade areas or illegally collect tax or extort money from intermediaries, export companies and international traders.
- ii. It is acknowledged that the role of public or private security forces that are in charge at mine sites, surrounding areas, and/or transfer routes should be solely to maintain the rule of law including protecting human rights, providing security of mine workers, equipment, and facilities and protecting mine sites or transfer routes from illegal extraction or trade activities.
- iii. In case the Bank or any company in our supply chain concludes an agreement with public or private security forces, it is guaranteed that such security forces will act in accordance with Voluntary Principles on Security and Human Rights. In particular, necessary steps will be taken to ensure that security forces or personnel that are known to have been responsible for gross human rights abuses will not be hired and necessary scanning/audit policies will be adopted.
- iv. Local and central authorities, international organizations, and non-governmental organizations will be contacted and necessary steps will be taken to support them in order to contribute to the solutions on how transparency, proportionality and accountability can be improved in payments made to public security forces for the provision of security.
- v. Cooperation will be conducted with and relevant efforts of local authorities, international organizations, and non-governmental organizations will be supported in order to avoid or minimize the negative effect imposed by the presence of public or private forces in mine sites where metals in the supply chain are extracted through labor-intensive and small-scale organizations on vulnerable groups, especially miners.

### **6. Risk Management Regarding Public or Private Security Forces:**

In accordance with the position of the Bank in the supply chain, a risk management plan with suppliers and other relevant parties will be immediately prepared and implemented to prevent or mitigate risks related to direct or indirect support provided to personnel in public or private security forces where a risk resulting from security forces exists. In such cases, engagement with manufacturing suppliers will be suspended or discontinued in case risks are not mitigated within six months following the adoption of the risk management plan. In case it is identified that there is a risk in activities in violation of paragraphs 8 and 9 of chapter 4, response will be given in the same manner.

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### **7. Bribery and Misrepresentation of Origin of Metals:**

Nothing will be offered, given or demanded as a bribe to conceal or disguise the origin of metals or misguide the public regarding taxes, fees and royalties paid to governments for the purposes of metal extraction, trading, processing, transfer, and export.

### **8. Anti-Money Laundering:**

Efforts provided or steps taken to prevent money laundering activities will be supported in case having a serious suspicion that money laundering activities are carried out through or related to extraction, trade, processing, transfer or export of metals performed through illegal taxation or extortion in mine sites, transfer routes or areas where metals are traded by mining companies/refineries.

### **9. Payment of Taxes, Fees, and Royalties to Governments:**

It will be ensured that all taxes, fees, and royalties related to extraction, trade, and export in CAHRAs are paid to governments and it is undertaken that all payments made in accordance with the Bank's position in the supply chain will be declared to the public according to principles determined within the scope of Extractive Industries Transparency Initiative (EITI).

### **10. Risk Management Regarding Bribery, Misrepresentation of Origin of Metals, Money Laundering and Misrepresentation of Payment of Taxes, Fees and Royalties to Governments:**

It is undertaken to contact suppliers, local and central authorities, international organizations, non-governmental organizations, and impacted third parties in order to develop and monitor the performance for preventing or mitigating adverse effects through the steps taken in reasonable periods in accordance with the Bank's position in the supply chain. Engagement with manufacturing suppliers will be suspended or discontinued in case risk-mitigating attempts fail.

#### **Risk Management Activities**

The Bank ensures that risks are regularly defined, considered, understood, assessed, documented, monitored, and updated to execute precious metal supply practices by respecting human rights and prevent contribution to regional conflicts, terrorism financing, and money laundering in precious metal supply process with National Risk Assessment.

Risk management activities are continuously reviewed according to changing and developing conditions. Necessary improvements are made by following up recommendations, principles, standards, and guidelines introduced by local regulations and international organizations.

Enhanced measures are applied for high-risk customers and transactions.

Risk monitoring and assessment results are regularly reported to the BoD.

#### **Risk-Based Approach and Customer Risk Classification Methodology**

Risk-based approach is implemented to classify the customers/suppliers into risk profiles.

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Within the scope of the risk-based approach, customers and suppliers are classified as per their risk profiles based on the below-mentioned components:

- Customer Risk – identifying source of income or transaction types,
- Geographic Risk – involvement of customers and suppliers with regions associated with human rights abuses, armed conflict, money laundering and financing of terrorism or other illegal activities,
- Distribution Channel Risk – how the service is provided

Know Your Customer and Know Your Supplier methodology is applied within the scope of the above-mentioned risk components based on risk classification.

High-risk customers are subject to continuous monitoring regardless of their risk scores.

### **Customer/Supplier Acceptance**

Having sufficient information for customer identification and using such information effectively is the basis of all other processes related to prevention of anti-money laundering. This helps in prevention of fraud attempts and detection of suspicious transactions and protects the Bank from financial and reputation risks.

Employees who establish business relationships with customers are responsible for identification and identity authentication based on documents and data obtained from independent sources and for identifying the actual beneficiary of the transaction.

Information required to be obtained within the scope of risk assessment and customer identification is kept up-to-date.

The Bank regularly controls whether its customers and suppliers are included in any international sanctions lists issued by the United Nations, European Union, United Kingdom, Office of Foreign Assets Control, and other regulatory institutions.

The Bank opens account for customers that are eager to continue the business relationship in line with relevant rules and have reasonable information and awareness about the activities, products, and tariffs and establishes a business relationship with the suppliers. The BoD can establish more specific rules about such criteria as they may vary in time.

The Bank cannot provide service to natural and legal persons whose identity authentication and supplier evaluation are not performed adequately.

The Bank cannot establish business relationships with natural or legal persons that do not comply with this Policy and/or other relevant mandatory local/international regulations.

All existing and new customers and suppliers are checked to determine whether they are included in local and international sanctions lists.

### **Updating Know Your Customer and Know Your Supplier Information**

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Information and documents of existing customers and suppliers obtained within the scope of Know Your Customer and Know Your Supplier should be regularly reviewed and updated. Update period for customers and suppliers according to their risk levels within the scope of precious metal supply within the framework of responsible supply chain regulations should be as follows:

- Once a year in high-risk customers/suppliers,
- Once in three years in medium-level customers/suppliers,
- Once in five years in low-level customers/suppliers.

### **Monitoring and Control Activities**

The Bank integrated some programs into its system to check whether existing or new customers and previous metal suppliers are included in international sanctions in order to comply with legal regulations.

The Bank conducts effective processes for continuous monitoring of Bank accounts and transactions in order to identify, monitor, and evaluate high-risk customers and transactions.

Any deficiencies detected upon such controls are reported to relevant business units so that necessary measures are taken and results are followed up.

Employees responsible for carrying out these activities are given access to internal information sources and systems within the scope of monitoring and control.

The Bank can terminate the business relationship with customers and suppliers that bear suspicion in terms of being included in lists of CAHRAs. The Bank's Anti-Money Laundering and Combating the Financing of Terrorism Committee decides whether the business relationship is to be terminated and determines how customers are to be notified about this issue.

### **Training Policy**

Continuous training programs are organized for personnel in the Bank to be informed of national and international regulations, increase their sense of responsibility and establish an effective corporate culture in order to execute precious metal supply practices by respecting human rights and prevent contribution to regional conflicts, terrorism financing, and money laundering in precious metal supply.

The purpose of the training policy is to ensure compliance with the obligations as per Borsa İstanbul Compliance Directive on Responsible Supply Chain and the relevant legislation, establish corporate culture by increasing sense of responsibility of personnel for risk-based approach issues with corporate policies and procedures and update information known by personnel.

Treasury, Treasury Operation, Investment Products and all personnel engaging in precious metal supply chain transactions are included in the training scope.

Training program is prepared by Supply Chain Internal Control and Compliance Officer with relevant units. Supply Chain Internal Control and Compliance Officer is responsible for

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coordinating engagements regarding training program of the Bank and supervising the effective implementation of training programs.

Training activities are reviewed with the relevant units according to evaluation results and repeated at least once a year and when required.

The Bank carries out training activities via seminars, conferences, classroom training or online training. Training is prepared and given by managers in Compliance Units or by experts outsourced from external companies. Training activities are carried out in coordination with Human Resources Training Unit.

Training subjects at least cover the following issues:

- Foreign exchange legislation and implementation,
  - CAHRA concept and other Compliance Guide concepts,
  - Responsible supply chain steps and case studies in this subject,
  - Legislation regarding responsible supply chain,
  - Risk areas,
  - Corporate policies and procedures,
  - Within the Scope of Borsa İstanbul regulations and other relevant legislation;
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- ✓ Know Your Customer principles,
  - ✓ Principles regarding notification to be made to relevant organizations and institutions,
  - ✓ Obligation of keeping and submitting,
  - ✓ Obligation of providing documents and information,
  - ✓ Sanctions to be imposed in case of failure to fulfill obligations,
  - ✓ International regulations on anti-money laundering and combating the financing of terrorism.

### **Notification of Training Results**

The Bank notifies information and statistics about the following to the Ministry and Borsa İstanbul through Supply Chain Internal Control and Compliance Officer until the end of March each year:

- Dates of training,
- Regions or provinces where training was provided,
- Training method,
- Total training hours,
- Number of employees that received training and ratio to headcount,
- Distribution by units and titles of employees that received training,
- Content of training,
- Titles of trainers and area of expertise

### **Record Keeping**

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The Bank keeps the records related to all customer accounts, agreements concluded with the suppliers, and records related to precious metal supply for at least 10 years pursuant to the Banking Law and relevant regulations.

### **Internal Audit**

The Bank's Internal Audit Department carries out audits to evaluate adequacy and effectiveness of measures taken to assess, monitor and manage precious metal responsible supply chains risk.

### **Responsible Supply Chain Assurance Audit**

The Bank signs the agreement on responsible supply chain assurance audit within the first four months of the audit period with the authorized independent audit institution that will perform the relevant audit.

In case the agreement on responsible supply chain assurance audit is not signed until the end of the four-month period due to any reason, the issue is notified to Borsa İstanbul on the first business day at the latest following the date of occurrence.

The Bank is obliged to annually prepare the Policy and Supply Chain Compliance Report showing the compliance of transactions during reporting period with such policies and present to responsible supply chain auditor Supply Chain Compliance Report approved by the BoD. In addition, it is ensured that Supply Chain Compliance Report and Independent Assurance Report are published on the Bank's corporate website until the end of June.