

**Independent Reasonable Assurance Report  
(ISAE 3000 Engagement)**

on

**Regulated Entity's Compliance Report**

on

**Compliance with the MoE Due Diligence Regulations for Responsible Sourcing of Gold**

for the period

**1 January 2023 to 31 December 2023**

**FALCON PRECIOUS METAL REFINERY (FZC)**

21 June 2024

[This document includes 5 pages in total including the cover page]

To,  
The Managing Director,  
FALCON PRECIOUS METAL REFINERY (FZC),  
600 M2 Warehouse T5-020,  
SAIF Zone, Sharjah,  
United Arab Emirates

## Independent Reasonable Assurance Report to FALCON PRECIOUS METAL REFINERY (FZC) (ISAE 3000 engagements)

### Introduction

AKW Tax Reclaim Accounting & Consultancy (“AKW” or the “Reviewer”) was engaged by FALCON PRECIOUS METAL REFINERY (FZC) (the “Regulated Entity”) to provide an Independent Reasonable Assurance on its Compliance Report (the “Regulated Entity’s Compliance Report”) on compliance with the MoE Due Diligence Regulations for Responsible Sourcing of Gold, Version 1, August 2022 (the “MoE Due Diligence Regulations”) for the period from 1 January 2023 to 31 December 2023.

### Scope

The objective of this engagement was to provide an opinion on whether the Regulated Entity’s Compliance Report dated 19 June 2024 describes fairly the activities undertaken during the year to demonstrate compliance, and whether management’s overall conclusion contained therein is in accordance with the requirements of the MoE Due Diligence Regulations.

### Responsibility of the Management of the Regulated Entity

The Management of the Regulated Entity is responsible for the preparation and presentation of the Regulated Entity’s Compliance Report in accordance with the MoE Due Diligence Regulations. This responsibility includes establishing and maintaining effective governance framework, including risk management systems and internal controls from which the reported information is derived. Furthermore, the responsibility includes designing, implementing and maintaining management systems and processes relevant to the preparation of the Regulated Entity’s Compliance Report that is free from material misstatement, whether due to fraud or error. The information in relation to the activities described within the Regulated Entity’s Compliance Report is determined by the Management of the Regulated Entity to be appropriate and relevant to validate the degree of compliance with the MoE Due Diligence Regulations.

### Our Independence

We confirm that we have complied with the applicable requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board of Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. In conducting our engagement, we confirm that we satisfy the Minimum Criteria for Reviewers as set out in the MoE Due Diligence Regulations Annex I - Review Protocol (the “MOE Review Protocol”) to carry out the assurance engagement.

## Our Responsibility

Our responsibility was to:

- perform a review of the Regulated Entity, in accordance with the ISAE 3000 standard, following the relevant guidance set out in the MOE Review Protocol.
- provide an opinion on whether the Regulated Entity's Compliance Report describes fairly the activities undertaken during the year to demonstrate compliance, and whether management's overall conclusion contained therein is in accordance with the requirements of the MoE Due Diligence Regulations.

We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by International Auditing and Assurance Standards Board. A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about the fairness of the Regulated Entity's Compliance Report and the fact that management's overall conclusion has been drawn in accordance with the requirements of the MoE Due Diligence Regulations and with the MoE Review Protocol. The nature, timing and extent of procedures selected depend on our judgment, including the risk of material misstatements, whether due to fraud or error, in the Regulated Entity's Compliance Report. In making those risk assessments, we considered internal control relevant to the Regulated Entity's preparation of the Regulated Entity's Compliance Report.

In conducting the review, we meticulously planned and implemented an approach to gather essential evidence, information, and explanations pertinent to our defined scope. The process encompassed several key steps, including the following:

- Develop a detailed Review Plan, outlining the scope, criteria, principles, and intended activities, which was then communicated to the Regulated Entity for full transparency and collaboration.
- Conduct an opening meeting onsite with Regulated Entity's top management and key process owners to introduce the Review Plan, align on the review protocol, set the timeline, and emphasize the confidentiality essential to the process.
- Gather essential documentation including objectives, plans, procedures, standards, instructions, licences and permits, specifications, drawings, contracts, supply chain policies, and other pertinent policies and procedures that demonstrate the management systems, due diligence process and risk management practices. The process also included collection of client details, transaction records, and origin data.
- Collection of documents relating to inventory controls, inspections of records, minutes of meetings, audit reports, records of monitoring programmes and results of measurements.
- Execute the onsite review phase, engage in deep analysis to gather evidence supporting the review objectives. This included interviews with senior management, key process owners, and workers, visual inspections and physical walkthroughs of operational areas, and a comprehensive review of pertinent documents.
- Assessment of the evidence gathered during the review to evaluate Regulated Entity's implementation of, and compliance with the MoE Due Diligence Regulations including:
  - Regulated Entity's Supply Chain management systems (with emphasis on compliance and risk management structures, related operating policies and procedures, reporting mechanisms, training and development programmes).
  - Regulated Entity's due diligence measures (including KYC procedures, process and implementation and post-account opening and pre-transaction risk assessments including Red Flag assessment), and

- minimum information recording to ensure track and trace i.e., date of gold receipt, physical form and weight of gold, source of origin, point of origin in transportation and/or customs documents (recording of seal numbers and/or packaging list).
- Conduct a closing meeting with Regulated Entity's leadership and key process stakeholders to present the findings, conclusions, and actionable recommendations for enhancements, aimed at bolstering improvement.
- Review the statements made by the management in the Regulated Entity's Compliance Report as compared to the findings arising from the above procedures performed.

The procedures performed relate to the Review Period from 1 January 2023 to 31 December 2023 and do not extend to any assertions made in the Regulated Entity's Compliance Report regarding events subsequent to the Review Period.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our reasonable assurance report, including our opinion, has been prepared solely for the Management of the Regulated Entity and the Ministry of Economy for determining whether the Regulated Entity has complied with the MoE Due Diligence Regulations and for no other purpose.

### Inherent Limitations of the Review Process

Whilst the Reasonable Assurance Report provides a rigorous assessment of the Regulated Entity's compliance with the MoE Due Diligence Regulations, it is crucial to acknowledge certain inherent limitations of the methodology and scope.

- **Subjectivity in Assessing Compliance:** Evaluating compliance with MoE Due Diligence Regulations often involves qualitative judgments and interpretations. Despite efforts to establish rigorous criteria and assessment tools, the evaluation of compliance may be subject to subjective biases or varying interpretations.
- **Scope of Document Review:** The testing of the accuracy and authenticity of selected documents, including management assertions and claims about its Due Diligence performance, was conducted through interviews and sample document reviews. However, the authenticity of these documents was not independently verified by contacting the respective government organizations or third-party entities.
- **Reliance on Information Provided:** The review relied on information provided by the Regulated Entity. While we have conducted its due diligence to verify the accuracy of this information, we did not independently validate the data or information provided. Thus, the conclusions are based on the assumption that the information provided is complete and accurate.
- **External Factors:** The Reviewer cannot predict or guard against future changes or factors arising after the review date, such as changes in legislation, regulatory focus, or the Regulated Entity's business model.
- **Timeliness of the Review:** Given the fast-moving nature of financial transactions, the findings of this review reflect the situation at a particular point in time. Issues of non-compliance could arise or be resolved in the intervening period between reviews.
- **Human Error and Fraud:** There is always an inherent risk of errors, omissions, and fraudulent acts not being detected, regardless of the thoroughness of the procedures employed. This review cannot ensure detection or prevention of all such issues.

## Our Opinion

In our opinion, the Regulated Entity's Compliance Report dated 19 June 2024 for the period from 1 January 2023 to 31 December 2023 describes fairly the activities undertaken during the year to demonstrate compliance, and management's overall conclusion contained therein is in accordance with the requirements of the MoE Due Diligence Regulations for Responsible Sourcing of Gold, Version 1, August 2022.

## AKW Tax Reclaim Accounting & Consultancy



Faisal Ahmed  
Engagement Partner



21 June 2024  
Dubai, UAE

## Refiner Compliance Report

For third-party audits based on ISAE 3000

### Details of Reporting Entity

<b>Company Name:</b>	FALCON PRECIOUS METAL REFINERY FZC
<b>Address:</b>	T5-020 SAIF ZONE SHARJAH UAE
<b>Location:</b>	SAIF ZONE SHARJAH UAE
<b>Reporting year-end:</b>	JANUARY 01, 2023, TO DECEMBER 31 2023
<b>Date of Report</b>	JUNE 19, 2024
<b>Senior management responsible for this report</b>	SHAKEER KODIYIL EACAHAL NALAKATH MANAGING DIRECTOR INFO@FALCONREFINERY.COM

### Refinery's evaluation

The tables and statements which are listed below demonstrate our evaluation of the compliance to each sub point of the rules as defined in Guidelines for Due Diligence of Responsible Sourcing of Gold

### Summarized conclusion Evaluation

#### Our Evaluation on Each rule

#### *Step 1: Establishing an Effective Governance Framework*

- 1.1 Adopt and Commit to a policy for Managing Risk in gold from CAHRAs.**
- 1.2 Establish Management Structure to implement Supply Chain Due diligence.**
- 1.3 Establish a system for transparency, information sharing and control on Gold Supply Chain.**
- 1.4 Strengthen company engagement with gold supplying counterparties.**
- 1.5 Establish a confidential grievance mechanism.**

#### Compliance statement:

Non-Compliant with the MoE Due Diligence Regulations for Responsible Sourcing of Gold with High-Risk Deviations

#### Demonstration of Compliance:

Falcon has established AML/CFT policy and Supply chain policy, and we are in the process of establishing Supply Chain Manual as per the MoE Due Diligence Regulations for Responsible Sourcing of Gold and OECD guidelines. We have analyzed the gaps and in a process of implementing the changes in the Supply Chain. The refinery will put in place a mechanism to regularly update the policies and procedures. Compliance and management teams established very prudent and conservative guidelines to not engage with suppliers deemed high-risk as the Company developed and documented a more refined system to include all the steps of responsible gold sourcing. With a clear goal in mind, the compliance team is working with Senior Management to formalize and implement the Falcon Refinery Compliance, Anti-Money laundering and Supply Chain Management Policy.

Falcon is majorly dealing with the local suppliers through its related entity hence it is neither originated from nor transported directly through CAHRA. The management systems established under Establishing an Effective Governance Framework should be maintained and regularly reviewed.

## Refiner Compliance Report

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Falcon is in the process of establishing comprehensive KYC procedures- regulatory requirements and identify red flags in the supply chain to determine whether they are dealing in gold mined, transported, or traded in Conflict-Affected and High-Risk Areas (CAHRA).

Strengthening engagement with gold supplying counterparties hinges on transparent communication, thorough due diligence, risk monitoring and evaluation, and effective risk mitigation. Relevant policies, such as the Supply Chain Policy, AML/CFT Policy, and other pertinent policies, will be shared and exchanged with the suppliers.

Falcon aims to implementing track & trace mechanism for shipments received at the refinery to maintain transparency and to identify the origin of gold. Length of establishment of supplier or other counterparties in the Supply Chain. Falcon should be able to identify the location and origin of the gold sourced by them using reasonable efforts. Different origins have different risks and require different treatments. Identification of gold origin should be evidence based and collected through suppliers and entity's own research.

Falcon has clear customer acceptance policy based on applicable rules, regulations, and procedures to implement controls for avoiding business relations with any countries and nationalities under sanctions or other criminal offences.

Falcon's staff is responsible to conduct due diligence of any person applying to do business; therefore, staff shall obtain satisfactory evidence of the identity and legal existence of persons conducting transactions on the basis of reliable independent documents and record that customer details and other relevant information to the core system and ensure to keep files documents. Falcon Refinery has measures to identify red flags according to its policies and procedures. However, the implementation of these procedures is lacking, resulting in no SAR/STR filings during the review period.

The mechanism also ensures that the compliance team and Senior Management are made aware of such concerns promptly and able to take immediate action if necessary.

The following seven (7) elements must be included in your compliance regime.

- The appointment of a staff member as CO.
- Internal compliance policies and procedures.
- Your assessment of your risks to money laundering and terrorism financing, and measures to mitigate high risks.
- Ongoing compliance training for staff; and
- Periodic documented review of the effectiveness of implementation of policies and procedures, training, and risk assessment.
- Ensuring independent audit of the compliance program and the activities of the compliance officer.
- Such reviews (both internal and external) must be documented and made available.

Falcon Refinery is in the process to establish the grievance escalation mechanism and to implement whistle blower policy mechanism in the refinery, the complaints and response management procedure under which the procedures facilitate ease in voicing out concerns about any identified risks in the supply chain.

Falcon is obliged to maintain detailed records, documents, data and statistics for all financial transaction types, as well as a variety of record types and documents associated with their ML/FT risk assessment and mitigation measures, as specified in the relevant provisions of the AML-CFT Decision.

In order to fulfil their record-keeping obligations, and commensurate with the nature and size of their businesses, Falcon determine the appropriate policies, procedures and controls related to the adequate retention, organization, and maintenance of records. The policies, procedures and controls is documented, approved by senior management, and communicated to appropriate levels of the organization.

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### *Step 2: Identification and Assessment of Supply Chain Risk*

#### **2.1 Conduct Supply chain Due Diligence to Identify Risk**

#### **2.2 Identify Red Flags/High Risk Indicators in the gold Supply Chain Risk.**

#### **2.3 Undertake Enhanced Due Diligence Measures for High-Risk Supply Chains.**

#### **Compliance statement:**

Non-Compliant with the MoE Due Diligence Regulations for Responsible Sourcing of Gold with High-Risk Deviations

#### **Demonstration of Compliance:**

The Company's risk assessment methodology evolved over the past few years from a simple system (which consisted in disengaging from the vast majority of suppliers with high-risk supply chains) to a more refined approach. This approach was communicated early with a clear message that the Company would not consider gold coming directly or indirectly from conflict areas. We used this measured approach to assess risk.

From the first point of contact with a new supplier, and on a continuously monitored basis, we assess and identify risks for both the supplier and the material delivered by this supplier.

Supplier Risk Classification: This classification is determined mainly by the content and quality of the supplier's on-boarding documentation as well as the form and origin of the gold. Following a thorough gathering of on-boarding documentation of the supplier, and analysis of their business model, the origin of their supply (including mode of transport, level of conflict, human rights abuse, existence of sanctions, and stability of the financial system in the country of origin) and background checks against databases (DOW JONES) a final risk level is assigned to each supplier.

Transactional Risk Assessment: For each transaction related to processing of gold-bearing material a consistency assessment is made based on the knowledge of our team considering the supplier's business intentions, documentation, the form of the metal and its origin. If any of these categories are flagged, a risk evaluation form is completed and relevant risk mitigations steps are taken, similar in nature to the risk mitigation steps taken for higher risk classifications of suppliers.

The risk assessment parameters must consider all stipulated criteria to accurately classify geographical, supplier, and transactional risk. Falcon Refinery will incorporate all these factors when assessing the risk of each supplier. We are currently developing and designing a risk identification tool to effectively identify transactions and supply chain-related risks.

The Compliance Officer will present all potential new high-risk suppliers to Senior Management before any engagement begins. We aim to identify the supplier's information and internal risk assessment so that it can be reviewed thoroughly. However, the Compliance Officer and Senior Management will also meet formally no less than once a month to discuss all aspects related to the Company's risks and compliance framework.

The Compliance Officer is responsible for informing relevant employees, including Senior Management, of the classification of each supplier. The Compliance Officer is also responsible for monitoring and updating the risk classification of all of the Company's precious metal suppliers. All red flags due to location or suppliers are reviewed very carefully by compliance and management before the Company engages in any dealings. We were not able to identify any red flag or suspicious activity and hence did not file any STR/SAR as well. We also look forward to establishing a risk appetite policy and conducting entity wide risk assessment. Where high risk supply chain is identified, we will take enhanced due diligence measures to mitigate the risk wherever required.



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### **Step 3: Management of the Supply Chain Risk**

#### **3.1 Devise a Risk Management Strategy for the identified risk.**

#### **3.2 Risk Control Plan**

#### **3.3 Continuous Monitoring**

#### **3.4 Senior Management Reporting**

#### **Compliance statement:**

Non- Compliant with the MoE Due Diligence Regulations for Responsible Sourcing of Gold with High-Risk Deviations.

#### **Demonstration of Compliance:**

Risk mitigation steps can be initiated according to the source of the risk:

- Risk identified from the supplier's operating principles, intended business, the nature of their beneficial owners, and the robustness of KYC requirements.
- Risk identified from the type of precious metal the supplier intends to bring for refining.
- Risk identified from conflict areas or high-risk regions from which the precious metal Originates.

We are in process of establishing the internal procedures that will describe risk mitigation steps to undertake for each category above. In steps included on-site visits will be scheduled and arranged to collect first-hand information on supply chains.

For higher risk suppliers, the Compliance Officer will establish a plan for risk mitigation, and this plan will be communicated to Senior Management. During the process of risk mitigation, the Company may choose to suspend trading with the supplier until further information can be obtained that reduces the risk of processing their gold-bearing material. Ultimately, the Company disengages completely from suppliers who do not want to comply with our policy and procedures.

The Compliance Officer is responsible for monitoring the progress of the risk mitigation plans. For the Reporting Period, the Company's risk mitigation consisted in many of the steps above, including a robust gathering and analysis of the relevant transactional and supplier documentation.

Company operated simple risk- mitigating policies which combat money laundering and conflict minerals directly at their source:

- Very strict control on purchases of gold in cash from suppliers, so that the proceeds of a sale remain traceable through the banking system.
- The Company has established a list of "Banned Countries", and the Company rejects or disengages with suppliers which originate material from these countries.

We aim to establish a risk appetite policy, a risk control plan and conduct a comprehensive business wide risk assessment. We have developed a plan for ongoing monitoring in line with the risk control plan and will provide periodic reports to senior management, informing them of any deviations.

### **Step 4: Independent Third-Party Audit of Due Diligence**

#### **4.1 Audit Plan**

#### **4.2 Audit Implementation**

## Refiner Compliance Report

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**Compliance statement:** Fully Compliant with the MoE Due Diligence Regulations for Responsible Sourcing of Gold

### Demonstration of Compliance:

AKW, a Ministry of Economy accredited Reviewer, to conduct an independent third-party audit on Falcon Refinery's compliance with the MoE Due Diligence Regulations for Responsible Sourcing of Gold in accordance with Annex I – Review Protocol for the period from 1 January 2023 to 31 December 2023.

Falcon Refinery has fully participated in the Review process and provided full co-operation to AKW's assessment team as and when required to enable AKW to carry out a comprehensive review.

### Step 5: Annual Reporting on Due Diligence measures

**5.1 Management Systems.**

**5.2 Risk Assessments.**

**5.3 Risk Management**

**Compliance statement:** Fully Compliant with the MoE Due Diligence Regulations for Responsible Sourcing of Gold

### Demonstration of Compliance:

Falcon Refinery will be submitting all audit reports stipulated under section 12 of Annex I – Review Protocol of the MoE Due Diligence Regulations for Responsible Sourcing of Gold to the MoE on annual basis.

