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Al Etihad Gold's Compliance Report

Date: 26/11/2015

The aim of this report is to summarize the steps taken by "**Al Etihad Gold LLC**" to achieve compliance with the "Practical Guidance for Market Participants in the Gold and Precious Metals Industry" issued by Dubai Multi Commodities Center.

Details of reporting entity:

Name: Al Etihad Gold LLC

Location: P.O. Box 283648 – 28B Street, Al Quoz
Industrial Area 3, Dubai – United Arab Emirates

Reporting Period: 16th Sept 2014 – 15th Sept 2015

Senior Manager
Responsible for report: Mr. Sami Abu Ahmad

Summarized conclusion:

Fully compliant.

Evaluation

Disclosure on the individual rating of the level of compliance or non-compliance for the sub-points of each Step 1 -5 of the DMCC guidance.

Step 1: Establish robust company supply chain managements systems.

Objective: to ensure that existing due diligence and management systems of companies in the gold and precious metals supply chain are adequate to conduct effective due diligence on the company's supply chain.

Compliance statement: Fully complied with Step 1.

Demonstration of Compliance:

1. Demonstrate the company has developed the policy and process to include common principles, standards and processes for responsible supply chain due diligence.

The company has developed the DMCC compliance policy regarding due diligence for supply chain of Gold in compliance with DMCC Responsible Gold Guidance. This policy is published in the company web site available to public www.aletihadgold.com.

The policy provides an overview of the management system governing the due diligence policy for gold supply chain. Trainings for key persons as well as management team are also provided. The refiner has assigned person responsible for the implementation of due diligence, a Compliance Officer, implemented internal and external communications provisions.



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The criteria for supply chain due diligence has been clearly identified and procedure for carrying out has been defined in AEG's supply chain policy. Main elements of Know-Your-Customer (KYC) procedure are in place and monitoring and surveillance procedures according to DMCC Guidance.

Unique reference numbers are used to identify incoming / outgoing gold and the traceability. Company has asked Gold supplying counterparties to commit to and acknowledge in writing compliance with the company's own Gold supply chain policy. The policy has been communicated to all counterparties.

AEG has a communication mechanism that allows employees to voice concerns over the Gold supply chain or any newly identified risk and it allows to be voiced anonymously. AEG maintains documentation regarding its implementation of the DMCC Responsible Gold Guidance since Jan. 2013. Requirement for 5 years document maintenance has been formalized in the AEG's record-keeping policy.

Conducted several trainings based on the risk exposure of each staff in connection with the supply chain. A strong communication line between the compliance officer, top management, and relevant employees is always open for concerns regarding the supply chain.

2. Demonstrate the company has assigned dedicated compliance or risk officer (supply chain officer)

Demonstrate duties of the dedicated compliance or risk officer (supply chain officer) are in accordance to DMCC Guidance.

Management has appointed 'Compliance Officer'. Responsibilities are clearly defined. It is communicated within the organization. The Compliance Officer has the necessary competence, knowledge, experience and training. The Compliance Officer has open and direct line of communication with the Management and staff members. The Compliance Officer has a good communication line with all its suppliers.

Risk assessment reporting and results were presented to the top management. The risk assessment procedures are clearly defined as part of the Compliance Officer's tasks and a member of Senior Management is responsible for approving each new supply chain. And the Senior Management reviews these supply chains on an annual basis in order to determine whether to continue the business relationship.

There are documented consequences if the risk assessment reporting tasks are not completed and it has been communicated to relevant departments and personnel (accounts, customer service, shipping/receiving).

3. Demonstrate company has developed internal documentation and records of supply chain due diligence to cover internal inventory and transactional documentation

AEG maintains documentation and records regarding its implementation of the DMCC Responsible Gold Guidance since Jan 2013. Requirement for 5 years document maintenance has been formalized in the AEG's record-keeping policy.



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AEG has strengthened existing procedures by updating track & trace mechanism. A data base from previous transactions is used for verifying the consistency of their supplier's shipment from the required complete transactional documentation which is a must. Each gold shipment received must be approved from three departments before processing.

Each shipment is segregated based on the type of gold, mined, recycled and fine/grandfathered.

The weight and the assay of precious metals received are included in the transaction documents. AEG rely on own laboratory for assay results.

Full KYC due diligence and monitoring of all suppliers is performed, procedures in place and records maintained.

Reference number for each entry/gold accepted. Gold bars produced have serial numbers.

Final products bear the logo of the company, bar numbers with certificates and Delivery Note. It is certificated traceable number.

Track and Trace Mechanisms are implemented, for tracing products back to purchased material as for DMCC Guidance.

4. Demonstrate company strengthens relationships with suppliers

AEG has adequate due diligence process for all suppliers, and reviews suppliers due diligence practices.

AEG provides supply chain assistance by offering to clients trainings for responsible supply chain. The Compliance Officer offers assistance in verifying potential suppliers of our counterparties.

AEG has shared the DMCC practical Guidance with all the suppliers and the same is available in company's website. All suppliers are undertaking that they will comply with the AEG and DMCC Guidance.

AEG, when opening new account of supplier requires them to commit to comply with the provisions of the AEG Supply Chain Policy and the OECD, DMCC and LBMA Guidance.

AEG offers assistance and trainings to all suppliers for supply chain support.

There is a mechanism for identifying and reporting in case of high risk & suspicious suppliers during appointing as well as routine transactions.

5. Demonstrate the company has developed adequate security requirements

AEG has in place an adequate security procedure from opening an account up to daily transactions. Any inconsistencies observed are reported to the compliance Officer, and the matter is relayed to the concerned department and appropriate action is taken.

Shipments are physically segregated until verification is done and confirmed.



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There is system in place to check if any inconsistency and inform to Top management through Compliance Officer.

Shipments are identified with customer code so that assessors are not aware from which customer material is received.

6. Demonstrate company has conducted necessary training for all persons involved in the responsible supply chain due diligence. Regular training for new staff and refresher sessions for existing staff to be conducted based on the level of risks and job profiles in engaging with the supply chain participants

AEG conducted several trainings based on the risk exposure of each staff in connection with the supply chain. A strong communication line between Compliance Officer, top management, and relevant employees is always open for concerns regarding the supply chain.

Trainings programs are available and done based on the level of risk and exposure to the supply chain.

Monitoring of effectiveness is carried out by the Compliance Officer & General Manager.

Step 2: Identifying and assessing the risks in the supply chain

Objective: company should use the strong management system that they developed in Step 1 to identify and assess the risks associated with gold and precious metals which they produce, distribute, transport, export and/or purchase.

Company should conduct a risk assessment on each party included in the supply chain as provided by DMCC Guidance.

Compliance statement: Fully complied with Step 2.

Demonstration of Compliance:

1. Company has taken into consideration for conducting the risk assessments factors as for DMCC Guidance: - Geographical location of gold and precious metals, Counterparties in the supply chain, Transactions.

AEG has developed risk assessment procedure that is in line with the standards of the Guidance.

The risk matrix takes into consideration all the criteria stipulated in the Guidance to properly classify geographical, supplier and transactional risk. Suppliers are classified by risk level. All transactions are thoroughly verified for reconciliation with KYC file and historical data.

2. Demonstrate in-depth reviewing of all red flags with respect to locations and suppliers and according to criteria as per DMCC Guidance: Location-based red flags of gold and precious metals related to origin and transportation, Supplier-based red flags, Circumstances-based red flags.



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The Compliance Officer performs supply chain due diligence that is in line with all the criteria required by DMCC Guidance. Accordingly her task is to report to the management all potential high risk suppliers prior to starting any transactions. The Compliance Officer informs all relevant employees regarding the risk classification of each supplier and is also responsible for updating the risk matrix.

There has been no red flag supplier till date.

Criteria defined in step 2.2 of DMCC Guidance, are incorporated in Client on boarding and are also a part of daily transaction verification.

3. Demonstrate the company conducts enhanced research on red-flagged suppliers prior to engaging with them,

Enhanced due diligence is carried out to potential high risk clients based on the risk assessment done.

There has been no red flag supplier till date.

The criteria mentioned in step 2.2 of DMCC Guidance are incorporated in Client on boarding and are also a part of daily transaction verification of AEG.

Step 3: Developing and implementing a risk mitigation/control plan

Objective: to control the identified risk(s) in order to mitigate any adverse implications.

Compliance statement: Fully complied with Step 3.

Demonstration of Compliance:

1. Demonstrate the company has developed the policy and processes so that it includes the internationally accepted common principles, standards and processes for responsible supply chain management as per Step 3 of DMCC Guidance.

AEG developed policy and procedure that includes internationally accepted common principles, standards and processes for responsible supply chain management.

Policy and procedure include all subpoints defined under Step 3 of DMCC Guidance.

There is a reporting mechanism between the Compliance Officer and the Management.

There has been no red flag supplier till date.

Adequate physical security practice is in place.

All shipments are segregated and verified before processing





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Step 4: Carrying out independent third-party audits of gold and precious metals company's due diligence practices

Objective: to ensure that the gold and precious metals company is abiding by the standards appearing in the DMCC guidance.

Compliance statement: Fully complied with Step 4.

Demonstration of Compliance:

Bureau Veritas has been engaged by Al Etihad Gold LLC to provide independent assurance to a Limited level over the Auditee's Compliance Report content and in accordance with the International Standard on Assurance Engagements – ISAE 3000 for the period 16 September 2014 to 15 September 2015.

Step 5: Reporting annually on responsible supply chain due diligence

Objective: to publicly report on due diligence for responsible supply chain to generate public confidence in the measures that the company has implemented.

Compliance statement: Fully complied with Step 5.

Demonstration of Compliance:

Organization reports annually on performance of due diligence for responsible supply chain on company's website and communicates to its counterparts. Data is made publically available on the website.

Management Conclusion:

Yes, Al Etihad Gold has implemented effective management system, policy, procedures and best practices to comply with the requirements of the DMCC Practical Guidance for Market Participants in the Gold and Precious Metals Industry for the reporting period 16th September 2014 – 15 September 2015.

Location: Dubai

Date: 26/11/2015



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