

Internal Policies, Procedures and Controls

CHILLON TRADING LIMITED

Version Control Record

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A Anti-Money laundering and terrorism financing (ML/TF)

1 Aim

1.1 Employees of *Chillon Trading Limited (Chillon)* play an important role in protecting against money laundering and terrorism financing (ML/TF) risk. The following IPPC will equip us to do so and avoid breaching the law of:

(a) Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AML/CTFO) (“Cap. 615”);

(b) Organized and Serious Crime Ordinance (OSCO) (“Cap. 455”);

(c) Drug Trafficking (Recovery of Proceeds) Ordinance (DTRPO) (“Cap. 405”).

2 Assessment of risks

2.1 *Chillon* shall conduct a risk assessment of its business to identify, assess and understand its ML/TF risks in relation to:

- a. the profile of its customers;
- b. the customers’ country of origin;
- c. the countries where it has got operations; and
- d. the products, services, transactions and delivery channels, etc. of *Chillon*

2.2 *Chillon* shall develop appropriate and proper measures (internal rules, processes, etc.) to address the identified risks, and ensure that all employees shall follow and implement such measures.

2.3 *Chillon* shall ensure that its risk assessments are up-to-date by regularly reviewing it every 6 months, before launching a new product or a new business practice or before using a new or developing technology for any new or existing

product.

2.4 The assessment must be seen and/or evaluated and signed off by the highest ranking employee in the senior management or whosoever he/she designates in the senior management team.

3 Appointment of a Compliance Officer

Chillon shall appoint a management level employee to be the Compliance Officer for all anti-money laundering/countering the financing of terrorism (“AML/CFT”) efforts, including the design and execution of these IPPCs. The responsibilities of the Compliance Officer shall be as follow:

- a. Trained/Be familiar with AML/CFT Regulations, relevant regulations and Guidelines issued by the Hong Kong Government
- b. Ensure that *Chillon* is in full compliance with the regulations (if any);
- c. Be responsible for day-to-day operation of our AML/CFT measures;
- d. Be the main point-of-contact with law enforcement authorities (LEA). The Compliance Officer shall ensure that he/she is reasonably contactable and should appoint a covering officer (in writing to the covering officer), where possible;
- e. Ensure that remedial actions are taken in a timely and effective manner when there are instances of non-compliance; and
- f. Regularly conduct internal audits of all compliance procedures/processes related to AML/CFT of *Chillon*.

4 Conduct employee checks when hiring employees

Chillon shall check each employee before hiring, against the following information sources:

- a. Security Bureau's website on the Terrorist designated or terrorist associate by committees of the United Nations Security Council

<https://www.sb.gov.hk/eng/special/terrorist/terrorist.html>

- b. Commerce, Industry and Tourism Branch

Commerce and Economic Development Bureau's website on United Nations Sanctions Lists of Individuals and Entities subject to Targeted Arms-related and Financial Sanctions

<https://www.cedb.gov.hk/citb/en/policies/united-nations-security-council-sanctions.html>

- c. Public sources like the internet, or against commercial databases, to check if a prospective employee has any adverse/negative news which may pose an ML/TF risk to *Chillon*, e.g. history of dishonest behaviour;
- d. Declaration made by potential employee that such a person:
 - i. was not convicted of any offence involving fraud or dishonesty; and
 - ii. is not an undischarged bankrupt.

5 Procedure to conduct Customer Due Diligence (CDD)

Employees of *Chillon* shall follow the following procedures and practice when conducting CDD:

- a. The employee shall complete the designated CDD form
- b. The employee shall immediately update the supervisor (if any) and/or managerial-level employee (if any) and/or compliance officer if there are any matches to the:
 - i. Security Bureau's website on the Terrorist designated or terrorist associate by

committees of the United Nations Security Council

<https://www.sb.gov.hk/eng/special/terrorist/terrorist.html>

ii. Commerce, Industry and Tourism Branch

Commerce and Economic Development Bureau's website on United Nations Sanctions Lists of Individuals and Entities subject to Targeted Arms-related and Financial Sanctions

<https://www.cedb.gov.hk/citb/en/policies/united-nations-security-council-sanctions.html> ; and

iii. Financial Action Task Force (FATF) list of high-risk countries

<http://www.fatfqaqi.org/countries/#high-risk>

c. The employee shall immediately update the supervisor (if any) and managerial-level employee (if any) if the customer is defined as a Politically Exposed Person (PEP).

d. The employee shall immediately update the supervisor (if any) and managerial-level employee (if any) if the customer is a money services company.

<https://eservices.customs.gov.hk/MSOS/wsrh/001s1w?searchBy=T>

e. In the case of para 5.1(b)(i) and 5.1(b)(ii), *Chillon* shall stop the transaction and lodge a Suspicious Transaction Report (STR) within 15 business days.

f. In the case of para 5.1(b)(iii) and 5.1(c), *Chillon* shall continue with enhanced customer due diligence (ECDD) (refer to section 7).

g. In the case that CDD cannot be completed, *Chillon* shall stop the transaction and lodge a police report.

h. In the case of para 5.1(d), *Chillon* shall stop the transaction.

6 Procedure to conduct Enhanced Customer Due Diligence (ECDD)

6.1 Employees of *Chillon* shall follow the following procedure when conducting ECDD:

- a. The employee shall complete the ECDD form if necessary
- b. The employee shall immediately update the supervisor (if any) and managerial-level employee (if any) if ECDD cannot be completed.

6.2 *Chillon* shall assign an employee to conduct enhanced and regular (6 month) checks of higher-risk customers.

7 Procedure to complete a Suspicious Transaction Report (STR)

The following procedure shall apply for the *Chillon* and employees when completing a STR:

- a. *Chillon* shall designate an employee e.g. Compliance Officer or employees tasked to complete a STR;
- b. The employee who is communicating with the customer and/or conducting CDD or ECDD shall inform the supervisor on the necessity to complete a STR (a discussion may be necessary);
- c. The designated employee tasked with completing a STR and can lodge a police report.

8 Staff training on AML/CFT

8.1 *Chillon* shall ensure that its employees attend on-going training on AML/CFT matters. The training can be conducted internally or through the engagement of external training providers.

8.2 *Chillon* shall record the names of the employees (with date/s of courses attended).

9 Record keeping

The *Chillon* shall keep copies of documents with the following information for a period of 5 years:

For all customers

- a. Customer's identifying information;
- b. A copy of the supporting document that was relied upon for the customer's identifying information (e.g. HKID, passport);
- c. Whether the customer is the owner of cash equivalent or any medium of exchange received from the customer, or owner of the PS purchased or redeemed from the customer;
- d. Identifying information of the person the customer is acting on behalf of, if the customer is not the owner mentioned in para 10.1(c);
- e. Proof that the customer is authorized to act on behalf of that other person, if the customer is not the owner mentioned in paragraph 10.1(c);
- f. Date of transaction or intended transaction;
- g. Amount of transaction or intended transaction;
- h. Description of the PM sold, purchased or redeemed under the transaction or intended transaction;
- i. Address where the transaction was carried out, or would have been carried out;
- j. Name and designation of the individual who carried out (or would have carried out) the transaction on behalf of the customer and
- k. The reason why the customer was unable to or chose not to complete any CDD

measures;

I. Where ECDD was carried out, the name and designation of the person holding the senior managerial or executive position in *Chillon* who approved the transaction with the customer.

M. For OECD supply chain assessment, *Chillon* should assess the customer origin of precious metals and supply chain description by *Supply Chain Assessment Form*.

For customers acting on behalf of a legal person

- o. the name of the legal person;
- p. the legal form of the legal person;
- q. proof of the legal person's existence (e.g. Certificate of Good Standing);
- r. the place under which the legal person is incorporated, registered or otherwise constituted;
- s. the instrument under which the legal person is constituted (e.g. Articles of Association);
- t. if the legal person is incorporated or registered in Hong Kong, its Business Registration number
- u. if the legal person is incorporated or registered outside Hong Kong, its foreign incorporation or registration number;
- v. if the legal person is an entity, the identity of each individual having a senior management position in the legal person;
- w. the address of the legal person's registered office and its principal place of business.
- x. if the legal person is an entity:
 - i. the identifying information of each individual who ultimately has a controlling ownership interest in the legal person;
 - ii. if it is doubtful whether all or any of the individuals who ultimately have a

controlling interest in the legal person are its beneficial owners, or where no individual exerts control through ownership interests, the identifying information of each individual (if any) exercising control of the legal person through other means; or

iii. if no individual is identified under sub-paragraphs (i) and (ii), the identifying information of each individual having a senior management position in the legal person.

y. if the legal person is a trust, the identities of:

i. the settlor;

ii. each trustee;

iii. the protector (if any); iv. each beneficiary or class of beneficiaries; and
any other individual exercising ultimate effective control over the trust;

z. if the legal person is a legal arrangement that is not a trust, the identity of each person holding a position equivalent or similar to any position in paragraph (y).

za. Any other relevant documents, data or information provided by a reliable and independent source (e.g. document issued by a government body).

B OECD Responsible Global Supply Chain of Minerals from Conflict-Affected and High-Risk Areas (CAHRAs)

1 Aim

Chillon Trading Limited (Chillon) are recognized that risks of significant adverse impacts which may be associated with extracting, trading, handling and exporting minerals from conflict-affected and high-risk areas(CAHRAS), and recognizing that we have the responsibility to respect human rights and not contribute to conflict, Chillon 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.

Chillon commit to refraining from any action which contributes to the financing of conflict, and we commit to comply with relevant OECD Due Diligence Guidance for Responsible supply chain form conflict-affected and High-risk areas, United Nations sanctions resolutions or, where applicable, Hong Kong laws implementing such resolutions.

According to OECD Due Diligence Guidance for responsible Supply Chains Annex II, company should review their choice of supplier and sourcing decisions and following five-step framework for risk-based Due Diligence for responsible supply chains of minerals from conflicts-affected and high-risk areas.

Chillon should set up five step framework Due Diligence:

1. Establish company management system,
2. Identify and assess risk in the supply chain,
3. Design and implement a strategy to respond to identified risk,
4. Carry out independent third-party audit,
5. Report on action taken.

2. Establish company management system

2.1 Adopt and commit to a Supply chain policy.

- a. Chillon established a Supply Chain Policy clearly stating our position and commit on responsible sourcing from CAHRAs
- b. Chillon established a procedure to identify CAHRAs. The procedure includes the resources used, the criteria to define a “conflict-affected and high-risk” area as well as the frequency with which our determination is reviewed. The company uses the following resources to determine CAHRAs:

CAHRA website:

<https://www.cahraslist.net/>

For Criterion CONFLICT

1. Heidelberg Conflict Barometer

[HIHK – Heidelberg Institute for International Conflict Research](#)

2. Global Peace Index [Vision of Humanity | Destination for Peace](#)

3. Armed Conflict Location and Event Data (ACLED)

[ACLED \(Armed Conflict Location and Event Data\) \(acleddata.com\)](#)

For Criterion GOVERNANCE

1 Worldwide Governance Indicators (WGI) [Home | Worldwide Governance Indicators \(worldbank.org\)](#)

2 Fragile States Index [Fragile States Index | The Fund for Peace](#)

3 National Resource Governance Institute [Home | Natural Resource Governance Institute](#)

For Criterion HUMAN RIGHTS

1 Fundamental Rights Index (World Justice Project) [world justice index](#)

2 Fragile States Index (Political Indicator 3: Human Rights and Rule of Law)

3 US DOL (ILAB) List of Products and List of Goods Produced by Child Labor or Forced Labor [US DOL \(ILAB\) List of Products and List of Goods Produced by Child Labor or Forced Labor](#)

The policy post on our website publicly to let our stakeholder and supplier know.

2.2 Structure management systems to support Due Diligence

- a. To ensure that existing due diligence and management systems of companies in the supply chain are structured effective due diligence which allow identify suppliers and to assess any associated risk relevant to supply chain policy.
- b. Senior management will review the management system annually.
- c. Senior management shall ensure that its employees attend on-going training on responsible sourcing. The training can be conducted internally or through the engagement of external training providers. Attendance of trainings need to be record down.

2.3 Established a system for transparency, information collection and controls over the supply chain.

- a. Create internal document and records of supply chain due diligence.
- b. Identify the complete supply chain beyond the tier-1 or tier-2 suppliers (e.g., all recyclers, aggregators, refiners, smelters, LSMs, and ASMs).
- c. Maintain internal inventory and transaction documentation such as invoice, purchase order, delivery note, good-received note, payment instruction.
- d. Information regarding the form, type, and physical description of gold.
- e. Information of the weight, fineness, brand name and bar list
- f. Supplier details (collected by KYC procedure)due diligence information.
- g. information collected store for 5 years.

2.4 Strong engagement with suppliers

- a. Established criteria to approve suppliers that includes responsible sourcing requirements.
- b. request our suppliers to have supply chain policy declaration.
- c. Try to establish long term relationship, contact client without trading for one fiscal year.

2.5 Established a grievance mechanism.

- a. A grievance and complaint channels are publicly posted to stakeholders on our website.
- b. Grievances and complaints regarding child labour, forced labour, inhumane treatment and the circumstances of mineral extraction, trade, handling, and export is included as part of the grievance mechanism.
- c. Senior management responsible for any grievance or complaint received and take prompt remedial action if the claim is valid is in place.
- d. Only senior management can read the grievance or complaint email, manage to protect identity of all affected persons or whistle-blowers is in place.
- e. Senior management should ensure no reprisal or intimidation approach towards whistle-blowers such as allowing them to remain anonymous.
- f. Keep an accurate and updated log of all grievances or complaint and follow up action.

3. Identify and assess risks in the supply chain

Utilizing the strong management system, Chillon should identify and assess risks that the precious metal purchase through the supply chain to avoid contribute to conflict or serious human rights abuses.

3.1 Determine gold origin.

a. Chillon shall identify the precious metal origin, try to find out any sources come from the conflict-affected and high-risk areas (CAHRAs) in our supply chain through the KYC process, desk research, and credible resources:

<https://www.cahraslist.net/cahras>

b. A listing/table of identified CAHRAs in the supply chain should be in place if there are CAHRAs identified.

c. senior management should review the procedure annually.

3.2 Identify red flags.

Based on the information on precious metal origin, and information gathered, Chillon should identify the presence of red flags in supply chain for mined, recyclable or existing stock of precious metals.

a. Red flag location of precious metals origin and transit:

i. The precious metals originates from or has been transported through a conflict affected or high risk area.

ii. The precious metal is claimed to originate from a country that has limited known reserves or stocks, likely resources or expected production levels of precious metal.

iii. The precious metal is claimed to originate from a country through which precious metal from conflict-affected and high-risk areas is known or reasonably suspected to transit.

iv. The precious metal is claimed to originate from recyclable/scrap or mixed sources and has been refined in a country where precious metal from conflict-affected and high-risk areas is known or reasonably suspected to transit.

b. Supplier red flag:

i. Suppliers operate in one of the red flag locations of precious metal origin and transit or have shareholder or other interests in suppliers of precious metal from one of the above-mentioned red flag locations of precious metal origin and transit.

ii. Suppliers are known to have sourced precious metal from a red flag location of

precious metal origin and transit in the last 12 months.

c. Red flag circumstances:

Anomalies or unusual circumstances are identified through the information collected give rise to a reasonable suspicion that the precious metal may contribute to conflict or serious abuses associated with the extraction, transport, or trade of precious metal.

3.3 Map the factual circumstances of the company's red flagged supply chain.

If no red flags identified: The management systems should be maintained and regularly reviewed.

If Red flags identified or information unknown: Chillon shall undertake an in-depth review of the context of all red-flagged locations and the due diligence practices of any red flagged suppliers.

a. Review research reports from reliable government resources CAHRA 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).

b. Consult with a combination of local and central governments, local civil society organizations, community networks, UN peacekeeping units, and local suppliers. Respond to specific questions or requests for clarifications made by cooperating companies.

c. Determine (including through desk research; in-site visits to gold/silver suppliers; random sample verification of purchase records proportional to risk; and a review and assessment of purchase and anti-money laundering and counter terrorist financing (AML-CFT) procedures and directives, if applicable)

Chillon shall establish on-the-ground mined gold/silver assessment teams to generate and maintain information on suppliers (if relevant) the circumstances of mineral extraction, trade, handling, refining and export.

3.4 Assess risk in the supply chain

Assess the information collected and learned through mapping the factual circumstances of the company's red flagged supply chain.

Chillon should consider a RISK any reasonable inconsistency between the information obtained and the following:

- i. the standard of the Chillon supply chain policy
- ii. Chillon Due diligence standards and processes
- iii. Hong Kong Law, if applicable, international human rights and humanitarian law and international anti-money laundering recommendation and guidance.

4. Design and implement a strategy to respond to identified risk

4.1 Report finding to designated senior management.

Communication of the risk mitigation plan with senior management.

4.2 Monitoring and reviewing of risk mitigation plan at least every 6 months.

4.3 Risk mitigation strategies (continuation, suspension, or termination of business relationship).

- i. If serious abuses associated with the extraction, trade and transport of mineral, Chillon would immediately suspend or disengage from suppliers. Mitigate where possible.
- ii. If the supplier direct or indirect support to non-state armed groups, Chillon would immediately suspend or disengage from supplies. Mitigate where possible.
- iii. If the supplier direct or indirectly support to public or private security forces who illegally control mine sited, transport routes and upstream actors (including illegal taxation), Chillon will continue, or temporarily suspend trade with suppliers, but implement measurable mitigative action. Suspend or disengage if mitigation measurable are ineffective.
- iv. if the suppliers get involve in bribery and fraudulent misrepresentation of the

origin of the precious metal, Chillon will continue, or temporarily suspend trade with suppliers, but implement measurable mitigative action. Suspend or disengage if mitigation measurable are ineffective.

4.4 Stakeholders' consultation methods.

- i. Consult with suppliers and affected stakeholders and agree on the strategy for measurable risk mitigation in the risk management plan.
- ii. Measurable risk mitigation should be adjusted to the company's specific suppliers and the contexts of their operations, state clear performance objectives within 6 months from the adoption of the risk management plan and include qualitative and/or quantitative indicators to measure improvement.
- iii. Chillon should ensure sufficient time for affected stakeholders to review the risk assessment and management plan and respond to and take due account of questions, concerns, and alternative suggestions for risk management.

4.5 Assignment of manager responsibilities.

Senior management should report to director for any finding or action against any identified risk.

4.6 Criteria to establish measurable indicators.

Criteria for measurable indicators should be clearly list and define in the risk assessment tool.

5. Carry out independent third-party audit

Chillon Should carry out a third-party audit to verify the implementation of refiner's due diligence practice for responsible supply chains of gold from conflict-affected and high risks areas.

6. Report on action taken

To publicly report on due diligence for responsible supply chains of gold from conflict-affected and high-risk areas in order to generate public confidence in the measures companies are taking.

6.1 Company Management Systems

6.2 Company risk assessment in the supply chain

6.3 Risk management report

7. Governance

Chillon should provide training on anti-bribery and anti-corruption policies and procedures to workers.

Should record down the training attended.