



BUREAU VERITAS CERTIFICATION

Reviewer's Assurance Report for
Reasonable Assurance Compliance Audit on DMCC Rules
on Risk Based Due Diligence in the Gold and Precious Metals
Supply Chain

For

Lazurde Company for Jewellery

SITE(s):
Riyadh, KSA

AUDIT DATE(s):

26 – 30 March , 2017



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**BUREAU
VERITAS**



Independent
Reasonable Assurance' Report to **Lazurde Company for Jewelry**

This report is made for the **Lazurde Company for Jewelry** for the purpose of a compliance report, in accordance with the terms of our engagement letter dated 28/02/17.

1. Responsibilities

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 and with “DMCC Rules on Risk Based Due Diligence in the Gold and Precious Metals Supply Chain” issued by Dubai Multi Commodities Center and in accordance with the DMCC Review Protocol.

Our work has been undertaken so that we report to the **Lazurde Company for Jewelry to the engagement** on those matters that we have agreed to state to them in this report.

Our tests are related to **Lazurde Company for Jewelry** 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 **Lazurde Company for Jewelry** for our work, for this report or for the opinions we have formed.

2. Subject matter

This report covers the **Lazurde Company for Jewelry** general level of compliance with the “DMCC Rules on Risk Based Due Diligence in the Gold and Precious Metals Supply Chain” issued by Dubai Multi Commodities Centre and in accordance with the DMCC Review Protocol as described in your report as at **01/03/17**

3. Scope based on 'Reasonable assurance:

The review procedures undertaken by us will cover the following:

- i. Review whether the **Lazurde Company for Jewelry** has established robust sustainable supply chain management systems as detailed in and referring to Rule 1 of the DMCC rules and fulfilling objectives of the review program as detailed in the DMCC review protocol.



The Policy is well defined and robust, and the KYC requirements have been adequately addressed was found adequate taking into consideration the application of Rule 1.1 to 1.18.

On verification of implementation 2 Non conformities with Medium risk were identified under Rule 1, taking into consideration the application of Rule 1.1 to 1.18. Ref: CAR report attached.

ii. Review whether the **Lazurde Company for Jewelry** is able to identify and assess the risks in the supply chain as detailed in and referring to Rule 2 of the DMCC Rules and fulfilling objectives of the review program as detailed in the DMCC review protocol.

On verification of implementation 2 Non conformities with Medium risk were identified under Rule 2, taking into consideration the application of Rule 2.1 to 2.9. Ref: CAR report attached

In respect of Rule 2, details as below verified:

(a) in relation to transactions: *1000 appx active suppliers/customers from KSA and received 6 tons of Gold for refinery during 2016, 378 supplied over 5kg to 50kg, 943 supplied below 5 kg.*

(i) the number of transactions audited: *15 Samples were picked from those supplied over 5 kgs and reviewed.*

(ii) *the percentage of the audited transaction as compared to the total number of transactions during the period subject to Review: 4 %*

(iii) *the total volume of Mined Gold /ASM in dorebar received: Nil*

(iv) *the total volume of Mined Gold: Lazurde do not receive any gold from mines directly.*

(v) *the total volumes of cash transactions None, all payments are through Bank*

Verified the payments made against vouchers traceable to supply of gold and sale of gold Usage in excess of government thresholds as applicable in the Accredited Member's place of domicile was verified and found None ,

Lazurde receives recycled and a small percentage of about 15% Bullion gold from customers, Refines and deliver back to the customer or sells to customer..



(vi) 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); this was verified and found none

(vii) *adequacy and implementation of track and trace mechanism from mine/supplier to Sale and/or physical delivery to the Accredited Member's suppliers was verified, they were found adequate and satisfactory.*

(b) in relation to geographical considerations:

(i) Gold and/or precious metal sourced from different geographical locations based on Physical form; quantity; actual or declared purity; country of origin and transportation; and

(ii) any transaction which is related to a sanctioned and/or embargoed country, entity, Or individual;

Lazurde source all the gold for refinery from direct customers based out in KSA, From outside KSA only Bullion bars are received.

(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;-

The risk assessment verified and 2 Non conformities with medium risks were raised in alignment with rule 2. Ref: CAR report attached.

(d) the number of transactions and/or suppliers where enhanced due diligence was conducted during the period subject to Review.

None as there were no situation that required for an enhanced due diligence.

iii. Review whether the **Lazurde Company for Jewelry** has developed and implemented a risk mitigation and/or control plan as detailed in and referring to Rule 3 of the DMCC Rules and fulfilling objectives of the review program as detailed in the DMCC review protocol.

In respect of Rule 3, the adequacy and implementation of the Risk Control Plan was verified and found adequate.

iv. Reviewed whether the **Lazurde Company for Jewelry** is reporting annually on its measures implemented for responsible supply chain due diligence and that the measures being reported are consistent with the independent 3rd party audit review program findings as detailed in and referring to Rule 5 of the DMCC Rules and fulfilling objectives of the review program as detailed in the DMCC review protocol.



LAZURDE has performed the review for the first time for the period Jan 2016 to Dec 2016 with Bureau veritas as independent 3rd party reviewer will be reporting the compliance report to the DMCC annually and also make it available in their portal upon receipt of the report.

v. Reviewed the **Lazurde Company for Jewelry** activities related to conducting due diligence for adherence to DMCC's Anti-Money Laundering and Combating Financing of Terrorism Policy (as the minimum acceptable standard for AML/CFT due diligence policy).

LAZURDE has established AML/CFT and a robust KYC due diligence Policy: Under the document AML and KYC Compliance policy, DEC 2014.

The implementation of the same was verified and 4 Nonconformities with Medium risk under Rule 1 and 2 Non conformities under rule 2 was raised.

4. Emphasis of matter (if required)

Without our conclusion being modified, we refer to the non-compliance description contained in the **Lazurde Company for Jewelry** compliance report.

2 Nonconformities with Medium risk under Rule 1 and 2 Non conformities with Medium risk under rule 2 were raised.(Ref : Annexure to Reviwer's assurance report)

This relates to the current implementation of specific due diligence procedures at **Lazurde Company for Jewelry to** be in conformance with "DMCC Rules on Risk Based Due Diligence in the Gold and Precious Metals Supply Chain" issued by Dubai Multi Commodities Center and DMCC's AML/CFT policies during the assessment period 1ST January 2016 to 31st December 2016.



5. Conclusion

In our opinion, in all material respects:

- i. The accompanying report by the directors describes fairly the level of general compliance of **Lazurde Company for Jewelry** with “DMCC Rules on Risk Based Due Diligence in the Gold and Precious Metals Supply Chain” issued by Dubai Multi Commodities Center and in accordance with the DMCC Review Protocol for the period 1st Jan 2016 to 31st December 2016.
- ii. The compliance controls that were tested, as set out in the attachment to this report, were operating with sufficient effectiveness for us to obtain Reasonable’, but not absolute, assurance that the related level of compliance were achieved in the period 1st January 2016 to 31st December 2016.

2 Nonconformities with Medium risk under Rule 1 and 2 Non conformities with Medium risk under rule 2 were raised, that requires Corrective actions to be submitted for review and action taken, refer to attached corrective action plan for details.

The corrective actions submitted were reviewed and found satisfactory, the implementation and effectiveness of the actions taken will be verified during the next on site review.

Bureau Veritas
Location: Dubai

Date: 26/04/17

Signature



Company Stamp