
Independent Governance Committee for the DMCCA

Report for the period 1 June 2018 to 31 May 2019

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Executive Summary

The Independent Governance Committee (the **IGC**) was established in January 2015. It provides an independent oversight role on all aspects of the DMCCA Authority (DMCCA) Responsible Sourcing of Gold and Precious Metals Programme (the **Programme**). This includes oversight of the implementation and enforcement of the 'DMCCA Authority Rules for Risk Based Due Diligence in the Gold and Precious Metals Supply Chain v 1.1' (the **DMCCA Rules for RBD-GPM v 1.1**) which have been effective since 1 January 2018.

The purpose of this annual report in respect of the period 1 June 2018 to 31 May 2019 (the **Period**), is to publicly disclose information to market participants on the activities undertaken by the IGC and DMCCA as regards the implementation of the DMCCA Rules for RBD-GPM v 1.1. During the Period, the IGC was comprised of the following members:

- Effie Marinos, Global Technical Governance Manager, Supply chain Assessment & Solutions, SGS;
- Prof. Arvind Sahay, Head of India Gold Policy Centre, Indian Institute of Management, Ahmedabad (resigned Dec 23rd 2018);
- Matthew Keen, Managing Consultant, Evidens Consultancy DMCC;
- Scott Hutton, Partner, Squire Patton Boggs; and
- Mitchell Hickman, UAExchange, Head – Group Enterprise Risk Management.

During the Period, the IGC met four times (all meetings were by way of teleconference) to discuss the following matters:

1. On-going review of reports on accredited members participating in the Programme submitted to DMCCA pursuant to the DMCCA Rules for RBD-GPM v 1.1 and recommendations and/or follow up on actions taken by DMCCA;
2. Review of actions undertaken by DMCCA between IGC meetings;
3. Review and approval of IGC meeting minutes and publication of the short form meeting minutes on the DMCCA website;
4. Admission of new members of the IGC;
5. Strategic objectives of the IGC in 2018-19; and
6. DMCCA's Follow-up in the OECD's Alignment Assessment exercise.

The IGC confirms that the DMCCA has implemented all the recommendations of the IGC for the Period in accordance with the expectations of the IGC and that there have been no material discrepancies in DMCCA's implementation of the Programme during the Period except, in relation to the acceptance of the responsible sourcing reports based on the LBMA Responsible Gold Guidance for some of the LBMA Good Delivery members for the 2018-19 cycle. This was explained to the IGC but IGC recommended that DMCC insist on reports based on the DMCC Rules for RBD-GPM v 1.1 as further detailed below due to the fact that the programmes are not 100% aligned

Overall, the IGC concludes that in accordance with the IGC's Terms of Reference, all of its objectives have been fully met for the Period and that DMCCA has discharged its obligations and responsibilities with robustness, transparency and consistency, thereby upholding the integrity of the implementation of the Programme for the Period.

A handwritten signature in black ink, appearing to be 'EM' followed by a stylized flourish.

Ms Effie Marinos
IGC Chairperson

1. Role of the IGC and its Governance Structure

The IGC was established in January 2015. It is an independent body which oversees all implementation aspects of the Programme.

1.1 IGC's Objectives

- To ensure consistency, transparency and robustness of the implementation of the Programme;
- To uphold the integrity of the Programme;
- To perform an annual review of the governance framework for implementation of the Programme; and
- To ensure continuous improvement of the Programme.

1.2 IGC Members

The IGC members are industry experts and key stakeholders representing a diversity of market participants across the globe. During the Period, the IGC members were as follows:

- Prof. Arvind Sahay, Head of India Gold Policy Centre, Indian Institute of Management, Ahmedabad. Prof. Arvind resigned from his role on 23rd December 2018;
- Effie Marinos, Global Technical Governance Manager, Supply Chain Assessment and Solutions, Consumer and Retail, SGS (Committee Chairperson);
- Matthew Keen, Managing Consultant, Evidens Consultancy DMCC;
- Scott Hutton, Partner, Squire Patton Boggs; and
- Mitchell Hickman, UAExchange, Head – Group Enterprise Risk Management,

1.3 Role of DMCCA

- DMCCA is the Secretariat for the IGC meetings and provides related administrative support for the operations of the IGC.
- On the request of the IGC, DMCCA is required to make available to the IGC all relevant information with regards to the implementation of the Programme.
- DMCCA does not have any voting rights in relation to matters under consideration by the IGC.
- From time to time, the relevant DMCCA employee(s) and/or external market participants may be called by the IGC at its discretion to attend IGC meetings to provide clarification of matters being discussed and reviewed by the IGC.
- The IGC makes recommendations to DMCCA. However, it is at the discretion of DMCCA as to whether it upholds and implements the IGC's recommendations.

2. Review of the Programme

2.1 Participation OECD Alignment Exercise¹

Background

In 2016, as part of the implementation of the OECD Guidance, the OECD launched a project to develop and pilot test an assessment methodology for evaluating the extent to which industry programmes align with the detailed recommendations of the OECD Guidance.

The five industry programmes assessed were:

- Responsible Minerals Initiative (RMI)
- International Tin Supply Chain Initiative (ITSCI)
- London Bullion Market Association (LBMA)
- Responsible Jewellery Council (RJC)
- Dubai Multi Commodities Centre Authority (DMCCA)

An informal Advisory Group comprising the European Commission and Global Witness supported the project and provided feedback in the development of the methodology as well as the review of the pilot assessment.

The group provided extensive input and feedback during the development of the methodology and during the review of this report.

Key strengths of the Programme following assessment:

- DMCCA assurance review of findings that result from audit aspects of the Programme.
- Engagement on responsible sourcing with gold traders and government authorities in the UAE and with producers and exporters in higher risk countries.
- An Independent Governance Committee, which provides a mechanism for external oversight of the programme.

Key areas of the Programme identified for improvement following assessment:

- Enhance the vetting and capacity building of auditors to strengthen audit consistency and rigour.
- More explicit clarification to Members and auditors that all Annex II risk areas should be considered during risk assessment and risk mitigation activities.

¹ <http://mneguidelines.oecd.org/Alignment-assessment-of-industry-programmes-with-the-OECD-minerals-guidance.pdf>

- Clarification to Members and auditors that on the ground risk assessments should always be undertaken on red-flagged supply chains.

2.2 Key actions of implementation

The IGC advised DMCCA to consider the wording of the DMCCA Rules on RBD-GPM v 1.1 as regards the on the ground risk assessments and the points of Annex II that had been mentioned in the results of the OECD Alignment Assessment. This will be undertaken during the 2019/2020 cycle. Following this advice, DMCC amended the Rules to fulfil the OECD observations and the IGC recommendations. The DMCC Rules for RBD-GPM v 1.2 are currently under IGC review.

3. Conclusion and outline for 2019

The IGC confirms that DMCCA has implemented all the recommendations of the IGC for the Period in accordance with the expectations of the IGC and that there have been no material discrepancies in DMCCA's implementation of the Programme for the Period except the acceptance of the responsible sourcing reports based on the LBMA Responsible Gold Guidance for some of the LBMA Good Delivery members for the 2018-19 cycle, which was informed to the IGC but IGC recommended to insist on reports based on the DMCC Rules for RBD-GPM v 1.1.

DMCC determined that it would approve reports based on LBMA Guidance on an exceptional basis only. The IGC did not support DMCC's approach due to the risk of inequality amongst DGD members as a result of the absence of a requirement for a management report in LBMA membership audit requirements and lack of transparency as regards the basis on which LBMA members are approved. DMCC reviewed the IGC recommendation and took the decision to accept LBMA reports on an exceptional basis for the 2018 / 2019 renewal cycle as it was a legacy matter that required further discussions with key stakeholders. DMCC will continue its discussions with key stakeholders to determine a final policy within the next [12 months].

Overall, the IGC concludes that in accordance with the IGC's Terms of Reference version 1.3 dated April 2018, all of its objectives have been fully met for the Period and that DMCCA has discharged its obligations and responsibilities with robustness, transparency and consistency, thereby upholding the integrity of the Programme.

During the Period, the IGC reviewed the reports of 3 Members that were escalated to the IGC by DMCCA. The IGC provided DMCCA with its recommendations and reviewed the results of their implementation by DMCCA.

The IGC supported DMCCA's decision to delist one member from the program during the period as this member's review remained unsatisfactory and this member did not

make conscious efforts towards achieving progressive improvement regarding the essence of the responsible sourcing program.

The IGC underlines that the consistent implementation of DMCCA Rules for RBD-GPM v 1.1 is critical. As highlighted by the OECD, it is important that DMCCA continues checking additional information on Members to enhance transparency and compliance of the Members with the OECD Guidance.

The IGC welcomes the initiative of DMCCA to initiate an independent third-party review of all audit reports submitted by Members. The new structure provides a more rigorous system that is aligned with international best practice on corporate governance.

The IGC underlines that it is important that the IGC focuses on the strategic aspects of the Programme. It is essential that a strategic approach is developed which will further frame the activities of the IGC.

Based on the feedback from the OECD, it would be appropriate for the IGC to take a stronger position and oversight on:

- individual auditor approval requirements and expertise rather than just company level approvals;
- training of auditors to understand expectations and have greater industry knowledge;
- improved reporting by approved refiners (to include exploring whether the assurance statement should provide more information);
- more details in public reporting by DMCCA (annual report); and
- preparation of the plan for amendments that will need to be made to the DMCCA Rules for RBD-GPM v 1.1.

Though the above points have been mentioned in the last annual report it remains as those are on-going efforts and will continue for 2019-20 as well.

4. Remarks

This report has been approved by all existing members of the IGC on 19 November 2019 and subsequently will be published by DMCCA on its website.

5. Appendix

The overview of the DGD and MDB members is available on the [DMCCA website](#).