



الإمارات العربية المتحدة
وزارة الاقتصاد



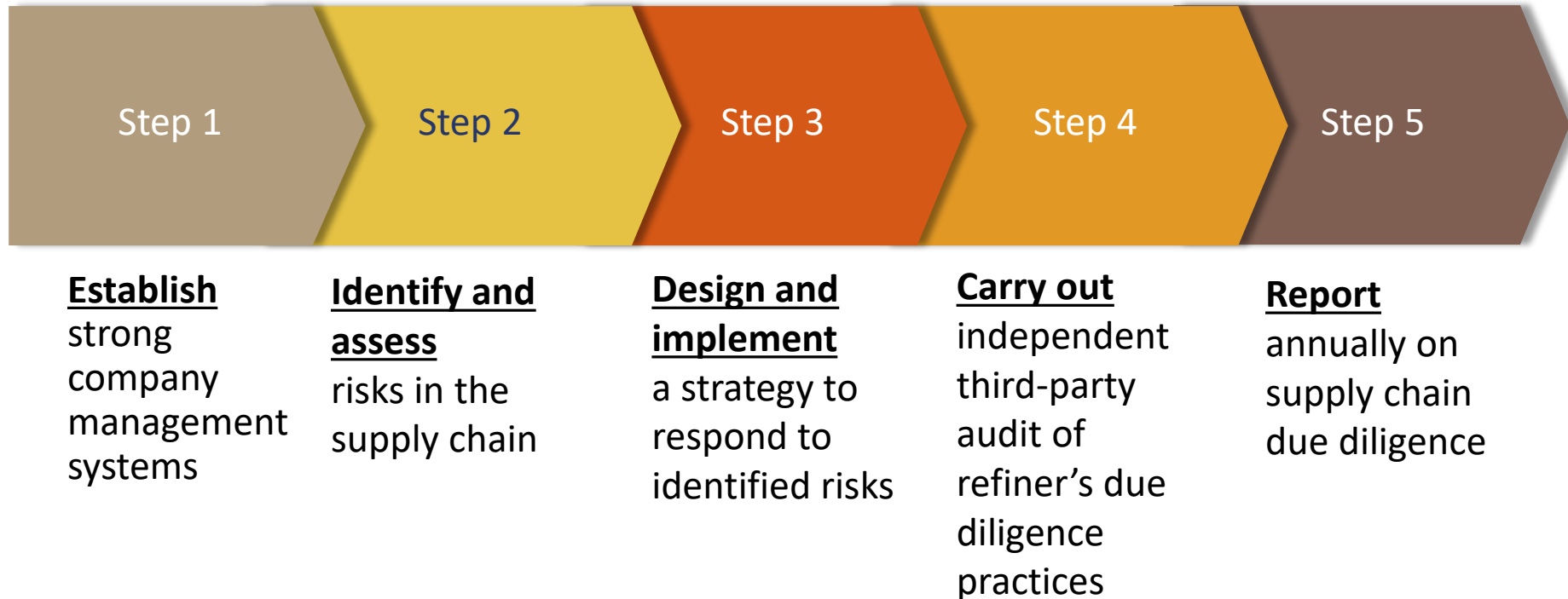
Responsible sourcing – Post Audit Outcomes





New announcement for refineries

The 5-step framework for supply chain due diligence





Responsible sourcing of Gold – 5 step framework

1

Establish strong management systems: Policy, internal capacity, supplier & business partner engagement, internal controls, data collection, grievance mechanism

2

Identify, assess and prioritise RBC risks: map operations, business partners & supply chains, prioritize based on severity of harm (sector, counterparty, and site for high- risk issues)

3

Manage risks : inform senior management, fix internal systems, build leverage individually or collaboratively, use existing networks to manage risk (e.g. industry, workers reps, non-traditional partnerships), build internal and business partner capacity, provide remedies when “caused” or “contributed” to adverse impacts

4

Independent Third-Party Audit of the Due Diligence Practices: companies are required to participate in a globally-recognized independent third-party audit program

5

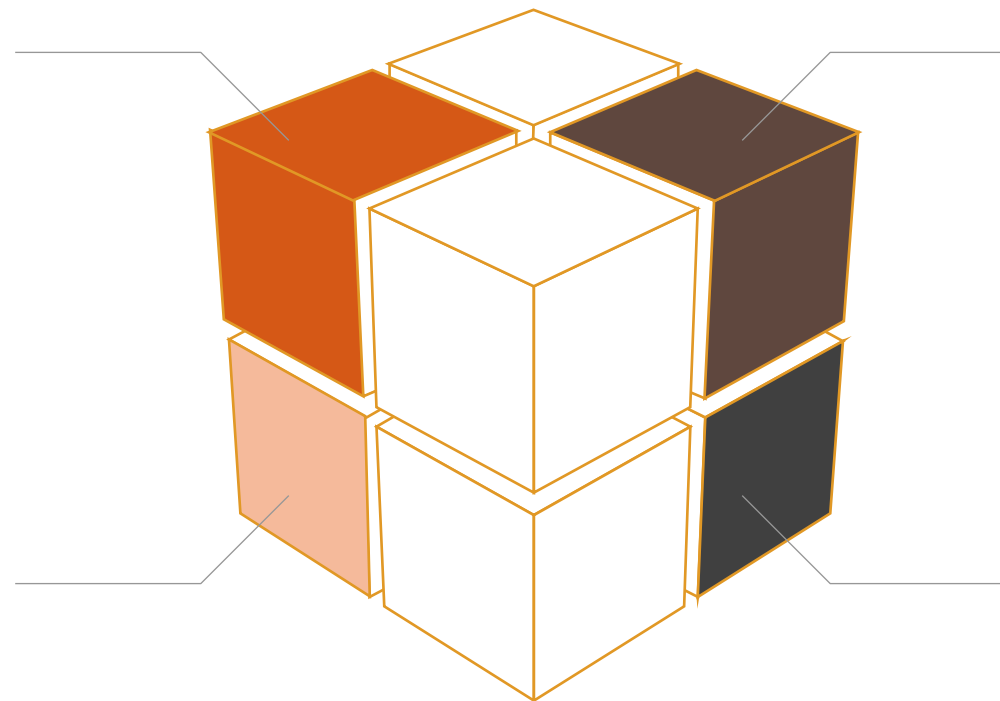
Communicate and report on due diligence: with due regard for commercial confidentiality and competitive concerns



Major Risks

Money Laundering – Gold is a high value commodity with very high liquidity, which makes gold a very attractive tool for launderers

Human Rights Abuse –as most of the producing countries are in the third world and extraction happens in difficult conditions which at times leads to unreasonable exploitation of human beings

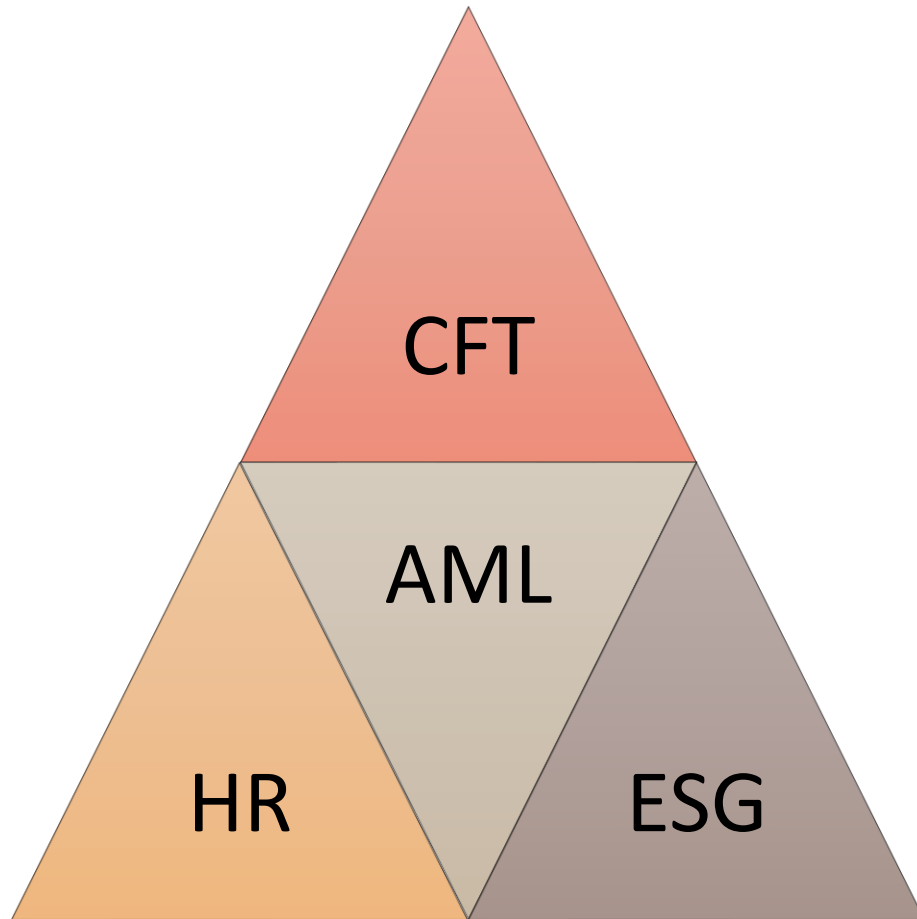


Financing Terrorism– extraction and trade of gold happens in areas where terrorist groups may be present and in rare case such groups controls / benefits from the extraction / trade activities which is used for growing their terror activities

Environmental Abuses - Using extractive methods that harms environment like irresponsible disposal of mercury



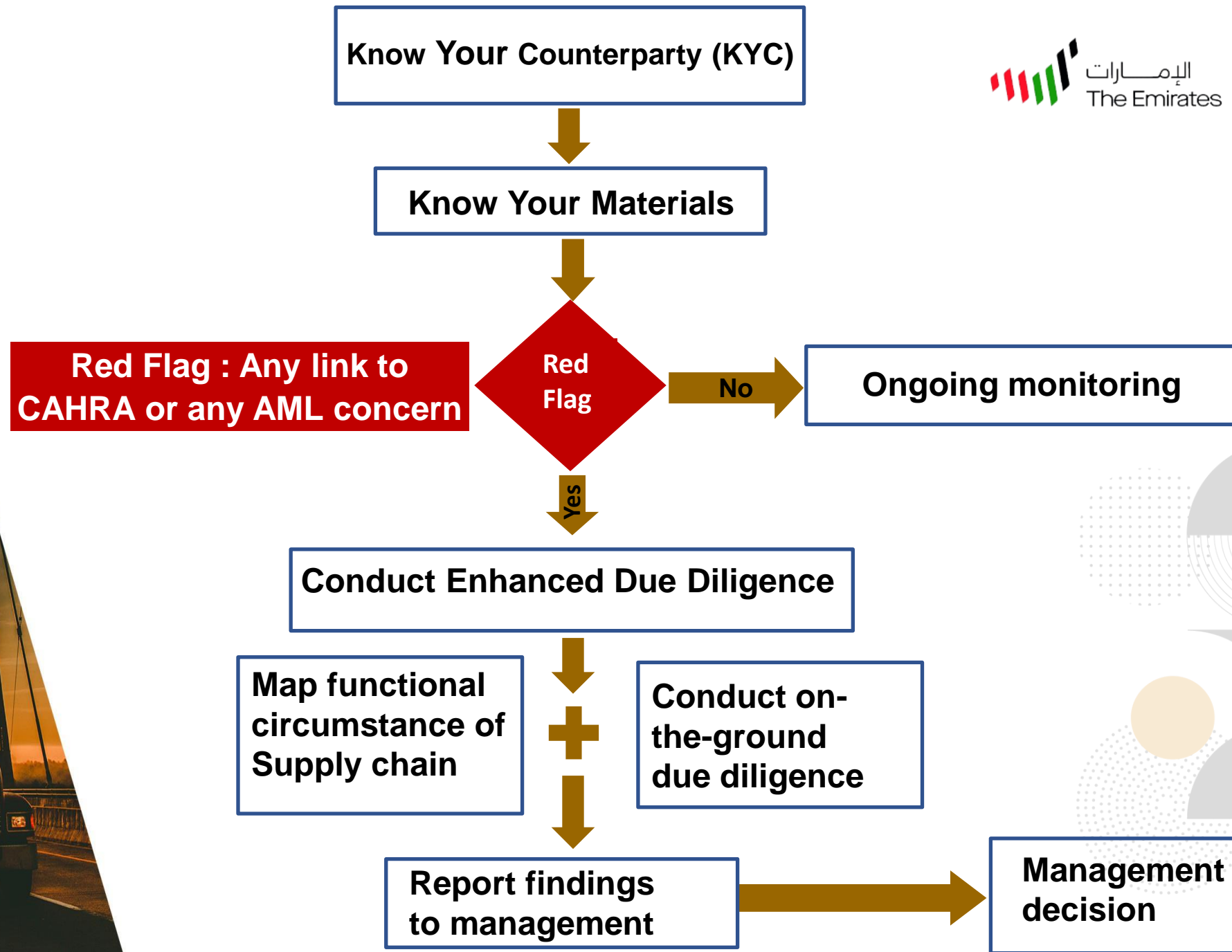
Responsibilities - AML Vs Responsible Sourcing



- AML is counterparty focused
- Responsible sourcing extends to the whole supply chain depending on the assessed risk



Supply chain due diligence





CDD (Step 1) Vs EDD (Step 2)

Member able to determine
absence of CAHRA or AML concern



No additional DD required



Apply and repeat
Rule 1

Member unable to determine
absence of CAHRA or AML concern



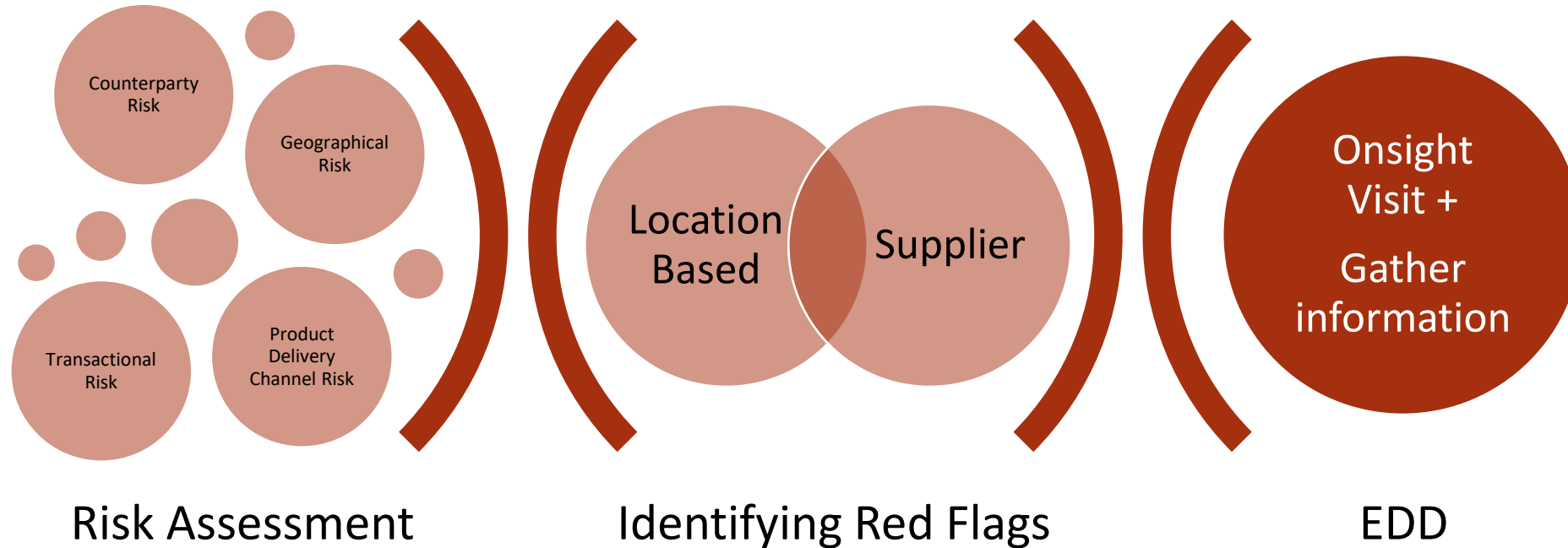
Enhanced DD required



Apply
Rule 2

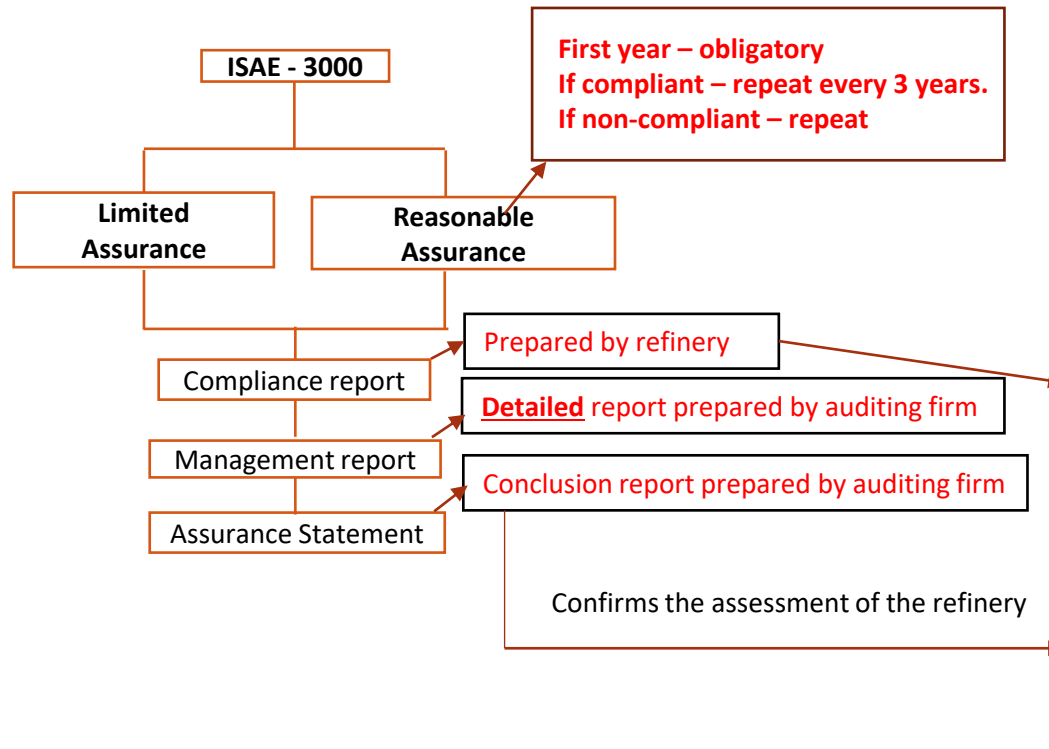


Risk assessment process





ISAE 3000 – methodology



	Compliant		Non-compliant		
	Compliant	Low risk	Medium Risk	High Risk	Zero Tolerance
Management system	X				
Risk assessment		X			
Mitigation plan	X				
Audit	X				
Public disclosure		X			

For any non-compliant outcomes the enforcement action will be taken by Ministry of Economy as the regulator



Minimum Reporting Requirement

A. In relation to transactions:

- I. at least 50 % of the high-risk transactions should be reviewed, if the number of high-risk transactions are less than 100 then all the transactions must be audited.
- II. Reviewer should cover at least 5% of samples in the case of non high-risk transactions, if the total sample size is less than 1000 transactions and at least 4% if the total sample size is more than 1000.
- III. the Reviewer should audit all the files of suppliers who are supplying materials from CAHRA. The Reviewer should review at least 25% of the new customer's on boarded during the audit period and 10% of the customers from the previous audit periods who have an ongoing relationship with the Regulated Entity.
- IV. the total volume of Mined Gold or Recycled Gold in relation to the transactions audited;
- V. the total volume of Mined Gold or Recycled Gold in relation to the total number of transactions during the period subject to Review;
- VI. the total volumes of cash transactions (if any) and their usage in excess of government thresholds as applicable;
- VII. the total volumes of unrelated third-party payments (i.e. cash, bank transfers and metal accounts held with Bullion banks) and physical gold and/or precious metal deliveries in unusual circumstances that are not consistent with local and/or international market practices (for example, value, quantity, quality, profit); and
- VIII. adequacy and implementation of track and trace mechanisms from mine/supplier to sale and/or physical delivery to the Regulated Entities' suppliers



Minimum Reporting Requirement

- B. In relation to geographical considerations:
 - 1. gold sourced from different geographical locations based on physical form; quantity; actual or declared purity; country of origin and transportation; and
 - 2. any transaction which is related to a sanctioned and/or embargoed country, entity, or individual
- C. In relation to risk assessment, the alignment of the risk assessment methodology with Rule 2 and any deviations from those requirements of Rule 2; and
- D. The number of transactions and/or suppliers where enhanced due diligence was conducted during the period subject to Review.



الإمارات العربية المتحدة
وزارة الاقتصاد

الإمارات
The Emirates

Questions

