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**BORSA İSTANBUL A.Ş.
DUE DILIGENCE DIRECTIVE ON
RESPONSIBLE SUPPLY CHAIN OF PRECIOUS
METALS**

ISTANBUL – 2021

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BORSA İSTANBUL A.Ş. DUE DILIGENCE DIRECTIVE ON RESPONSIBLE SUPPLY CHAIN OF PRECIOUS METALS

Purpose and Scope

ARTICLE 1 – (1) The purpose of this Directive is to set down and determine the procedures and principles regarding due diligence of precious metals intermediary institutions actively operating in Borsa İstanbul Precious Metals Market and of refineries established in Türkiye and included in the List of Refineries with the Borsa İstanbul regulations and international standards in the course of supply of precious metals.

Grounds

ARTICLE 2 – (1) This Directive is prepared and issued in reliance upon provisions of the Regulation on Operating Principles of Precious Metals Exchange Intermediary Institutions and on Foundation of Precious Metals Intermediary Institutions promulgated in the Official Gazette edition 26528 on 21/05/2007 and the Communiqué on Precious Metals Standards and Refineries (Communiqué no. 2006/1) promulgated in the Official Gazette edition 26350 on 18/11/2006.

(2) Borsa İstanbul Responsible Supply Chain Due Diligence Directive, Borsa İstanbul Precious Metals Responsible Supply Chain Due Diligence Guideline, Borsa İstanbul Responsible Supply Assurance Audit Directive and Directive on Internal Control System and Due Diligence Principles of Precious Metals Intermediary Institutions and Refineries are as a whole the components of Borsa İstanbul responsible precious metals supply chain due diligence program.

Definitions and Abbreviations

ARTICLE 3- (1) For the purposes and in the context of this Directive:

- a) “Decree no. 32” stands for the Decree no. 32 on Protection of Value of Turkish Currency promulgated in the Official Gazette edition 20249 on 11/08/1989; and
- b) “Ministry” stands for the Ministry of Treasury and Finance; and
- c) “Exchange” or “Borsa İstanbul” stands for Borsa İstanbul Anonim Şirketi; and
- ç) “CEO” stands for Borsa İstanbul A.Ş. Chief Executive; and
- d) “Precious metals” refers to all kinds of precious metals defined in the Decree no. 32; and
- e) “Precious metals intermediary institution” refers to precious metals intermediary institutions, banks, authorized institutions, joint-stock companies engaged in production or trade of precious metals, and Turkish branches of companies residing abroad , which are permitted by the Ministry to actively operate in the Exchange as a member, and deal with trading in their own name and account, or in the name and account of others, or in their own name and in the account of others, and the operating principles of which are regulated by a Regulation; and
- f) “MASAK” stands for the Financial Crimes Investigation Board ; and
- g) “Refinery” refers to refineries established in Türkiye and included in the List of Refineries issued by the Exchange within the frame of the Communiqué and other related regulations of the Ministry; and
- ğ) “List of Refineries” refers to a list of refineries the bars, bullions and granules of which are permitted to be traded in the Exchange, as published by the Exchange; and

h) “Communiqué” stands for the Communiqué on Precious Metals Standards and Refineries (Communiqué no. 2006/1) promulgated in the Official Gazette edition 26350 on 18/11/2006; and

i) “Supply chain” refers to a system covering all activities, organizations, actors, technologies, information, sources and services included in the process of transport of precious metals from their sources to the end consumers; and

i) “Supply chain due diligence program” refers to a set of actions and measures specified in Borsa İstanbul Responsible Supply Assurance Engagement Directive and in Article 8 of the Directive on Internal Control System and Due diligence Principles of Precious Metals Intermediary Institutions and Refineries, aiming to make sure that precious metal supply operations are carried out respectfully towards human rights and in such manner to avoid any contributions to regional conflicts and financing of terrorism and laundering of criminal revenues in the precious metal supply process; and

j) “Due diligence” refers to a continuous proactive and reactive process which enables the obligors to detect, identify, prevent, mitigate, and account for, actual and potential negative effects of their business operations and supply systems as an integral part of their commercial decision making and risk management systems, and to carry out all of their business operations in accordance with the Regulation, the Communiqué and other related applicable laws and regulations; and

k) “Due Diligence Guideline” stands for Borsa İstanbul A.Ş. Due Diligence Guideline on Responsible Supply Chain of Precious Metals; and

l) “Regulation” stands for the Regulation on Operating Principles of Precious Metals Exchange Intermediary Institutions and on Foundation of Precious Metals Intermediary Institutions promulgated in the Official Gazette edition 26528 on 21/05/2007; and

m) “Obligor/Obligors” refers to both precious metals intermediary institutions that are members of the Exchange holding an operating permit received pursuant to the Regulation on Operating Principles of Precious Metals Exchange Intermediary Institutions and on Foundation of Precious Metals Intermediary Institutions, and refineries established in Türkiye and declared in the Exchange’s List of Refineries pursuant to the Communiqué on Precious Metals Standards and Refineries.

(2) Any reference made to supply chain or supplier in the body of this Directive covers customers, suppliers, agencies, intermediaries and members, as well as other related firms and institutions taking part in supply of precious metals to refinery.

Five-Step Approach

ARTICLE 4 – (1) Precious metals responsible supply chain is based on the Five-Step Approach to be outlined and described in the Due Diligence Guidance Five-Step Approach is generally accepted as a minimum standard for establishment and continuous development of due diligence practices for each of key areas included in the supply chain of precious metals intermediary institutions and refineries. The corporate governance practices and principles constitute the basis of operation and development of internal control and due diligence systems of precious metals intermediary institutions and refineries.

(2) Principles underlying the five-step approach are as listed below:

a) Establishment of strong corporate management systems, and

b) Identification and assessment of risks in supply chain, and

c) Designing and application of a strategy responsive to the risks determined as above, and

ç) Audit of due diligence activities of precious metals intermediary institutions and refineries by independent third parties (Independent Assurance Report), and

d) Annual reporting of supply chain due diligence activities.

Conflict-Affected and High-Risk Areas (CAHRAs)

ARTICLE 5 – (1) Conflict-Affected and High-Risk Areas (CAHRAs) are regions under the effects of armed conflicts, extensive acts of violence or other risks which may endanger and damage humans. The term “armed conflicts” may encompass international or local wars involved in by two or more states, as well as struggles for freedom, riots, civil wars and similar other events. High-risk areas cover areas, which are dominated by political instability or pressure, corporate weakness, insecurity and extensive acts of violence, or where corporate infrastructure has collapsed. Such types of places are generally known with extensive violations of human rights, or breach of national or international regulations.

(2) Contribution to conflicts means a contribution to armed aggression between two or more groups. Groups in conflicts may cover governmental forces, paramilitary forces, organized criminals or terrorist groups.

(3) Methodology to be employed in determination of High-Risk Areas Affected from Conflicts is to be clearly defined in the corporate policy of the obligor. Method to be used for determination of Conflict-Affected and High-Risk Areas (CAHRAs) will be based upon principles included in Borsa İstanbul responsible supply chain regulations.

(4) Obligors are under obligation to comply with the principles set down in the Due Diligence Guideline in respect of precious metals procured from Conflict-Affected and High-Risk Areas (CAHRAs).

Due Diligence Guideline

ARTICLE 6 – (1) General procedures and principles regarding direction of practices under this Directive are to be regulated in the Due Diligence Guideline to be prepared pursuant to this Directive and put into force by approval of the CEO with a prior consent of the Ministry. Obligors are obligated to take into consideration the provisions of both this Directive and the Due Diligence Guideline in the course of performance of their activities.

(2) Due Diligence Guideline describes the procedures and principles regarding precious metals responsible supply chain in accordance with the objectives and purposes of this Directive and within the frame of Five-Step Approach referred to in Article 4 of this Directive.

(3) Whether activities are conducted in accordance with the Due Diligence Guideline or not is verified and certified in accordance with the provisions of Borsa İstanbul Responsible Supply Independent Audit Directive and other applicable laws and regulations pertaining thereto.

Responsibility of Exchange Regarding Precious Metals

ARTICLE 7– (1) Delivery of precious metals to the Exchange, withdrawal of precious metals from the Exchange, and/or trading of them in the Exchange are not guaranteed by the Exchange of their compliance under the responsible supply chain rules. The Exchange only determines and regulates the responsible supply chain principles in the light of its duties and powers.

(2) Natural persons or legal entities delivering precious metals for custody or settlement purposes are, if and when needed, under obligation to verify that the subject precious metals are supplied in compliance with the responsible supply chain rules.

Absence of Provisions

ARTICLE 8 – (1) The CEO is authorized to take decisions, and guide and regulate the enforcement, within the frame of the relevant regulations, on all matters explicitly mentioned in this Directive but also the ones that remain unclear.

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(2) The CEO is further authorized to take decisions in respect of activities and works pertaining to this Directive, and appoint working groups, and represent the Exchange in all domestic and foreign organizations and platforms with regard to precious metals responsible supply chain, and identify and appoint people authorized to represent the Exchange, and establish and develop cooperation and communication with the Ministry, MASAK and other national and international organizations and institutions in relation with precious metals responsible supply chain, and sign protocols for said purposes, and to regulate the promotion, education and other activities relating to the Exchange's precious metals responsible supply chain due diligence program and regulations.

Effective Date

ARTICLE 9 – (1) This Directive shall become effective as of 05/03/2021.

Enforcement

ARTICLE 10 – (1) The provisions of this Directive shall be enforced and executed by the CEO.