

**FUJAIRAH GOLD FZC**  
**Quality, Environment & Safety Management System**  
In conformance with ISO 9001(2015),  
ISO 14001 (2015) & ISO 45001(2018)

**PROCEDURE: RISK ASSESSMENT**

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Risk Assessment procedure for due diligence

Fujairah Gold FZC, as a policy, follows similar procedure for the procurement of the gold with all suppliers/Customers. This procedure shall follow guidelines provided by MoE for due diligence regulation for responsible gold sourcing Version 1, August 2022 and MOE guidelines on Anti Money Laundering & financing terrorism & Anti-Corruption laws  
Our risk assessment is based on,

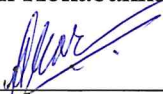
Conflict-Affected and High-Risk Area (CAHRA) Assessment: Potential sourcing countries are assessed for conflict; human right violation; Political stability & Governance effectiveness; AML & CFT compliance and sanctions as factors. The Assessment provide final decision whether the country should classify as a Conflict-Affected and High-Risk area or not. Additionally, countries as defined by Section 1502 of the Dodd-frank act and all regions on the EU CAHRA list are automatically classified as CAHRA. We also use The Worldwide Governance Indicators (WGI) data as well.

A separate scoring system is made for each supplier & the risk is rated on the scoring.

The Risk matrix is based on 40 points scoring system for supplier and 25 points system for buyers based on the below:



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**1. Geographical Origin and Location Based**

Risk Matrix

Criteria	Score
Conflict Affected area	5
Neighboring Countries of CAA	3
Non-Conflict Affected area	1
<b>Sanctions / Embargoes</b>	
Existence of sanctions and/or embargoes	5
None - sanctions and/or embargoes	1
Export from Non-PM Consumption Country	5

**2. Owner ship based**

Criteria	Score
Listed Company	1
Individual Ownership	5
Multiple Owners	3
Politically Exposed person as UB	5
Supplier/Customer based on high-risk locations	5

\*Red Flag Procedure



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**3. Type of Materials**

- a. Source from Compliance mines – Score 1
- b. Byproduct from Mines – Score 2
- c. Recycle / Scrap Source – Score 3
- d. Mixed of DORE/Scrap – Score 5

**4. Company Compliances**

- a. ISO, OHSAS Compliances.
- b. Supplier having policies regarding AML CFT, Child labor, bribery, ethics.
- c. OCED guidelines.
- d. Companies complying to SOX and other financial regulations
- e. External third party audited
- f. If complaint for above then 1 or else 5. If partially complaint then 3.

**5. Banking transactions for both suppliers/Buyers**

- a. Payment through LC/Guarantee; **Score – 1**
- b. Payment through TT; **Score – 2**
- c. Cheque/cash payment; **Score – 5**
- d. TT Payments to different banks for each transaction; **Score – 3**

**6. Transportation of material**

- a. Using standard security transportation – Score 1
- b. Hand carriage – Score 5

**7. Size of the mine**

- a. ASM – **Score -5**
- b. LSM – **Score -1**



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**8. No. of Counter parties for Gold Supplier**

- a. If the miner is direct seller; **Score – 1**
- b. If the no. of intermediaries are 3 & less; **Score – 3**
- c. If more than 3 intermediaries; **Score – 5**
- d. Any counter party getting flagged in World Check; **Score – 5**
- e. UB details of counter party not available; **Score – 5**

**9. No. of counter parties for the Buyer**

- a. End consumer; **Score – 1**
- b. Trader Listed company; **Score – 1**
- c. Trader Individually owned company; **Score – 5**
- d. Any counter party with flagged in red in world check; **Score – 5**

Check the source of mine. It is better if the source of mine is same as the supplier.

If the gold is handled from mine to the refiner through different channels check the credibility of each link in the same.

Ask for the due diligence details of each counter party from the supplier.

Verify the genuineness of the counter party through web search.

World Check can be used as a tool for checking the sanctioned countries, PEPs, Sanctioned persons, Criminal organizations etc.

**Note:**

- ⚠ No Business can be initiated with Sanctioned countries.
- ⚠ No Business to be initiated with persons already facing actions on criminal activity.
- ⚠ No Business to be initiated with business proposals claiming abnormal margins.

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The above 1 to 8 *scoring criteria* are applicable to Supplier and cumulative scoring to be considered for risk and scoring system is 40 points. Points 1,2,5,7, and 9 are clubbed together and cumulative score is made on a total of 25 points for customers. The higher the score higher the risk.

**However The Below identified scenarios need to be categorized automatically into high risk during the review of the risks for each supplier & the buyer.**

1. Material originating from high-risk countries.
2. Material being sourced from ASM.
3. Company or UBO flagged in desktop check.
4. Supplier does not have policies and practices related to ethics, integrity, and combatting Money Laundering, bribery, and corruption.
5. Any transactions where the documents were not available as per the requirement. And despite follow up if the issue is not resolved as per the requirement.
6. Payments made to other accounts other than the account provided in the KYC/Contract/Invoice.
7. Any supply has come with new material specification & if the details of the new source is not provided to the satisfaction.
8. Any supply of material showing the documentation of a counter party other than the risk assessed one.
9. Receipt of Cash in account rather than TT for the sales.
10. Traders requesting for multiple split invoices.



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Fujairah Gold shall do the assessment for all the existing customers. The assessment is reviewed annually unless otherwise any other suspicious activity is noticed.

Also the KYC details of the party to be renewed / reviewed on an annual basis for any change in ownership / change in business model / change in sourcing / renewed licenses etc.

**Risk mitigation plan:**

**Monitor**

If the Enhanced due diligence is suggesting that the supplier is managing and trying to mitigate the risks, then FG shall decide to continue the relationship with the supplier. FG shall present an senior management approved plan to the supplier to reduce its risk within 6 months and if the supplier fails to do so, FG shall suspend the business relationship with the supplier. disengaging with suppliers for at least 3 months, when they fail 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 Regulated Entities conducting the due diligence

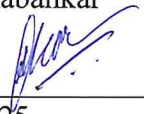

**Suspend**

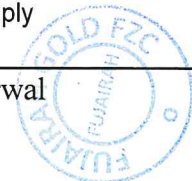
If enhanced due diligence is concludes that there is suspicion of Money Laundering, Terrorist Financing, human rights abuses, environmental degradation direct or indirect support to illegitimate non state armed groups, fraudulent misrepresentation of origin of goods, then FG shall suspend engagement with the supplier till risk mitigation measures are adequately completed.

**Terminate**

If enhanced due diligence confirms the instances of Money Laundering, Terrorist Financing, human rights abuses, environmental degradation direct or indirect support to illegitimate non state armed groups, fraudulent misrepresentation of origin of goods, then FG shall immediately terminate engagement with the supplier.

If a red flag has been identified with a supply chain, then the material shall be quarantined from the rest of the raw material, the material shall stay in quarantine until the time EDD confirms the supply

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as low risk. If classified as high risk then it shall be highlighted to management and required action to be taken.

The below steps are followed in case of high risk customers for each category as a risk mitigation process.

**A. Customers from conflict affect areas:**

1. Check the credibility of the customer through internet.
2. Track the gold till the mine based on contacts, general information etc.
3. Verify the names in UN banned list
4. Do the assessment for the counter parties also
5. Verify the licenses, permits of the Counter parties.
6. Verify the account details through the bank
7. Ensure the transactions is done through single bank account only
8. Third party audit of the parties facility
9. Visit of the party.
10. Check the regions quality of the gold Vis a Vis the material supplied.
11. Check how the material is tracked from mining till delivery while on visit.
12. Do the reassessment, if again on the red zone move for discontinuing the contract

**B. Financial Transaction through cash / cheque**

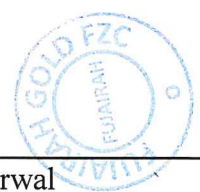
1. Discuss with the party & establish banking channels
2. Do the reassessment

**C. Transportation without security**

1. Assess the quantum of the purchase
2. Based on the above introduce the party to suitable security agencies for transportation
3. Do the reassessment

**D. Supplier Based Issue**

1. Constantly monitor fraud list / UN sanction list etc. for the names of current supplier



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2. In case of any bad reputation / involvement in fraudulent activities by particular supplier put their name in high-risk category
3. Put them on notice for discontinuation of business in case of non- justifiable answer.
4. Give them sufficient time to rectify the issue or give necessary clarification
5. Take decision regarding continuation of business based on the above

**E. Engage third party to audit the supplier**

They shall verify

- a. Suppliers organization profile
- b. Owners profile
- c. Mining license
- d. The availability of the gold in the particular mining license (quality, quantity)
- e. Involvement of child labor in the mining activity
- f. The involvement of Govt. in the transactions

**Risk Mitigation plan for low risk categories**

1. Any deviation are brought to the notice of the Supply Chain officer / Compliance officer who shall escalate the matter to the relevant authorities.
2. Continuous engagement with the supplier to build confidence & each shipments are tracked & feedback shared.
3. Maintain the security aspects & any deviation is discussed with the senior management.
4. Keep each input on hold till its sampled & clearance is received from supplier for further processing.
5. Decide on the business continuation, stoppage, suspension based on the risk assessment which is monitored on a yearly basis.



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**Supplier:**

Risk Rating and Score	Risk Tolerance	Level of Responsibility	Risk Response
High ( Above 20)	Unacceptable	Senior Leadership	Report to senior leadership and relevant stakeholders immediately risk response plan. Adapt controls, which can include strengthening existing measures and adding new ones. Do EDD. Site visit to be carried out. Material to be hold till the case resolve. Monitor risks and controls continuously
Low (1-20)	Acceptable	SCO/CO	Immediate action not needed.  Monitor risks and controls periodically



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Customer:

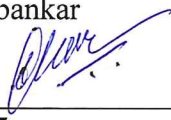
Risk Rating and Score	Risk Tolerance	Level of Responsibility	Risk Response
High ( Above 20)	Unacceptable	Senior Leadership	Report to senior leadership and relevant stakeholders immediately risk response plan. Adapt controls, which can include strengthening existing measures and adding new ones. Do EDD. Site visit to be carried out. Sales to be hold till the case resolve. Monitor risks and controls continuously
Low (1-20)	Acceptable	SCO/CO	Immediate action not needed.  Monitor risks and controls periodically

Reference:

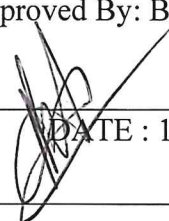
1. MoE for due diligence regulation for responsible gold sourcing Version 1, August 2022.
2. EBC rules for Risk based Due Diligence in the Gold and Precious Metals Supply Chain; Version 1 /2021
3. [www.govindicators.org](http://www.govindicators.org)
4. Human Development reports by UN Development Program. hdr.undp.org
5. Conflict-Affected and High-Risk Areas under regulation (EU) 2017/821. cahralist.net
6. OECD Guidelines



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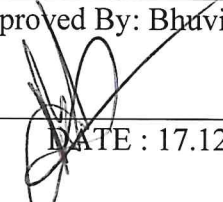
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**1. AMENDMENT HISTORY**

<b>S.No</b>	<b>Previous condition (before this revision)</b>	<b>Present condition (Reason made)</b>	<b>Previous Rev. No.&amp; Issue date</b>	<b>Current Rev. No &amp; Issue date</b>
1.	Vedanta new logo	Vedanta changes new logo with addition of "Transforming Elements"	Rev. No: 06, Ver.No: 01 01.02.2018	Rev. No: 07, Ver. No: 01, 01.02.2019
2.	OSHAS 18001 (2007) standard	OSHAS 18001 (2007) replaced with ISO 45001(2018).	Rev. No: 07, Ver. No: 01, 01.02.2019	Rev.No: 00, Ver.No: 02, 15.10.2019
3.	-	Reviewed	Rev.No: 00, Ver.No: 02, 15.10.2019	Rev.No: 01, Ver.No: 02, 01.02.2021
4	-	Reviewed	Rev.No: 01, Ver.No: 02, 01.02.2021	Rev.No: 02, Ver.No: 02, 01.02.2022
5	-	DMCC Replaced with EBC	Rev.No: 02, Ver.No: 02, 01.02.2022	Rev.No: 03, Ver.No: 01, 01.10.2022
6	-	Updation of supply chain and compliance officer	Rev.No: 01, Ver.No: 03, 01.10.2022	Rev.No: 02, Ver.No: 03, 02.10.2023
7	-	reviewed	Rev.No: 02, Ver.No: 03, 02.10.2023	Rev.No: 03, Ver.No: 03, 01.11.2024
8	-	Updation of supply chain officer	Rev.No: 03, Ver.No: 03, 01.11.2024	Rev.No: 01, Ver.No: 04, 17.12.2025

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