



PRIVATE AND CONFIDENTIAL

QNB FİNANSBANK A.Ş.

PRECIOUS METALS RESPONSIBLE SUPPLY CHAIN

MANAGEMENT REPORT

FOR THE PERIOD FROM JANUARY 01 TO DECEMBER 31, 2022

This report consists of 10 pages.



RESPONSIBLE SUPPLY CHAIN MANAGEMENT REPORT

To the Board of Directors of QNB Finansbank A.Ş.,
To the Audit Committee of QNB Finansbank A.Ş.,

This report was prepared for the period from January 01 to December 31, 2022 within the scope of “Borsa İstanbul A.Ş. Responsible Supply Chain Compliance Directive”, “Borsa İstanbul A.Ş. Precious Metals Responsible Supply Chain Compliance Guide” and “Borsa İstanbul A.Ş. Directive on Internal Control Systems and Compliance Principles of Precious Metals Intermediary Institutions and Refineries”.

Underlying Subject Matter

1. This Report is related to the reasonable assurance to be given by us for Compliance Report prepared by the Bank’s management for the period from January 01 to December 31, 2022 in order to fulfill its obligation to prepare Compliance Report, which is obligatory for banks to prepare within the scope of “Borsa İstanbul A.Ş. Responsible Supply Chain Compliance Directive”, “Borsa İstanbul A.Ş. Precious Metals Responsible Supply Chain Compliance Guide” and “Borsa İstanbul A.Ş. Directive on Internal Control System and Compliance Principles of Precious Metals Intermediary Institutions and Refineries” (collectively referred to as the "Directive") approved by Borsa İstanbul A.Ş. (“BİST”) on March 05, 2021.
2. This report was prepared as a result of the assurance audit in accordance with GDS 3000 (Assurance Engagements Other than Audits or Reviews of Historical Financial Information).

Assurance Audit Scope and Assurance Level

1. Independent assurance engagements were carried out within the framework of GDS 300, published by International Auditing and Assurance Standards Board, and “Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas”, published by Borsa İstanbul A.Ş., in line with the legislation and regulations set forth in Regulation on Auditing of Third Parties determined for GDS 3000 auditors and Independent Assurance Report (Report) was prepared. The audit in question covers the precious metals traded in Borsa İstanbul Precious Metals Market. The assurance scope is limited to Directive on Responsible Supply Chain Assurance Audit.

Audit Methodology

1. In order to achieve the audit objectives stated above, an audit methodology was adopted and applied in accordance with the control approach in PwC audit methodology that was used during the Bank Responsible Supply Chain Assurance audit.
2. During the audit, a number of audit techniques were implemented, including information collection, observation, inquiry and verification, review, analytical review, re-implementation and re-calculation. When determining the sample or samples to be tested during the testing of controls, the test technique to be applied, the characteristics of the main mass (or sub-mass) from which the sample is to be selected and the relevant control were taken into



account. Accordingly, during the selection of the sample or samples, the controls were separated based on whether the controls to be tested were performed automatically or manually. Sampling methods used during the audit are given in the section titled “Sampling Method Used in the Audit” of the Report.

3. In developing the strategy for testing controls, the magnitude of the risk indicated by the control, the overall assessment of the control environment, the effectiveness of the control in preventing the risk and the audit evidence it would provide were taken into account.
4. In identifying the sample or samples to be tested, purpose of the test technique to be applied and the characteristics of the main mass or sub-mass from which the sample is to be selected and the relevant control were taken into account.
5. During the Assurance Audit, in cases where processes were carried out separately on different platforms or in different system parts, a separate sample group was identified and used for each process.
6. When testing the controls, the considered time period was chosen in a way that forms an opinion on the entire audit period.
7. The auditor assessed a number of criteria, including the complexity of the control, its significance for financial reporting, the risks that could arise if the control is not applied and the extent to which personal judgment was used in applying the control. It used professional judgment to select the most appropriate number of samples to reduce the risk of sampling error to an acceptable level.
8. Errors, fraud or illegal practices may occur and not be detected due to the inherent limitations of controls. In addition, results obtained based on the findings should not be evaluated in a way that includes future periods. There is a risk that these results may change over time due to changing conditions, changes to the system or controls, failure to accurately make necessary changes to the system or controls or deterioration in the level of compliance, effectiveness and adequacy of controls.

Auditing Techniques Used in the Audit

Following auditing techniques were used during the audit engagement.

1. **Information Collection:** It refers to obtaining information on the operation of the process and control through internal (procedures, policies and work flow diagrams, etc.) and external (market data, industry information, etc.) sources before and during the audit.
2. **Observation:** It refers to independent monitoring of the operation of existing controls during the audit.
3. **Inquiry and Verification:** These refer to interviews with the actors and owners of the control to understand the functioning of the controls and to verification of the information and understanding obtained during such interviews.

4. **Review:** It refers to obtaining and examining the written documents or electronic records used in the execution of the control in order to obtain adequate audit evidence that the controls are consistently applied.
5. **Re-implementation:** It refers to obtaining audit evidence about the effectiveness of the control by applying the relevant control independently by the auditor.
6. **Re-calculation:** It refers to re-performing the calculation independently of the system or personnel performing the calculation in order to understand the effectiveness and adequacy of calculation-based controls.
7. **Analytical Review:** It refers to use of methods such as making comparisons between the expectations formed within the framework of the information obtained about the process and control and the existing data of the main mass, monitoring the trends and identifying deviations.

In testing the specified controls, the magnitude of risk indicated by the control, the overall assessment of the control environment, the effectiveness of the control in preventing the risk and the audit evidence it would provide were taken into account. At this stage, the auditor used one or more of the methods mentioned above by utilizing his professional judgment and experience.

Sampling Method Used in the Audit

Sampling method was used for testing the controls. The sampling method refers to the application of testing techniques to less than 100% of the main mass of the audit so that all items have a chance of being selected. Statistical and non-statistical approaches were used in implementation of sampling method. Sampling methods and techniques used during the audit are summarized below.

After identifying the controls to be tested, test targets for controls whose effectiveness will be evaluated were determined. Such targets include the criteria to be used in assessment of test results.

Upon determining the test targets, the process groups which contain the control procedures with the same characteristics were identified. In case there are sub-masses with different characteristics within the main mass, the sampling method was applied separately for the sub-masses showing a homogeneous structure and determined as per audit objectives. In this context, it was assumed that information to be obtained by random sampling method can be generalized to the whole examined mass.

During the tests, random sampling method was used to ensure that each control procedure within procedure groups was given an equal chance of selection. It was assumed that the random sampling method was the most appropriate method for achieving the stated audit objectives and that the findings obtained as a result can be generalized to the entire procedure group.

When selecting the samples to be tested, the controls were separated based on whether the controls to be tested were performed automatically or manually.

Statistical and non-statistical approaches were used in selecting the sample group to be tested.

When deciding on the number of samples to be used in the stage of testing manual controls via review and information collection techniques, the below table which was prepared by using statistical methods and which shows the minimum number of samples to be tested according to application frequency was used. This table shows the minimum number of samples to be tested during control tests.

Accordingly, the number of samples resulting from applying different statistical methods when determining the number of samples to be used in the testing stage of manual controls implemented more than once a day was analyzed. It was understood that there was no significant difference between the results and number of samples ranged between 25-30.¹ When deciding on the number of samples to be used in the stage of testing manual controls via review technique, the table which was prepared by using statistical methods and which shows the minimum number of samples to be tested according to application frequency was used.

Number of Samples to be Used in Testing Manual Controls	
<u>Control application frequency</u>	<u>Number of samples to be tested</u>
Annually	1
Once in three months	2
Monthly	2 - 5
Weekly	5, 10, 15
Daily	20, 30, 40
Multiple times a day	25, 45, 60
Factors to be considered when determining the number of samples to be tested	
▪ Complexity level of the control	
▪ How important personal judgments are in applying the control	
▪ How the risk for possible setbacks in effective application of the control is evaluated	
▪ Importance of the control's effectiveness in terms of reporting the Bank's sensitive data	
▪ Characteristics of the control population	

Table 1- Table showing the minimum number of samples to be tested during control tests

Regarding the tests where other testing techniques are used for manual controls, number of samples is determined by the auditor with non-statistical methods considering the results of risk assessments in the relevant process and importance of the control. Automatic controls were tested by using a single sample if compliance was obtained within the scope of information technologies general control approach stated in PwC audit methodology. Effectiveness of automatic controls was tested by using a single sample.

¹ If 25 samples are selected and no exceptions are encountered during testing, 90% assurance can be provided that the exception rate is no more than 8.8% for all control procedures.
 If 25 samples are selected and no exceptions are encountered during testing, 95% assurance can be provided that the exception rate is no more than 11.3% for all control procedures.
 If 30 samples are selected and no exceptions are encountered during testing, 90% assurance can be provided that the exception rate is no more than 7.4% for all control procedures.
 If 30 samples are selected and no exceptions are encountered during testing, 95% assurance can be provided that the exception rate is no more than 9.5% for all control procedures.



During the audit, the auditor evaluates the criteria such as the complexity of the control, its importance for reporting financial and sensitive data of the Bank, the risks that may arise if the control is not applied, the extent to which personal judgment is used in applying the control. When deemed necessary, scope of testing can be expanded and number of samples to be tested can be increased in order to provide sufficient audit evidence.

Responsibility of the Bank's Management

Responsibility of the Bank management consists of ensuring that the document flow, document record order, all structures and systems established within the scope of the Precious Metals Responsible Supply Chain are ready and suitable for audit and that the documents requested by the independent auditor are submitted. It is also responsible for taking the measures to ensure collaboration among Independent Auditor and Internal Control Supply Chain Contact Persons throughout the assurance audit.

Auditor's Responsibilities

The assurance engagement was performed in accordance with "Borsa İstanbul A.Ş. Directive on Responsible Supply Chain Assurance Audit" and GDS 3000 published by KGK. Such standards require that we plan and implement our procedures to obtain reasonable assurance that the underlying subject matter is presented fairly and in all important aspects, controls are appropriately designed and effectively operated.

An assurance audit on reporting regarding the design and operational effectiveness of controls includes implementing the disclosures in the Directive and procedures to obtain evidence regarding the design and operational effectiveness of controls. Selected procedures are based on the auditor's professional judgment including assessment of the risks that the underlying subject matter may not be fairly presented and controls may not be appropriately designed or effectively operated. Our procedures also include testing the operational effectiveness of the mentioned controls, which are deemed necessary to provide reasonable assurance that objectives stated in the *Underlying Subject Matter* have been reached. This type of assurance audit includes evaluating the overall presentation of the underlying subject matter and the appropriateness of the stated objectives.

Implemented Assurance Procedures

1. Assurance Audit Procedures were planned and implemented in a way to obtain accurate and adequate evidence, information and explanations within the scope of the directive stated above.
2. Actions were taken in accordance with Directive on Responsible Supply Chain Assurance Audit and GDS 3000 currently in effect.
3. Audit scope was determined and audit plan was created based on the audit subject.
4. A presentation was prepared regarding the audit subject and the process and a meeting was held with the Bank.
5. List of requests for the evidence to be examined was prepared and sent to the Bank considering relevant directives and legislation.



6. Collaboration was established throughout the audit with the Bank's Internal Control and Supply Chain Contact Person.
7. During the audit, Borsa İstanbul A.Ş. followed the announcements regarding the directive and the audit process was managed in accordance with the announcements.
8. It was observed that the training provided by the Bank to Internal Control and Supply Chain Contact Persons includes, at a minimum, the following subjects:
 - Foreign exchange legislation and implementation,
 - CAHRA concept and other Compliance Guide concepts,
 - Responsible supply chain steps and case study engagements 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;
 - o Know Your Customer principles,
 - o Principles regarding notification to be made to relevant organizations and institutions,
 - o Obligation of keeping and submitting,
 - o Obligation of providing documents and information,
 - o Sanctions to be imposed in case of failure to fulfill obligations,
 - International regulations on anti-money laundering and combating the financing of terrorism.
9. Applicable policies and procedures of the Bank were reviewed and evaluated in terms of adequacy and appropriateness.
 - Determining the controls in the relevant processes and evaluating their adequacy,
 - Reviewing the internal directives of the Bank prepared for the relevant processes and evaluating their adequacy,
 - Evaluating the risks determined by the Bank in the supply chain,
 - Meeting with the officials who prepared the Compliance Report,
 - Examining the components of the Compliance Report.
10. Evidence regarding the responsible supply chain process was collected and examined considering the Regulation on Measures for Anti-Money Laundering and Combating the Financing of Terrorism ("Measures Regulation") and the Regulation on Program of Compliance with Obligations of Anti-Money Laundering and Combating the Financing of Terrorism ("Compliance Program Regulation").



11. Once the process of collecting and examining the evidence was completed, the Independent Assurance Report was prepared as per the directive and submitted to the Bank.

Structural Constraints

This Report, within the scope stated under the *Auditor's Responsibilities* section, is based on the evidence obtained as part of reasonable assurance audit engagement regarding the Compliance Report for the period from January 01 to December 31, 2022. Reflection (projection) of an evaluation regarding the operational effectiveness of the controls stated in the Compliance Report to future periods may cause risk of inadequate or unsuccessful controls. In addition, relevant controls may not be able to prevent or determine all errors or deficiencies in operating or reporting transactions. Due to changing conditions, the controls may be inadequate or compliance with the policies and procedures may decrease.

Special Purpose

This Report was prepared within the scope of the provisions of the Directive mentioned above. Therefore, the Report may not be appropriate for other purposes.

Independence and Quality Control

We comply with the independence and other ethical requirements of the Code of Ethics for Independent Auditors (including Independence Standards) (Code of Ethics) published by the Public Oversight Accounting and Auditing Standards Authority ("KGK") and based on basic principles consisting of honesty, objectivity, professional competence and care, confidentiality and professional behavior.

We implement the Quality Control Standard 1 provisions and accordingly maintain a comprehensive quality control system including code of ethics, professional standards and documented policies and procedures regarding the compliance with applicable legislation provisions.

Competency Statement and Professional Qualification

We comply with the independence and other ethical requirements of the Code of Ethics for Independent Auditors published by the KGK that is based on basic principles consisting of honesty, objectivity, professional competence and care, confidentiality and professional behavior. We believe that the audit formed a reasonable and adequate basis for us to build our opinion.

As PwC, we implement the Quality Control Standard 1 provisions and accordingly maintain a comprehensive quality control system including code of ethics, professional standards and documented policies and procedures regarding the compliance with applicable legislation provisions.

Independent assurance audit and independent assurance reporting processes were conducted by a team that has expertise in Internal Control, Responsible Supply Chain and Compliance Policy.



Findings Identified in the Current Period

It was observed that no Material Weakness (MW), Significant Deficiency (SD) or Deficiency (D) was identified as a result of the examination of sufficient and appropriate evidence during the period from January 01 to December 31, 2022 with zero tolerance principle.

Opinion

Based on the engagement and evidence obtained, according to our opinion, in all important aspects,

1. The Compliance Report prepared by the Bank for the period from January 01 to December 31, 2022 is presented fairly in accordance with the Directive provisions,
2. Controls were appropriately designed by the Bank for the objectives stated in the Directive during the period from January 01 to December 31, 2022.
3. Controls tested by us were effectively operated during the period from January 01 to December 31, 2022.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Talar Gül, CPA
Responsible Partner Lead Auditor

İstanbul, 16/06/2023



MANAGEMENT STATEMENT OF THE BANK

Statement

We confirm that the information we provide below for the Compliance Report prepared by QNB Finansbank A.Ş. ("Bank") for the period from January 01 to December 31, 2022 in order to fulfill its obligation to prepare Compliance Report, which is obligatory for banks to prepare within the scope of "Borsa İstanbul A.Ş. Responsible Supply Chain Compliance Directive", "Borsa İstanbul A.Ş. Precious Metals Responsible Supply Chain Compliance Guideline", "Borsa İstanbul A.Ş. Directive on Responsible Supply Chain Assurance Audit" and "Borsa İstanbul A.Ş. Directive on Internal Control System and Compliance Principles of Precious Metals Intermediary Institutions and Refineries" (collectively referred to as the "Directive") approved by Borsa İstanbul A.Ş. ("BİST") on March 05, 2021 is based on our best judgment and knowledge.

Grounds for Statement

- We acknowledge that the Bank/Company Management is responsible as per the relevant legislation for establishing and implementing necessary Business and IT processes and providing an effective, adequate and compliant control environment in line with the procedures and principles stipulated in the legislation.
- As stated in the second paragraph of article 19 of Borsa İstanbul A.Ş. Directive on Responsible Supply Chain Assurance Audit, we confirm that all kinds of information and documents you requested for the audit were shared in full and accurately.
- Opportunity to contact necessary people within the Bank/Company without any restrictions was ensured in order you to collect all the information and audit evidence you requested for the audit.
- We confirm that Precious Metals Responsible Supply Chain Compliance Report covers the summary of the activities carried out during the period, notification of compliance with each step of five-step approach stated in Borsa İstanbul A.Ş. Responsible Supply Chain Compliance Directive, the management statement regarding the compliance with Borsa İstanbul A.Ş. Responsible Supply Chain Compliance Directive and maintains our current evaluations and results as of the report date.