



## ISOQAR (India) Private Limited

**Independent Reviewer's Assurance Report for Reasonable Assurance review As Per MOE Due Diligence Regulations for Responsible Sourcing of gold**

<i>PROMISE GOLD REFINER FZC FZC</i>
600 m2, warehouse no Q30049, Saif zone, Sharjah.

Reporting period	01 Jan 2023 to 31 Dec 2023
Audit dates	29 <sup>th</sup> to 31 <sup>st</sup> August,2024
Report Date	4 <sup>th</sup> September,2024

To,  
The Board of Directors,  
PROMISE GOLD REFINER FZC  
Saif zone, Sharjah.

**Independent Reviewer's report for Reasonable Assurance review as per M.O.E. Due Diligence Regulations for Responsible sourcing of gold**

We were engaged by the Management of PROMISE GOLD REFINER FZC to provide a reasonable assurance on its Refiner's Compliance Report for the year ended 31 December 2023.

The assurance scope consists of the Refiner's Compliance Report (the Report). The report was issued as on 27<sup>th</sup> august, 2024.

**Responsibilities**

The management of the Company is responsible for the preparation and presentation of the Refiner's Compliance Report in accordance with the **M.O.E. Due Diligence Regulations for Responsible sourcing of gold**. This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived. The criteria identified by the management as relevant for demonstrating compliance with the Guidance are the activities described within the Refiner's Compliance Report.

Our responsibility is to carry out a reasonable assurance engagement in order to express an opinion as to whether the Refiner's Compliance Report, in all material respects, describes fairly the activities undertaken during the year to demonstrate compliance, and that management's overall conclusion contained therein is in accordance with the requirements of the Guidance.

We conducted our engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board and **M.O.E. Due Diligence Regulations for Responsible sourcing of gold**

Our work has been undertaken so that we report to PROMISE GOLD REFINER FZC on those matters that we have agreed to state to them in this report. Our tests are related to PROMISE GOLD REFINER FZC as a whole rather than performed to meet the needs of any particular customer.

Our report must not be recited or referred to in whole or in part in any other document nor made available, copied or recited to any other party, in any circumstances, without our express prior written permission. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the PROMISE GOLD REFINER FZC for our work.

## Subject matter

This report covers the PROMISE GOLD REFINER FZC general level of compliance in accordance with the ***M.O.E. Due Diligence Regulations for Responsible sourcing of gold*** for market participants in the gold and precious metals industry as described in Refiner's Compliance Report, dated 27<sup>th</sup> August, 2024.

## Summary of assurance procedures

We planned and performed our work to obtain all evidence, information and explanations considered necessary in relation to the above scope. These procedures included:

- Enquiries of management to gain an understanding of PROMISE GOLD REFINER FZC's Gold Supply Chain Policy and Risk Management protocols. Questions about the Refinery's Compliance System were asked and required disclosures were obtained,
- Enquiries of relevant, responsible staff for the preparation of the Report and the required disclosures were obtained,
- Refining site visited. The complete Gold Supply Chain process observed, the required disclosures obtained and necessary audits and controls performed regarding the functionality of the system. It was observed that the refinery is producing according to domestic and international standards and certificates,
- Procedures, documents and information related to gold suppliers, buyers and other related parties were selected in order to assess if the Refinery has an effective compliance system. As a result of the assessments, it was seen that the Refinery has established an effective compliance system that is in accordance with M.O.E. Due Diligence Regulations for Responsible sourcing of gold.
- It was observed that the Refinery has established and put into force an effective management system regarding with the Refinery's Gold Supply Chain, which is in harmony with domestic and international standards. It was also observed that the Refinery has adopted appropriate internal control and intercommunication systems. The Refinery has formed a set of procedures and applications in order to identify risks in the supply chain. It was observed that the Refinery formed an appropriate "Know Your Client" (KYC) policy and "Risk Management Plan" within the context of KYC and is maintaining the system's operation.
- Above procedures have been evaluated in accordance to the interviews with the Management, Compliance team, Refinery workers / staff, Accounting and Internal Audit Managers and key personnel.

### **Scope based on Reasonable assurance:**

The review procedures undertaken by us covered the following:

- i. We have observed that PROMISE GOLD REFINER FZC has established a robust sustainable Supply Chain Management System. PROMISE GOLD REFINER FZC's Gold and Precious Metals Supply Chain Policy includes a scope, distributed responsibilities and has customer acceptance policy. They have also trained their staff regularly about the supply chain policy. PROMISE GOLD REFINER FZC has assigned a dedicated compliance officer.
- ii. It is recommended that compliance officers to increase his knowledge about supply chain and needs to ensure internal more frequent trainings are conducted for increasing staff awareness about responsible sourcing of gold in accordance with MOE due diligence guideline.
- iii. PROMISE GOLD REFINER FZCs Compliance Officer conducts all monitoring and applications of statutes related to adaptation. A Company Compliance Committee has been formed.
- iv. All employed personnel engaged in gold and gold containing metal business within PROMISE GOLD REFINER FZC are responsible for meeting the requirements of corporate Gold Supply Chain Policy, informing on any problems or shortcomings within the shortest period, and carrying out appropriate corrective actions.
- v. Moreover, all personnel have access to a grievance and whistleblowing which is currently circulated internally.
- vi. Regulated Entity was informed to make available ethical sourcing and grievance handling procedure to be made available on the company's website (non-conformance has been issued in this regard).

### **Audit Observations:**

A physical inspection and audit of KYC and transaction documents of Recycled gold has been conducted by us as follows:

- The refiner has only provided refining services to its 3 UAE bases suppliers / customers for scrap and fine gold received from them.
- The Regulated refiner has not conducted any Dore purchase transactions during the review period.
- The refinery did not buy any Scrap gold within the period 01 Jan – 31 Dec 2023
- No High Risk transactions has been reported during 01 Jan – 31 Dec 2023 which was

subject to audit;

- We audited all the 3 onboarded “Know Your Client” (KYC) files. We have audited 100 % of KYC of the scrap suppliers.
- The regulated refiner did not have any Dore refining during the review period.
- We audited the transactions according to their geographical source and have covered transactions of the suppliers during the reporting period. Member has sourced from 3 scrap suppliers from UAE only and we have audited all the 40% transactions in number and 50 % in terms of volume during the reporting period.
- Approx. 75 % of the gold refining transactions are high purity gold(22kt and 23kt) received for refining from the supplier. Metal for rudimentary bar to tola bar and 100 gram 995 purity gold bars.
- No mined gold has been purchased or mined gold refining transactions have been reported by the regulated refiner.

- vii. PROMISE GOLD REFINER FZC is able to identify and assess the risks in the supply chain. PROMISE GOLD REFINER FZC uses a strong management system to identify and assess the risks associated with gold and precious metals which they have processed during the calendar year.

PROMISE GOLD REFINER FZC conducts a risk assessment of each party of recycled gold and precious metals using a risk-based approach.

PROMISE GOLD REFINER FZC’s risk assessment methodologies have developed and improved, that adheres to MOE guidelines and incorporated

- ✓ Geographical risk
- ✓ Counterparty risk and
- ✓ Transactional risk factors
- ✓ Product risk
- ✓ Volume based risk

PROMISE GOLD REFINER FZC has developed a measured approach to calculate risk which allows it to classify suppliers’ risk levels consistently and respond adequately.

Due diligence and risk assessment for each new and existing customer start upon account opening and continuously monitored on every shipment and transaction basis. KYC (Know Your Client) documents, information, research, and transaction/shipment history that have been gathered and well-kept and recorded are used to calculate and measure risk level with the use of PROMISE GOLD REFINER FZC’s multiple step in the risk assessment process.

PROMISE GOLD REFINER FZC’s risk assessment includes all applicable criteria of geographical, product, transaction, individual and volume bases, which is in line with ME

guidelines in identifying red flags according. The risk reviewed on following criteria

- (a) Location-based
- (b) Supplier-based, or
- (c) Circumstances-based red flags.

Formulated Overall risk ranking Matrix includes risk factors - such as;

- Location of the Supplier's business
- Beneficial owner's nationality
- Country of origin/transportation of precious metal
- Number of Years in the Industry,
- Compliance Structure of the Company
- Other Businesses of the Beneficial Owner
- Politically Exposed Person (PEP)
- Adverse Media News
- Type of recycled Gold – scraped/ fine gold.

With this objective, PROMISE GOLD REFINER FZC has put into effect the Gold Supply Chain Policy and through sharing, achieves a common collective consciousness among all company personnel, clients, business partners and other concerned third parties. PROMISE GOLD REFINER FZC has implemented a Gold Supply Chain Risk Management Plan and conduct client relationships within the principles of Client Acceptance Policy.

viii. The following steps have been taken to mitigate any risk by Regulated Refiner.

- All customers are required to open an account with PROMISE GOLD REFINER FZC before doing any transaction. Account Opening procedure requires the submission of all necessary required documents that are required to perform the necessary due diligence.
- PROMISE GOLD REFINER FZC Risk assessment methodology has developed taking into consideration the geographical, counterparty, and transactional risk. The risk associated with the supply chain and transactions are continuously communicated to the Senior Management.
- It was verified during the audit that. the Senior Management are considering the view of the Compliance Officer before taking the final decision on whether to accept or reject the risk.
- CDD for EDD form is updated and signed off by Senior Management and Compliance Officer before accepting or rejecting new customer/supplier.

- Accountant will not be opened, and transactions will not be carried out without completing KYC procedure.
  - PROMISE GOLD REFINER FZC has conducted the suppliers risk assessment, and risk ratings are recorded in the file. Customers are designated as – High, Medium or Low Risk, based on the risk profile of the client.
  - During the review period no supplier has been rated as High Risk all 3 suppliers are rated as medium risk.
  - Regulated refiners have policy and procedure of Due diligence requirements commensurate with the risk level associated with the client and enhanced due diligence will be necessary for all high-risk customers.
  - Regulated Refiner has policy and procedure to review each and every consignment and carry out ongoing, proactive, and reactive due diligence in order to detect, avoid, and minimize risks that could have a negative effect on the business.
  - Deviation has been observed in the case of transaction monitoring and supporting records to achieve compliance as per MoE expectation for ethical sourcing of gold
  - As per Supply chain policy If the compliance officer believes the risk associated with a transaction is high at any point during the process, an investigation is conducted, and a management decision must be made. Policy is well defined as per MOE guideline, during our review we have not come across any Red flag or high risk reported in transaction monitoring records.
  - We have verified that All shipments are kept physically segregated until the Compliance Officer approves and the Quality Check Officer passes the shipment. Refiner has identified the designated area for holding of consignments.
- iv. The following steps have been taken by the regulated refiner to mitigate any risk.
- a) The type of precious metals (such as mined gold, melted recyclable gold etc.) is taken into consideration while assessing the risk associated with a supplier and during the transaction monitoring.
  - b) The Refiner has established a Risk Matrix, which takes into consideration the form of precious metals, country of supply, residence of owner and AML compliance of supply chain partner etc.
  - c) With each shipment, the Supplier is required to provide a Customer Declaration Form (Statement of Conformation), which must include details about the Origin of Precious Metals, Purity, Weight, and Type of Gold, specifying whether it is Recyclable or Mined. We verified the same in sample transactions, the regulated refiner has maintained Transaction report for each transaction processed by them. **The reviewer has issued 1 improvement point for improving internal stock control and record**



**maintenance.**

- d) In the case of mined metal, the Supplier is obliged to specify whether the metal originates from a Large Scale Mine, Medium Scale Mine or Artisanal and Small Scale Mine and provide essential mine details such as mine name, mine license number, mining site, and transport route. **(we could not verify the compliance to this point as regulated Refiner has not processed any mined gold during the review period.**
- e) We have verified the procedure that during transaction monitoring If a Red Flag is identified, the shipment is put on hold and physically segregated till the matter is investigated by the Compliance Officer, and a final decision is made.
- f) According to Supply chain policy of Regulated refiner, it does not accept and directly discontinue transactions with upstream suppliers which were identified as high-risk due to involvement and or participation in non-state armed groups through the extraction, transport, trade, handling, or export of minerals which includes, but is not limited to, procuring minerals from, making payments to or otherwise providing logistical assistance or equipment to, non-state armed groups or their affiliates who;
  - a) Illegally control mine sites or otherwise control transportation routes, points where minerals are traded and upstream actors in the supply chain; and/or
  - b) Illegally tax or extort money or minerals at points of access to mine sites, along transportation routes or at points where minerals are traded; and/or
  - c) Illegally tax or extort intermediaries, export companies or international traders.

**Point mentioned in “para- e & f ” above, could not be verified against the policy as regulated refiner has not processed any Mined gold during the review period.**

- PROMISE GOLD REFINER FZC does not engage in offering, promising, giving, or demanding bribes and resists the solicitation of bribes to conceal or disguise the origin of precious metals, or to misrepresent taxes, fees, and royalties paid to governments for the extraction, trade, handling, transport, and export of such materials.
- PROMISE GOLD REFINER FZC reports to the relevant authorities any Un-cooperative Suppliers and/or suspicious individual, entities, and transactions as soon as possible.
- If Red flag has been identified - it is mandatory to carry out additional and more in-depth due diligence procedures. Shipment will be put on hold till necessary information is provided. Temporary suspending trading activities with the specific supplier where a red flag has been identified.



- During the period no EDD has been reported, so we could not verify its compliance, however policy and procedures are in line with MOE guidelines for Ethical sourcing of Gold.
- v) PROMISE GOLD REFINER FZC has detailed policy and procedure on Enhance Due diligence, however same is not verified as during reporting period no supplies from High Risk region, CAHRA region and none of the supplier has been reported High risk (no PEP identified, No supplier from high risk country and no negative screening identified in case of suppliers UBO search)
- vi) During the reporting period, PROMISE GOLD REFINER FZC demonstrated its commitment to ensuring a robust and effective compliance department, and as such, took significant steps to enhance its capabilities.

One point of concern was raised in the case of competence of compliance officer and overall efficiency of compliance team. Considering dealing in only scrap gold current supply chain risk is medium, however it could be concern if mined gold supply chain is added, thus as a reviewer we have raise a nonconformance so that regulated refiner can take appropriate CAPA and improvement can be initiated.

Regulated refiner has provided training on ethical sourcing based on internal sources, however recommended to provide external training on regular intervals.

- vii) To create a culture of responsible business conduct, PROMISE GOLD REFINER FZC aims to understand the requirements of the various stakeholders by constantly engaging with them and educating them on several aspects related to the business, product and services and compliance matters including supply chain. The company adopts a proactive approach to respond to the needs of the customers in a timely manner and promotes regular communication with them.
- viii) PROMISE GOLD REFINER FZC supports all preventative measures, efforts and applications to obstruct contributing to conflict, Money Laundering, Terrorism Financing, or serious Human Rights abuses during the entire process covering mineral extraction, transportation, trade stages, including applications at points of passage to mining areas, export and taxation.

## **Independence and Competency Statement**

In conducting our engagement, we have complied with the applicable requirements, and we confirm that we satisfy the criteria for assurance providers as set out in the Audit Guidance to carry out the assurance engagement.

## **Conclusion**

In our opinion, in all material respects, the accompanying Refiner's Compliance Report dated 27<sup>th</sup> August, 2024 for the period from 01 Jan to 31 Dec 23 and prepared by the Compliance officer of

PROMISE GOLD REFINERY (FZC), describes fairly the level of general compliance and management's overall conclusion contained therein is in accordance with the requirements of the M.O.E. Due Diligence Regulations for Responsible sourcing of gold.

The compliance controls that were tested, as set out in the attachment to these reports as a Anneure-1

In our opinion Regulated Refinery needs to improve its knowledge and skills for Ethical sourcing as per MOE And also efforts are required for improving the overall transaction recording.

We are herewith confirm that the Regulated Entity has provided sufficient information and records to issue a Reasonable Assurance level of compliance for sourcing of Gold with Medum Risk for the period 1st January 2023 to 31st December 2023.

Below are the reasons for our Opinion.

1. We have raised 2 nonconformance for Step-1 as per MOE Due Diligence

"The Regulated Entity has objectively demonstrated multiple inadequacies with regards to its compliance with Step 1 of the MoE Due Diligence Regulation for Responsible Sourcing of gold."

Recommendation/ OFI(Opportunity for Improvement)	Non-Conformance Description
<p>(1.1) We recommend using the ERP based tools for auto alerts for KYC and risk assessment and screening alerts as an improvement action.</p> <p>(1.3.10)</p> <ul style="list-style-type: none"> <li>Records are maintained manually, same could be maintained electronically for easy access and retrieval.</li> </ul> <p>(1.5)</p> <ul style="list-style-type: none"> <li>To adopt ERP software for risk assessment , online screening during each transaction and risk mitigation and risk status to be maintained in ERP. This will help regulated Refiner to have KYC, records and risk at one place and information/ analysis will be more accurate.</li> <li>Further retention records for 5 years will be easy to comply.</li> </ul>	<p><b>NC #1 (1.2.2)</b> <b>The compliance officer is not competent to handle the supply chain due diligence. Our findings are on following ground.</b></p> <ul style="list-style-type: none"> <li>Not having any related qualification and work experience in the field of compliance.</li> <li>No formal external training has been attended by compliance officers.</li> <li>Due diligence process has been implemented with the help of external consultant, however capability as a compliance team (internal is weak), which need to be improved.</li> <li>At present looking an local scrap refining risk is low however potential risk is high considering future business of mined gold and international exposure</li> </ul> <p><b>NC# 02 (1.3.7)</b> <b>Regulated Refiner is lacking in maintaining internal controls and lack of detailed transaction records, which does not provide conformance of scrap metal processing</b></p> <ul style="list-style-type: none"> <li>XRF report for all transactions not maintained along with transaction records</li> <li>Photograph or Video of Shipment weighing, to confirm weight and form of metal as rudimentary bar/ jewellery scrap is not been maintained</li> </ul>

Assessment Conclusion	Compliance Status:	Non-Compliance
Based on the assessment conclusions, the overall rating of the Regulate Refiner performance is determined to represent	Compliant with the MoE Due Diligence Regulations for Responsible Sourcing of Gold – Medium Risk Deviation	2 Minor non conformance

**ISOQAR INDIA Pvt Ltd**