



Scope: Modeling and Design Of Jewelry with Gold and Silver Precious Metals Production, Sale and Export

1. Purpose

The purpose of this AML & KYC Compliance Policy is to ensure that Milan Jewellery operates in full compliance with Turkish legislation on the prevention of money laundering, combating the financing of terrorism, and preventing the financing of the proliferation of weapons of mass destruction.

This Policy establishes a risk-based AML & KYC framework and integrates OECD Annex II risk indicators as red flags within customer and transaction risk assessments, without replacing or duplicating any separate responsible sourcing or supply chain due diligence policies.

2. Legal and Regulatory Framework

This Policy is prepared in accordance with the following laws, regulations, and standards:

- National Legislation
- Law No. 5549 on the Prevention of Laundering Proceeds of Crime
- Law No. 6415 on the Prevention of Financing of Terrorism
- Law No. 7262 on the Prevention of Financing the Proliferation of Weapons of Mass Destruction
- MASAK secondary regulations, communiqués, and guidelines
- International References
- International AML/CFT and KYC principles
- OECD Due Diligence Guidance – Annex II, used solely as a risk indicator framework for AML/KYC purposes

3. Risk-Based Approach

Milan Jewellery applies a risk-based approach to identify, assess, mitigate, and monitor risks related to money laundering, terrorist financing, and proliferation financing.

Risk assessments are conducted considering:

- Customer risk
- Geographic/country risk
- Product and transaction risk
- Delivery channel and payment method risk
- Risk classifications are documented and periodically reviewed.

4. OECD Annex II Risk Indicators (AML/KYC Red Flags)

OECD Annex II risks are integrated into the AML/KYC system as risk indicators (red flags) that may signal heightened ML/TF risk.

4.1 OECD Due Diligence, Annex II-Linked Red Flags

- Enhanced scrutiny is applied where transactions or counterparties involve:
- Allegations or indications of serious human rights abuses, including forced labor or child labor
- Links to non-state armed groups, conflict financing, or violent activities
- Indicators of bribery or corruption, especially involving public officials
- Fraudulent or inconsistent documentation, including misrepresentation of origin
- Transactions involving conflict-affected and high-risk areas (CAHRAs) without reasonable explanation
- Indicators of illicit trade, smuggling, tax evasion, or organized crime
- These indicators do not replace MASAK obligations but support enhanced AML risk detection.

5. Enhanced Due Diligence (EDD) and Escalation

Where higher-risk indicators are identified:

- Additional source of funds / source of wealth information may be requested
- Enhanced screening and adverse media checks are conducted
- Senior management or Compliance Officer approval is required
- Ongoing monitoring intensity is increased
- High-risk cases are escalated to the Compliance Officer, and decisions are documented.

6. Customer Due Diligence (CDD) & KYC Requirements

Milan Jewellery applies CDD measures proportionate to risk, including:

- Identification and verification of customers
- Identification of Ultimate Beneficial Owners (UBOs) for legal entities

- Verification of ownership and control structures using reliable documentation
- Screening against sanctions, embargo, and watch lists
- Ongoing monitoring of customer relationships

6.1 Politically Exposed Persons (PEPs)

A Politically Exposed Person (PEP) is an individual entrusted with prominent public functions, including their immediate family members and close associates.

Relationships involving PEPs are subject to:

- Enhanced Due Diligence (EDD)
- Senior management approval
- Increased transaction monitoring

6.2 Cash Transaction Controls

Cash transactions are subject to threshold-based monitoring and enhanced scrutiny, considering transaction frequency, structuring risk, and consistency with the customer profile.

7. Suspicious Transaction Reporting (STR)

Milan Jewellery maintains procedures to identify, assess, and report suspicious transactions in compliance with MASAK regulations.

7.1 Identification of Suspicious Transactions

A transaction (completed or attempted) is considered suspicious if it:

- Is inconsistent with the customer's profile or declared activity
- Lacks clear economic or lawful purpose
- Involves unusual structuring, third-party payments, or atypical payment methods
- Indicates potential money laundering, terrorist financing, or proliferation financing

7.2 Internal Reporting and Assessment

- All employees must promptly report suspicions to the Compliance Officer
- The Compliance Officer evaluates the case and documents the assessment

7.3 Reporting to MASAK

- Where required, an STR is submitted to MASAK electronically via the official reporting system
- STRs are submitted without delay, regardless of transaction completion

7.4 Confidentiality and Tipping-Off Prohibition

- STR-related information is strictly confidential
- Customers and third parties must not be informed
- Any breach is subject to disciplinary and legal action

8. Record Keeping

Milan Jewellery retains AML/KYC records for a minimum of eight (8) years, in line with MASAK requirements.

Records include, but are not limited to:

Customer identification and verification documents

- UBO records
- Risk assessments and scoring
- Transaction records and invoices
- STR documentation and internal evaluations
- Training records
- Internal audit and compliance review reports

9. Asset Freezing Procedures

In compliance with the *Procedures and Principles Regarding the Freezing of Assets and Removal of Such Decisions*, Milan Jewellery implements:

- Suspension of delivery or refund of assets subject to freezing decisions
- Immediate notification to relevant authorities, including BIST Precious Metals and Gemstones Market where applicable
- Responses to Ministry notifications within prescribed timelines (maximum 7 days)
- Reporting of non-existent or unrecordable assets
- Reporting upon lifting of freezing decisions

10. Roles and Responsibilities

- Board of Directors: Ultimate responsibility for effective AML/KYC implementation
- General Manager: Implementation, review, and updates of this Policy
- Compliance Officer: Oversight of AML/KYC controls, STR reporting, and risk management
- Employees: Mandatory compliance with this Policy

11. Review and Approval

This Policy is reviewed periodically and updated in line with legal, regulatory, and risk developments.

APPROVED BY THE CEO AND THE BOARD OF DIRECTORS

Milan Hediyeelik Eşya Sanayi Ve Ticaret Anonim Şirketi

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