

## Al Etihad Gold's Compliance Report

Date: 20/09/2016

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 2016 – 15th Sept 2016

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.

Al Etihad Gold Supply Chain policy is adapted from the model set of Annex II of the OECD Due Diligence Guidance. Our policy sets out the company's responsibility and commitment to responsible supply chain of minerals. The Policy is available on the company's website [www.aletihadgold.com](http://www.aletihadgold.com) and is also shared to the existing clients, and companies who wish to work with Al Etihad Gold. The policy is discussed during the client onboarding, and yearly thereafter, to communicate clearly our expectations with respect to responsible sourcing of precious metals.

#### AL ETIHAD GOLD

Al Etihad Gold Refinery D.M.C.C.  
Al Etihad Gold L.L.C.  
Tel: +971 4 3419084, Fax: +971 4 3419085  
P.O. Box: 283648, Dubai - U.A.E.  
Email: [info@aletihadgold.com](mailto:info@aletihadgold.com)  
[www.aletihadgold.com](http://www.aletihadgold.com)



الإتحاد جولد

تليفون: +٩٧١ ٤ ٣٤١٩٠٨٤  
فاكس: +٩٧١ ٤ ٣٤١٩٠٨٥  
ص.ب: ٢٨٣٦٤٨، دبي، أ.ع.م





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Our Supply Chain Policy and Compliance Procedures includes common principles, standards, and processes for responsible supply chain management. This includes the scope; which covers all the provision of the DMCC Guidance. The responsibilities; that clearly define the role of the Management, Compliance Officer, Staff and the Suppliers for the consistent implementation of the policy and the procedures concerning the responsible supply chain. The Criteria for supply chain; which includes adequate risk assessment factors based on the requirements of the Guidance. The Main elements of the KYC processes; which is consistent with the Guidance, local and international AML-CFT Laws. Our Monitoring and Surveillance; which includes a strong supply chain management system where information is centralized and multiple departments are involved in the daily transaction and shipments verification. Unique reference numbers are used to identify incoming / outgoing gold and the traceability. Periodic internal audit is done to verify and ensure that the policy and procedures are consistently implemented. Trainings for key persons as well as management team are also provided.

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 is a must in the company's record-keeping policy.

**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.**

The Compliance Officer is a senior staff member whose responsibilities with the implementation of the Policy and Procedures are clearly defined. The Compliance Officer and team members has the necessary competence, knowledge, experience and training. She has attended conferences mainly for supply chain such as the ICGLR-OECD-UN GoE Joint Forum on Responsible Mineral Supply Chains in Paris since 2013 and the latest last May 10 – 12, 2016. The Compliance Officer has open and direct line of communication with the Management, Regulator, staff members and 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. The Senior Management reviews these supply chains on an annual basis 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. The company's record keeping policy requires all documents retained for minimum of 5 years.

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The company's track and trace mechanism requires all input and output bear unique reference numbers for traceability. A data base from previous transactions is used for verifying the consistency of the supplier's shipment. Complete transactional documentation is a must and is also cross checked with the client's history and KYC declaration. Full KYC due diligence and monitoring of all suppliers is performed and records of such are maintained.

Each gold shipment received must be approved from three departments before processing. The shipments are 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. Final assay reports are issued by the company using the its own laboratory.

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

#### 4. Demonstrate company strengthens relationships with suppliers.

Al Etihad Gold has adequate due diligence process for all suppliers, and reviews suppliers' due diligence practices. Also, to further strengthen our relationship with suppliers, the company provides supply chain assistance by offering trainings and verification support related to responsible supply chain. The Compliance Officer offers assistance in verifying potential suppliers of counterparties.

Al Etihad Gold has shared the DMCC practical Guidance with all the suppliers and the same is available in company's website. All suppliers are undertaking in written that they will comply with the Al Etihad Gold's Supply Chain Policy and DMCC Guidance. During the client onboarding, the Compliance Officer discusses the Supply Chain policy and the Guidance which is incorporated in the application forms. The clients must undertake to review the policy and the guidance and comply with its provisions.

Al Etihad Gold is bound to the whistleblowing mechanism of the DMCC. A mechanism for identifying and reporting in case of high risk & suspicious suppliers as well as routine transactions is in place.

Also, Al Etihad Gold was the key sponsor of the Africa Dubai Precious Metals Forum that was held in Accra, Ghana on September 7 – 8, 2016. The forum was a great venue that discussed issues related to responsible sourcing of precious metals and was attended by Government representatives of source countries in Africa such as Ghana, Burkina Faso, Guinea, Ivory Coast, etc., and representatives of World Gold Council and the OECD. The forum constructively discussed the challenges and benefits and direct contribution of gold mining and export to these countries. Some of the topics are; Where to responsibly source gold in Africa; Presentation of World Gold Council of the Social and Economic Impacts of Gold Mining; and Mining Opportunity and Challenges. The Management strongly supports the government initiatives that will help countries especially the African Region.

#### 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 communicated to the concerned department or counterparty and appropriate action is taken.

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Shipments are physically segregated until verification is done and confirmed. There is system in place to check for inconsistencies and reporting to top management through Compliance Officer. The Compliance Officer and Compliance Assistant verifies incoming shipments if they have complete documentations, and if the source and quality of the shipment is consistent and approved with the suppliers' history and/or KYC declaration. After the shipment passed the compliance verification, a client code and unique reference number is assigned to the shipment, for further verification in the Production Department. Shipments are identified with unique code so that assessors are not aware from which customer material is received for confidentiality purposes and to avoid possible conflict of interest.

**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. A training plan is carried out by the Compliance Officer for the reporting period. Also, a training need analysis is required to monitor if additional or refresher trainings are needed. 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.**

Al Etihad Gold's risk assessment criteria incorporates the requirements of the Guidance. These includes the (1) Geographical, (2) Counterparty, and (3) Transactional Risks. The Risk Matrix takes into consideration all criteria as stipulated in the Guidance to properly classify potential risk. Each counterparty is classified by risk level, and is updated as needed and regularly with minimum of 1-year period. All transactions are thoroughly verified for reconciliation with KYC file and historical data.

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**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.**

The Compliance Officer performs supply chain due diligence that is in line with all the criteria required by DMCC Guidance. Once a client completed all the requirements to open an account and all necessary information is collected and confirmed, a risk level is assigned by the compliance officer and is available on their KYC files. This is an integral part of the clients' KYC account and is required prior to starting any business relationship or transaction. The risks are reported in depth to the management and all potential high risk are carefully reviewed. Each transaction that enters the refinery for processing are carefully monitored by the Compliance Officers for any inconsistencies with the clients' KYC files or their transactional history.

**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 or red flagged clients after the risk assessment has been completed. The enhanced due diligence performed is based on the recommendation of the Guidance. 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.**

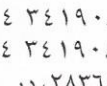
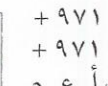
AEG developed policy and procedure that includes internationally accepted common principles, standards and processes for responsible supply chain management. Policy and procedure include all sub points defined under Step 3 of DMCC Guidance. There is a reporting mechanism between the Compliance Officer and the Management. Appropriate reporting and monitoring mechanism is present for red flagged supplier or transactions and is properly documented. Adequate physical security practice is in place. All shipments are segregated and verified before processing

### 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.

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**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 2016 to 15 September 2016.**

**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 2016 – 15 September 2016.

**Location:** Dubai  
**Date:** 20/09/2016




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