

POLICIES AND PROCEDURES :
DUE DILLIGENCE AND KNOW YOUR CUSTOMER



1. INTRODUCTION

Mining Commodities and Agricultural products requires the development of a robust Due Diligence and Know Your Customer (KYC) process to ensure compliance with anti-money laundering (AML) regulations, prevent the illicit trade and maintain the company's integrity. These policies and procedures aim to mitigate the risk of accepting illicit commodities facilitate transparency, and ensure that the company operates ethically and legally.

1.1 Purpose of Due Diligence and Know Your Customer

Due Diligence: To thoroughly evaluate customers, suppliers, and partners to ensure they operate within legal frameworks and meet the company's ethical and operational standards. This includes verifying the source of commodities, its legality, and confirming it is not linked to illicit activities (such as money laundering, terrorist financing, or conflict financing).

Know Your Customer : To ensure that the company knows the identity of its customers, both individual and corporate, by collecting relevant documentation and information for identification purposes. This helps prevent the company from being exploited for illicit activities.

1.2 Key Objectives

- Prevent the company from handling illegally mined or conflict minerals.
- Ensure compliance with relevant local and international regulations, including the Financial Action Task Force (FATF), OECD Due Diligence Guidance, and the World Council's Responsible Principles.
- Protect the reputation and financial integrity of the company.
- Establish a process for monitoring and reporting suspicious transactions.

3. DUE DILLIGENCE PROCEDURES

3.1. Customer and Supplier Onboarding

Risk-based Approach: Conduct risk assessments on all potential customers and suppliers, evaluating the risk of association with illegal commodities or unethical practices based on factors such as jurisdiction, reputation, and history of business practices.

Know the Business: For corporate customers, conduct detailed background checks on the company's ownership structure, key executives, and business operations.

Source of Commodity: Verify the source of the commodities being supplied to the company by requiring a chain of custody report that outlines every transaction leading up to the commodity being presented.

3.2. Documentation Requirements

Identity Verification: Collect and verify identification for individual customers (e.g., passport, national ID, or business registration documents).

Beneficial Ownership Verification: For corporate customers, identify and verify the beneficial owners to ensure there is no concealed ownership. This can be done by reviewing public records, shareholder information, and ownership structures.

Supplier Documentation: Suppliers must provide the following:

- Proof of identity (company registration details).
- Licenses or permits related to commodity (e.g., mining licenses, export/import certificates).
- Chain of custody documentation detailing the origin of the commodity

3.3. Risk Assessment and Categorization

Low-Risk Customers/Suppliers: These entities have clean backgrounds, transparent operations, and come from jurisdictions with a strong regulatory framework.

Medium-Risk Customers/Suppliers: Entities operating in higher-risk jurisdictions or with limited transparency.

High-Risk Customers/Suppliers: Entities associated with high-risk jurisdictions, conflict zones, or negative media reports. These require enhanced due diligence (EDD).

4. KYC POLICIES AND PROCEDURES

4.1. Customer Identification Program (CIP)

Collect the following information to verify the identity of individual customers:

- Full name.
- Date of birth.
- Nationality.
- Contact details (address, phone number, email).
- Government-issued ID (passport, driver's license).
- A photograph (for in-person verification).

For corporate clients, obtain:

- Business registration details.
- Articles of incorporation or similar documents.
- Shareholder information.
- Proof of address (business utility bills, lease agreements).

4.2. Enhanced Due Diligence (EDD)

In cases where a high-risk individual or corporate entity is identified, the refinery will conduct EDD, which involves more in-depth investigations:

- Conduct an international background check on the individual or company.
- Obtain references from banks, business partners, or government agencies.
- Analyse the company's financial statements to assess the legitimacy of the business operations.
- Conduct interviews with key stakeholders to ensure legitimacy.

4.3. Ongoing Monitoring

Transaction Monitoring: Continuously monitor transactions for unusual or suspicious activity that may indicate illegal or unethical practices, such as an unusually high volume of commodity being traded with a particular customer or supplier.

Customer Relationship Reviews: Annually review the KYC information for each customer and supplier to ensure that it remains up to date.

AML Training: Provide employees with regular AML/KYC training to ensure they understand how to identify suspicious activity and ensure compliance with regulations.

4.4. Record Keeping and Retention

- Maintain a record of KYC documentation and due diligence findings for a minimum of 5 years.
- Keep records of all transactions and correspondence related to customers and suppliers.
- Ensure that all records are easily accessible for audit and regulatory inspection purposes.

5. INTERNAL CONTROLS

5.1. Designated Compliance Officer

- Appoint a Chief Compliance Officer (CCO) or designated compliance team responsible for ensuring the company's adherence to KYC, AML, and due diligence policies.
- The compliance officer will oversee all KYC procedures and reporting of suspicious activity to relevant authorities.

5.2. Independent Audits

- Conduct regular independent audits of the company's due diligence and KYC processes to ensure compliance with internal policies and external regulations.
- An external auditor may review the integrity and effectiveness of the compliance systems.

5.3. Reporting Suspicious Activity

- All suspicious transactions, including those involving high-risk , non-compliance with documentation requirements, or unusual commodity transactions, must be reported to the appropriate regulatory authorities (e.g., Financial Intelligence Unit).
- Document the investigation and steps taken in case of suspicious activity.

6. RISK MANAGEMENT AND MITIGATION

Supplier Audits: Conduct regular audits of suppliers to ensure the legitimacy of their operations and that they are not engaging in the illegal trade.

Commodity Traceability: Implement a system for tracking and recording the entire journey of the commodity, from its origin to its final destination. This may include blockchain technology or other traceability systems.

Jurisdictional Risk Considerations: Avoid sourcing from countries or regions with weak governance or known conflict zones. This includes conducting a geopolitical risk assessment before entering into agreements with new suppliers.

7. COMPLIANCE WITH INTERNATIONAL STANDARDS

The company will ensure compliance with international due diligence and KYC standards, including:

OECD Due Diligence Guidance for Responsible Supply Chains of Minerals: Ensuring that the commodity supply chain is free from conflict financing and human rights violations.

FATF Recommendations: Compliance with FATF's recommendations on AML and KYC standards.

World Commodity Council's Responsible Mining Principles: Adhering to these principles for commodity sourcing.

8. TRAINING AND AWARENESS

- Regular KYC/AML training sessions for staff to raise awareness about recognizing and reporting suspicious activities.
- Detailed training on identifying red flags, including suspicious suppliers or customers, unusual transaction volumes, and documentation inconsistencies.

9. CONSEQUENCES OF NON-COMPLIANCE

Failure to adhere to KYC and Due Diligence policies may result in:

Termination of business relationships: with customers or suppliers found to be in violation of the policies.

Legal Action: In case of suspected illegal activities such as money laundering, the company will cooperate fully with law enforcement agencies.

Reputational Damage: Failing to comply with international standards can harm the company's reputation and ability to do business with reputable organizations.

A robust Due Diligence and KYC policy is vital for the effective functioning of the company. It ensures that only legitimate, ethical sources, compliant with national and international regulations. Through continuous monitoring, periodic audits, and staff training, the refinery can mitigate risk and enhance its credibility in the global marketplace.