

# Responsible Sourcing Policy for Gold from Conflict-Affected and High-Risk Areas

---

## 1. Introduction

Azhar Commodities Ventures FZE is committed to ensuring that the gold it sources is responsibly sourced, with due diligence practices aligned with international standards. This Responsible Sourcing Policy has been developed in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, specifically addressing the sourcing of gold from regions identified as high-risk areas due to conflict and human rights concerns.

The policy outlines Azhar Commodities Ventures FZE's approach to sourcing gold responsibly, ensuring that all sourcing practices align with global standards for ethical and legal compliance.

The policy incorporates the OECD's 5-Step Framework for Due Diligence, alongside additional guidelines and requirements specific to the trade of gold.

## 2. Scope

This policy applies to all gold sourced by Azhar Commodities Ventures FZE, including gold dore and bullion, from regions identified as conflict-affected and high-risk areas.

Specifically, this policy addresses the sourcing of gold from 11 high-risk areas, as identified in the OECD Due Diligence Guidance.

## 3. High-Risk Areas

The 11 high-risk areas referenced in this policy include:

1. Democratic Republic of the Congo (DRC)
2. Central African Republic (CAR)
3. Sudan
4. South Sudan

5. Zimbabwe
6. Mali
7. Chad
8. Burundi
9. Côte d'Ivoire
10. Sierra Leone
11. Liberia

These areas are deemed high-risk due to ongoing armed conflicts, severe human rights violations, or illegal armed group control over mining operations.

Azhar Commodities Ventures FZE, as a responsible corporate entity, takes every precaution to avoid contributing to conflict financing, human rights abuses, or illegal activities in these regions.

#### 4. Due Diligence Framework

Azhar Commodities Ventures FZE will apply the OECD's 5-Step Framework for Due Diligence in its gold sourcing activities.

This will include:

1. **\*\*Establish Strong Company Management Systems\*\***
  - Establish clear policies for responsible sourcing.
  - Assign a senior management team to oversee due diligence procedures.
  - Ensure staff training on identifying risks related to conflict financing, human rights abuses, and other high-risk factors in the sourcing of gold.
2. **\*\*Identify and Assess Risks in the Supply Chain\*\***
  - Assess suppliers and refineries to verify that gold is sourced legally and responsibly, free from human rights violations and conflict financing.
  - Conduct a risk assessment based on country of origin, supplier's compliance with international standards, and documented due diligence practices.
  - Maintain updated records of all suppliers, detailing their sourcing practices and certifications (e.g., LBMA, RJC).
3. **\*\*Mitigate Identified Risks\*\***
  - Implement corrective actions if any supplier or source poses a risk of being linked to conflict, human rights abuses, or illegal activities.
  - Terminate relationships with suppliers who fail to meet due diligence requirements or whose practices are found to violate ethical sourcing principles.
4. **\*\*Third-Party Audit\*\***

- Engage independent third-party auditors to review supply chain activities, ensuring compliance with responsible sourcing standards.
- Ensure that audits are transparent and provide a full report of findings, which will be made available to stakeholders upon request.

#### 5. **Report Annually**

- Publish an annual due diligence report that details the company's sourcing practices, risk assessments, mitigation steps, and audit outcomes.
- Provide this report to stakeholders, including investors, customers, and regulatory authorities, ensuring full transparency in the sourcing process.

## 5. Key Due Diligence Steps for Gold Sourcing

### 1. **Supplier Engagement**

- Azhar Commodities Ventures FZE will engage with all gold suppliers and request comprehensive information about their sourcing practices, including details on the country of origin and the exact source of the gold.
- Suppliers will be required to submit proof of their due diligence efforts, such as certificates of origin, chain-of-custody documents, and adherence to OECD Due Diligence Guidance.

### 2. **Risk Assessment and Mapping**

- The company will conduct an extensive risk assessment to evaluate whether the supplier operates in any of the high-risk areas or sources gold from areas with known conflict financing concerns.
- Risk mapping will involve the use of international sources, including information from organizations such as the United Nations Security Council, World Gold Council, and OECD.

### 3. **Corrective Actions**

- In case a supplier is found to be non-compliant or operating in high-risk zones or suspected of being involved in conflict financing, Azhar Commodities Ventures FZE will:
  - Work directly with the supplier to improve their practices through technical assistance, capacity building, or advice on how to transition to more ethical sourcing.
  - If the supplier fails to implement corrective actions within a reasonable timeframe, their relationship with Azhar Commodities Ventures FZE will be terminated, and the supplier will be replaced.

### 4. **Documentation and Auditing**

- All sourcing documentation, including supplier contracts, shipping records, certificates of origin, and due diligence reports, will be maintained for audit purposes.
- Azhar Commodities Ventures FZE will conduct regular audits of its suppliers, either

directly or via third-party auditing firms, to ensure compliance with the company's responsible sourcing policy.

- Suppliers will be required to submit to annual independent audits of their operations.

#### 5. **Transparency and Reporting**

- Azhar Commodities Ventures FZE will publish an annual report, detailing its sourcing activities, risks identified, corrective actions taken, and audit results.
- The report will be made publicly available on the company's website and shared with relevant stakeholders, including regulatory bodies, customers, and civil society organizations.

## 6. Annexes: Detailed Processes for Responsible Gold Sourcing

### Annex A: Risk Mitigation and Corrective Actions

#### 1. **Identifying Risks in the Supply Chain:**

- Azhar Commodities Ventures FZE will regularly assess the risk of sourcing gold from conflict-affected and high-risk areas by:
  - Reviewing supplier reports and audit findings.
  - Checking the gold's country of origin against OECD's high-risk country list.
  - Cross-referencing data from independent sources such as UN Security Council Reports, World Gold Council, and NGOs working in the field.
  - Utilizing risk assessment tools, including the OECD Risk Mitigation Tool and World Bank Governance Indicators, to identify potential red flags.

#### 2. **Mitigating Risks:**

- **Supplier Monitoring:** Suppliers from high-risk areas will be closely monitored. The compliance officer will require regular updates from suppliers on their due diligence practices and risk mitigation actions.
- **Corrective Action Plans:** If a supplier is found to be non-compliant or operating in high-risk zones:
  - Azhar Commodities Ventures FZE will request an action plan detailing steps to mitigate risks (e.g., transition to verified conflict-free gold, improve sourcing documentation).
  - The supplier will be given a fixed period (usually 60 days) to implement corrective actions.

#### 3. **Corrective Action Execution:**

- If corrective actions are inadequate or delayed, Azhar Commodities Ventures FZE will:
  - Suspend the supplier relationship and work with alternative suppliers that meet compliance requirements.
  - Engage with third-party auditors to evaluate if the supplier's risk mitigation strategy is

feasible or if further external assistance is required.

- Document all communications and actions taken in the Supplier Due Diligence Database.

4. **Monitoring Progress and Reassessing:**

- Suppliers who have undergone corrective actions will be subject to a reassessment. This includes:

- Reviewing the effectiveness of the corrective actions (e.g., no further links to armed groups or human rights violations).

- Verifying that the supplier's corrective measures have been fully implemented before resuming business relationships.

5. **Escalation Process:**

- If the identified risk continues despite mitigation attempts:

- The situation will be escalated to the Executive Management Team for a final decision, potentially leading to the termination of the supplier relationship.

## **Annex B: List of High-Risk Areas**

**High-Risk Areas and Specific Risks:**

1. **Democratic Republic of the Congo (DRC):** Armed conflicts, mining operations controlled by armed groups, and widespread human rights abuses, including child labor.
2. **Central African Republic (CAR):** Armed conflicts with links to armed groups financing their operations through illegal gold trade.
3. **Sudan:** Political instability, government-backed violence, with risks of gold mined under forced labor conditions.
4. **South Sudan:** Continuous conflict and illegal armed groups controlling mining regions, financing their activities through illicit gold trade.
5. **Zimbabwe:** Government-backed mining initiatives and illegal mining activities in areas with human rights violations.
6. **Mali:** Gold mines controlled by armed factions, including terrorist groups, which use proceeds to fund conflicts.
7. **Chad:** Ongoing instability, with armed groups controlling mining areas and financing violence.
8. **Burundi:** Political unrest and illegal mining activity where armed groups exploit the gold trade for financial gains.
9. **Côte d'Ivoire:** Unregulated mining practices, with risks of child labor and exploitation.
10. **Sierra Leone:** Historical links to armed groups funded by the illegal mineral trade.
11. **Liberia:** Ongoing human rights abuses in mining regions and control by non-state armed actors.

## Annex C: Supplier Due Diligence Checklist

### 1. **Supplier Information:**

- Supplier Name and Contact Information
- Country of Origin for the Gold
- Documentation of Mining Practices and Compliance with Local Laws
- Certifications (e.g., LBMA, RJC Certification, ISO 14001)
- Supply Chain Traceability (Proof of chain-of-custody)

### 2. **Due Diligence Process:**

- **Supplier Questionnaire:** Suppliers must complete the OECD-compliant Supplier Questionnaire, providing detailed answers about their sourcing, operations, and compliance with responsible sourcing guidelines.
- **Certification Verification:** Ensure that suppliers hold valid certifications from recognized third-party bodies such as the London Bullion Market Association (LBMA) or Responsible Jewellery Council (RJC).
- **Country of Origin Verification:** Verify through documentation (e.g., invoices, shipping records) that the gold is sourced from conflict-free regions or certified conflict-free mines.

### 3. **On-Site Audits:**

- **Initial Audit:** Conduct a comprehensive audit when entering into a new supplier relationship or when concerns about a supplier's practices arise.
- **Ongoing Audits:** Periodic re-audits every 12 months, with external audit teams verifying the adherence to OECD Due Diligence Guidelines.

### 4. **Risk Assessment:**

- Evaluate the potential for the supplier's involvement with armed groups, forced labor, or any human rights violations.
- Check the supplier's compliance with international standards such as the UN Guiding Principles on Business and Human Rights.
- Use risk indicators such as reports from NGOs, the UN, and independent news sources to assess risk.

### 5. **Documentation and Record-Keeping:**

- Maintain a database of all supplier due diligence forms, audit reports, and certificates.
- Keep a record of any risks identified and the actions taken to mitigate those risks.

## Annex D: Third-Party Audit Framework

### 1. **Audit Framework Overview:**

- Azhar Commodities Ventures FZE will engage certified third-party auditors to evaluate suppliers' sourcing practices in accordance with OECD due diligence requirements.

- Auditors must be accredited by recognized bodies such as ISO 19011 or Accreditation Bodies for Auditors of Mineral Supply Chains.

## 2. **Audit Process:**

- **Initial Supplier Audit:** Conduct a comprehensive audit when entering into a new supplier relationship or when concerns about a supplier's practices arise.
- **Audit Schedule:** A minimum of one audit per year will be conducted for each high-risk supplier, with additional unscheduled audits if red flags are raised.
- **Audit Checklist:**
  - Verification of legal mining operations and regulatory compliance.
  - Compliance with OECD Due Diligence Guidance, UN Security Council Resolutions, and Human Rights Watch reports.
  - Traceability checks, ensuring no gold is sourced from conflict-affected or high-risk regions.
  - Audit of supplier's worker welfare practices, including the elimination of child labor and forced labor.

## 3. **Audit Reports:**

- Auditors will prepare a detailed report that includes:
  - Findings on compliance with due diligence standards.
  - Any discrepancies or non-compliance issues.
  - A corrective action plan and timeline for any necessary improvements.
- Audit reports will be reviewed by Azhar Commodities Ventures FZE's compliance team, and any issues will be immediately addressed through risk mitigation or corrective actions.

## 4. **Follow-Up and Re-Audit:**

- A follow-up audit will be scheduled if non-compliance issues are identified during the initial audit. The follow-up audit will assess the supplier's progress in addressing the corrective actions.
- A re-audit will be conducted every two years to ensure the supplier's continued compliance with responsible sourcing practices.

Citation:

OECD (2016), OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Third Edition, OECD Publishing, Paris.

<http://dx.doi.org/10.1787/9789264252479-en>

*Abiola Dairo*

Compliance Officer

April 8, 2025

**For more information, please contact**

Azhar Commodities Ventures FZE

Business District, Ajman Free Zone, Office-C1-1F-SF10330

Email: [info@azharcommodities.ae](mailto:info@azharcommodities.ae)

Phone: +971542152793