

SUPPLY CHAIN POLICY **AND PROCEDURES**

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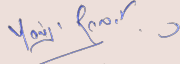


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COMPANY PROFILE

Legal Name as per Trade License : FALCON PRECIOUS METAL REFINERY (FZC)
Legal Type : Free Zone Co. with Limited Liability
DNFBP Category : Dealers in Precious Metals and Stones
Licensing Authority : Sharjah Airport International Freezone
License Number : 22817
Incorporation Date : 9th December 2021
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GLOSSARY OF TERMS

Accreditation Standards	means the following accreditation standards issued and regulated by DMCC (as amended from time to time): A. the Dubai Good Delivery standard (DGD); and B. the Market Deliverable Brand standard (MDB);
Company	means any person or entity that is subject to any one or more of the Accreditation Standards;
Applicable Laws and Regulations	means all applicable laws, regulations, orders, injunctions, judgments, decrees, rulings or other similar requirement enacted, adopted, promulgated or applied by a relevant governmental authority that is binding upon or applicable to such company, as amended unless expressly specified otherwise.
ASM	Means artisanal and small-scale mining formal or informal mining operations with predominantly simplified forms of exploration, extraction, processing, and transportation. ASM is normally low capital intensive and uses high labour-intensive technology. ASM can include people working on an individual basis as well as those working in family groups, in partnerships, or as members of cooperatives or other types of legal associations and enterprises involving hundreds or even thousands of miners.
Conflict-Affected and High-Risk Areas	means areas identified by the presence of armed conflict, widespread violence, including violence generated by criminal networks, or other risks of serious and widespread harm to people. Armed conflict may take a variety of forms, such as a conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation, insurgencies or civil wars. High-risk areas are those where there is a high risk of conflict or of widespread or serious abuses as defined in the OECD Due Diligence Guidance for Responsible for Responsible Supply Chains of Minerals from Conflict-Affected and/or High-Risk Areas. Such areas are often characterised by political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure, widespread violence and violations of national or international law.
FIU	means the Financial Intelligence Unit of the UAE;
Human Rights	mean the universal rights and freedoms regarded as belonging to every person, without discrimination, based on internationally recognised standards;
IGC	means DMCC's Independent Governance Committee;
LSM	means gold and/or precious metals large scale mining operations that are not considered to be ASM.
Money Laundering	means the process by which the financial proceeds of crime are disguised to conceal an illegal origin;
Mined Gold and/or Precious Metals	means gold and/or precious metals that originates from mines and has never been previously refined. The origin of Mined Gold and/or Precious Metals is the mine where it is extracted. Mined Gold and/or Precious Metals subcategories are as follows: (a) Alluvial; (b) Ore; (c) Concentrate; (d) Dore; (e) Mining by-product; (f) LSM gold; (g) ASM gold; 4 and (h) Tailings.
OECD Guidance	means the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas;
PEP	means a Politically Exposed Person
Recycled Gold and/or Precious Metals	means gold and/or precious metals that has been previously refined, such as end-user, post-consumer and investment gold and/or precious metals and gold and/or precious metals-bearing products, and scrap and waste metals and

	materials arising during refining and product manufacturing including recovered material from industrial recovery, which is returned to a refiner or another downstream intermediate processor to begin a new life cycle as 'recycled gold'. The origin of Recycled Gold and/or Precious Metals is considered to be the point in the supply chain where the gold and/or precious metals is returned to the refiner or other downstream intermediate processor or recycler; assay samples are excluded from this category and falls out of scope of the review provided the member is able to justify the quantity during the review period ;
Resolution	means Cabinet Decision No. (10) of 2019 on the Executive Regulation of Federal Decree-Law No. 20 of 2018 on Anti-Money Laundering and Combatting the Financing of Terrorism and Financing of Illegal Organizations;
Review	means an independent audit of the Company undertaken in accordance with DMCC's Rules for RBD-GPM;
Reviewer	has the meaning given to that term in Rule 4.2;
Rules	means Part C of DMCC's Rules for RBD-GPM;
Schedule	means the schedule set out in Part D of DMCC Rules for RBD-GPM;
STR	means a Suspicious Transaction Report, as further described in the Schedule;
Terrorism Financing	means any kind of financial support to those who encourage, plan or engage in terrorism; and
UAE	means the United Arab Emirates.
Suppliers	This term refers to any individual or organisation who is considered to be a participant in the supply chain for the supply of gold and gold-bearing materials.
Supply chain	The term supply chain refers to the system of all the activities, organisations, actors, technology, information, resources and services involved in moving gold from the source to end consumers.
Upstream supply chain and Upstream Companies	"Upstream supply chain" means the gold supply chain from the mine to refiners. "Upstream companies" include miners (artisanal and small-scale enterprises or medium and large-scale gold mining companies), ¹¹ local gold traders or exporters from the country of gold origin, transporters, international gold traders of Mined/Recyclable Gold and refiners. Artisanal and small-scale gold producers such as individuals, informal working groups or communities are not expected included as upstream companies for the purposes of carrying out due diligence in line with this Guidance, although they are encouraged to remain involved in due diligence efforts of their customers and formalise so they can carry out due diligence in the future.
Downstream supply chain and Downstream Companies	"Downstream supply chain" means the gold supply chain from refiners to retailers. "Downstream companies" include refined gold traders and gold markets, bullion banks and exchanges or other entities that do their own gold vaulting, jewellery manufacturers and retailers, and other companies using gold in the fabrication of products (e.g. manufacturers and retailers of electronics or medical devices).
Supply Chain Due Diligence	With specific regard to supply chain due diligence for responsible mineral sourcing, risk-based due diligence refers to the steps companies should take to identify, prevent and mitigate actual and potential adverse impacts and ensure that they respect human rights and do not contribute to conflict ¹² through their activities in the supply chain.

1. INTRODUCTION

FALCON PRECIOUS METAL REFINERY (FZC), an established company for Imitation Trading Jewellery, Pearls & precious Stones trading, Goldsmith, Crystal Products Trading, Non-manufactured precious metals trading, Jewellery Trading is fully committed in providing high quality products and services while meeting the highest ethical and moral standards with respect to responsible sourcing.

FALCON PRECIOUS METAL REFINERY (FZC) recognizes that risks of significant adverse impacts may be associated with extracting, trading, handling and exporting minerals from conflict-affected and high-risk areas, and we recognize that we have the responsibility to respect human rights and not contribute to conflict, we commit to adopt, widely disseminate and incorporate in contracts and/or agreements with suppliers the following policy on responsible sourcing of minerals from conflict-affected and high-risk areas, as representing a common reference for conflict-sensitive sourcing practices and suppliers' risk awareness from the point of extraction until end user. We commit to refraining from any action which contributes to the financing of conflict and we commit to comply with relevant United Nations sanctions resolutions or, where applicable, domestic laws implementing such resolutions.

2. PURPOSE & SCOPE

This document concerns all companies, units, business and business partners of FALCON PRECIOUS METAL REFINERY (FZC). involved in the business of gold and gold containing valuable metals. It does not include business or business partners not involved with gold refinement.

The Supply Chain Policy shall become effective on the date of its publication. Potential changes to it shall be issued by the Supply Chain Officer indicating revision number. Unit officers/managers are responsible for ensuring the full understanding of the principles and application of this directive by all personnel, for establishment of their own internal communication systems, facilitating an operational style to meet the requirements of unit internal adaptation systems, and application of unit internal instructions and directives.

Company Supply Chain Officer has the primary responsibility for Compliance process and Due Diligence activities and stages towards the Board of Management, our clients, accrediting organizations and other third parties. Gold Supply Chain Policy concerning gold refinement and put into effect by FALCON PRECIOUS METAL REFINERY (FZC). in consideration of the scope of activities and implementations meeting the requirements of accrediting institutions and organizations, national and international regulations and standards has the objective of managing all commercial relationships, the supply chain process and relevant commercial transactions based on the principles of this Policy.

3. HISTORY

The United Arab Emirates is one of the most important countries in the world from a logistics & supply chain perspective. Seven emirates make up the country: Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al-Quwain, Fujairah, and Ras Al Khaimah. UAE has seen a shift from being a logistics hub to a supply chain nerve centre primarily for Asia, Europe, and MEA. The shift has resulted from economic diversification, effective implementation of the national logistics plan, and digital transformation by private and public entities across the region. Investments in the logistics and supply chain sector are also key reasons for developing UAE's supply chain industry.

It is no secret that the UAE is positioned to dominate the globe in supply chain management and logistics. For increased connectivity, Dubai can simply integrate into the free zone and customs-bonded road, rail, and air infrastructure. Dubai is regarded as one of the top maritime hubs. This is pertinent given that the handling of dry bulk cargo and containers for logistics in the maritime sector are expanding quickly, and the government is making major investments to improve supply chain management.

A noteworthy fact is that its “geographical location and infrastructure has always positioned it as an ideal supply and redistribution gateway and offers huge growth potential for businesses,”

UAE TRANSPORTATION INFRASTRUCTURE	
Major Sea Ports	Airports
<ul style="list-style-type: none"> • Jebel Ali port • Port Rashid • Miya Zayed Port • Port of Khor Fakkan 	<ul style="list-style-type: none"> • Dubai International Airport • Al Maktoum Airport • Sharjah Airport • Abu Dhabi International Airport

UAE WAREHOUSING INFRASTRUCTURE	
Major Free Trade Zones	Major Warehouses at Sea Ports & Airports
<ul style="list-style-type: none"> • Jebel Ali Free Zone • Dubai Logistics City • Dubai Airport Free zone • Mustafah Industrial Zone, Abu Dhabi • Shahjah Airport International Free Zone (SAIF) 	<ul style="list-style-type: none"> • Dubai Cargo Gateway (Dubai Cargo Village) • Al Maktoum Int'l Airport • Jebel Ali Port , Dubai • Abu Dhabi International Airport • The port of Khalid, Sharjah



LEADING PLAYERS IN LOGISTICS INDUSTRY	
Major Foreign Logistics Players	Major Local Logistics Players
<ul style="list-style-type: none"> • DHL • BLUE DART • ARAMEX • FEDEX • FIRST FLIGHT 	<ul style="list-style-type: none"> • Al Futtaim Logistics • AGL Logistics • Al Masood Logistics • CLARION Logistics ME • Freight Works Logistics

4. KEY REGULATIONS, STANDARDS AND INITIATIVES

4.1 INTERNATIONAL STANDARDS

Organisations like the International Organization for Standardization (ISO) and Social Accountability International (SAI) offer a systematic approach to managing business partners through their standards, including:

- ISO14001:2015 Environmental management systems (www.iso.org/standard/60857.html);
- ISO 45001:2018 Occupational health and safety management systems (www.iso.org/iso-45001-occupational-health-and-safety.html); and
- SA8000®Standard (www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&PageID=1689)

Through these standards, companies must give the same level of protection to indirect employees working on-site as to all directly employed personnel. This means that companies must ensure business partners are:

- made aware of hazards and controls in the same way as employees;
- communicated with regularly, and given appropriate training based on the nature, scope and complexity of their work; and
- evaluated and chosen based on their ability to work and supply goods within the organisation's stipulated practices, policies and procedures.

The UN Guiding Principles on Business and Human Rights requires companies to avoid causing or contributing to adverse human rights impacts not only through their own activities, but also as a result of their relationships with business partners. COP 6 Human rights and COP 7 Due diligence for responsible sourcing from conflict-affected and high-risk areas for related requirements related to business partners.

4.2 NATIONAL LAW

Most countries have legislation to protect the well being of business partners while working on another company's premises and to ensure they are given adequate controls and a reasonable level of supervision. This means that, in general, you are responsible for the lawful conduct of any business partners working on your site. But laws vary from country to country. The RJC expects its members to be aware of the specific legislative and regulatory requirements in their operating jurisdictions.

4.3 LAW NO. 20 OF 2018

Law No. 20 of 2018 sets out specific provisions relating to Designated Non-Financial Businesses and Professions (DNFBPs) who include institutions carrying out non-financial activities and professions, which includes specifically jewellery and precious metals and stones traders. Any member company of DMCC that deals with jewellery, precious metals and/or stones (Relevant Member) would be considered an DNFBP for the purposes of Law No. 20 of 2018.

A primary objective of the Resolution and Law No. 20 of 2018 is to provide an effective tool aimed at avoiding Money Laundering, and to provide for a framework within which Suspicious Transactions are duly recognised and reported. These reports are known as Suspicious Transaction Reports, or STRs. “Suspicious Transactions” under Law No. 20 of 2018 are considered those transactions, where reasonable grounds arise to suspect that funds are the proceeds of a felony or a misdemeanour or are related to financing of terrorism or to the financing of unlawful organisations, whether these transactions are carried out or attempted to be carried out.

4.4 LAW NO. 7 OF 2014

Under Law No. 20 of 2018, the financing of terrorism is the provision and/or collection of funds or ensuring obtaining or transporting the same by any means, directly or indirectly, to any association, entity, organisation, centre, group, gang or any persons against whom the provisions of Federal Law No. 7 of 2014 on Combating Acts of Terrorism apply ([Law No. 7 of 2014](#)).

Law No. 7 of 2014 defines a Terrorist Organisation as a group formed of two or more persons, which acquires legal personality ipso jure or which is created ipso facto, that commits a terrorist act, directly participates in, threatens of, aims at, plans, seeks, promotes, or aids the commission of such act regardless of the name, form, place of establishment, location, nationality or place of existence of its members.

The Manual underpins that purpose through the following:

Clarity in defining the roles and responsibilities of personnel involved in the Supply Chain processes;
Highlighting the flow of different processes that define the Supply Chain activities;
Emphasizing the key interactions with various stakeholders involved in each process;
Illustrating required approvals, inputs and outputs to the processes;
Providing a clear direction to achieving performance targets and optimizing return on investments; and
Mandating a competitive procurement process in an objective and transparent manner to achieve best value for money.

FALCON PRECIOUS METAL REFINERY (FZC) members must implement and maintain a robust documented policy and detailed processes (Policy) to include common principles, standards and processes for responsible supply chain management. The Policy should be consistent with the standard

set forth in the model supply chain policy under the OECD Guidance and should, as a minimum, include the following:

5. SUPPLY CHAIN POLICY AND PROCESS IMPLEMENTATION

- criteria for supply chain due diligence;
- main elements of Know-Your-Customer (KYC) processes;
- risk management
- monitoring and surveillance; and
- training.
- Development and approval of long-term Supply Chain strategic plan.
- Review and update of the long-term Supply Chain strategic plan.

6. MAINTENANCE AND REVIEW

The Supply Chain Policy and Procedure Manual shall be issued and maintained by the Supply Chain Officer and shall be subject to review and update, when the need arises, in order to ensure that the manual remains relevant and appropriate for the users and stakeholders and accommodate for changes in business environment.

The review shall include consideration of the following:

- Changes in UAE regulations and statutes relevant to Supply Chain;
- Requests for updating the Supply Chain Policy and Procedure Manual received from End Users;
- Recommendations from the internal audit function;
- Changes in the internal and external operating environment that require changes in Policy and Procedure to re-align the Supply Chain Policy and Procedure Manual to the changed context;
- Changes in organizational structure; and.
- Changes in the technology environment and landscape of FALCON PRECIOUS METAL REFINERY (FZC)

7. DOCUMENT CONTROL AND RETENTION

An original signed off copy of the Supply Chain Policy and Procedure Manual shall be retained by Supply Chain Manager. Ownership and copyright of all material contained in this Supply Chain Policy and Procedure Manual shall vest in FALCON PRECIOUS METAL REFINERY (FZC).

No portion of this Supply Chain Policy and Procedure Manual may be copied or reproduced in any manner or form whatsoever without the express written permission of the Senior Management.

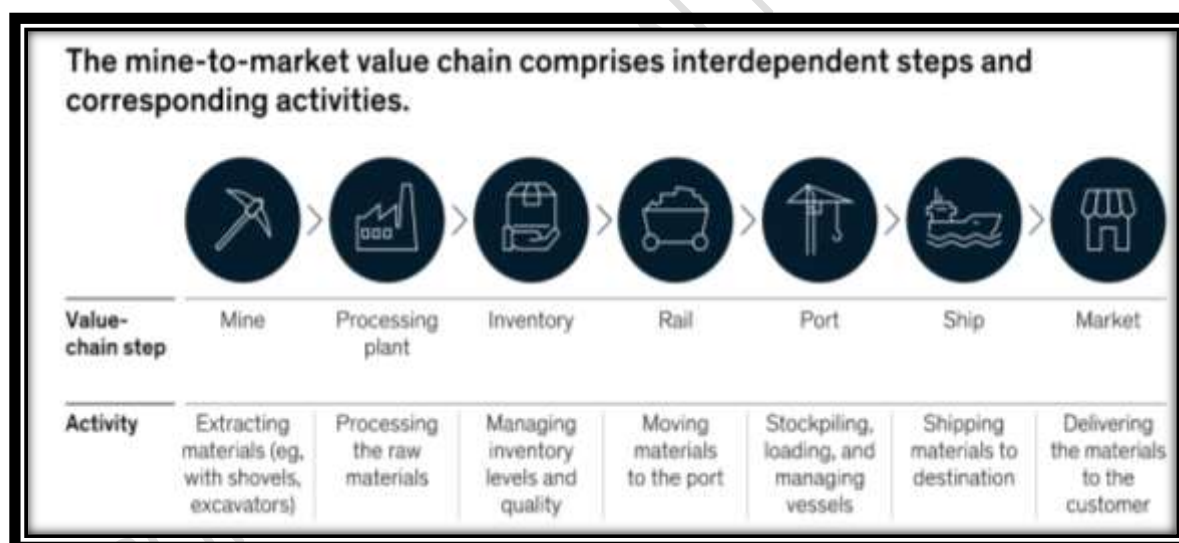
8. WHAT IS A SUPPLY CHAIN?

A supply chain is a collection of suppliers required to create one specific product for a company. The chain is made up of nodes or “links,” which can include multiple manufacturers for parts, then the completed product, then the warehouse where it is stored, then its distribution centers, and finally, the store where a consumer can purchase it. The concept of the chain is important, because each link is connected in a specific direction and order, and the next link cannot be reached without going through the previous one. Each link adds time and costs, and can involve labor, parts, and transportation.

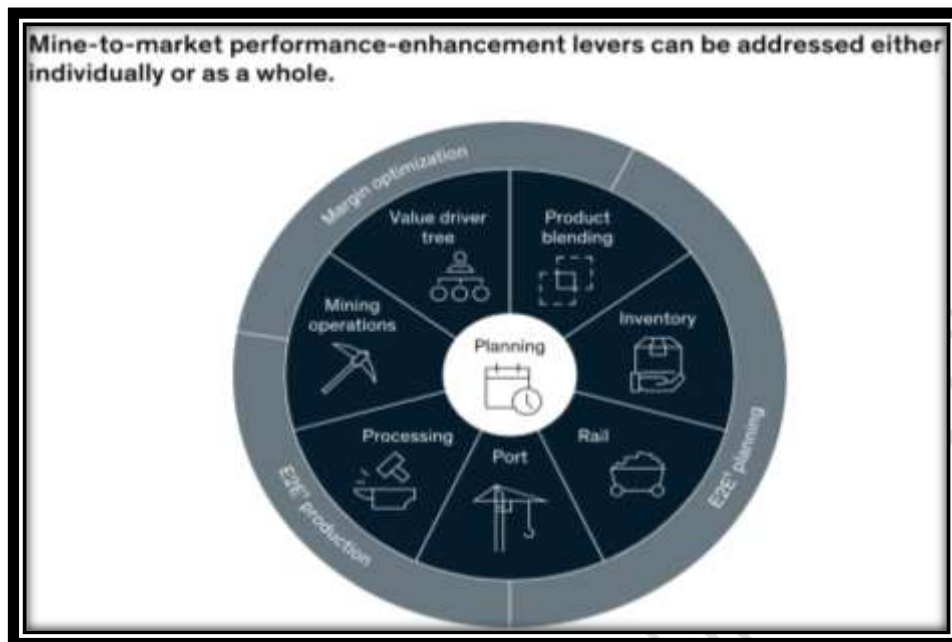
Every product a company carries may have its own supply chain, though they may use certain suppliers for multiple products. You can see why this gets so complicated, especially for international supply chains.

Here are examples from well-known Master of Supply Chains:

- I. Mining value chains are highly complicated and must account for all assets, including equipment (for example, trucks and shovels), processing plants, and railway and port operations. Further complicating matters, the wide range of related activities requires a series of interdependent steps before products reach customers, many of whom live in other countries or on other continents (see sidebar “From extraction to the customer: The mine-to-market value chain”).



- II. Mine-to-market performance enhancements aim to unlock greater potential than optimizing operations, the value chain, or commercial services independently. Our research, which includes mining companies across countries and product types, suggests that mine-to-market optimization can generate a 10 to 15 percent increase in earnings before interest, taxes, depreciation, and amortization (EBITDA) by optimizing throughput, product margins, and operating costs.
- III. Based on these findings, we identified 11 levers for performance enhancement along the value chain (Exhibit 2). These levers can be addressed either individually or comprehensively but are always interconnected with and build upon data from key value-chain steps (see sidebar “Mine-to-market performance-enhancement levers”).



9. WHAT IS SUPPLY CHAIN MANAGEMENT?

As the name implies, supply chain management (SCM) is handling and optimizing all the many complicated facets of a supply chain, involving goods and services. Even ensuring timely handoff from manufacturer to shipper to supplier to shipper to buyer is a massive task, but to do it cost effectively and build net value is truly a challenge.

Each Company conducting business in the supply chain relating to Mined Gold and/or Precious Metals and Recycled Gold and/or Precious Metals must implement and maintain systems and procedures which are sufficiently robust to conduct effective due diligence on the supply chain. The complexity of the management system should depend on the volume of business, location, type of supplies processed, and complexity in the supply chain. Members should evaluate the objectives of their management system against performance to ensure attainment of the expected outcome in a periodic manner.

SUPPLY CHAIN MANAGEMENT (SCM) is an integrated business management approach inter-connecting component such as:

- Business planning and organizing
- Production management
- Procurement management
- Logistics management
- Warehousing management
- Customer service management



9.1 THE OBJECTIVES OF THE SUPPLY CHAIN MANAGEMENT:

- ✚ **To achieve optimum utilization of resources** primarily through business process integration under which interdependent and interrelated departments are linked.
- ✚ **To attain sustainable growth and profitability** by making strategic partnerships with suppliers, contractors, customer service specialists, product distributors, logistics providers, financial institutions.
- ✚ **To manage business process integration** to serve the business or vested interests of all stakeholders (stockholders, officers/managers, production engineers and workers, employees, suppliers-contractors, wholesalers-retailers, banking community, and finally customers).

9.2 VARIANTS OF SCM

Global SCM: The combination of global manufacturing with supply chain management, which must account for tariffs and local taxes as goods and services travel internationally to ultimately provide greater value at the end of the chain.

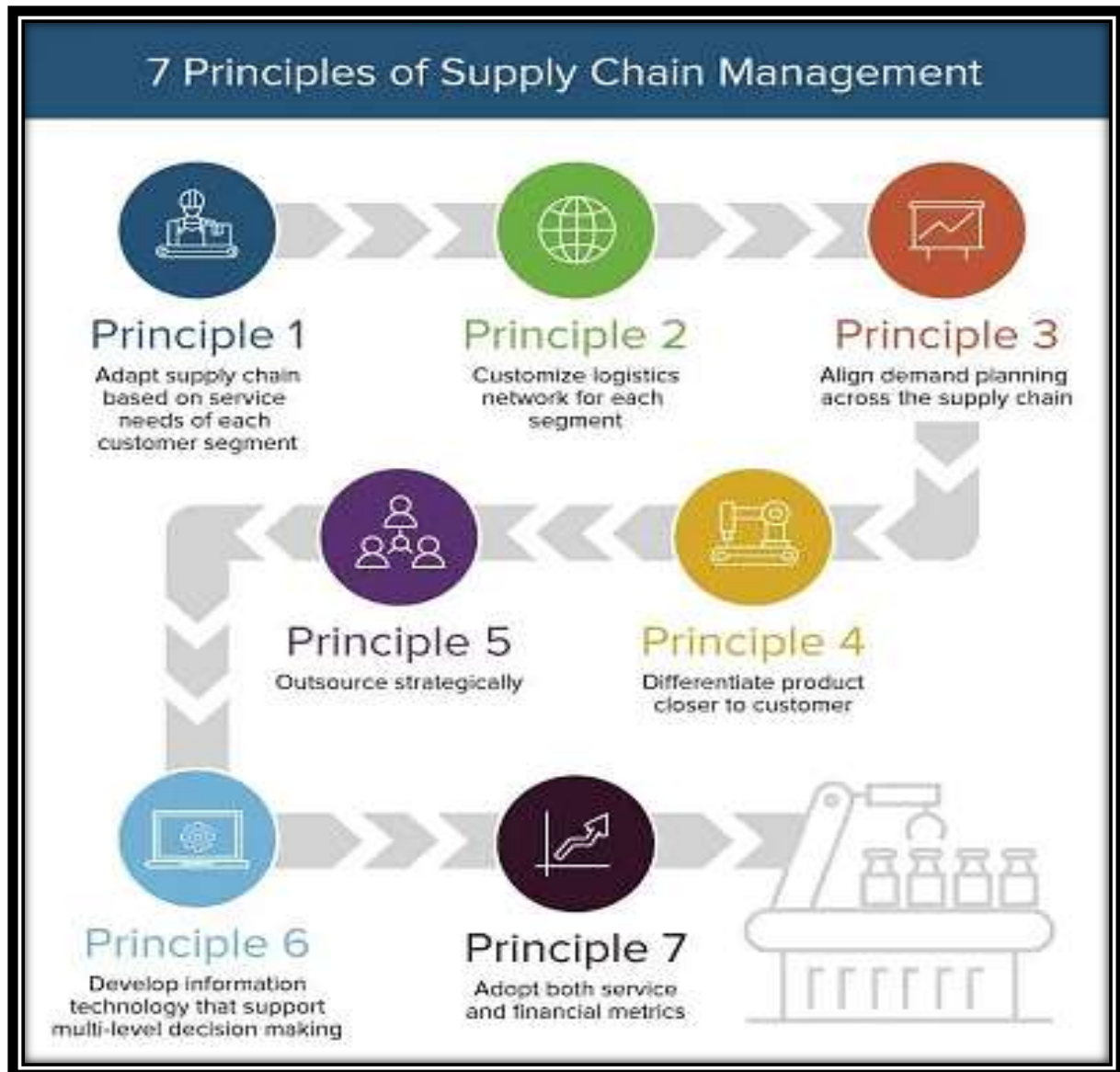
- **SAP SCM:** Systems, Applications, and Products (SAP) is a software company that revolutionized logistics and enterprise resource planning. It provides an automated way to manage supply chain networking, supply chain planning, and supply chain execution, along with production planning, business forecasting, and demand planning.

Logistics and SCM: The art of coordinating efforts between every member of the supply chain to get products from their source to the consumer.

- **Purchasing and SCM:** The focus on the monetary aspect of SCM, from costs to value added at each link in the supply chain.

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9.3 PRINCIPLES OF GOOD SUPPLY CHAIN STRATEGY



10. THE BASICS OF SUPPLY CHAIN MANAGEMENT PROCESSES

There are key supply chain processes that you must take into consideration to effectively understand and manage them. These processes are all at play regardless of the type of supply chain you're using;

- ✦ **Customer relationship management (CRM)** comes first, because as the principles of SCM state, you must adapt everything in the supply chain to the customer. If no one is buying, there's no need to produce anything. At the front of your supply chain, where a store's staff interacts with its consumers, they must have plans in place for ongoing relationships. They need CRM tools to gather customer information for marketing and market research, all to determine the products and services to offer in the future.

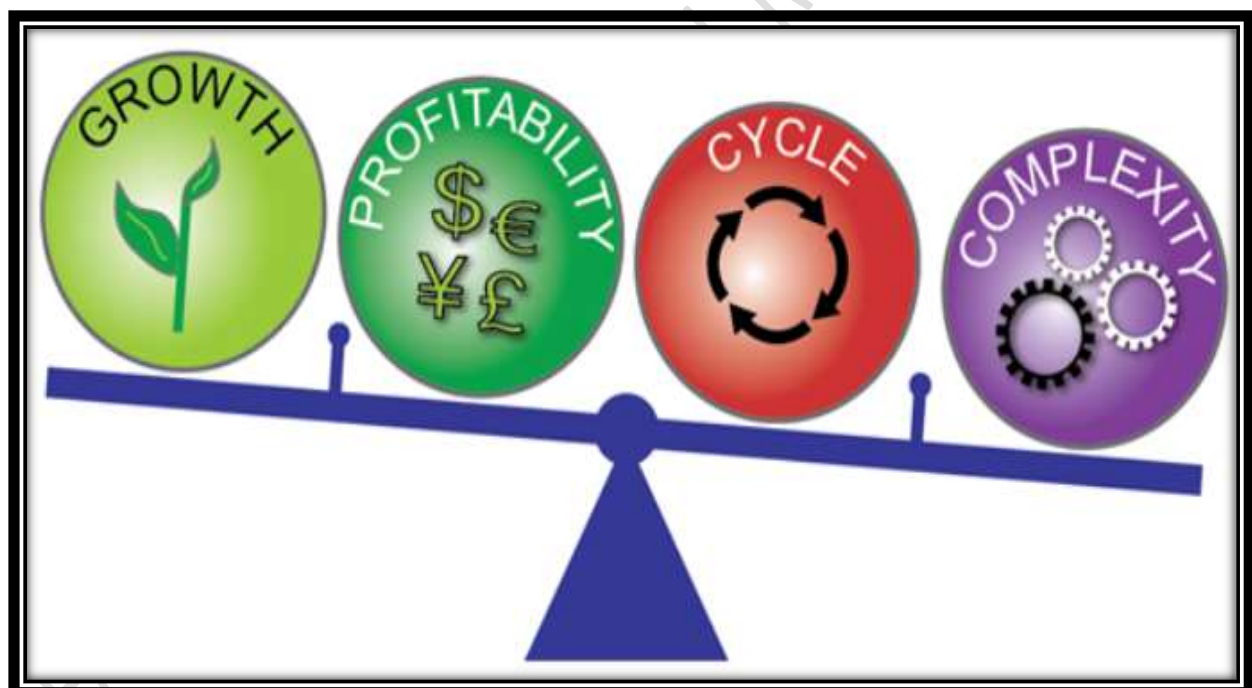


- ✦ **Customer service management** is another process that ties in, as it is where you gather negative and positive feedback to determine future needs.
- ✦ **Demand management** is closely linked with the previous two, as it takes customer interactions and orders into account to determine the workload all the way up the supply chain. At its core, customers buying more means make more, and customers buying less means make less. Customer forecasting is an important task that analysts must perform well to determine the current demand and what it will be in the future, to prevent waste in the supply chain.
- ✦ **Product development** is an important part of the supply chain that is informed by consumer demand. You must work with CRM and customer service data to determine what they want, which influences new products, product line extensions, and also what to stop making. You must integrate suppliers in this process because it affects cost, quality, and delivery time.

- ✦ **Supplier relationship management** goes without saying - if you want to produce your products on time and on budget, you need a solid rapport with everyone you're outsourcing to in the chain. This impacts **manufacturing flow management**, which ensures everything gets where it needs to go without delay, and at the correct spec.
- ✦ **Order fulfilment** involves coordinating with distribution centers and either retail locations or 3PL to get the product direct to consumers. You've now made it all the way back to the beginning of the cycle, and need to pay attention to new CRM and customer service data.
- ✦ **Returns management**, also known as the "reverse supply chain," is a vital part of the flow of products that doesn't fit perfectly into the clean supply chain cycle. It involves picking up online orders from 3PL locations or from consumers' addresses and accepting returns at retail locations. Once these items are put back into inventory, they must be ready to get to a different customer while the product run is still live.

10.1 SUPPLY CHAIN PERFORMANCE MEASUREMENTS:

The success of integrating business processes in order to achieve optimum utilization of resources thereby attain sustainable growth and profitability, can be ascertained through supply chain parameters.



11. DEFINITIONS AND APPLICABILITY

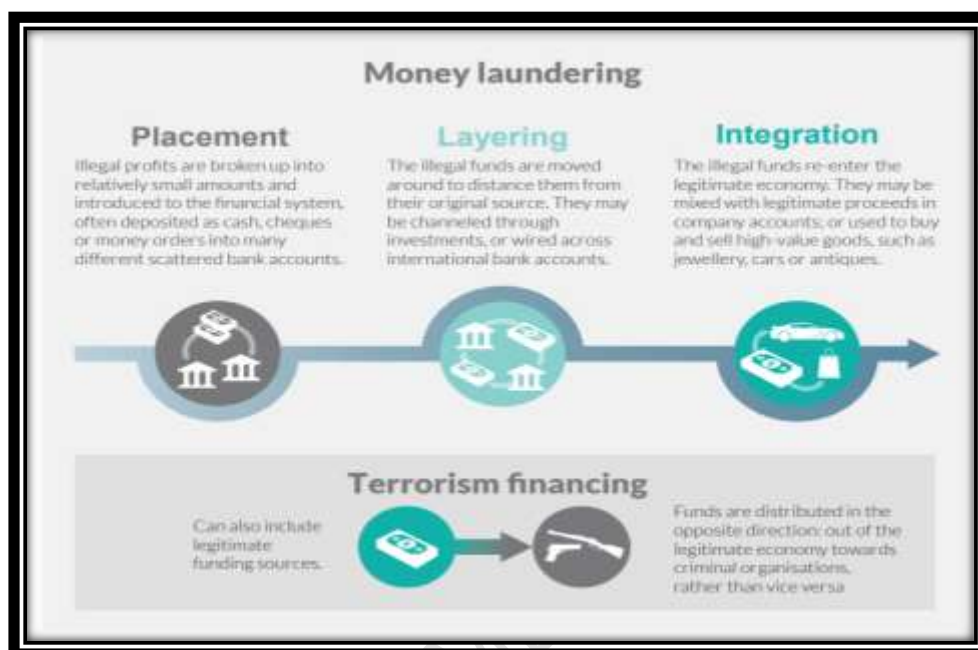
- ❖ **Beneficial owner** is the person(s) who owns or controls a counterparty and/or the person on whose behalf a transaction is being done. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.
- ❖ **A counterparty** is any supplier or customer of gold, silver, PGM, diamonds, coloured gemstones or jewellery products containing these materials with whom you do business.
- ❖ **The financing of terrorism** is any kind of financial support to those who attempt to encourage, plan or engage in terrorism. The meaning of terrorism is not universally accepted due to significant political, religious and national implications that differ from country to country.
- ❖ **Illegitimate sources** of material go against applicable law. They include all sources involved in illegal mining¹ and gold or money laundering, as well as all sources used to fund conflict, terrorism or crime.
- ❖ **Know Your Counterparty (KYC)** principles, established to combat money laundering and finance of terrorism, require businesses to identify every organisation that they deal with, to understand the legitimacy of their business relationships and, within reason, to identify and react to unusual or suspicious transaction patterns.
- ❖ **Money laundering** is the process of disguising the financial proceeds of crime to conceal their illegal origin.
- ❖ **A politically exposed** person is someone who is or has been entrusted with a prominent public function. Their status and influence puts many of these people in positions that can be potentially abused to commit money laundering and related predicate offences, including corruption and bribery, as well as activities related to terrorist financing.

Sources:

- Financial Action Task Force (FATF), FATF Guidance on the Risk-Based Approach for Dealers in Precious Metals and Stones (2008)
- World Bank, Reference Guide to Anti-Money Laundering and Combating the Financing of Terrorism (2006)

12. MONEY LAUNDERING

Money laundering’ describes a multitude of practices designed to hide illegal or ‘dirty’ money. The profits from criminal activities—such as illegal arms sales, drug trafficking, prostitution, fraud, insider trading, theft or tax evasion—are put through a succession of transfers and deals until the illegal source of the funds is obscured and the money appears to be legitimate or ‘clean’.



The very nature of precious metals, diamonds, coloured stones and jewellery makes them attractive to criminal organisations looking to legitimise assets: they have intrinsic value, are easily smuggled and can be bought and sold anywhere in the world. That makes dealers in these high-value goods, including various parts of the jewellery supply chain, vulnerable to activities such as money laundering and terrorism financing—particularly if controls are too weak to stop anonymous trading.

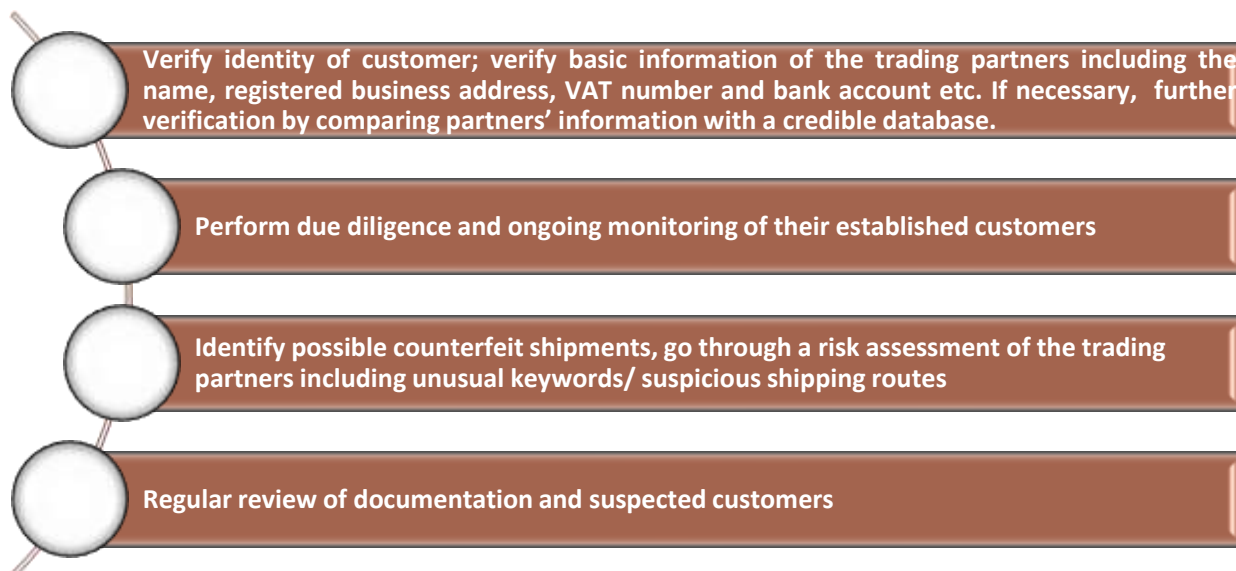
In addition to legal compliance requirements, KYC policies and procedures are therefore a critical part of a company’s due diligence in assessing, mitigating and reporting risks in the supply chain. They are key in ensuring companies avoid illegitimate sources of material and potentially criminal activities.

An effective KYC programme covers both suppliers and customers (and, where required by local law, end consumers). Under the RJC COP Standard, such a programme must enable you to identify every organisation that you deal with, to understand your business relationships and to spot and react to unusual or suspicious transactions.

13. WHAT DOES KYC MEAN?

Know Your Customer (KYC) is the process of identifying and verifying customers. Identification means gathering a customer’s personal data; verification means checking that this data is accurate.

13.1 KYC REQUIREMENTS



Actions to be taken:

KYC procedures should enable you to identify all the suppliers and customers of gold, silver, PGM, diamonds, coloured gemstones or jewellery products containing these materials that you do business with (that is, your counterparties), including their beneficial owners where triggered by a risk assessment or applicable law. That means ensuring that you gather, review and keep records and information to verify the counterparty’s identity, including, for example:

Name of counterparty (company/organisation/individual).	Beneficial owners (subject to risk level)
Registered address.	Shareholders.
Business address.	Board of directors.
Contact person and information.	Management structure.
Date and country of incorporation.	Government, military or political affiliations
Business registration number.	Financial information.
Names of parent company and subsidiaries.	Copies of relevant policies (that is, KYC policy, supply chain policy).
Description of core business activity (including sources of materials).	Make sure you use government-issued documents (for example, personal identity documents for individuals, and business licences, company registration or tax ID number for companies) to confirm the identity of your counterparties.
Counterparties do not include end consumers unless this is required by law within the jurisdictions in which you operate.	

- Develop and maintain an understanding of your counterparty, including the nature of their business, their finances and their sources of materials. 120 RJC Code of Practices Guidance.
- Identify high-risk counterparties using sources such as the FATF list of high-risk and non-cooperative jurisdictions and establish their beneficial owners and principals.
- Identifying high-risk counterparties can help you understand your vulnerability to involvement in money laundering or terrorism financing. Establish high-risk indicators or ‘red flags’ to screen new customers or suppliers before you first do business with them, and then continue to monitor your transactions. If you identify a counterparty as high risk, follow your due diligence supply chain policy (see COP 7 Due diligence for responsible sourcing from conflict-affected and high-risk areas) and consider either applying mitigation measures or ending your relationship. Higher-risk counterparties include those with any of the following characteristics (see the FATF guidance⁴ for more information).
 - Limited knowledge of the industry
 - Requests for unusual financial terms and conditions.
 - Lack of established place of business, or offices in an unusual location or high-risk jurisdiction.
 - Proposals for a transaction that makes no sense.
 - Use of unusual or distant banks.
 - Use of non-bank financial institutions for no apparent legitimate business purpose.
 - Frequent and unexplained changes in bank accounts or accounting personnel.
 - Use of companies without any apparent legitimate fiscal, legal or commercial reason.
 - Unusually complex organisational structure.
 - Offices located in higher-risk jurisdictions.
 - Involvement of third parties in transactions. (Where this is the case, make sure there is a legitimate reason for the third party’s involvement, identify the third party and establish the relationship between them and your counterparty.)
 - Refusal to identify beneficial owners or controlling interests in cases where this would be commercially expected.
 - Attempted anonymity by conducting ordinary business through accountants, lawyers or other intermediaries.
 - Use of cash in a non-standard manner.
 - Involvement of politically exposed persons.

- Make sure that your counterparty (and, if applicable, its beneficial owners) is not named on a relevant government sponsored watchlist or sanctions list, including lists in both your and your counterparty's countries of operation, as well as any other lists you deem relevant. Good references include:
 - ❖ The Jewelers Vigilance Committee www.jvclegal.org
 - ❖ The Responsible Minerals Initiative www.responsiblemineralsinitiative.org
 - ❖ The US Office of Foreign Assets Control's Specially Designated Nationals and Blocked Persons List
www.treasury.gov/resource-center/sanctions/Pages/default.aspx
- Commercial software programs for checking multiple sanction lists at once.
- If you find a counterparty listed on a watchlist or sanctions list, abide by the law; where applicable, discontinue your relationship and submit a suspicious activity report.
- Once you know the identity and level of risk of your counterparties, it is important to gain and maintain an awareness of their business. This means verifying that the organisation actually does what it says it does: use on-site inspections to confirm this for high-risk suppliers.
- Develop monitoring procedures to spot unusual or suspicious transactions. Consider:
 - nurturing contacts with relevant law enforcement agencies;
 - hiring third-party service providers to verify company information and credit reports, and to help screen names against sanctions lists; and
 - documenting your results as part of your overall risk management strategy.
- Establish procedures to properly report suspicious activity to the appropriate authorities.
- Note that if you identify a risk of money laundering or terrorism financing, it is not your responsibility to determine the type or purpose of the criminal activity at hand. But you are responsible for reporting the risk to the proper authorities.

13.2 KYC RESPONSIBILITY

Actions to be taken:

Make sure that your KYC policy and procedures are overseen by a suitably qualified and experienced individual with:

- expertise in your industry, and strong awareness of key counterparties; and
- good knowledge of money laundering techniques, including how they might be used in your industry's transactions and areas of operation.
- Large or high-risk businesses should establish a formal AML and counter-terrorism financing programme that is under the authority of a designated manager and, where appropriate, integrated with other business compliance and security programmes.

- Consider hiring an independent qualified auditor to regularly review and test your KYC programme.

13.3 KYC REVIEW

Actions to be taken:

- Review your KYC policy and procedures regularly—at least once a year.
- If you find gaps in your KYC data, document and monitor any corrective actions taken to make sure that your KYC programme remains robust and effective.
- Depending on the size of your company, make sure you train relevant employees on KYC and related compliance procedures, including risk indicators.

13.4 KYC CASH RECORDS

- Members shall maintain records of all single or apparently linked cash or cash-like transactions equal to or above AED 55,000/- or the threshold defined by applicable law (whichever is lower). Where required by law, members shall report such transactions to the relevant designated authority.

Actions to be taken :

- In most cases, national law will define what makes a transaction or activity ‘suspicious’, and under what circumstances you need to report it to a competent authority.
- Make sure you are aware of the applicable law, and associated thresholds for reporting, in all jurisdictions that you operate in. If you carry out international transactions, you need to be aware of, and comply with, the applicable law for all relevant jurisdictions.
- If there is no applicable law on money laundering, you must monitor and maintain records of all cash transactions equal to or above AED 55,000/- where the transaction is carried out in a single operation or in several operations that appear to be linked.
- Don’t forget that you must use the defined financial threshold under applicable law if it is lower than AED 55,000/-.
- In all cases, establish procedures to automatically trigger a reporting requirement when the thresholds are exceeded.

13.5 KYC REQUIREMENTS FOR POLITICALLY EXPOSED PERSONS

If a supplier or any UBO of a supplier is considered to be a politically exposed person (PEP), the Company must document and follow specific internal escalation procedures to ensure that the matter is addressed at the appropriate internal authority level and dealt with in accordance with the Minimum KYC Standards.

In addition to meeting the Minimum KYC Standards, FALCON PRECIOUS METAL REFINERY (FZC) must establish the source of wealth of PEPs and their families and associated persons and are required to implement adequate transaction monitoring systems for the transactions of PEPs, as further described in the Applicable Laws and Regulations.

14. APPOINTMENT OF A DEDICATED SUPPLY CHAIN OFFICER

FALCON PRECIOUS METAL REFINERY (FZC) must appoint a person to carry out the role of a dedicated compliance or risk officer (Supply Chain Officer). The Supply Chain Officer must:

- a) be a senior member of staff of the FALCON PRECIOUS METAL REFINERY (FZC);
- b) have the necessary competence, knowledge, experience and training in supply chain due diligence and KYC processes;
- c) be provided with all resources necessary to perform his/her functions and role in accordance with these Rules; and
- d) be able to communicate critical information to senior management, staff and suppliers.

14.1 THE SUPPLY CHAIN OFFICER FUNCTIONS AND DUTIES:

- a) review and sign off on each gold and/or precious metals supply chain due diligence exercise;
- b) continually monitor and assess the FALCON PRECIOUS METAL REFINERY (FZC) supply chain due diligence processes;
- c) ensure that the Policy and each associated due diligence exercise carried out are adequate for the purposes of these Rules;
- d) train staff and promote awareness within the organisation with respect to responsible supply chain due diligence, the Policy, KYC requirements and applicable laws; and
- e) update the Policy and related processes as and when required.

15. APPOINTMENT OF A COMPLIANCE OFFICER

FALCON PRECIOUS METAL REFINERY (FZC) may be required to appoint a “compliance officer” (Compliance Officer) to carry out the functions of such role as set out in the Applicable Laws and Regulations. For the purposes of these Rules, the Compliance Officer may be the same person as the Supply Chain Officer.

15.1 FUNCTIONS AND DUTIES OF THE COMPLIANCE OFFICER

FALCON PRECIOUS METAL REFINERY (FZC) shall ensure that its Compliance Officer is familiar with and carries out its role and function in accordance with the requirements of the applicable laws and regulations.

16. RECORDS OF INTERNAL INVENTORY AND TRANSACTIONAL DOCUMENTATION

FALCON PRECIOUS METAL REFINERY (FZC) must develop and maintain internal documentation and records of supply chain due diligence to cover internal inventory and transactional documentation which shall include:

- a) details of physical form, type (i.e. Mined Gold and/or Precious Metals, or Recycled Gold and/or Precious Metals) and physical description of gold and/or precious metals including any imprints and/or hallmarks; and
- b) details of weight and assay of gold and/or precious metals after proper internal verification and/or third-party verification;
- c) Full KYC due diligence of all suppliers including their due diligence practices e.g. information on suppliers' due diligence process and KYC requirements. FALCON PRECIOUS METAL REFINERY (FZC) shall encourage their suppliers to, adopt processes and policies similar to the Policy and the Minimum KYC Standards;
- d) the unique reference number of each entry/input and exit/output;
- e) the name, stamp and logo of the refiner/producer/manufacture (if applicable)
- f) the year of refining/production (if applicable);
- g) The dates of applicable purchases and sales including financial transaction information (such as payment amount, currency, mode of payment, etc.);
- h) The mode of payment;
- i) An inventory list classified as per supplier;
- j) A "Track and Trace" mechanism for tracing products back to purchased material, which shall include (where applicable):
 - I. shipping/transportation documents;
 - II. sales documents with specific lot numbers;
 - III. mining license(s) and related permissions (for mined gold and/or precious metals);
 - IV. import/export license(s) and form(s); and
 - V. Reconciliation of documentation.

FALCON PRECIOUS METAL REFINERY (FZC) shall avoid, where practicable, cash purchases and ensure that all unavoidable cash purchases of minerals are supported by verifiable documentation and preferably routed through official banking channels. Cash purchases shall, in any event, be made in compliance with Applicable Laws and Regulations.

In case of supplies of and the below categories the refiner should verify the origin of such supply and retain appropriate records and documentation in relation thereto:

- I. jewellery melted bars (should be treated as higher risk when compared to the original form of jewellery) - In case of jewellery melted bar and extractions from scrap including e-waste the refiner should make sure the impurity content (quantity and element relative to the total weight) of such supplies are within the justifiable range of market acceptable standard, if any deviation is observed EDD should be carried out on such cases;
- II. bars from refineries which are not under the purview of any responsible programmes such as LBMA Responsible Gold Guidance, RMI Responsible Minerals Assurance Process Gold Standard, RJC Responsible Minerals Assurance Process Gold Standard and/or does not publish due diligence reports as specified in the OECD Guidance;
- III. Supply with mixed content i.e., supplies containing secondary source mixed with mined gold.

17. RECORD KEEPING

FALCON PRECIOUS METAL REFINERY (FZC) must keep relevant records, files, documents, papers, communications, and forms related to its compliance with these Rules and its KYC obligations for at least five (5) years from the latest of:

- a. the date of the most recent transaction in respect of the latest material intake from a supplier.
- b. the date of conclusion of a complete inspection by the Regulator.
- c. the date of closing of the account of the supplier or termination of the relationship with the supplier; and
- d. Date of closing of an investigation on a particular transaction or supplier.

FALCON PRECIOUS METAL REFINERY (FZC) is advised to keep relevant records, files, documents, papers, communications and forms related to relations with potential suppliers that were not entered into or progressed due to a high-risk evaluation, for at least two (2) years from the date the decision was taken not to enter into or progress the relationship.

18. ENHANCED RELATIONSHIPS WITH SUPPLIERS

FALCON PRECIOUS METAL REFINERY (FZC) must continually attempt to enhance communications and relationships with each of its suppliers and encourage each supplier to commit to a supply chain policy consistent with the DMCC Rules for RBD-GPM and the OECD Guidance. This can be achieved through the following means:

- a) Maintaining adequate KYC due diligence processes for suppliers in accordance with these DMCC Rules for RBD-GPM, and reviewing suppliers' own due diligence practices;
- b) Establishing long-term relationships with each supplier;

- c) Sharing with each supplier the DMCC Rules for RBD-GPM and the company obligations under the DMCC Rules for RBD-GPM;
- d) Communicating expectations that each supplier commits to the compliance and undertakes mineral supply chain due diligence and risk management consistent with the DMCC Rules for RBD-GPM and the OECD Guidance;
- e) Incorporating the provisions of the DMCC Rules for RBD-GPM and audit and monitoring rights into contracts and/or agreements and KYC forms with each supplier; and
- f) Considering ways to support and build capabilities of suppliers to ensure compliance with the Policy and the DMCC Rules for RBD-GPM.

19. TRAINING OF STAFF AND KYC

FALCON PRECIOUS METAL REFINERY (FZC) will perform a KYC check on its relevant staff for example the compliance/supply chain officer, members of operations directly involved in the intake of material etc. during the staff on-boarding process and thereafter an update, on an on-going basis, at least every twelve months. Such KYC checks shall include checking an employee's full name, date and place of birth, nationality, residence, contact details, previous activities and occupations, copy of identity document and searches on sanctions list.

FALCON PRECIOUS METAL REFINERY (FZC) will implement a training programme (Training Programme) for all persons involved in the responsible supply chain due diligence, which shall include regular training for new staff and refresher sessions for existing staff to be conducted based on the level of risks and job profiles in engaging with the supply chain participants.

20. SUPPLY CHAIN RISK IDENTIFICATION AND ASSESSMENT

Overriding Principle

The Company conducting business in the gold and/or precious metals supply chain is required to be individually responsible for applying and implementing its Policy and management system and mapping its supply chain in order to identify and assess the risks of contributing to conflict, Money Laundering, Terrorism Financing or serious Human Rights abuses, associated with gold and/or precious metals which they produce, distribute, transport, export, sell and/or purchase.

20.1 FIVE-STEP FRAMEWORK FOR RISK-BASED DUE DILIGENCE IN THE MINERAL SUPPLY CHAIN

While specific due diligence requirements and processes will differ depending on the mineral and the position of the company in the supply chain (as detailed in the mineral Supplements), FALCON PRECIOUS METAL REFINERY (FZC) should review their choice of suppliers and sourcing decisions and integrate into their management systems the following five-step framework for risk-based due diligence for responsible supply chains of minerals from conflict-affected and high-risk areas:

1. Establish strong company management systems
2. Identify and assess risk in the supply chain
3. Design and implement a strategy to respond to identified risks.

4. Carry out independent third-party audit of supply chain due diligence at identified points in the supply chain
5. Report on supply chain due diligence

20.2 CONSIDERATIONS OF RISK ASSESSMENTS

In carrying out any Risk Assessment, each below mentioned points shall take into account the following considerations (as applicable to the circumstances of the Risk Assessment):

A. The geographical origin and location of gold and/or precious metals, based on reasonable and good faith efforts, including consideration of:

- 1) The origin, location and transportation;
- 2) The level of government regulation and supervision;
- 3) The extent of cash transactions used in the country;
- 4) The level of conflicts or Human Rights abuses in any location comprising part of the supply chain;
- 5) Payment systems used;
- 6) The level of involvement or potential involvement of any criminal organisation;
- 7) The level of involvement or potential involvement of any high-risk businesses (such as gaming and casinos, etc.)
- 8) The level of enforcement of laws addressing significant criminal activity; and
- 9) The level of access from a location comprising part of the supply chain to nearby markets or processing operations that are termed as conflict and/or high-risk areas;
- 10) The existence of sanctions and/or embargoes that have been directed against the country and/or individuals/entities in that country.

B. Counterparties in the supply chain, including consideration of:

- 1) KYC information of the suppliers as identified (including information about the origin and transportation of the gold and/or precious metals);
- 2) Any Red Flags identified in any part of the entire supply chain;
- 3) The number of participants in the supply chain (i.e. the greater the number, the higher the risk);
- 4) The level of control that a counterparty has over its own suppliers;
- 5) The level and adequacy of the due diligence practices of a counterparty;
- 6) Whether a counterparty's due diligence practices have been audited by a qualified third-party auditor;

- 7) For how long the counterparty has been carrying out activities in the gold and/or precious metals business;
- 8) A counterparty's willingness to disclose its beneficial owners;
- 9) A counterparty's attempts to be or remain anonymous (e.g. through the use of third - party intermediaries such as lawyers, accountants, etc.);
- 10) The scale of mining operations of a supplier (ASM or LSM), if applicable; and
- 11) The involvement of any PEPs that have been entrusted with prominent public functions or individuals who are closely related to such persons;

C. applicable transactions, including consideration of:

- 1) The proportionality of the due diligence to the identified risks and severability and probability of adverse impacts of the applicable transaction;
- 2) Gold and/or precious metals that are transported and/or exported which are not reasonably reconciled with the declared location of the origin;
- 3) Unexplained geographic distance in the supply chain;
- 4) The nature of the underlying assets (for example melted recyclable gold and/or precious metals transactions may be higher in risk than unprocessed recyclable gold and/or precious metals);
- 5) The level of concentration of gold and/or precious metals;
- 6) Any unusual circumstances that are not consistent with the local or market practices (amount, quality, potential profit, etc.)
- 7) The use of cash in excess of government thresholds
- 8) Payment by cash and/or physical delivery to unrelated third parties; and
- 9) Transaction structuring to make payments in smaller multiple transactions to avoid government thresholds.

21. RED FLAGS

For the purposes of these Rules, a Red Flag shall be any (including a combination or aggregate of more than one) of the following:

- A. Location-based Red Flag, as further described below;
- B. Supplier-based Red Flag, as further described below; or
- C. Circumstances-based Red Flag, as further described below;

21.1 LOCATION-BASED RED FLAGS

A Location-based Red Flag shall be the occurrence of, or the reasonable suspicion of the occurrence of, any of the following circumstances:

- I. the gold and/or precious metals originate from or have been transported through a Conflict Affected and High-Risk Area;
- II. the gold and/or precious metals are claimed to originate from a country that has limited known reserves or stocks, likely resources or expected production levels of gold and/or precious metals (for example where the declared volumes of gold and/or precious metals from that country are in excess of its known reserves and/or expected production levels);
- III. the gold and/or precious metals are claimed to originate from a country through which gold and/or precious metals from Conflict-Affected and High-Risk Areas are known or reasonably suspected to transit; or
- IV. the gold and/or precious metals are claimed to originate from recyclable/scrap or mixed sources and has been refined in a country where gold and/or precious metals from Conflict-Affected and High-Risk Area is known or reasonably suspected to transit.

21.2 SUPPLIER-BASED RED FLAGS

A Supplier-based Red Flag shall be the occurrence of, or the reasonable suspicion of the occurrence of, any of the following circumstances:

- a) A supplier or other participant in the supply chain of gold and/or precious metals operates in any location that could give rise to a Location-based Red Flag, or has a shareholder or other interests in any supplier of gold and/or precious metals from one of the above-mentioned locations; or
- b) A supplier or other participant in the supply chain of gold and/or precious metals is known to have sourced gold and/or precious metals from any location that could give rise to a Location-based Red Flag in the twelve (12) months previous to the applicable transaction.

21.3 PROCEDURES RELATING TO RED FLAGS

- a) FALCON PRECIOUS METAL REFINERY (FZC) review all Red Flags in an in-depth and detailed manner;
- b) if a reasonable grounds to suspect that a prospective transaction with a supplier may result in a Red Flag, it must conduct enhanced research prior to engaging in and concluding the transaction. Such enhanced research is aimed at obtaining evidence of any factual circumstances of the supply chain in order to determine any risks.
- c) the research methods that shall comprise Desk Research, On-Site Visits and Random Sample Verification;
- d) **Desk research** includes (where available):

- ✦ identifying each company in the supply chain;
 - ✦ identifying the UBO(s) of each company in the supply chain;
 - ✦ obtaining financial information (such as balance sheets, annual reports, rating agencies' reports, insolvency information) on each company in the supply chain;
 - ✦ ensuring that each company in the supply chain holds the necessary permits and licences;
 - ✦ ensuring that each company in the supply chain is not listed on any sanctions and/or embargoes list; and
 - ✦ reviewing research reports including those from governments, international organisations, NGOs and media, maps, UN reports and UN Security Council sanctions, industry literature relating to mineral extraction and its impact on conflict, Human Rights or environmental harm in the country of potential origin, or other public statements (e.g. from ethical pension funds).
- e) **On-Site Visits** includes individual visits to gold and/or precious metals suppliers, or joint on-the ground assessment teams, teaming up with industry or multi-stakeholder mechanisms or initiatives, or using suitably qualified, knowledgeable and independent assessors, to generate and maintain information on the circumstances and processes of the following activities listed in the OECD Guidance:
- ✦ gold and/or precious metals extraction (for LSM whether mined by medium and large scale mining in red flagged operations or LSM gold purchased from other sources), physical access to mines, mine capacity against recorded mine production and discrepancies);
 - ✦ gold and/or precious metals processing (consolidation, blending, crushing, milling, smelting, refining, etc. and recording any discrepancies in the processing and/or production and related capacity of the facility to perform relevant activities);
 - ✦ handling of gold and/or precious metals (inventory, trans-shipment, relabelling, etc.);
 - ✦ transportation of gold and/or precious metals;
 - ✦ trading of gold and/or precious metals (including importing and exporting); and
 - ✦ the weight and assayed quality characteristics of the gold and/or precious metals that are used in the above-mentioned activities;
 - ✦ taxes, fees, royalties, compensation or other payments to governments which relate to the extraction, trade, transport and export of gold and/or precious metals;
 - ✦ where applicable, request information from mining suppliers about their participation in the EITI;
 - ✦ payments made to public or private security forces or other armed groups;
 - ✦ use or presence of security services, training of security personnel, associated risks;

- ✚ evidence of serious abuses of Human Rights;
 - ✚ relationships between LSM and ASM, information on ASM operating on the sites of, or selling through LSM;
 - ✚ for ASM gold only, identification of the suppliers of ASM gold and/or precious metals, mine of origin, transportation, processing, taxes, royalties and other payments to governments, KYC information, evidence of serious abuses of Human Rights, information on any direct or indirect support to non-state armed groups or public or private security forces; and
- f) for recyclable gold and/or precious metals, value and place of transaction, type of material, type and organisation of supplier, manufacturing facilities, and unusual circumstances.
- g) **Random Sample Verification** involves the verification of transactional records.

22. RISK CONTROL PLAN

Risk Control Plan should include the following (Content Requirements):

- a) reporting mechanisms for identified risks to the Accredited Member's senior management and Supply Chain Officer and Compliance Officer
- b) enhanced engagement with the internal functions of the Accredited Member, in charge of transparency, information collection and control over the supply chain;
- c) enhanced engagement with suppliers through establishing a chain of custody and/or traceability system where a Red Flag has been identified;
- d) physical segregation and security of shipments where a Red Flag has been identified;
- e) incorporation of rights of the Accredited Member to conduct additional checks on any supplier or UBO where a Red Flag has been identified;
- f) continuity of trading activities while developing risk mitigation controls (including measurable steps, monitoring, review of performance, and reporting to senior management), such as:
 - ✚ building and/or exercising leverage over the participants in the supply chain who can most effectively mitigate the risks;
 - ✚ temporarily suspending trading activities with a specific supplier where a Red Flag has been identified; and
 - ✚ disengaging for at least 3 months, with a specific supplier who fails to comply with the mitigating controls within a period of 6 months, and/or disengaging entirely if such controls are not feasible and/or unacceptable in light of the cost-benefit analysis and the capabilities of the Accredited Member conducting the due diligence;
- g) consulting with suppliers and affected stakeholders and agreeing on the risk mitigation controls which should be adapted to the Accredited Member's specific suppliers and the contexts of

their operations, state clear performance objectives and provide for sufficient time for affected stakeholders to review and implement;

- ✚ reviewing on a regular basis the results of the mitigation measures, undertaking additional fact and risk assessment for risks requiring mitigation or after a change of circumstances.
- ✚ communicating to senior management.

23. CARRY OUT INDEPENDENT THIRD-PARTY AUDIT OF DUE DILIGENCE PRACTICES

Regardless of your position within the gold, silver or PGM supply chain, you will be audited as part of the normal COP certification process.

The OECD Supplement on Gold additionally recommends that downstream companies in the gold supply chain participate in and support the independent third-party audit of the refiner's due diligence practices and are encouraged to do so through industry programmes to increase efficiency in implementing the OECD Guidance.

Where possible, seek to source your gold from refiners that are certified under a scheme that is consistent with the OECD Guidance. This includes one or more of the standards below:

- The Responsible Jewellery Council Code of Practices (this standard).
- RMI (previously known as the Conflict-Free Sourcing Initiative) Gold Refiner Standard.
- LBMA Responsible Gold Guidance.
- Dubai Multi Commodities Centre (DMCC) Practical Guidance and Review Protocol

If none of the above applies, you should engage with and support the refiner to get independently third-party audited for its due diligence practices. This may include defining a new audit standard consistent with the recommendations set out in the OECD Guidance and ensuring that audits are implemented in accordance with the scope, criteria, principles and activities described in Step 4 of the OECD Guidance framework.

Downstream companies in the silver and PGM supply chain should, where feasible, encourage silver and PGM refiners to carry out an independent third-party audit against a standard that is consistent with the recommendations of the OECD Guidance.

- a) respect human rights according to the Universal Declaration of Human Rights and International Labour Organization Declaration on Fundamental Principles and Rights at Work;
- b) do not engage in or tolerate bribery, corruption, money laundering or finance of terrorism;
- c) support transparency of government payments and rights-compatible security forces in the extractives industry;
- d) do not provide direct or indirect support to illegal armed groups;
- e) enable stakeholders to voice concerns about the jewellery supply chain; and

- f) are implementing the OECD five-step framework as a management process (and Supplement on Gold if applicable) for risk-based due diligence for responsible supply chains of minerals from conflict-affected and high-risk areas.
- g) the adequacy of external and internal controls to mitigate risks;
- h) the establishment of the chain of custody and traceability of information for all activities; and
- i) the implementation of on-going risk assessment using a risk-based approach including the adequacy (considering both timing and method) of the Independent audit response to the outcome(s) of the risk assessments.
- j) no conflict of interest between the Reviewer and FALCON PRECIOUS METAL REFINERY (FZC) subject to the relevant Review;
- k) no specific services being provided by the Reviewer to the FALCON PRECIOUS METAL REFINERY (FZC) in relation to any due diligence exercise (other than general related guidance); and
- l) the competence to carry out the relevant Review.

23.1 COMPOSITION OF THE REVIEW

- a) Sufficient preparation of the Review, including the development of a detailed audit plan;
- b) On-site investigations of FALCON PRECIOUS METAL REFINERY (FZC), including:
 - I. Review of the facilities; and
 - II. Review a list of its suppliers;
- c) Consultations with the Accredited Member's risk assessment team, Supply Chain Officer and Compliance Officer (as applicable)
- d) Audit conclusion, including the validation, reporting and recording of findings that determine the level of conformity of the Accredited Member's supply chain due diligence with Rules
- e) Provide recommendations to FALCON PRECIOUS METAL REFINERY (FZC) to improve its due diligence practices.

24. REPORT ANNUALLY ON SUPPLY CHAIN DUE DILIGENCE

Regular public reports promote transparency and generate public confidence. Make sure you report publicly on your due diligence systems and practices at least once a year, for example through your company website or through applicable company reports and publications aligned with your other reporting (COP 3 Reporting) and any human rights due diligence reports (COP 6 Human rights).

The information you need to include varies according to your business type.

Match the level of detail in your report with the level of risk in your supply chain. For example, if you did not identify any red flags, you don't need to include information related to OECD Step 3.

Be practical in how you format your report, taking into account the scale and impacts of your business. For example, if you are a small business, you do not need a printed publication—a simple memorandum that is available upon request will do.

Category	Reporting information to include:
Upstream companies and Tier 1 midstream companies	
1. Management systems	Supply chain policy.
	Management structure and responsibilities for due diligence programme.
	Internal control systems, processes for information collection and record-keeping.
2. Risk assessment	Systems for identifying red-flag locations.
	Description of any red flags in supply chains and steps taken to map them.
	Methods, practices and information yielded by on-the-ground assessment teams.
	A summary of high risks identified (within your existing supply chain only).
3. Response	Steps taken to strengthen internal control systems to collect reliable information from red-flag supply chains.
	Steps taken to manage risks, including involvement of affected stakeholders.
	Efforts made to monitor and track performance for risk mitigation.
	Number of instances where you decided to disengage from suppliers.
	All instances of risk mitigation and results of follow up after six months.

Tier 2 midstream and downstream companies	
1. Management systems	Supply chain policy.
	Management structure and responsibilities for due diligence programme.
	Record-keeping systems and processes for information collection.
2. Risk assessment	Steps taken to engage with suppliers and seek supply chain information.
	Actual or potential risks identified.
3. Response	Steps taken to manage risks, including involvement of affected stakeholders.
	Efforts made to monitor and track performance for risk mitigation.
	All instances of risk mitigation and results of follow-up after six months.

24.1 ANNUAL REPORTING REQUIREMENTS UNDER OECD 5 STEPS

Category	Reporting information to include:
Miners and refiners	
Step 1: Establish strong company management systems	Supply chain policy.
	Management structure and responsibilities for due diligence programme.
	Internal control systems and processes for information collection.
	Record-keeping system and processes for identifying material origin.
Step 2: Identify and assess risk in the supply chain	Systems for identifying red-flag locations.
	Description of red flags in supply chain.
	Steps taken to map red-flag supply chains.
	Methods, practices and information yielded by on-the-ground assessment teams.
Step 3: Design and implement a strategy to respond to identified risks (if applicable)	Actual and potential risks identified (not for potential suppliers).
	How internal control systems have been strengthened to collect reliable information from red-flag supply chains.
	Steps taken to manage risks, including involvement of affected stakeholders.
	Efforts made to monitor and track performance for risk mitigation.
	Number of instances where member has decided to disengage from suppliers.
	All instances of risk mitigation and results of follow up after six months.

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Additional reporting requirements for refiners	
Step 4: Carry out independent third-party audit of refiner's due diligence practices	Summary audit report with due regard taken of business confidentiality and other competitive security concerns, including details of audit dates, activities, methodology and conclusions (either directly or through co-operation with an industry programme or institutionalised mechanism).
Downstream companies	
Step 1: Establish strong company management systems	Supply chain policy.
	Management structure and responsibilities for due diligence programme.
	Record-keeping systems.
Step 2: Identify and assess risk in the supply chain	Steps taken to identify refiners in supply chain.
	Assessment of supplying refiner's due diligence practices.
	Methodology of company supply chain risk assessments.
Step 3: Design and implement a strategy to respond to identified risks (if applicable)	Actual or potential risks identified.
	Steps taken to manage risks, including involvement of affected stakeholders.
	Efforts made to monitor and track performance for risk mitigation.
	All instances of risk mitigation and results of follow up after six months.

Actions to be taken :

- ✚ Establish and implement systems for internal material control.
- ✚ For all your inputs (gold, silver or PGM received), record:
 - The date you physically receive the material, or the date it enters your control system;
 - The material's form, type and physical description of the material;
 - The material's weight and assay (assay determinations may be provided by the counterparty, refiner or a third party); and
 - A unique internal reference number assigned by bar, ingot or batch of material accepted—make sure the number is the same as that used on any other information collected on that material.
- ✚ For all your outputs (gold, silver or PGM sent out), record and make the product identifiable with:
 - Your name and/or stamp or logo;
 - The year of refining or production; and
 - A unique reference (for example, serial number, electronic identification or other practicable means).
 - Make sure that the total weight of material received and in inventory during the audit period can be reconciled with movements in and out of inventory for the same period.
 - Adopt tamper-proof physical security measures for all outputs.
 - If you are a gold refiner, remember to share your data on mine of origin with the RJC.

25. UPSTREAM / MIDSTREAM INFORMATION FORM

Part 1 – to be completed per delivery	
Company information	
Date	Document number
Name of company	
Address	
Company type	Large-scale mining <input type="checkbox"/> Artisanal and small-scale mining <input type="checkbox"/> Rough stone exporter and/or Tier 1 midstream <input type="checkbox"/>
RJC COP certified	Yes <input type="checkbox"/> No <input type="checkbox"/>
COP certified date	
COP expiry date	
Responsible person	
Product information	
Product description	
Product origin (<i>mine, company or geographical location where mine is located; list if more than one</i>)	
Locations where stones were consolidated prior to export	
Method of extraction (ASM/SSM/LSM)	
Total weight	
Transport route to receiver	
Part 2 – to be completed per contract*	
Policies and due diligence management systems	
Do you have a supply chain policy consistent with Annex II of the OECD Guidance?	Yes <input type="checkbox"/> No <input type="checkbox"/> If yes, please attach policy with this document
Do you have a due diligence management system in place that is consistent with the OECD Guidance?	Yes <input type="checkbox"/> No <input type="checkbox"/>
Risk assessment	
Have you carried out a risk assessment on the product origin/source (and its transport) based on an approach that is aligned with the OECD Guidance?	Yes <input type="checkbox"/> No <input type="checkbox"/> If yes, please attach details/evidence with this document (e.g. a copy of your risk assessment report)
If yes, did you identify any 'red flags' as part of that risk assessment?	Yes <input type="checkbox"/> No <input type="checkbox"/>
For red flags only	
What type of red flags have you identified? (tick all that apply)	Red-lag location <input type="checkbox"/> Red-flag supplier <input type="checkbox"/> Red-flag circumstances <input type="checkbox"/>
Provide a description/summary of the red flags identified (<i>for example, you have determined based on your risk assessment that the source or origin of the material is a CAHRA</i>)	

<p>During your risk assessment, did you identify the presence of any of the following adverse impacts in the red-flag supply chain? (tick all that apply)</p>	<ul style="list-style-type: none"> • Serious abuses associated with the extraction, transport or trade of minerals (requires immediate disengagement) <input type="checkbox"/> • Direct or indirect support to non-state armed groups (Requires immediate disengagement) <input type="checkbox"/> • Direct or indirect support to public or private security forces who illegally control, tax or extort money from mine sites, transportation routes and upstream actors <input type="checkbox"/> • Bribery and fraudulent misrepresentation of the origin of minerals <input type="checkbox"/> • Money laundering and non-payment of taxes and royalties due to governments <input type="checkbox"/> • None of the above risks have been identified <input type="checkbox"/>
<p>Have you implemented a risk management plan to prevent or mitigate potential or actual adverse impacts?</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>If yes, provide a description/summary of your risk management plan</p>	
<p>Have you established, or are you participating in, a traceability system that collects and maintains segregated information for all material inputs and outputs from red flagged supply chains (from extraction through to export)</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>Confirm you have carried out the following (you do not need to disclose commercially sensitive evidence/documentation related to these actions with buyers, but you should keep records on file as part of your internal management system)</p>	
<p>Have you recorded details of all taxes, fees or royalties you have paid to the government related to the material's extraction, transport and/or export? (this only applies to payments you have made)</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>Have you recorded details of all payments or compensation (including facilitation payments) made to government agencies and officials related to the material's extraction, transport and/or export (this only applies to payments you have made)</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>Have you recorded details of all payments made to public or private security forces or other armed groups (this only applies to payments you have made)</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>For miners: Have you carried out KYC checks of all third-party service providers handling the material (e.g. transportation companies) or providing security at mine sites and along transportation routes?</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>For exporters: Have you carried out KYC checks to identify all suppliers and relevant service providers (e.g. transportation companies) from the point of origin through to export?</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>

26. MIDSTREAM / DOWNSTREAM INFORMATION FORM

To be completed per supplier			
Company information			
Date		Document number	
Name of company			
Address			
RJC member	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
COP certified date			
COP expiry date			
Responsible person			
Policies and due diligence management systems			
Do you have a supply chain policy consistent with Annex II of the OECD Guidance?	Yes <input type="checkbox"/> No <input type="checkbox"/> If yes, please attach policy with this document		
Do you have a due diligence management system in place that is consistent with the OECD Guidance?	Yes <input type="checkbox"/> No <input type="checkbox"/>		
Product source and origin			
What are your product sources? <i>(This information can be provided in aggregate form, e.g. a list of all countries, areas and/or companies where you have sourced from)</i>			
List the percentage of product you supply to us that falls into the following categories:	1. Mined rough/polished stones with known origin (mine, company or geographical location where the mine is located) _____% 2. Mined rough/polished stones where there is no information available on origin _____% 3. Recycled stones _____% 4. Grandfathered stones _____%		
Risk assessment			
Have you carried out a risk assessment on your suppliers based on an approach that is aligned with the OECD Guidance?	Yes <input type="checkbox"/> No <input type="checkbox"/> If yes, please attach details/evidence with this document (e.g. a copy of your risk assessment report)		
If yes, did you identify any 'red flags' as part of that risk assessment?	Yes <input type="checkbox"/> No <input type="checkbox"/>		
For red flags only			
What type of red flags have you identified? (tick all that apply)	Red-flag location <input type="checkbox"/> Red-flag supplier <input type="checkbox"/> Red-flag circumstances <input type="checkbox"/>		
Provide a description/summary of the red flags identified <i>(for example, you have determined based on your risk assessment that the source or origin of the material is a CAHRA)</i>			

<p>During your risk assessment, did you identify the presence of any of the following adverse impacts in the red-flag supply chain? (tick all that apply)</p>	<ul style="list-style-type: none"> • Serious abuses associated with the extraction, transport or trade of minerals (requires immediate disengagement) <input type="checkbox"/> • Direct or indirect support to non-state armed groups (requires immediate disengagement) <input type="checkbox"/> • Direct or indirect support to public or private security forces who illegally control, tax or extort money from mine sites, transportation routes and upstream actors <input type="checkbox"/> • Bribery and fraudulent misrepresentation of the origin of minerals <input type="checkbox"/> • Money laundering and non-payment of taxes and royalties due to governments <input type="checkbox"/> • None of the above risks have been identified <input type="checkbox"/> <p>Note: See Annex II of the OECD Guidance for further information on relevant adverse impacts</p>
<p>Have you implemented a risk management plan to prevent or mitigate potential or actual adverse impacts?</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>If yes, provide a description/summary of your risk management plan</p>	
<p>Have you had your due diligence practices independently audited?</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Note: If yes, please attach a copy of the audit report with this form</p>

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