

**NEPRA RESOURCE MANAGEMENT PRIVATE LIMITED
Policy: Anti-Money Laundering and Combating of Financing of Terrorism Policy (“AML/CFT Policy”)**

Issue Date: 1 April, 2018

1. INTRODUCTION:

NEPRA Resource Management Private Limited (the “Company”) embraces the highest standards of honesty, ethics, and integrity as core business values, and will do business only in lawful and ethical ways. The Company is subject to the Prevention of Money Laundering Act 2002 (“PMLA”), or as relevant, to various international anti money laundering laws.

It is the policy of the Company to avoid money laundering and any activity that facilitates money laundering or the funding of terrorists or criminal activity.

2. MEANING:

Money Laundering is the process by which illegal funds and assets are converted into legitimate funds and assets. Money laundering is being employed by launderers worldwide to conceal criminal activity associated with it such as drugs /arms trafficking, terrorism and extortion. All crimes that produce a financial benefit give rise to money laundering. Generally, money laundering occurs in three stages:

- **Placement:** Cash generated from criminal activities is converted into monetary instruments, such as money orders or traveler's checks, or deposited into accounts at financial institutions.
- **Layering:** Funds are transferred or moved into other accounts or other financial institutions to further separate the money from its criminal origin.
- **Integration:** Funds are reintroduced into the economy and used to purchase legitimate assets or to fund other criminal activities or legitimate businesses.

The integrity of the capital market place depends heavily on the perception that it functions within a framework of high legal, professional and ethical standards.

3. OBJECTIVES:

The objectives of this policy are:

- To have a proper due diligence process before engaging with various service providers, consultants, vendors, Investors at the time of accepting investment in the Company (**collectively known as “Business and Investment Entities”**).
- To monitor and report suspicious transactions.
- To discourage and identify money laundering or terrorist financing activities. To take adequate and appropriate measures to follow the spirit of the PMLA.
- To develop employee awareness and vigilance to guard against money laundering and terrorist financing.

4. THE PROGRAM:

The objective of having an AML/CFT Program is to have in place adequate policy, practice and procedure that help to prevent money-laundering activities. Such procedures would include the

following:

- Appointment of Compliance Officer
- Due Diligence, including:
 - Acceptance & Identification
 - Categorization
 - Transaction monitoring to identify and Report Suspicious Transactions (STR)
 - Record keeping and retention of records
- Internal Control Measures
- Co-operating with law enforcement agencies in their efforts to trace the money laundering transactions and persons involved in such activities
- Clear communication to the employees to ensure strict adherence to due diligence requirements

5. AML/CFT COMPLIANCE OFFICER DESIGNATION AND DUTIES

As required under the Prevention of Money Laundering Act 2002, the Company has designated Dhrumin Patel, (Chief Operating Officer) as the AML/CFT Compliance Officer. The Compliance Officer will ensure that:

- This AML/CFT Policy is implemented effectively by the Company
- The identification and assessment of potentially suspicious transactions are done on a regular basis.
- The Company regularly updates changes/additions to the AML/CFT provisions as necessary.
- Coordinate AML/CFT training for appropriate personnel as required and advise employees to report any suspicious transactions to the concerned parties in a timely manner.
- Seek approval from the Board of Directors in deciding whether to establish relationship with Business and Investment Entities, where money laundering risks are perceived.
- Evaluate, in consultation with others, whether to delegate portions of AML compliance to third parties.
- The Company responds promptly to any request for information, including information made by the regulators, statutory authorities and investors of the Company.

Reliance on Third Parties

While evaluating whether to delegate portions of AML compliance to third parties, the Company shall obtain the necessary information to establish

- Identity of the third party
- Identity of the ultimate beneficial owner in case the third party is not an individual
- Copies of the documentary evidence should be made available to the Company upon request.
- The Company shall ensure that the third party is a regulated or supervised entity and has similar KYC compliance measures in place.

Due Diligence

- Acceptance & Identification: Considering the potential risks posed by a money laundered, it is essential to make reasonable efforts to determine the true identity of Business and Investment Entities. For Business and Investment Entities with whom the aggregate transaction value in a single financial year is above INR 50,00,000/-
- All KYC documentation must be completed before signing any firm documentation for a new business or investment relationship.

- Any discrepancies, anomalies or non-compliance issues must be mentioned.
- At the time of due diligence and KYC documentation, in spite of appropriate measures/KYC policies, if information provided is suspected to be non-genuine, or there is perceived non-cooperation in providing the information, decision-making authorities within the Company will be appropriately informed and the Company will not move ahead with further process.
- The submission of all documents required under this policy is a pre-requisite.
- In respect of cross border correspondent banking, the Company shall additionally Gather sufficient information about the correspondent/respondent bank to understand fully the nature of its business and to determine, from publicly available information, its reputation and the quality of supervision. If necessary, seek information whether it has been subjected to a money laundering or terrorist financing investigation or regulatory action obtain approval from the Board of Directors before establishing new correspondent relationships where money laundering risks are perceived, clearly understand the respective responsibilities of each institution
- The Company shall not engage or continue correspondent banking relationship with a Shell Bank i.e. a bank which is incorporated in a country where it has no physical presence and is unaffiliated to any regulated financial group. The Company shall not keep anonymous accounts or accounts created in obviously fictitious names.

Beneficial Owner

- Where the client is a person other than an individual or trust, i.e., company, partnerships or unincorporated association/body of individuals, the beneficial owner is identified as follows
- The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest i.e. ownership of/entitlement to: more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company; more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or more than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.
- In cases where there exists doubt as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means such as through voting rights, agreement, arrangements or in any other manner. Where no natural person is identified under above clauses, the identity of the relevant natural person who holds the position of senior managing official.
- Where the client is a trust, beneficial owners of the client are identified and reasonable measures are taken to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.
- Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority owned subsidiary of such a company, it is not necessary to identify and verify the

identity of any Shareholder or beneficial owner of such companies.

- Procedures include identifying the natural persons with a controlling interest and identifying the natural persons who comprise the mind and management of the legal person or arrangement. Where the owner of the controlling interest is a public company that is subject to regulatory disclosure requirements, the relevant information or data may be obtained from a public register, from the customer or from other reliable sources.

Politically Exposed Persons (“PEP”)

- PEPs are individuals who are or have been entrusted with prominent public functions, e.g. heads of states or of governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.
- The Company has put in place necessary procedures to determine whether their existing/potential promoters/directors of Business and Investment Entities is/area PEP. Such procedures include seeking additional information from clients, accessing publicly available information etc.
- The Company takes reasonable measures to establish the source of wealth and the source of funds of PEPs.
- The source of wealth refers to the origin of the PEP’s total assets. This information will usually give an indication as to the volume of wealth the PEP would be expected to have, and a picture of how the PEP acquired such wealth. Although the Company may not have specific information about assets not deposited or processed by them, it may be possible to gather general information from commercial databases or other open sources.
- The Company ensures that the level and type of transactions are consistent with its knowledge of the PEP’s source of wealth and source of funds. Deviation of facts regarding the PEP vis-à vis general understanding may require further assessment of the situation. Outcome of the assessment could include a decision whether to enter into or continue with the relationship or whether further steps would be necessary, such a termination of the business relationship and/or filing STRs to the Financial Intelligence Unit (“FIU”).
- Failure to voluntarily disclose information by any PEP is also considered a red flag.
- In case there is a money laundering-through-PEP risk with any of the Business and Investment Entities, a specific approval of the Board is sought with respect to establishing / maintaining the business relationship.

6. CATEGORIZATION

The Company transacts with Business and Investment Entities based on the risk they are likely to pose. For this purpose, The Company has categorized Business and Investment Entities and their promoters/directors under low risk and high-risk category based on appropriate Due Diligence and KYC process.

Low Risk

Low risk entities are those who are likely to pose low or nil risk. Individuals and entities whose identities and sources of wealth can be easily identified and their bank accounts by and large conform

to the known profile may be categorized as low risk. They may include the following:

- Salaried Individuals
- Corporate which has provided financial details as requested by the Company Government employees and government owned companies
- Businessman whose identity and source of wealth is easily identified and who complies with necessary KYC disclosures
- Individuals or corporate who do not fall in the above-mentioned points and who provide necessary information as per COC norms and exhibit transparency
- Individuals or corporate who have been introduced by brokers/branch managers and they have known them personally

High Risk

High net-worth individuals whose identity and source of wealth is difficult to identify. They may include the following:

- Trusts, charities, NGOs and organizations receiving donations
- Politically Exposed Persons (PEPs)
- Those with dubious reputation as per public information available, etc.
- Clients in high-risk countries as announced by appropriate authority from time to time
- Based on the FATF report (Oct 2014), the list of Countries identified as high risk. The same shall be reviewed from time to time.

7. TRANSACTION MONITORING TO IDENTIFY & REPORT SUSPICIOUS TRANSACTION

Screening of transactions by the Company includes focusing on the accounts and business transactions of the Business and Investment Entities and holding various discussions with finance/accounts teams regarding transactions and seeking clarifications, if necessary.

Suspicious transaction means a transaction which, to a person acting in good faith —gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence, regardless of the value involved; appears to be made in circumstances of unusual or unjustified complexity; or appears to have no economic rationale or bonafide purpose; or gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism

Broad categories of reason for suspicion and examples of suspicious transactions are as follows:

- False identification documents
- Identification documents which could not be verified within reasonable time
- Doubt over the real beneficiary of the account
- Suspicious background or links with known criminals
- Unusual or unjustified complexity
- No economic rationale or bonafide purpose
- Source of funds are doubtful
- Investment proceeds transferred to a third party
- Suspicious off market transactions
- Large sums being transferred from overseas for making payments
- Such matters, if dubious, are reported to the Compliance Officer of the Company and a suitable action including decision on reporting to Financial Intelligence Unit India (FIU-IND) shall be taken in consultation with the Board.

8. CONFIDENTIAL REPORTING OF AML/CFT NON-COMPLIANCE TO COMPLIANCE OFFICER

Employees will report any violations of the firm's AML/CFT compliance program to the AML/CFT Compliance Officer, unless the violations implicate the Compliance Officer, in which case the employee shall report to an appropriate member of senior management. Such reports will be confidential, and the employee will suffer no retaliation for making them.

- **Confidential Reporting of Suspicious Transactions ("STR") to FIU-IND**

In cases where a money Laundering practice is identified that warrants a reporting to FIU-IND, reporting of transactions at account level or transaction level shall be done using the formats prescribed by FIU-IND (<http://fiuindia.gov.in/index.htm>). Guidance with respect to Reporting of Suspicious transactions to FIU- IND is included in Annexure II. Furthermore, Employees should be prohibited by law from disclosing ("tipping off") the fact that a suspicious transaction report (STR) or related information is being filed with the FIU-IND.

- **Record Keeping and retention of records**

All relevant documents relating to Business and Investment Entities with whom the aggregate transaction value in a single financial year is above INR 50,00,000/-should be maintained for at least for 8 years from the end of the financial year in which the latest transaction with such entities has taken place. The Board may consider revising this provision to maintain all the records for an extended period, if necessary.

- **Internal controls and foreign branches and subsidiaries**

The Company has put in place the following:

- Procedures and checks (including but not limited to having separate maker and checker, payment authority limited to senior personnel, minimum cash imprest, periodic physical verification of fixed assets etc.) to ensure that the internal controls and policies, including AML/CFT policy, are operating and effective.
- Background checks and verifications at the time of recruiting new employees.
- Creating general awareness amongst employees regarding the AML/CFT norms and recent changes
- The Company will ensure that foreign branches and majority owned subsidiaries which the Company may have in future are governed by this AML/CFT Policy, as may be amended to be compliant with their country specific requirements.

9. MONITORING OF INVESTMENT RELATED TRANSACTIONS

The Company pays special attention to all complex transactions and all unusual patterns which have no apparent economic or visible lawful purpose for making investment in Business and Investment Entities. The Company monitors any debt that is offered by promoters/directors to it and vice versa for any reason that is beyond the obvious.

10. REVIEW OF POLICY

The aforesaid AML/CFT Policy is reviewed periodically with regard to testing its adequacy to meet the compliance requirements for the Business and Investment Entities. The Compliance Officer is the

authority to give directions to undertake additions, changes, modifications etc. as required.

11. SHARING AML/CFT INFORMATION WITH REGULATORS

The Company will respond to any request from any regulatory body ("Regulator") about accounts or transactions by promptly searching its records to determine whether it maintains or has maintained any account for, or has engaged in any transaction with, each individual, entity, or organization, to the Regulator. Upon receiving an information request, the Compliance Officer is to be responsible regarding the request and similar requests in the future.

Further, the Company will not disclose the fact that any Regulator has requested or obtained information from it, except to the extent necessary to comply with the information request. The Company will maintain procedures to protect the security and confidentiality of requests from Regulators. It will direct any questions it has about the request to the requesting Regulator.

Unless otherwise stated in the information request, the Company will not be required to treat the information request as continuing in nature.

The Company will share information about those suspected of terrorist financing and money laundering with other financial institutions for the purposes of identifying and reporting activities that may involve terrorist acts or money laundering activities. The Company will employ strict procedures both to ensure that only relevant information is shared and to protect the security and confidentiality of this information, including segregating it from the firm's other books and records.

12. HOW TO RAISE A QUESTION OR CONCERN

The Company's employees have a responsibility to help detect, prevent, and report instances of money laundering. The Company encourages its employees and anyone doing business on its behalf to raise any questions they may have about this policy or its application to the Company's operations and to report any suspected violations of this policy to appropriate personnel as soon as possible.

If there are questions regarding this policy, or to report a concern, please contact the Compliance Officer Dhrumin Patel, via e-mail at [d.patel@nerpa.co.in]

Policy Approved By

Signature

Mr. Dhrumin Patel

Chief Operating Office / Director

