



# **Mitigating Environmental and Financial Crime Risk:**

## How UAE Businesses Can Protect Themselves and the Planet

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Foreign, Commonwealth  
& Development Office

  
**THEMIS**



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# Executive Summary

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Environmental crime is a key pillar of the international illicit economy and is highly attractive to criminals as a relatively low-risk and high-profit enterprise. The term covers six main categories of illegal activity: the illegal wildlife trade (IWT), illegal logging, illegal mining, the illegal petroleum trade, waste crime, and illegal, unregulated and unreported (IUU) fishing. It is a vast criminal industry, costing the world an estimated \$275–481 billion per year, with an annual growth rate of 5–7%.

This alone makes environmental crime one of the most significant types of illegal activity predicate to money laundering and terrorist financing. The financial crime risk associated with environmental crime is greatly exacerbated by the nature of the organisations that perpetrate it. While different forms of environmental crime are perpetrated by different groups in different jurisdictions, in general it is a key source of financing for transnational serious organised crime and terrorist organisations: indeed, environmental crime is the largest single source of funds for non-state armed groups.

Environmental crime profits are overwhelmingly achieved through the international trade of illicit products, meaning that, in most instances, the criminal value chain stretches across several countries and many business sectors. Furthermore, the products and practices of environmental crime are often very hard to distinguish from those of the legitimate economy. As a result of this, it is far easier for environmental criminals to commingle their illicit assets (both financial and physical) with perfectly legal goods, often at a very early stage of the supply chain.

As a vast, highly profitable criminal industry rooted in international trade, environmental crime presents particularly severe risks to the UAE, which is a significant international financial centre, global trade hub, and increasingly attractive destination for foreign investment and relocation by businesses and individuals. While these attributes are rightly seen as positive in increasing the scope of legitimate opportunities available to the country's private sector, they do also present UAE businesses with a degree of added risk from physical and financial assets related to environmental crime.



To equip UAE businesses to maximise economic opportunities while continuing to reduce their risk exposure to environmental crime and related financial crime, Themis has developed an in-depth guidance paper in coordination with the UK's Foreign, Commonwealth, and Development Office (FCDO) and the UAE's Executive Office of Anti-Money Laundering and Counter Terrorism Financing. This report aims to assist the UAE private sector in two main ways: to instil knowledge of environmental crime risks, and to enable businesses to take action to mitigate these risks, building on existing systems of anti-money laundering and counter terrorism financing control.

The report followed a multi-pronged methodology. Desk-based research was conducted to understand the latest quantitative and qualitative assessments of environmental crime, and to situate this discussion in the context of the broader approaches currently being pursued by global policymakers and international experts. This involved Themis' proprietary investigative tools, in particular the Themis Special Interest Lists, a database of financial and environmental crime related convictions, and the investigative due diligence platform, Themis Search.

Insightful primary research was also carried out, in the form of an in-person focus group consultation with a selection of representatives from the UAE private sector (and some government representatives). These included senior leaders in risk and compliance at national and multinational financial institutions, highly experienced anti-financial crime consultants, and compliance specialists in the precious metals and stones (PMS) and real estate sectors. The insights shared, on risks faced by UAE businesses around environmental crime, and related financial crime, have been incorporated directly into this report and are referenced throughout.

This research identified the following as key environmental crime risks that the UAE's private sector is exposed to:

- Financial flows from the IWT due to the UAE's status as an important transit connection point between Africa and Asia, major supply and demand markets for illegal wildlife products. Organised criminal networks have also been found to exploit the UAE's highly international airports and shipping ports to move illegally obtained wildlife/wildlife products from source to destination country.
- Illegal logging risks, including the inbound smuggling of illicit sandalwood, rosewood, and agarwood, as well as the transit of other illicitly sourced products across the country's borders. Playing a key role in global supply chains exposes the UAE to the trade in illicitly sourced timber or products using illicitly sourced timber, as well as the trade of illicitly sourced charcoal, such as 'conflict charcoal' from Somalia.
- Illegal mining risks through Dubai's role as a key international trading hub for gold, as well as other precious metals and stones, including diamonds. Environmental crime risks for UAE-based gold refineries and traders are high. Key source regions for illicit gold entering the UAE include Africa and Latin America, ultimately bound for destinations in Europe and Asia predominantly.



- Similarly to other countries in the GCC region, the UAE faces a distinct risk around the illegal petroleum trade and trafficking of illicit oil, given international embargoes against Iranian oil. The Persian Gulf is a hotspot for ships conducting secret transfers of Iranian oil – with small boats offloading their oil to waiting vessels which then enter the international market.
- As a country with an active fishing sector, the UAE faces both the risk of criminals using its ports as transit hubs for illegal, unreported and unregulated (IUU) fish, as well as of the practice occurring within the country directly. Regionally, IUU fishing is a particular issue in the Arabian Sea and the Indian Ocean.

Following on from this, the report identifies individual typologies and red flag indicators of these crime areas that UAE businesses might see in their day-to-day practice. These risk indicators are highly specific to the particular activities, economic sectors, and jurisdictions that they address; the development of these lists was informed by primary research, which identified specificity as a key characteristic that makes financial crime red flags effective in businesses' risk management strategies.

The report then outlines the key aspects of a practical strategic framework for UAE businesses to employ when mitigating environmental and related financial crime risk exposure, which should integrate the latest approaches and technologies for effective risk management and due diligence screening, such as platforms that allow for the identification of hidden links and network connections.

These in turn feed into suspicious activity reporting, which depends on high-quality, well-presented information to be effective. The final chapter of the report offers a step-by-step best-practice guide for UAE businesses on how they can best fulfil their obligations to report suspicious activity, blending international guidance from standard-setters such as the FATF and the Egmont Group of Financial Intelligence Units with an assessment of the precise areas of need for financial and non-financial businesses in the UAE.

Ultimately, effective improvements in environmental crime risk mitigation rely on strong threat-awareness within a business, investment in technological innovation, and continuous intelligence sharing between businesses, and between the private and public sectors. For UAE businesses looking to understand and mitigate the risks they face from environmental and related financial crimes, key action points are:

- Stay up to date with the latest risks through research and horizon scanning, and through public-private partnerships and engagement.
- Conduct periodic risk assessments that incorporate sectoral and jurisdictional risks.
- Implement an effective strategic framework that includes risk identification and management, policies and procedures, and systems and controls for combating environmental and financial crime.
- Utilise new technologies to mitigate exposure to environmental crime, from automated screening and monitoring platforms to the use of blockchain in supply chain management. However, don't utilise these technologies for the sake of it – make sure they are fully calibrated and tailored to your business.







- Ensure suspicious activity and transaction reporting is effective by incorporating environmental crime-specific typologies into risk screening, and by implementing best practice standards for SAR/STR creation.
- Carry out annual training and awareness raising initiatives throughout the business's first, second and third lines of defence.

Readers of this report should see their responsibilities to identify and mitigate environmental crime risks not as an onerous additional burden on their businesses, but as a way in which they can meaningfully contribute to anti-environmental and anti-financial crime efforts in the UAE and globally. With the insights gathered from this research process, and ongoing processes of knowledge sharing and capacity building, businesses can better equip themselves to make tangible progress in the fight against environmental and financial crime.







# 1 INTRODUCTION

## Summary

- Environmental crime covers six main areas of illegal activity: the illegal wildlife trade (IWT), illegal logging, illegal mining, the illegal petroleum trade, waste crime, and illegal, unregulated and unreported (IUU) fishing.
- While each category has specific geographical and typological features, they all essentially involve the production and trade of environmentally sensitive commodities (raw materials sourced from the natural world and/or products potentially harmful to the natural world).
- Environmental crime is currently estimated to be the third-largest global criminal industry, valued at \$275-481 billion per year, with an annual growth rate of 5-7%.
- Environmental crime is a truly global phenomenon, with its raw materials and financial proceeds typically transported far beyond the borders of the countries where the original criminal enterprises are physically located.
- While this greatly increases the risk exposure faced by businesses, it conversely means that it can be easier to overlook environmental crime threats, as the distance between source and destination, together with the complexity of the intervening supply chains, can obscure the illicit origin of financial and physical assets.
- Despite not being a key destination country for many of the products that stem from environmental crime, the UAE's role as an international financial and trade hub leaves it vulnerable to financial flows associated with the illegal trade of wildlife and wildlife products.
- Moreover, the UAE faces higher risk levels around illicit gold and other precious metals and stones, as Dubai acts as a major refinery and trade market for these commodities.



# 1. Introduction

Environmental crime is a term that may be unfamiliar, or even unheard of, for many; it is certainly far less prominent in global media and political discussions than other illegal practices like the drugs trade, human trafficking, or illicit arms dealing. Many of the individual practices covered by the term, however, have long been subject to global attention. This focus is set to intensify and expand in line with increasing recognition that environmental crime seriously threatens not only the world's natural environment, but also its social and commercial structures.

Businesses face particularly acute risks from environmental crime, as criminals seek to abuse their services to generate profits, posing the threat of regulatory, reputational, and financial harm. This guide aims to explain the threat of environmental crime, underline the risks it poses to businesses, and offer practical guidance on what they can do to protect themselves, and ultimately the planet, from its very serious harms.

The complexity and extent of environmental crime entanglements with the global economy are such that it is an immense challenge for regulators and law enforcement agencies to root them out on their own. Instead, any possibility of success relies upon the participation of businesses throughout the trade and finance networks that criminals use to achieve their ends. These collaborations, especially in the form of public-private partnerships (PPPs), have already shown their promise in the fight against financial crime.

Ensuring the private sector remains vigilant in protecting against potential exposure to environmental and financial crime is essential to building an effective, holistic and global response to these crimes. It is crucial, therefore, for businesses to first understand the full extent of the problem, as it shows not only the risks they face from environmental crime, but also the role they might play in driving the fight against it. Like all countries, the UAE is faced with a combination of unique challenges and risks from environmental crime that its private sector must be aware of.

This report contains practical research and resources to help businesses identify their environmental crime exposure and meet regulatory responsibilities, which have increased in recent years as governments look to prevent environmental damage, minimise negative impact on communities, and stem flows of illicit finance.





## 2. Methodology

The report's first sections focus on equipping readers with knowledge of the problem of environmental crime and its risks for the private sector: on a general level, and in the specific context of the UAE. The subsequent chapters offer suggestions and recommendations on how these risks can be mitigated, and ultimately how the impacts of crimes against nature can be reduced and mitigated.

The methodology for this research project was chosen to best address a subject that is inherently global in nature, yet also explore unique risks faced by the UAE. Furthermore, it aimed to combine the vast amount of valuable pre-existing research into environmental crime with new analysis of the latest risks and typologies most relevant to its intended audience of financial institutions (FIs) and designated non-financial businesses and professions (DNFBPs) active in the UAE.

To meet these aims, the research followed a two-pronged methodology. Firstly, desk-based research was conducted to understand the latest quantitative and qualitative assessments of environmental crime, and to situate discussion in the context of the broader approaches currently being pursued by global policymakers, academics and NGOs. Sources consulted include papers and reports from think tanks, civil society bodies and international organisations like the Financial Action Task Force (FATF), United Nations Office on Drugs and Crime (UNODC), INTERPOL and Europol, as well as recent media reports.

In addition, certain proprietary investigative tools were used, in particular the Themis Special Interest Lists, a database of financial and environmental crime related convictions, and the investigative due diligence platform, Themis Search. These were used to explore criminal networks and associations linked to environmental crime, to uncover novel case study links and potential patterns or connections that shed light on how environmental crime networks operate. Visualisations of these investigations, in the form of risk maps, are cited throughout the report.

The second part of the research methodology was the organisation of an in-person focus group consultation with a selection of representatives from the UAE private sector (and some government representatives). These included senior leaders in risk and compliance at national and multinational financial institutions, highly experienced anti-financial crime consultants, and compliance specialists in the precious metals and stones (PMS) and real estate sectors.

The consultation took the form of a group discussion, semi-structured around key research questions. The focus group generated primary data around current emerging risks and red flag indicators of environmental and related financial crime that the UAE private sector encounters on a day-to-day basis; it also revealed key industry needs and specific areas of concern around environmental crime. The new data allow the report to offer insights that are up-to-date and relevant to its target audience, and consequently they mean that the practical guidance (e.g. typology/red flag lists and strategic framework) included in the report is tailored to the actual business needs of its readership.



In addition to its suitability to the subject matter, an advantage of this research methodology was that it models a collaborative, cross-sector approach to tackling environmental and financial crime. As is highlighted further in the report, the sharing of intelligence, insight, and best practice between businesses and governments is vital to achieving any meaningful progress in efforts to reduce illicit financial flows. While what follows strives to be a comprehensive overview of the current environmental crime risk landscape, it also hopes to be a catalyst for ongoing collaboration between the UAE public and private sectors around the issues of environmental crime and related financial crimes.

### 3. Defining environmental crime

What exactly is meant by the term environmental crime? Generally, it is used to describe illegal activities that (directly) harm the environment. Although many practices can be included under this definition, environmental crime is usually discussed as set of criminal activities which share the common characteristic of exploiting natural resources, wildlife, or other environmentally sensitive resources. Some of these crime types have long been considered major international issues, but others have received far less attention from media and policymakers.

While there are different approaches to categorising environmental crime, this report follows the categorisation used in other environmental crime studies (e.g. the World Atlas of Illicit Flows), which divides environmental crime into six main areas of illegal activity:

- The illegal wildlife trade (IWT)
- Illegal logging
- Illegal mining
- The illegal petroleum trade
- Illegal, unregulated and unreported (IUU) fishing
- Waste crime.

Full definitions of each of these crime areas are given below; in essence, they refer to different ways in which the natural world is abused by criminals to generate profits. The first five categories relate to the illegal and environmentally damaging extraction and trade of different natural resources; the final category, waste crime, involves the illegal and environmentally damaging transportation and disposal of pollutants. The nature of each is highly dependent on the resource in question and, as a result, each category brings with it a unique set of characteristics posing specific risks.





## 4. The underestimated threat of environmental crime

Whilst diverse, it is still useful to group these crimes under the umbrella label of environmental crime. This is for two main reasons. First, it allows us to articulate a problem whose negative impacts are often overlooked. Many of the obvious or primary ‘victims’ of these environmental crimes – plants, animals, and the planet itself – cannot advocate for themselves, and it is therefore possible to see environmental crime as a ‘victimless’ breach of conservation regulations: not desirable, but not a cause for serious concern.

This perception is incorrect, as this report will detail. Environmental crime has serious negative impacts on people, both in the locations where crimes are committed and globally: it drives health risks, food shortages, loss of income, and violence. Moreover, practices such as illegal mining and illegal petroleum trading have been shown to be key sources of income for serious organised crime and terrorist groups. Environmental crime is a major category of international illegal activity, and it should be recognised as such.

Secondly, when taken in isolation, individual practices under the environmental crime umbrella may appear only nationally or regionally significant, irrelevant to the rest of the world. When considered in its entirety, however, the severity of environmental crime can be much better understood as one of the largest sources of illicit finance across the globe, and one of the most serious threats to international security and prosperity. Furthermore, environmental crime is ubiquitous, even in regions with lower levels of biodiversity or natural resources that may not ostensibly be associated with it.

## 5. The scale of the problem

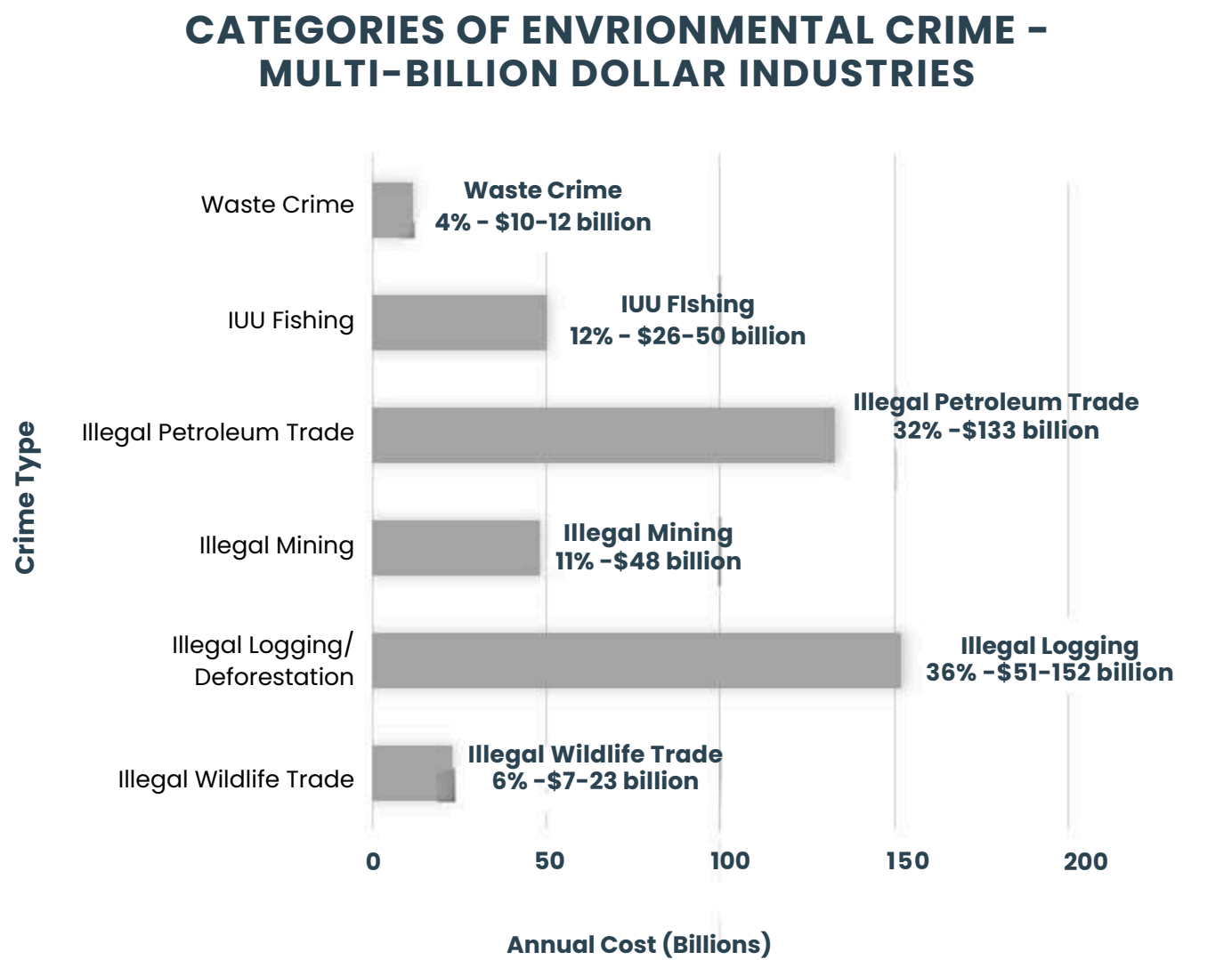
Environmental crime is a pillar of the international illicit economy and, as a “high-profit” and “low-risk” crime type, it is also a highly attractive area for organised criminals to expand into. It is no surprise, then, that environmental crime is a strong growth sector in international criminality – a 2016 study estimated that its total cost was rising by an average of 5-7% a year.

Environmental crime may be on the rise, but it is already an enormous industry. In 2022, the Transnational Alliance to Combat Illicit Trade estimated the annual value of the five ‘extraction’ categories of environmental crime activity (IWT, illegal logging, illegal mining, the illegal petroleum trade, IUU fishing), and a 2021 FATF report provided an estimate for the value of waste crime. According to these estimates, the total value of environmental crime is staggeringly large: between \$275 billion and \$481 billion every year.

Whilst vague – a problem inherent in any global analysis – these figures do give a stark representation of the staggering size of the environmental crime economy. In fact, these estimates might offer too optimistic a view of the environmental crime problem. National statistics, which are easier to measure, suggest that the real threat of environmental crime might be much larger than the global estimates.



For example, while the FATF estimates international waste crime to generate \$10–12 billion annually (see Figure 1), the Environmental Services Association produced a 2021 estimate of the annual cost of waste crime in the UK as £1 billion. The UK produces about 1.5% of the world’s municipal solid waste; if the UK’s waste crime industry represented the same percentage of the global total, then the annual cost of waste crime around the world would be circa \$80 billion. Whilst not a reliable alternative methodology, this does suggest that current global estimates for environmental crime do not exaggerate the scale of the problem.



**Figure 1** – Sources: [TRACIT](#); [FATF](#)

Indeed, so extensive is the annual cost impact of environmental crime that it is equivalent to significant national economies (see **Figure 2**):







### Best Case Scenario – Finland:

If the minimum estimates are correct, the annual value of environmental crime proceeds would total \$275 billion.

This would mean that the economic output of environmental crime would be akin to that of a country the size of Finland, which had GDP of \$283 billion in 2022, according to the World Bank.

### Best Case Scenario – Egypt:

If the maximum estimates are correct, the annual value of environmental crime proceeds would total \$481 billion.

This would mean that the economic output of environmental crime would be akin to that of a country the size of Egypt, which had GDP of \$477 billion in 2022, according to the World Bank.



**Figure 2** – Source: World Bank

These vast sums represent resources stolen from some of the most vulnerable populations on the planet, tax revenue missed by governments in dire need of it, and huge opportunities denied to legitimate businesses. The economic consequences of environmental crime are, therefore, a severe hindrance to the development of countries in every global region.



Crimes that harm nature, however, are arguably an even more serious problem in terms of their environmental and social consequences, driving some of the greatest threats to societies and the environment that we see today. For example, criminal activity was responsible for almost 70% of tropical deforestation between 2013 and 2019; tropical deforestation is, in turn, responsible for circa 16% of global carbon emissions, suggesting that criminals might be directly responsible for around 11% of all the world's annual CO<sub>2</sub> output.<sup>1</sup> Environmental crime is, therefore, not a niche issue for policy aficionados and regional interest groups – it poses a major threat to all of us.

In recent years, the UAE has demonstrated international leadership in pushing forward initiatives on environmental crime, feeding into regional and global efforts to combat illicit activity by raising awareness and enhancing the private sector response. Building on recent engagement at COP28 and existing UAE-UK government initiatives in the region, including the Illegal Wildlife Trade toolkit developed by the UK government's Serious and Organised Crime Network in collaboration with Themis, WWF and TRAFFIC, with support from the UAE government, this report and its corresponding digital learning course represent practical resources to increase awareness across the private sector around the distinct environmental crime risks faced by the UAE. Despite not being a key destination country for many of the products that stem from environmental crime, its role as an international financial and trade hub leaves it vulnerable to abuse by criminals and exposed to financial flows associated with the illegal trade of animals and commodities. Moreover, the UAE faces higher risk levels around illicit gold and other precious metals and stones, as Dubai acts as a major refinery and trade market for these commodities.



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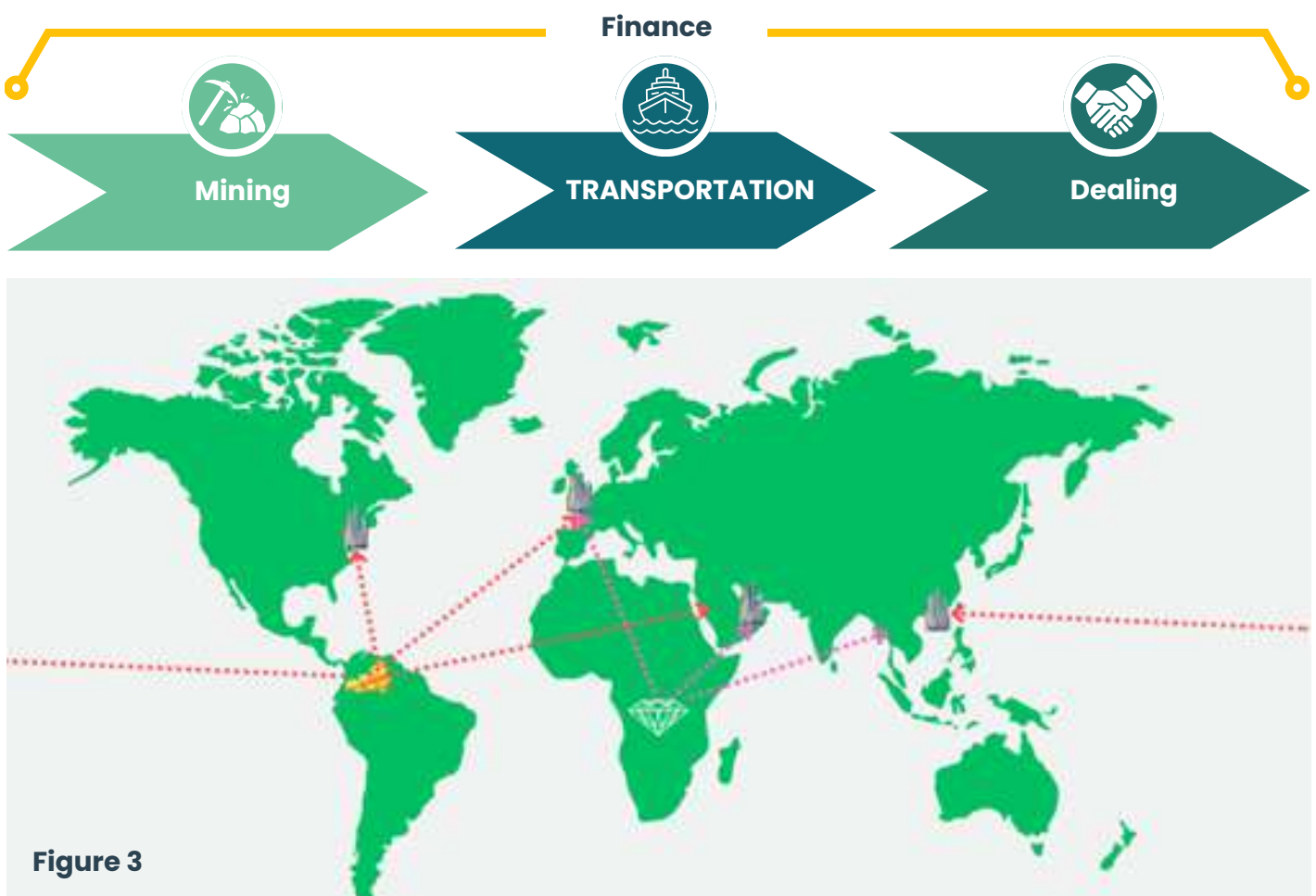
[1] This calculation uses data from a 2022 report on the doubling of carbon loss from tropical deforestation, and the 2023 edition of the Global Carbon Budget. The Global Carbon Budget stated that 40.9 billion tonnes of carbon dioxide were emitted in 2023, taking into account an estimated 4.7 billion tonnes sequestered by increased forest coverage. Ignoring forest carbon sequestration, 45.6 billion tonnes of CO<sub>2</sub> were emitted. The 2022 academic paper, published in Nature Sustainability, found that tropical deforestation caused 7.3 billion tonnes of CO<sub>2</sub> emissions per year (averaged over 2015–2019). If 70% of tropical deforestation is illegal, criminals are thus responsible for 5.1 billion tonnes of CO<sub>2</sub> emissions each year. By combining this figure with the Global Carbon Budget, we can suggest the following calculation for the percentage of global emissions caused by illegal deforestation:  $(5.1/45.6) \times 100 = 11.2\%$





## 6. Environmental crime networks have global reach

Environmental crime is not simply an international threat; it is also an international responsibility. Although environmental crime activities may originate, to an extent, in certain geographical areas,<sup>2</sup> they feed into a web of trade, transportation, production, retail and finance that stretches across the globe. To turn natural resources into usable wealth, environmental criminals use, in the words of the FATE, ‘specialised networks to move the products and facilitate the financial flows’; both the raw materials and financial proceeds of environmental crime find their way far beyond the borders of the countries where a criminal enterprise is physically located. Indeed, according to INTERPOL and UNEP, commodities obtained through environmental crime typically end up on a different continent to where they were sourced (see **Figure 3**).



This simplified visualization of the precious metals and stones mining economy demonstrates how the risk of environmental crime reaches across industries and regions. While globally integrated supply chains are what today's world economy depends on, they are also a conduit for criminal wealth – this all means that environmental crime is much closer to home than you might think.

[2] In reality, environmental crime comes in such a variety of forms that almost all countries will be directly exposed to it in some form. For example, in the UAE, where there is no direct risk from a practice like illegal gold mining, environmental crime still poses a risk in the form of illegal fishing.



The international trade in precious metals and stones offers a good introductory example of how the illicit flows of finance and goods generated by environmental crime stretch across regional and sectoral borders. Illegal mines for resources like diamonds or gold operate in regions (e.g. Central Africa, South America) thousands of miles from where they are traded (e.g. Europe, the Middle East).

A great variety of businesses are involved in the process of bringing these commodities from producer to consumer; besides dealers in precious metals and stones (DPMS), there are numerous other actors across the supply chain that allow these markets to move and be financed – including refineries, logistics companies, commodities traders, and financial institutions (FIs). These supply chains, which are supported at every stage by finance, are, of course, mainly used by legitimate mining companies; but they are also depended on by environmental criminals.







# 2 ENVIRONMENTAL CRIME & ITS IMPACTS

## Summary

Chapter 2 explores environmental crime through its six main areas of illegal activity. Although these crime types share some general characteristics (they are highly profitable, hard to detect, rely on global supply chains, and are usually connected to other criminal practices) they are essentially discrete industries, presenting different risks to the UAE private sector.

UAE-specific risks from each crime type are:

### Illegal Wildlife Trade

- Due to the UAE's role as a key international transit hub, and its location between Africa and Asia, the country faces distinct risks related to IWT, given that these regions are key source and destination markets for illegal wildlife products.
- Organised criminal networks exploit the UAE's highly international airports and shipping ports to move illegally obtained wildlife or wildlife products from source to destination.
- The UAE government has made combating IWT a key priority area, recognising the targeting of the country's transportation and financial infrastructure by criminal networks.

### Illegal Logging

- Illegal logging risks specific to businesses in the UAE include the smuggling of illicit sandalwood, rosewood, and agarwood into the country, as well as the transit of other illicitly sourced products across its borders.
- Due to its key role in global supply chains, the UAE is exposed to the trade in illicitly sourced timber or products using illicitly sourced timber.
- Another key vulnerability for the UAE is the movement of embargoed charcoal across its territory – a threat that risks leaving the UAE's financial sector exposed to illicit proceeds linked to terrorism or intra-state conflicts.



## Continued Summary

### Illegal Mining

- The UAE faces notable illegal mining risks due to Dubai's role as a key trading hub for gold globally, as well as other precious metals and stones, including diamonds
- Environmental crime risks for UAE-based gold refineries and traders are high, especially as Dubai has been exploited by some criminals to attempt to "clean" illicit gold for trade on the global market.
- Key source regions for illicit gold entering the UAE include Africa and Latin America, before transiting to destinations including Europe and Asia.
- Workshop participants from across the UAE's gold sector stated that a key challenge is ensuring a holistic, public-private sector response to tackling illicit gold risk exposure, as criminals are targeting all aspects of the supply chain to move illicit gold, from customs and border entry to refineries and traders.

### Illegal Petroleum Trade

- The UAE faces a broader regional risk from the illegal petroleum trade and trafficking of illicit oil, given international embargoes against Iranian oil.
- The Persian Gulf is a key location where ships conduct secret transfers of Iranian oil – with small boats offloading their oil to waiting vessels that then enter the international market.
- This smuggling practice presents a severe environmental risk, as unregulated oil transfers bring with them a much higher probability of accidents and oil spills, which cause serious harm to sea and shore ecosystems.

### IUU Fishing

- As a country with an active fishing sector, the UAE faces both the risk of criminals using its ports as transit hubs for IUU fish, as well as the practice occurring within the country directly.
- Regionally, IUU fishing is an issue in the Arabian Sea and the Indian Ocean. Experts also consider this area a transit route, with fishing vessels using similar practices as other smugglers.
- The IUU Fishing Risk Index gave the UAE a poor score on its port vulnerability due to the frequency of port visits by foreign fishing or carrier vessels.
- The UAE also faces risks as a destination market for IUU fish. This is due to its status as a net importer of fish and seafood, importing up to 90% of its fish consumption, which continues to grow.
- India is one of the main suppliers of fish to the UAE and is a top country for IUU risk; a high number of IUU-flagged vessels fly under the Indian flag.

### Waste Crime

- Waste crime presents perhaps the lowest environmental crime risk to the UAE's private sector, with the government having taken strong steps to outlaw illegal waste disposal within the country and reduce the amount of waste exported to other jurisdictions.
- Given the UAE's status as an international shipping and logistical hub, however, UAE-based firms should remain aware of potential waste trafficking warning signs to ensure that supply chains are kept free of hazardous or unregulated waste.





## Continued Summary

This chapter also explores the social and environmental impacts of these crimes globally, including their consequences for communities and biodiversity. Growing awareness of these harms, combined with new consumer demand for sustainable business practices, mean that it is more and more in businesses' own self-interest to address their potential environmental crime exposure.

As discussed above, environmental crime can be divided into six main areas of illegal activity: IWT, illegal logging, illegal mining, the illegal petroleum trade, illegal, IUU fishing, and waste crime. Although these crime types share some general characteristics (they are highly profitable, hard to detect, rely on global supply chains, and are usually connected to other criminal practices) they are essentially discrete and entire industries.

### 1. Illegal wildlife trade (IWT)

IWT refers to the illegal poaching or harvesting of animals and plants, and the subsequent distribution, buying and selling of this illicitly obtained wildlife. While some studies of IWT include the illicit trade of high-value timber products (e.g. rosewood, agarwood) in their definition, this report does not. Instead, it discusses illicit trading of rare timber under the separate category of illegal logging. Illegal trade in non-timber plant life, such as rare orchids, is included in this report's definition of IWT.

According to the UNODC, IWT is perpetrated in response to the demands of seven key markets (see **Figure 4**):

Furniture	Art, Decor, Jewelry (investment)	Fashion	Cosmetics & Perfume	Food, Medicine, Tonics	Pets, Zoos, Breeding	Seafood
Rosewood	Ivory	Reptile Skins	Agarwood	Pangolin	Parrots	Caviar
		Big Cat Skins		Rhino Horn Bear Bile	Freshwater Turtles & Tortoises Great Apes	Marine Turtles

**Figure 4** – Source: [UNODC](#)



NOTE: Although the forestry products cited above for the furniture and cosmetics/perfume categories are not included in this report's definition of IWT, both markets are exposed to the illegal trade of other wildlife products. For example, a 2019 investigation at a US safari convention discovered that a range of furniture produced from illegal animal parts was offered for sale, and animal-upholstered furniture has been reported to be a commonly sold good in Laos's Golden Triangle Special Economic Zone, an IWT hotspot. Meanwhile, the musk deer, highly prized in perfume making for its scent, made up 9% of all IWT seizures in the Pacific Northwest between 1999 and 2016.

Taken together, these segments represent big business for criminals, with authorities such as INTERPOL generally evaluating the industry as being worth around \$20 billion dollars per year. This would make IWT one of the largest illicit trading sectors in the world, after drugs and human trafficking.

Although the wildlife most highly prized by traffickers may be endemic to certain habitats (exacerbated by the fact that poaching has driven, some species to extinction – or the brink thereof – increasing their perceived value), IWT is a truly international crime. For instance, the primary consumer market for Africa-sourced wildlife is Asia; this market operates through similar, if not the same, communication and transit routes as legitimate international markets. Transit hubs, in source and destination countries as well as globally important logistics centres such as Dubai and Singapore, are used by smugglers to transport poached animals and stolen plants from one continent to another. Once the physical trade has occurred, the illicit proceeds it generates are laundered through the formal and informal financial system, to be enjoyed by criminals or used to fund other serious crimes. , to be enjoyed by criminals or used to fund other serious crimes.

Due to the UAE's role as a key international transit hub, and its location between Africa and Asia, the country faces distinct risks related to IWT. Organised criminal networks exploit the UAE's highly international airports and shipping ports to move illegally obtained wildlife or wildlife products from source to destination. As of 2022, ivory was the most frequently reported trafficked wildlife product in Dubai, with rhino horns and pangolin scales also notable, and instances of other animal parts such as shark fins and big cat skins. Customs officials intercept packages containing live animals such as pangolins and falcons, as well as animal products such as elephant ivory and rhino horns.

To a lesser extent, the UAE also faces risks of being a destination market for exotic animals such as cheetahs and monkeys, due to a sub-culture of these animals being viewed as status symbols or used as props on social media or for tourism (although the UAE became the first Arab country to ban the trade and private ownership of wild animals in 2017). UAE-based e-commerce and social media platforms are also at risk of being used by criminals to sell and purchase illegal wildlife and animal products, with criminals looking to use digital avenues for smuggling that provide more autonomy and less risk of detection.

According to a study by TRAFFIC, there is also a worrying trend that the breaking down of poached animals for parts and products is increasingly occurring at the source country instead of the destination market. This makes smaller animal parts easier to hide and therefore traffic, allowing criminals to move these parts through transit hubs such as Dubai. This particularly makes smuggling via air travel easier, presenting a risk for custom officials and airlines in the UAE.





For its part, the UAE government has made combating IWT a key priority area, recognising the targeting of the country's transportation and financial infrastructure by criminal networks. These efforts look to not only intercept trafficked animals or smuggled products using the UAE along the supply chain, but also the illicit financial flows linked to these criminal networks – with the financial crime networks sustaining the trade also representing an important target. As the government continues to crack down on both the trade of illegal wildlife and its associated illicit financial flows, businesses operating in higher-risk industries, such as transportation, logistics, and social media, should consider their direct and indirect risk exposure to IWT.

## IWT Financial Flows Toolkit

Welcome to the IWT Financial Flows Toolkit for financial institutions with particular focus on Africa, Asia and broader global financial centres.

It focusses on the trade between Africa, which is home to most of the trade species; and consumer markets in Asia and the convergence of IWT with serious and organised crime. The Toolkit is aimed at supporting financial institutions in addressing and reporting suspicious transactions relating to IWT.



SOCnet  
Serious & Organised  
Crime Network

TRAFFIC



THEMIS

日本語

中文

عربي

In March 2022, to support these efforts, Themis and the UK Government's Serious and Organised Crime Network, with support from the UAE's Executive Office of Anti-Money Laundering and Counter Terrorist Financing, launched a digital toolkit that provides financial institutions with a comprehensive guide to understand and mitigate the risks they face from illicit financial flows stemming from IWT. The toolkit is a model for how businesses should tackle environmental crime threats: firstly, by thoroughly familiarising themselves with what the threat is, and what it looks like in their day-to-day practice (i.e. understanding typologies and red flags), and, subsequently, by implementing grounded changes across their business, adding threat-specific indicators to lists of suspicious activity types, and updating their strategic frameworks and risk assessments to cover new types of criminal activity. The IWT toolkit is therefore a highly recommended resource for businesses – not just to read, but to put into action.



For the last seven years, INTERPOL has run an annual anti-IWT (and illicit forestry crimes) operation named Operation Thunder, in collaboration with the World Customs Organisation. The 2023 edition involved law enforcement officials from 133 countries, and seized a vast amount of smuggled wildlife:

The key insights gained in the operation included:

- 60% of the wildlife trafficking cases uncovered involved transnational organised crime groups.
- Online sales platforms are used to sell illegally harvested plants and animals to an international market.
- High levels of document fraud (involving false certification and forged permits) are used to facilitate the transportation of IWT goods.

It is important to note that whilst certain species and animal parts may be given comparatively more attention in terms of IWT internationally (for example, pangolin scales or elephant ivory), criminals target a much wider range of species and often smuggle multiple parts from an animal once poached. For example, while demand for ivory is one of the key drivers of elephant poaching, criminals will also sell other elephant parts, including trunks, feet, and skin. It is important to keep this in mind when attempting to spot IWT in supply chains. Moreover, criminals often adapt to shifting markets and supply and demand, looking to target animals that may be more readily available or easier (or less risky) to smuggle – for example, researchers have noted an increase in the trade in hippo teeth following a tightening of the ban on elephant ivory.

## 2. Illegal logging

Illegal logging takes place when timber is harvested, transported, or traded in violation of applicable legislation. Although some illegal logging activities are occasionally included within the scope of the illegal trade of fauna and flora (e.g. the trade in rosewood timber), forestry crimes as a whole constitute a much larger category of environmental crime. Indeed, illegal logging is estimated to comprise around a third of the value of the environmental crime industry, between \$51 billion and \$152 billion per year. On top of this, the World Bank estimated in 2019 that the illegal production of timber deprives governments in source countries of annual tax revenue totalling \$6–9 billion.

Yet the financial cost of illegal logging is far outweighed by its environmental cost. The same World Bank report estimates that the full economic value of illegal logging, when the role of forests in regulating ecosystems (e.g. through carbon sequestration) is taken into account, is an incomprehensibly large \$868–1893 billion. Similar environmental and social capital costs are associated with other environmental crimes, but this harm is particularly acute in the case of forestry crimes, which impact the fundamental support structures of entire ecosystems.



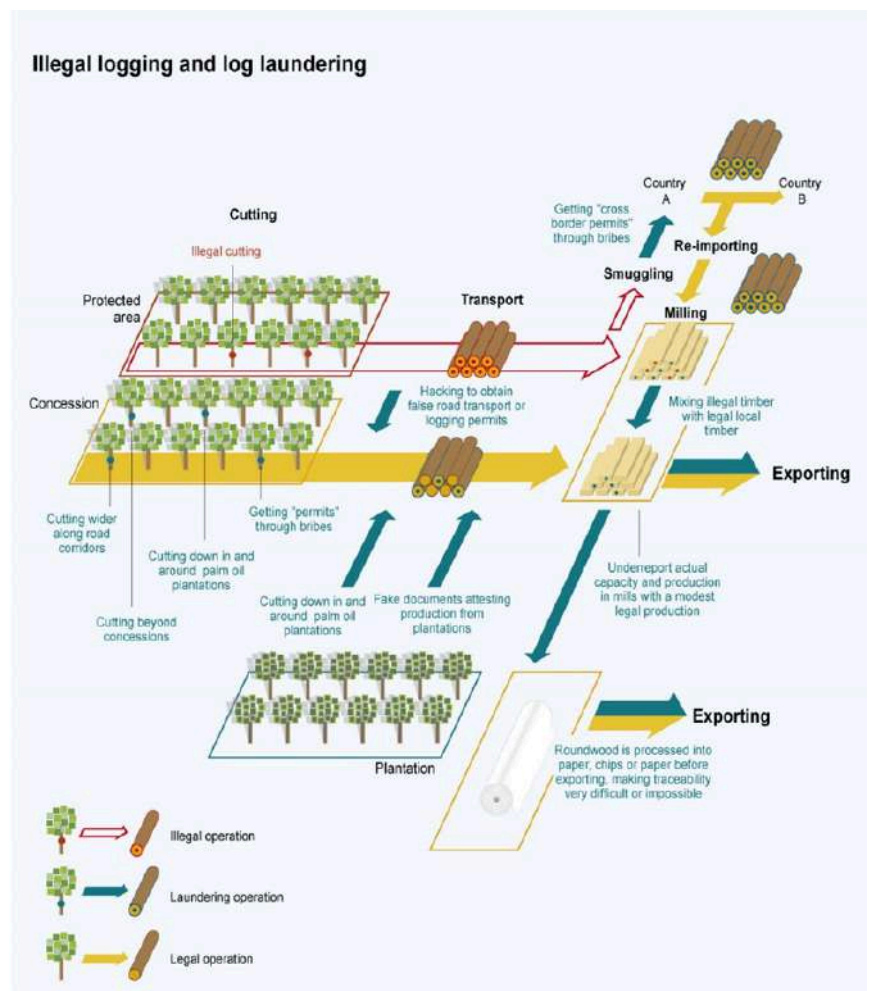


Land conversion and deforestation, which is one of the main forms of land conversion, pose serious threats to global ecosystems and the world's ability to fight climate change.<sup>3</sup> In fact, the Intergovernmental Science–Policy Platform on Biodiversity and Ecosystem Services (IPBES) estimates that degradation of global land surface through human activities currently impacts the well-being of at least 3.2 billion people and is pushing the planet towards a sixth mass species extinction.

The market for deforestation products is, if anything, even more diverse and far-reaching than that of IWT. Illegal logging is perpetrated not only to directly produce saleable goods (i.e. timber), but also to facilitate other profit-making crimes, including illegal mining and farming. For example, a driving cause of deforestation in Somalia has been the illegal production of charcoal; this environmental crime type has, in turn, been a key revenue source for the terrorist organisation al-Shabaab, which made \$38–56 million per year from the export of illegal charcoal. As very recent cases have shown (see the example of Bashir Khalif Musse, below), illicit charcoal export networks funding al-Shabaab have penetrated into many countries, including the UAE; naturally, this brings with it threats to national security.

The difficulty of identifying illegal activity and separating it from (apparently) legal forestry production, is a major issue in preventing deforestation crimes. At every stage of the supply chain, illegal forestry operations are intertwined with legal ones, acting as a means of effectively laundering illicit timber products (see Figure 5).

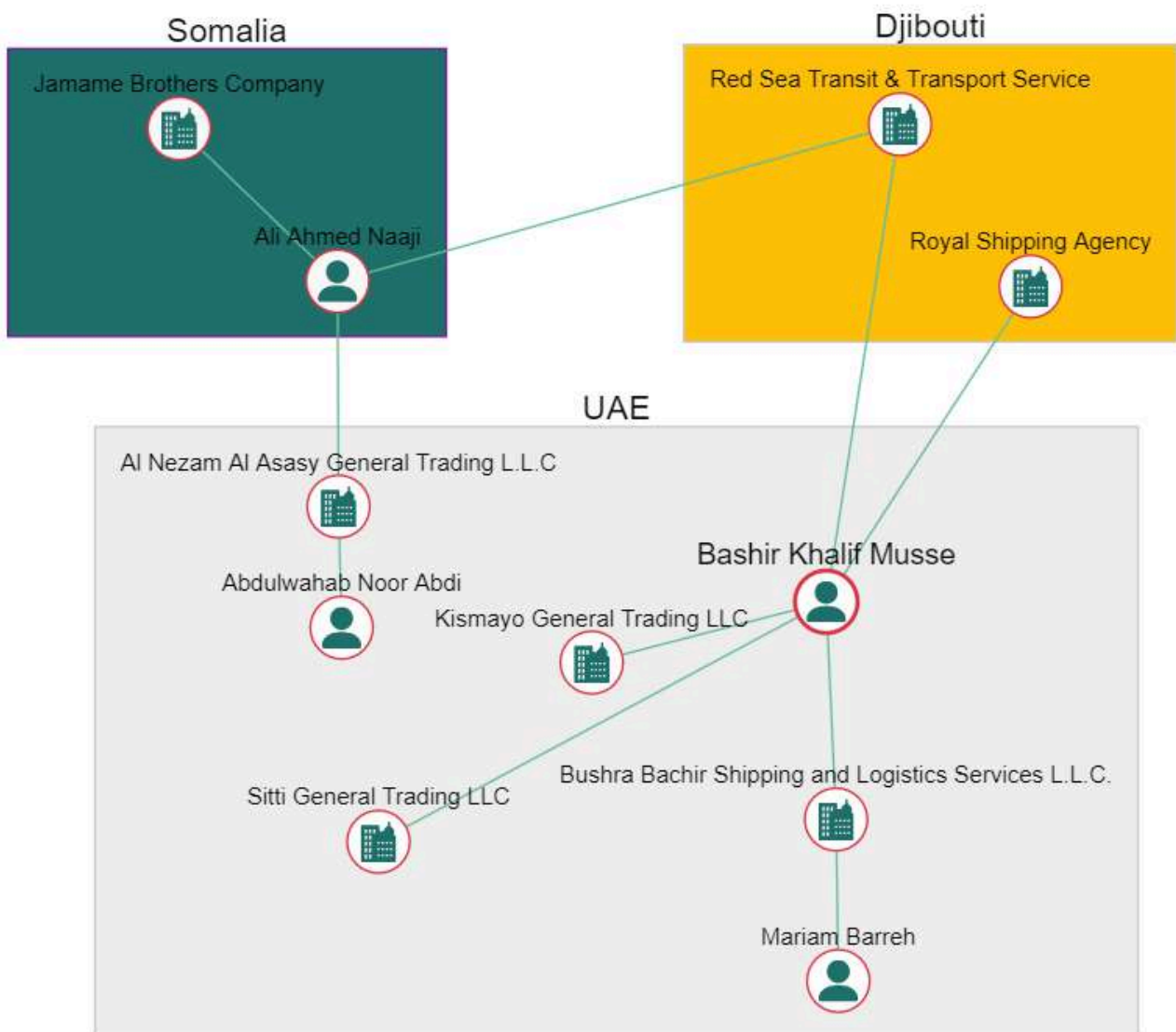
**Figure 5** – Riccardo Pravettoni, GRID Arendal



[3] Land conversion refers to a substantial and sustained change of a natural ecosystem (including via the introduction of different land management practices) to another land use or a profound change in its species composition, structure or function. The definition encompasses all sorts of ecosystems, such as forest, grassland, marshland, peatland, mangrove swamps, and savannah. Deforestation is a specific type of land conversion and one that has, perhaps, hitherto attracted the most global attention: the conversion of natural forest to agricultural or other non-forest land use or to a tree plantation; or severe and sustained degradation of natural forest.

Exposure to forestry crimes is, therefore, a serious risk for every region involved in the import and export of forest products and for every business involved in supporting the forestry supply chain. The dangers are especially acute for the finance sector: according to Global Canopy, 150 financial institutions provide \$5.5 trillion in finance to the 350 companies with the greatest exposure to tropical deforestation; analysis has shown almost half of all tropical deforestation to be illegal. Illegal logging and deforestation are thus not only a cause of unimaginable harm to the planet, but also an enormous risk to businesses across the globe.

Illegal logging risks specific to businesses in the UAE include the smuggling of illicit sandalwood, rosewood, and agarwood into the country, as well as the transit of other illicitly sourced products across its borders. Due to its key role in global supply chains, the UAE is exposed to the trade in illicitly sourced timber or products using illicitly sourced timber. Another key vulnerability for the UAE is the movement of embargoed charcoal across its territory – a threat that risks leaving the UAE financial sector exposed to illicit proceeds linked to terrorism or intra-state conflicts. As recently as last year, the US Treasury sanctioned a UAE-based businessman, Bashir Khalif Musse, for fraudulently facilitating the transshipment and trade of illegal charcoal from Somalia through Iraq and Iran, and eventually to the UAE (**see Figure 6**).



**Figure 6** – Source: [Themis Search](#)





### 3. Illegal mining

Illegal mining, or illicit mining, was the third-largest form of environmental crime according to TRACIT's estimates, with its annual cost valued at \$48 billion.<sup>4</sup> Illegal mining refers to mining activity that is undertaken without state permission, in particular in the absence of land rights, mining licences, transportation permits, or human rights protocols, or permits. In addition to the general difficulties of assessing the scale of environmental crimes, illegal mining is particularly challenging to estimate.

This is because a significant amount of illegal mining activity is conducted by small-scale and artisanal miners, for whom mining is not so much an additional source of illicit funds, but rather one of very few viable options for economic subsistence. Artisanal and small-scale mining (ASM) is thus often referred to as *informal* rather than *illegal* mining; there are around 45 million people worldwide engaged in the practice, according to the Delve database (see Figure 7)



**Figure 7**

[4] This report uses illegal and illicit mining interchangeably.



## Illegal Gold, Legally Exported?

The illegal mining industry has traditionally been mainly associated with gold and diamond production; these associations are still valid, especially for gold. Illegal gold mining has been described as the ‘new cocaine’ for South American organised crime and terror groups, due to its immense profitability. For example, in Colombia, illegal gold mining has superseded cocaine production as a source of funds for organised crime groups.

A particular challenge of Colombian illegal gold mining is that, in the words of a 2018 OECD report, “a vast majority” of the gold produced enters legitimate supply chains before it leaves the country, thus obscuring the illegal origins of the gold and muddying supply chain transparency. This is often carried out by the creation of false documentation that obscures the gold’s true origin; as a Colombian state prosecutor puts it:

*“The illegally extracted gold is passed off as gold produced by artisanal miners – to whom the law grants the right to sell 420 grams per year for their subsistence – but we’ve established that the alleged artisanal miners from whom they bought it died before the alleged negotiation or simply never existed. They also use mining titles that correspond to mines in disuse, that have been closed down, or that have not yet entered into production.” – Luz Ángela Bahamón, Deputy Prosecutor for Criminal Finances of the Attorney General’s Office, Colombia*

This occurs on an enormous scale: from 2022 to 2023, the Colombian state charged 42 people with money laundering through illegal mining, with the value of the suspected laundered funds totalling \$3.5 billion. Each year, according to a 2022 government statement, around 85% of the country’s gold exports originate from illegal mining operations. In 2022, according to the UN’s Comtrade database, Colombia exported \$3 billion of gold; if 85% of this was illegally produced, these exports represent a potential criminal revenue of \$2.6 billion.

The risk faced by the UAE from flows of illegal gold from Colombia is far smaller than it is for some countries (the USA, for example, is the destination of over a third of Colombian gold exports) but it is still significant, with around \$200 million of gold imported from the country in 2022. The case of Colombia is, however, only one instance of a more general threat: illegally produced gold that appears on paper to be legitimate.

In response to this issue of co-mingling of illegal gold with legal gold in source countries across the world, the UAE government introduced Due Diligence Regulations for the Responsible Supply of Gold, which have been mandatory for all gold refineries in the country since January 2023. These regulations specifically address the issue of high-risk supply chains. They require refineries, when dealing with high-risk jurisdictions like Colombia, to undertake enhanced due diligence (EDD) measures, which consist of “site visits, desk-based reviews, and reviewing of sample transactions of suppliers on an ongoing basis”.

This is a model for how businesses more generally need to approach transactions with high-risk exposure to environmental crime: not taking on trust legitimising documentation (often produced in jurisdictions with weak governance structures), but rather conducting their own thorough due diligence processes, taking into account the material reality of the risk landscape, not the reality presented on paper.





The risks of illegal mining are not solely limited to the trade in traditional precious metals and stones, however. Since 2010, the US Dodd-Frank Act has listed the ‘3 Ts’ (tin, tungsten and tantalum) alongside gold as ‘conflict minerals’, or mining end products at high risk of contributing to the financing of armed groups. These minerals are essential to modern technology, but some of their major sources are located in highly insecure regions; the mining of coltan (the ore from which tantalum, most widely used to manufacture capacitors for electronic devices, is produced) in the Democratic Republic of Congo (DRC) is a major example for this.

Fundamental shifts in the global economy are only likely to increase the range of illegal mining activity. Any transition to renewable energy sources requires a massive increase in the production of certain minerals used in technologies like batteries, permanent magnet motors and electricity networks. For instance, in 2020, the World Bank estimated that the production of lithium and graphite would need to increase by 500% to meet the demands of a global economy founded on renewable energy. Many crucial deposits for these materials are located in areas in which criminal groups are active (or even in de facto control), as in the case of the Sonora lithium deposit in Mexico.

Illegal mining, therefore, already represents a massive global industry, but, even more concerningly, it is likely to be a lucrative area for environmental criminals to expand and diversify their activities. The importance of mining products to a wide range of industry sectors, along with the rapid expansion of mineral-dependent technologies, means that an ever-growing number of businesses face exposure to this crime type. Finally, materials at high risk of being mined illegally becoming increasingly geopolitically important, authorities around the globe find themselves negotiating the delicate balance between the desire to crack down on crime with the need to source essential minerals.

The UAE faces notable illegal mining risks due to Dubai’s role as a key trading hub for gold globally, as well as other precious metals and stones, including diamonds. Environmental crime risks for UAE-based gold refineries and traders are high, especially as Dubai is used by criminals to attempt to “clean” illicit gold for trade on the global market. Key source regions for illicit gold entering the UAE include Africa and Latin America, before transiting to destinations including Europe and Asia. Workshop participants from across the UAE’s gold sector stated that a key challenge is ensuring a holistic, public-private sector response to tackling illicit gold risk exposure in the country, as criminals are targeting all aspects of the supply chain within the UAE to move illicit gold, from customs and border entry to refineries and traders.<sup>5</sup>



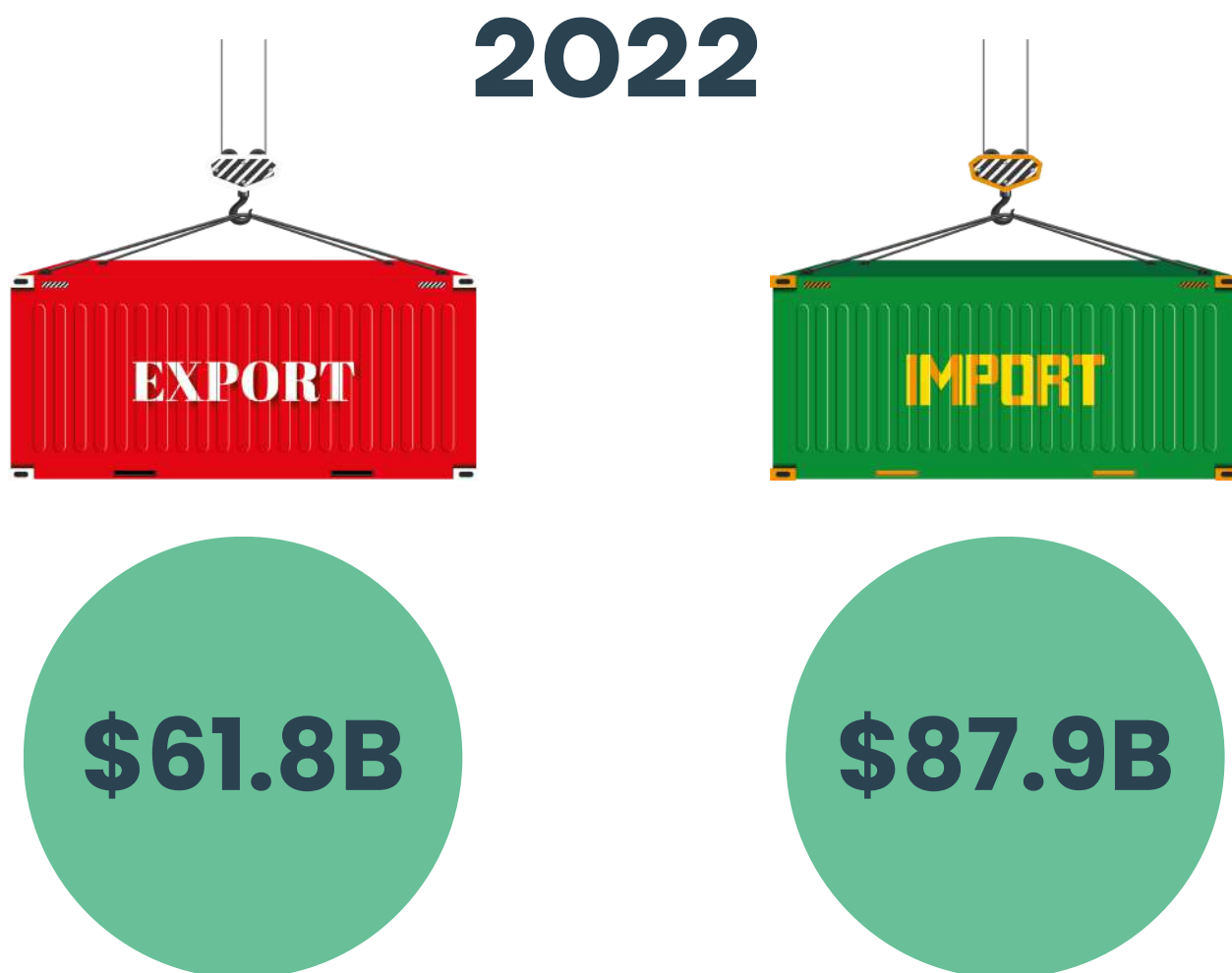
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[5] Project Workshop on 6 March 2024 in the UAE.



In 2021, the UAE imported \$70.6 billion in precious metals and stones (and pearls), with these commodities making up the most imported product area for the UAE. Top source countries included Mali, India, and Zimbabwe.

The UAE exported \$55.4 billion in precious metals and stones the same year, making it the third largest exporter of these products in the world. Top destinations included India, Hong Kong, Switzerland, Saudi Arabia, and Turkey. (image source: [OEC World](#))



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The UAE is the largest importer of African gold, with a 2021 study finding that 95% of gold from 10 major African gold-producing countries – many of which face illicit gold mining issues – was imported into the UAE. The vested interests of criminal networks and corrupt political actors regionally present significant barriers to ensuring gold leaving this region is sourced legitimately and meets international standards (despite increased efforts by regional governments in recent years to more effectively regulate the market). This presents a considerable risk for UAE businesses and other stakeholders operating across the precious metals and stones sector, highlighting the importance of measures to identify illicitly sourced gold or traded gold.

## 4. Illegal petroleum trade

The illegal petroleum trade refers to the illicit trade, transportation and sale of crude oil and refined petroleum products. It is mainly associated with state-led sanctions evasion, with governments subject to restrictive economic measures (notably, Iran, North Korea, and more recently Russia) known to use organised crime networks and illicit finance channels to access essential resources and revenue derived from the petroleum trade.

The illicit production and trade of petroleum products is, however, a huge criminal industry even if sanctions evasion is discounted. According to a 2016 African Development Bank report, “illicit trading in oil in Africa amounts to nearly US\$100 billion a year due to under-invoicing, theft, bunkering and corruption”. Criminal organisations siphon off crude oil from pipelines, facilities, tankers, or offshore holding platforms to then sell for a profit, often using trade-based mechanisms to attempt to pass the oil off as legitimate, or instead tapping into a global black market for oil. The scale of petroleum theft is massive: it is estimated that Nigeria, which is particularly vulnerable to oil theft, lost more than \$2 billion to oil traffickers in the first eight months of 2022 alone.

Other regions, such as Latin America, are also seeing notable levels of oil theft. Colombia, for example, has seen oil theft rise in recent years, with the volume of oil stolen from the country’s major pipelines having more than tripled from 2018 to 2022. Mexico has also seen a spike in the theft and illicit sale of oil, often linked to organised criminal networks in the country.

Yet oil-producing and developing countries do not hold a monopoly on the illegal petroleum trade: criminal threats are present at every stage of the petroleum supply chain, and, in the words of a 2022 report from the UN University World Institute for Development Economics Research, are “globally pervasive [...] occurring in developing and developed countries”. For example, in 2021, Italian authorities revealed how the ‘Ndrangheta mafia organisation had constructed an entire petroleum distribution network which involved ‘12 companies, five fuel depots and 37 road distributors’.

The illegal petroleum trade is not just another highly profitable illicit trade, however, but a practice that presents a unique danger of serious environmental harm. The drilling and refining phases of the illicit petroleum supply chain carry similar dangers to those present in illegal mining, with pollution, violence, and danger the hallmarks of illegal oil and gas production facilities – in 2022, at least 110 people died after an illegal oil refinery in the Niger Delta exploded, with many victims ‘burned beyond recognition’.



The illegal petroleum trade poses the risk of ecological disaster as well as human tragedy. This is particularly clear when we consider how illicit petroleum products are transported around the world. Like its legal equivalent, the illegal petroleum trade relies on transnational shipping networks to transport products from source to consumer; unlike the legal trade, the illegal trade does not hold to maritime safety regulations and controls designed to minimise the risk of accidents and spills.

Another long-standing risk, which has recently increased dramatically, is the use of 'shadow' or 'dark' fleets of oil tankers (described in detail in the Typologies section of this report). Indeed, the illegal petroleum trade operates in much the same way as other environmental crimes, abusing global trade mechanisms to disguise commodity flows and launder financial proceeds. Vulnerabilities in international supply chains, difficult to identify and fully address, are one of the main enabling factors for environmental crime, and also one of the key areas in which businesses are exposed to risk. Although illegal petroleum trading is often driven by state interests, these typological similarities, along with the vast volumes of purely criminal profit it generates, mean that it should be included in any analysis of the most serious environmental crimes.

The Middle East faces a distinct risk around the illegal petroleum trade and trafficking of illicit oil, given international embargoes against Iranian oil. The Persian Gulf is a key location where ships conduct secret transfers of Iranian oil – with small boats offloading their oil to waiting vessels that then enter the international market. This smuggling practice presents a severe environmental risk, as unregulated oil transfers bring with them a much higher probability of accidents and oil spills, which cause serious harm to sea and shore ecosystems.





## The Rise of the Shadow Fleet

The introduction of Western sanctions against Russian oil production and trade in the wake of the conflict in Ukraine has led to a precipitous increase in the number of shadow oil tankers – vessels. As outlined by the Atlantic Council, these shadow oil tankers “sail without the industry’s standard Western insurance, have opaque ownership, frequently change their names and flag registrations, and generally operate outside maritime regulations”. Indeed, there are now so many of these tankers, which are used to disguise the origin of the commodities they carry, and thereby evade jurisdiction-specific sanctions regimes, that they make up 20% of the world’s crude oil-carrying fleet.

Even entirely disregarding the political aspects of sanctions evasion, the use of shadow fleets carries with it severe potential harm from an environmental perspective. Shadow oil tankers tend to be older and more dilapidated than regular vessels, which means that they are far more likely to cause serious ecological incidents and accidents. For example, in October 2023, a 26-year-old Cameroon-flagged oil tanker, Turba, announced that it was adrift in the Indian Ocean, after its steering mechanism broke. While tankers of that age are usually fit only for scrapping, the Turba was laden with Russian crude oil.

To add insult to injury, the lack of insurance held by shadow vessels means that the (potentially astronomical) costs of dealing with spills and other environmental disasters fall onto whichever jurisdiction accidents occur in. All in all, the rise of shadow vessels in the illegal petroleum trade has created a situation akin to a world where the “roads [are] filled with uninsured vehicles that haven’t passed inspections and don’t use their lights”.

Adapted from: Atlantic Council ; Politico



## 5. Illegal, unreported and unregulated fishing

Illegal, unreported and unregulated (IUU) fishing makes up a significant percentage of the global annual catch of fish and seafood. A 2020 study suggested that illegal fishing activities produce annual revenues of \$9–17 billion, with the overall loss to legitimate global trade estimated at \$26–50 billion. Recent studies confirm that IUU activity makes up a huge proportion of fisheries activity: for example, a 2023 study suggested that, between 2016 and 2021, over a third of tuna and shrimp production in the South West Indian Ocean region was illegal. In just one example, a vessel collected over \$76 million from illicit sales of seafood over the course of a decade.

IUU fishing comes in several different forms: illegal fishing is activity that occurs in contravention of national, regional or international laws; unreported fishing refers to the non-reporting, mis-reporting or under-reporting of fishery activity (often the under-reporting of catch, a very significant long-term problem); and unregulated fishing is activity either conducted by vessels not party to a regional fisheries management organisation (RFMO), or by vessels not registered to a state, or in areas which fall outside of areas covered by RFMOs and other conservation and management measures.

IUU fishing occurs, much like other types of environmental crime, because it is a method of achieving heightened financial returns at low risk of detection. Effective fisheries control is a very expensive operation, requiring patrol boats, aircraft, and staff to monitor vast areas of the ocean. Many hotspots for IUU fishing are regions with a lack of resource to catch criminal fishing vessels; for example, a 2022 report by the Financial Transparency Coalition stated that around 40% of reported cases of industrial IUU fishing from 2010 to 2022 occurred in the West Africa maritime region, where “a lack of patrol vessels and surveillance systems makes it hard for authorities to monitor regional waters, particularly the Gulf of Guinea’s combined coastline of more than 6,000 kilometers”.

While IUU fishing is enabled by the challenges of patrolling the world’s oceans (and the lack of resources contributed to efforts to do so), it is driven by prevailing dynamics in the legitimate fishing industry – in particular, response to consumer demand for certain species of fish. Illegal fishers often target species (such as cod, halibut, or salmon) which have already been overexploited by legal fishing and are, as a result, subject to catch restrictions. The value of these species is increased by their scarcity, and there is a large market keen to acquire them; the combination of these factors presents an attractive proposition to illegal fishing operations.

IUU fishing has gained attention in recent years, with the US declaring it one of the leading maritime security threats due to the deterioration of fragile coastal areas and increased tension between countries over access to fishing. Despite this increased attention, the problem of IUU fishing seems to be worsening. The IUU Fishing Risk Index, which benchmarks countries based on their vulnerability and prevalence of IUU fishing, showed a slightly worse overall score in 2023 compared to 2021. A recent study by the maritime risk management company Windward found that over 536 high-risk fishing vessels visited territorial waters, canals, and straits for the first time ever in 2023, suggesting that global IUU routes are currently undergoing change – such as routes looking to avoid the Red Sea due to the risk of Houthis attacks.



As a country with an active fishing sector, the UAE faces both the risk of criminals using its ports as transit hubs for IUU fish, as well as the practice occurring within the country directly. Regionally, IUU fishing is an issue in the Arabian Sea and the Indian Ocean. Experts also consider this area a transit route, with fishing vessels using similar practices as other smugglers, such as turning off their GPS systems and offloading fish into other ships while at sea. The IUU Fishing Risk Index gave the UAE a poor score on its port vulnerability due to the frequency of port visits by foreign fishing or carrier vessels.

The UAE also faces risks as a destination market for IUU fish. This is due to its status as a net importer of fish and seafood, importing up to 90% of its fish consumption, which continues to grow. India is one of the main suppliers of fish to the UAE and is a top country for IUU risk; a high number of IUU-flagged vessels fly under the Indian flag. More widely, the Indian Ocean is a maritime region at growing risk for IUU fishing; in just the first month of 2024 it received 430 first-time visits from high-risk fishing vessels (an indicator of IUU fishing activity levels), which was a 145.5% increase from the 165 visits over the whole of 2023. The disruption of maritime supply chains caused by Houthi rebel activity in the Red Sea has been offered as an explanation for this huge increase in IUU activity; such an explanation certainly agrees with a long-identified trend of environmental crime flourishing in situations of violent conflict and political instability.

## Explosive fishing in Lebanon

Another destructive aspect of IUU fishing is the use of practices which are banned in the regulated industry for their extremely harmful environmental consequences. In Lebanon, the practice of fishing with dynamite has been identified as a major threat not only to fish stocks but also to the marine ecosystem in general – and indirectly to human health, through the pollution caused by the introduction of explosive chemicals into coastal waters. This type of illegal fishing had decreased over the past century, thanks to effective law enforcement and coastguard measures, but has been on the rise again since Lebanon entered an economic and political crisis in 2019. The crisis has greatly diminished the capacity and resources of authorities to continue their suppression of dynamite fishing, which has resurged in the absence of effective controls and punishments. In many ways, this represents a microcosm of the global IUU fishing industry, which flourishes whenever and wherever weak law enforcement allows it to (source).





## 6. Waste crime

Although waste crime is a smaller illegal industry than other types of environmental crime, it is still estimated to be worth \$10–12 billion a year globally. Waste crime has been defined by the UNODC as the “trade, treatment and disposal of waste in ways that breach international or domestic environmental legislation”; this covers practices like the illegal dumping, illegal export, and illegal processing of waste. In fact, the UNODC’s definition of waste crimes is: “importing, exporting, transporting, buying, selling, brokering, treating, processing, collecting, sorting, labelling, handling, utilising, storing, recycling, disposing of and burning of scheduled wastes in breach of domestic law”.

While waste crime is a very significant domestic problem for many countries (for example, the UK estimates that the domestic practice costs it around £1 billion per year), it is the transnational trafficking of waste that is “financially most interesting”. International waste trafficking is markedly different from other environmental crime categories, in that it reverses the direction in which international criminal networks predominantly operate: whilst the vast majority of environmental crimes originate in less-developed countries in the Global South, with their value then transmitted to financial and trade centres in the Global North (e.g. illegal mining in the DRC producing gold eventually bought in Switzerland), waste crimes tend to follow the opposite trajectory, with waste illegally travelling from the Global North to the Global South.

This is, in part, because cost saving incentives drive waste trafficking, as companies wish to avoid high labour and treatment costs that align with national laws and environmental regulations. Companies in higher-income countries have an incentive to outsource and export their waste management to countries with lower-wage labour and countries with less strict environmental standards. While exporting waste is legal, companies may look to mislabel waste to avoid extra costs, which then renders the dumping and disposal of such waste illegal.





Like other environmental crime types, this illicit trade is a shadowy reflection of legal practices; the UK legally exports around 60% of its plastic waste to other countries, while, in 2022, the EU exported over 1 million tonnes of plastic waste to non-OECD countries where “plastic waste imports have been mismanaged, dumped or openly burnt”. Waste criminals are thus engaging in an activity where even technically legal operations frequently involve misconduct.

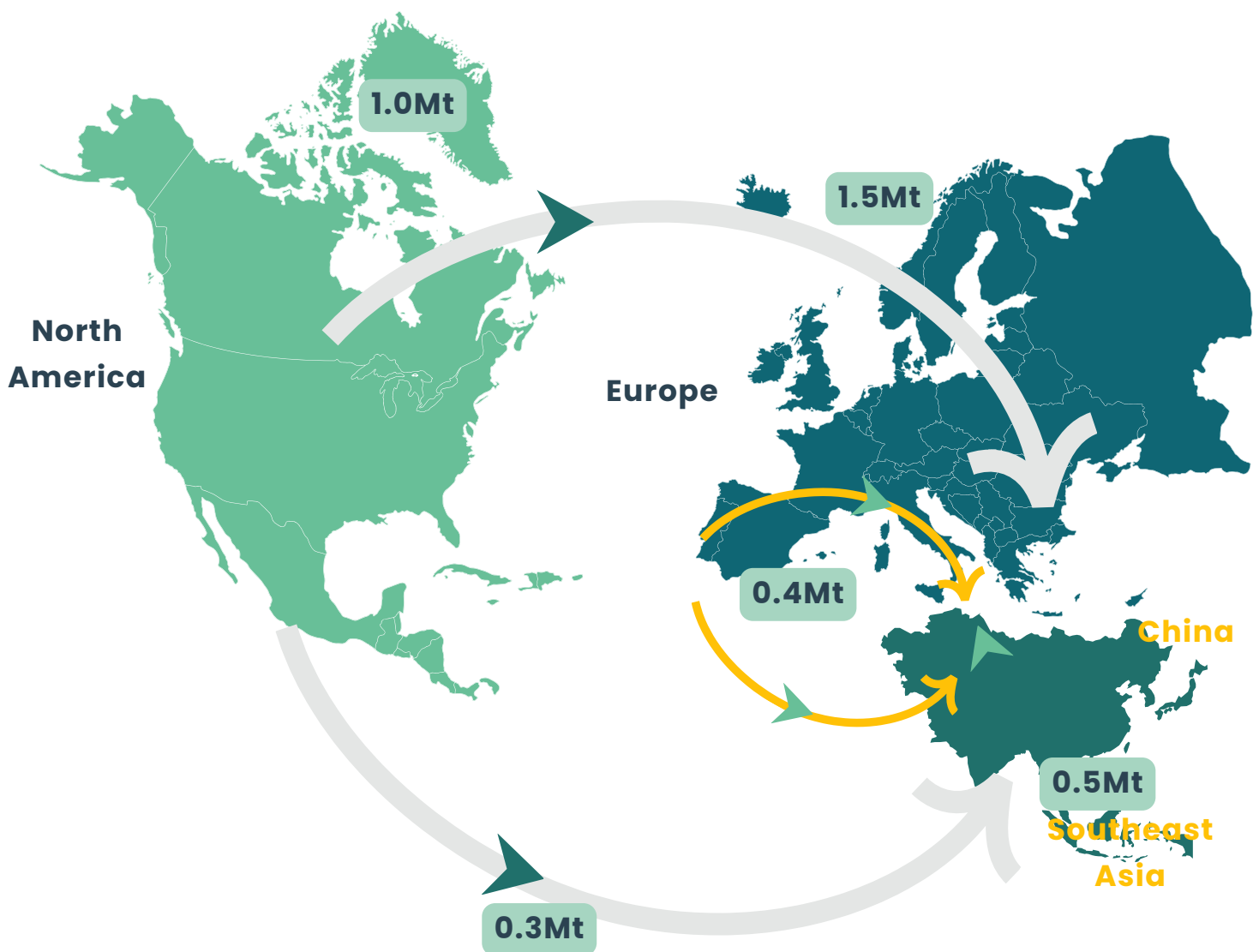
As outlined, waste crime is driven by the growing costs of safe waste disposal, which have increased globally and are set to rise steeply. A 2018 World Bank study predicted that the annual global quantity of municipal solid waste would rise from 2 billion tonnes in 2016 to 3.4 billion tonnes in 2050, under a business-as-usual scenario. This huge increase in the quantity of global waste is matched by an increase in its complexity, which includes an ever-larger proportion of hazardous and hard-to-dispose-of materials (significantly, from electrical equipment).

Waste crime presents perhaps the lowest environmental crime risk to the UAE’s private sector. The UAE has made the unlawful dumping of hazardous materials and waste a criminal offence, reflecting its commitment to this environmental issue. Furthermore, the development of waste-to-energy plants in the country addresses a major root driver of waste crime by treating waste domestically, rather than exporting it to jurisdictions with weaker control systems. Given the UAE’s status as an international shipping and logistical hub, however, firms across the country should remain aware of potential waste trafficking warning signs to ensure that supply chains are kept free of hazardous or unregulated waste.



## Aurubis Case Study

In January 2024, the Financial Times reported on a €169 million shortfall in the metals inventory of Aurubis, one of the world's largest recycling companies. The German company was reportedly the victim of fraud committed by organised criminals in collusion with its own staff. The report highlighted the role that the growing amount of electronic waste, which can contain high levels of precious metals but is difficult to assess and process, played in motivating and enabling fraudulent activity to occur. Moreover, the head of recycling at Glencore identified the prevalence of an 'informal market' in the recycling and waste processing industry as a major reason why the recycling industry is exposed to criminal activity. Like many other forms of environmental crime, then, waste crime is made possible by informalities in the parallel legitimate business, along with the openness and vulnerability of the industry's supply chains (see Figure 8).



**Figure 8:** International trade in plastic waste in 2016

Source: Field Actions Science Reports. The journal of field actions





## 7. Other environmental crimes

### Illegal trade in chemicals

Another type of environmental crime, similar to the illegal trade in waste, is the illegal trade in chemicals. This trade involves a broad range of substances; some, such as counterfeit pesticides, are illicit and unregulated versions of normally legitimate products, while others, such as ozone-depleting refrigerants, are either banned globally or in certain regions. The size of the illegal chemical trade industry is hard to ascertain, but estimates produced by the UNEP give a sense of its scale:

- The EU believes that it loses about €2.8 billion a year in lost sales to the counterfeit pesticides industry
- India values the amount of counterfeit pesticides imported to and produced in the country at \$525 million per year – equivalent to 25% of the annual quantity of pesticides used in the country
- Meanwhile, it is estimated that half of the mercury used in artisanal gold mining (the substance is not used in most large-scale mines) is illegally traded – the annual value of this trade is thought to be in the region of \$100–215 million.

A major risk that the illegal chemicals trade poses to the UAE is in the widespread use of illegally traded mercury in artisanal gold mining. In Mali, the origin of almost 10% of the UAE's gold imports in 2022, an estimated 33 tonnes of mercury were used by artisanal and small-scale miners in 2019. Other important source countries for gold imports into the UAE, such as Ghana, have also reported serious problems with illegal mercury use in artisanal gold mining.

Although risks from the illegal chemicals trade do not apply as widely as other, more pervasive forms of environmental crime, they are prominent for certain industries in the UAE. This underlines an important general message for businesses' approach to environmental crime: specificity is key, both in identifying risks, and in applying mitigation strategies.

### Carbon fraud/criminal investment in renewables

While these final two types of environmental crime sit somewhat outside the strict definition used in this report, they are worth noting as a sign of emerging trends in the environmental crime landscape. Carbon fraud is used here to refer to crimes involving fraudulent carbon accounting; this might mean underreporting of carbon emissions, falsification in carbon offsetting schemes, or the fraudulent trading of carbon credits. Criminal investment in renewables is a more straightforward term; it refers simply to the use of illicit funds to purchase or develop renewable energy infrastructure.

Notable examples of these crimes have already come to light. In 2023, the EU launched investigations into a consultancy company suspected of knowingly under-reporting the emissions of a network of Bulgarian power plants and heating facilities, depriving authorities of an estimated €75 million. Meanwhile, the Italian mafia has shown itself to be as ecologically-minded as the legitimate energy sector, diversifying from its oil-trading activities (see above) into wind farm investment.

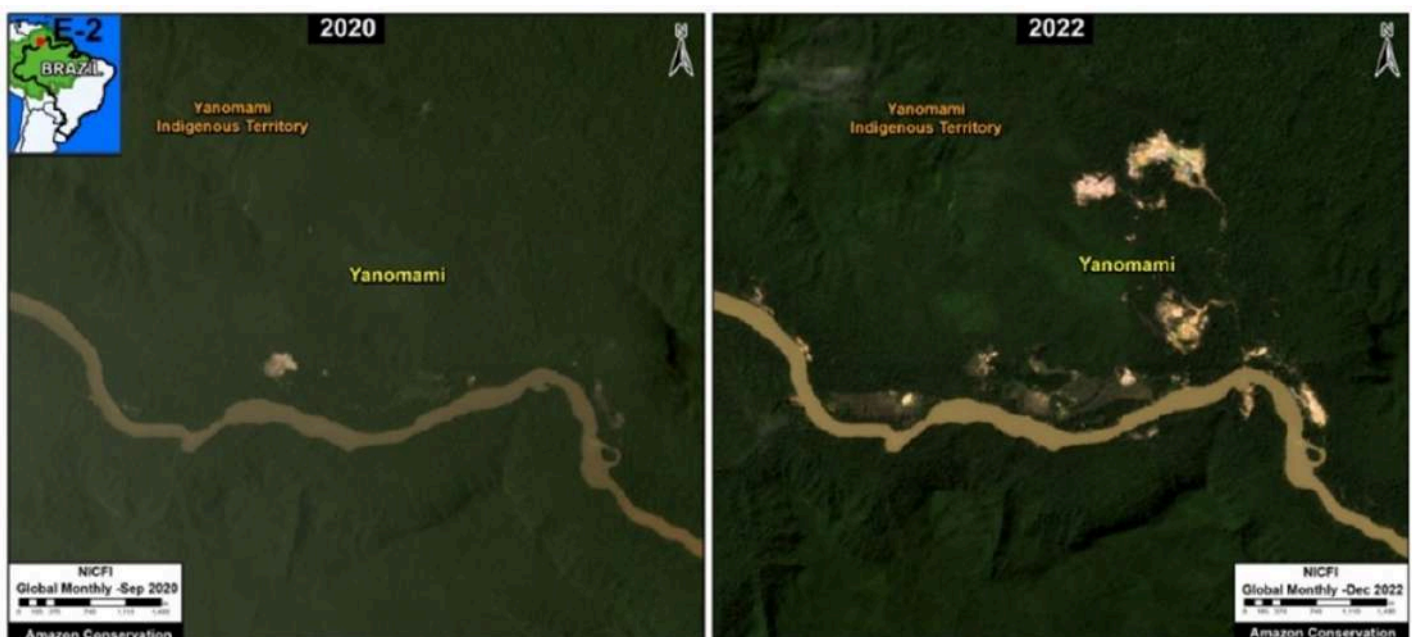


While these crimes pose a far less significant threat to the UAE private sector at present, they do underline an important point: that the nature of environmental crime is ever-changing, with criminals highly adaptive to new regulations and able to exploit opportunities in even the best-designed policy measures. With the UAE investing heavily in renewable energy and energy efficiency programmes, the risk of criminals looking to co-opt this sector for illicit personal gain increases. Businesses looking to invest or trade in this area in the UAE should remain vigilant for potential warning signs of suspicious behaviour or links to criminal activity.

## 8. A network of threats

What should be clear from this introduction to the major environmental crime types is that they are all interlinked; there are strong convergences between how different nature-harming activities are perpetrated, how their products are trafficked, and how their proceeds are ultimately illicitly injected into the global financial system[NO1] . The case of gold mining in Brazil offers is illustrative:

Illegal gold mining in Brazil has been demonstrated to be a key driving factor behind the destruction of the Amazon rainforest, in particular in legally protected Indigenous territories, where economic activities are prohibited. A [2023 study](#) found that deforestation increased by 129% in Indigenous territories from 2013 to 2021; the percentage of deforested areas used for mining increased from 1% in 2016 to 14% in 2021. The image below, of the Yanomami Indigenous territory, located in the Brazilian state of Roraima, shows what mining-driven deforestation looks like on the ground. Our image analysis suggests that the area deforested from 2020 to 2022, just in what is visible below, totals around 1 million m<sup>2</sup> – or nearly 200 football fields (see **Figure 9**)



**Figure 9:** Source: [Monitoring of the Andean Amazon Project](#)



An additional problem of illegal gold mining that has been highlighted in this specific region is its illicit use of mercury, one of the key substances trafficked by illegal chemicals traders. At least three different types of environmental crime, therefore, play a part in driving this extremely harmful phenomenon.

Equally informative is what happens after forests are cleared, gold ore is extracted, and mercury is poured into rivers. Illegal gold mining is frequently covered up as its products move along the supply chain: in 2019, millions of dollars of gold were legally exported from Roraima, without a single legal gold mine existing in the region. Meanwhile, in 2022, according to the UN's Comtrade Database, the UAE imported 12,264 kg of gold from Brazil; Brazil's recorded exports, however, totalled just 8,290 kg. Such discrepancies in trade balances suggest that insufficient oversight of commodity exports allow, at best, the avoidance of huge amounts of tax, and at worst, a massive outflow of illegal gold.

The following chapter details the many ways in which the proceeds of environmental crime are introduced into the financial system; the financial abuses of the environment are just as diverse and far-reaching as their abuses of the planet. It also illustrates the risks environmental criminals present to businesses in the UAE. While the harms of environmental crime are almost unimaginable in their scale and severity, the dangers it poses to FIs and DNFBPs in the UAE are, in fact, much more immediate than might be expected.

## 9. The social harms of environmental crime

Human health and welfare are adversely affected by environmental crimes. As outlined by industry experts, harms caused by organised environmental crime affect communities and future generations through cumulative health, environmental, economic, and development harms. The illegal trade in natural resources, for example, deprives developing economies and local communities of billions of dollars in lost revenues and job opportunities.

Pollution-related crimes can result in severe health impacts, including trouble breathing, lung irritation, and pneumonia, as well as death in extreme cases. As outlined by INTERPOL, the use of illegal chemicals in oil blending compromises the quality of air we breathe, mercury released from illegal mining into ecosystems compromises water supplies, and waste illegally dumped contaminates soil for food growth. Often indigenous communities are more adversely affected, as is the case with illegal gold mining in northern Amazon regions of Brazil, where one tribe had several hundred people showing unsafe mercury levels in their bodies, including children. In addition, environmental crime presents health and safety risks due to often dangerous and unregulated labour conditions. Earlier this year, an unregulated gold mine collapsed in Mali, killing over 70 people.

For its part, deforestation is leading to the spread of more infectious diseases in humans due to forest clearing pushing humans and animals closer together. Malaria has been suspected to have links to deforestation, with malaria cases on the rise in Brazil for example, despite efforts to reduce malaria transmissions. One study found that a particular pattern of deforestation seemed to explain a number of Ebola outbreaks in Guinea.





Another highly concerning phenomenon is violence against environmental defenders, with criminals targeting activists and environmental protectors, especially ones operating around indigenous rights and land protection. A 2023 study by Global Witness found that, on average, one environmental defender was killed every two days over the past decade. The study found that Latin America was the deadliest region and Colombia as the deadliest country, with almost a third of all killings globally happening on Colombian territory.

## 10. Why firms should care

Why should the private sector in the UAE prioritise environmental crime? Put simply, the legal and financial consequences of unwitting or witting involvement in environmental crime are all too real. It is therefore important to factor environmental and ESG risk management into overall business and particularly financial crime strategy. A strong anti-financial crime culture and practice is more than just a tick box exercise and regulatory requirement; it's actively good for business and can confer a competitive advantage.

There is increasing attention paid to this issue at a legal and regulatory level, with countries such as the UAE investing heavily in new anti-environmental crime measures and ESG practices, and launching major initiatives by joining forces with the UN, INTERPOL, and other key global entities. These initiatives include the formation of an INTERPOL-led joint climate operations unit to target environmental crime and the launch of training programmes for law enforcement in the UAE. Other jurisdictions have also prioritised the issue through legislation, as demonstrated by the EU's recent expansion of environmental crime offences to include illegal timber trade and depletion of water resources. Internationally, as already discussed, organisations such as the FATF have emphasised the need to better understand the financial flows associated with environmental crime and required countries to criminalise money laundering for a range of environmental crimes.

There is also a very real reputational risk posed to businesses if they are found to be supporting or engaging in environmental crime. Research shows that when companies fail to meet their stated social responsibility goals, even if not intentionally, customers perceive them to be “greenwashing”, a term used to describe companies engaged in deceptive practices around sustainability or environmental crime efforts. Once a company is associated with greenwashing, reputational damage is often solidified, and it is difficult for a business to regain trust and reposition itself as ethical. Moreover, company stakeholders such as shareholders have, in recent years, begun to reprimand, put pressure for change or withdraw from companies that misbehave or mishandle environmental and related issues, such as human right abuses. For example, Tesla shareholders have been vocal about concerns over potential forced labour in the company's supply chains.



Calls for environmentally and socially responsible company practices also come from the consumer level. A PWC study found that 83% of consumers think companies should be actively shaping ESG best practices, with 80% of consumers saying they were more likely to buy from a company that stands up for environmental issues. The same study showed that employees also care about working for companies with strong ESG policies and practices. During the project workshop, participants signalled that they have noticed consumers becoming more environmentally conscious, demonstrating that the UAE is in alignment with global trends around consumer demands for sustainable and socially responsible practices.<sup>6</sup> Workshop participants also emphasised the importance of long-term return, not just short-term profits for their companies.



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[6] Project Workshop on 6 March 2024 in the UAE.







# 3 CONVERGENCE WITH FINANCIAL AND ORGANISED CRIME

## Summary

Environmental crime does not occur in a vacuum – it is facilitated and driven by a wide array of highly complex, interlinked criminal activities globally. It is therefore important to understand this network of crimes and the illicit financial flows associated with them. Chapter 3 outlines some of the key convergence points between environmental crime and the following financial crime types:

### Money Laundering

- As an international financial hub, the UAE faces exposure to criminals looking to launder illicit revenue through banks and other financial institutions, as well as through cash-based transactions.
- Criminal networks often make use of bank transfers or direct deposits to move illicit proceeds or turn to shadow banking networks or cash transactions to avoid having to use regulated financial services.
- Project workshop participants highlighted the increasing risk of illicit funds remaining within the UAE, as well as heightened risk exposure due to a boom in international business activity in the country in recent years.

### Trade-Based Money Laundering

- TBML is fundamentally linked to environmental crimes that involve transportation and global supply chains – as most do.
- Key risks include the smuggling or co-mingling of illicit goods such as illegal timber in legal products, as well as the falsification of customs documentation to disguise illicit products such as illicit charcoal from Somalia.





## Continued Summary

### Terrorist & Conflict Financing

- Environmental crime is a challenge for fragile and conflict-affected settings where the state authority's presence and ability to counteract crime is often limited.
- Intrastate conflicts also often feature non-state armed groups that rely on illicit criminal markets such as illicit oil, gold, diamonds, and timber, to fund their activities.
- The convergence between illicit mining and conflict financing in Central and East Africa is a particularly high risk for UAE businesses across the PMS sector, as well as illicit oil linked to groups such as Iran's Revolutionary Guard Corps (IRGC).

### Transnational Organised Crime

- A self-perpetuating cycle is often created between environmental crime and other transnational crimes, with criminal networks often utilising the same mechanisms, trade routes, and supply chains for illicit products.
- Key risks for UAE businesses include potential links through products that are tied to forced labour and human or drug trafficking through illegal mining and illegal land conversion occurring internationally.

### Corruption

- Environmental crime is facilitated by both public and private sector corruption.
- Across the public sector, corruption of local politicians, police, border and customs officials, and licencing authorities in source countries is a key risk for UAE businesses.
- For the private sector, corruption within mining companies, shipping companies, and commodity traders, among other industries, has also been shown to facilitate environmental crime across global supply chains.

Environmental crime does not occur in a vacuum – it is facilitated and driven by a wide array of criminal activity globally. Transnational criminal organisations today are highly complex and sophisticated; there is an ever-expanding array of criminal networks carrying out interlinked activities that depend and build on one another. It is therefore important to contextualise environmental crime – and its links to financial crime – within the larger framework of transnational criminal activity and corruption.

Convergent crime refers to criminal activity that connects, overlaps, and enables other crimes. Today's ecosystem of environmental and financial crime depends on convergent crimes to operate. Criminal networks also exploit today's globalised world to continually expand in size and scope, as well as to diversify illicit activities. This chapter outlines some of the key convergence points between environmental crime and financial crime, as well as overlap with other serious organised crime activities such as corruption and human trafficking. These activities often serve as predicate crimes helping to fund or facilitate environmental crime, or succeeding crimes which are themselves funded or facilitated in part by environmental crime.



The threat of environmental crime is even more serious when we consider who benefits from the enormous profits it generates. In general, nature-harming activities are conducted by large, highly organised criminal groups (small-scale ‘artisanal’ miners, who operate outside regulatory control to earn subsistence wages, or other small-scale operations such as localised illicit waste trading, are exceptions). For criminal organisations, environmental crime can serve as both a main source of profit and a means of facilitating other core criminal activities. The growth of environmental crime therefore increases the risks of other crime types; this was identified as early as 2016, in a United Nations Environment Programme (UNEP) report that recorded 84% of responding countries as seeing a convergence between environmental crime and other serious crimes.



# 1. Convergence with Financial Crime

## Money Laundering

The highly lucrative nature of many environmental crimes rewards criminals with substantial profits that must be concealed, protected, and integrated into the global financial system. Criminal groups often use these profits to fund additional illicit activities, as well as for personal gain. They frequently channel money acquired through illegal mining and logging into bank accounts linked to legitimate business practices, comingling and making it hard to distinguish between legitimate and illegitimate assets. A [study](#) by Earth League International found that criminal groups in Latin America engaging in environmental crime would sometimes use companies operating in sectors such as construction to launder illicit revenue from illegal mining, for example.

As an international financial hub, the UAE faces exposure to criminals looking to launder illicit revenue through banks and other financial institutions, as well as through cash-based transactions. The Ministry of Economy rates environmental crime risks posed to the financial sector as medium to high, noting the UAE's role as a financial hub and its widespread cash economy.<sup>7</sup> For those operating across the financial sector, it is important to be aware of how assets may be laundered through the UAE to offshore jurisdictions with conditions favourable to money laundering, such as beneficial ownership secrecy or tax avoidance structures.

It is of increasing importance, however, for financial services firms to understand their potential exposure to illicit funds from environmental crime that are entering the UAE and remaining in the UAE's financial system, as well as those that are leaving the country. Workshop participants stated an increasing awareness of illicit funds being hidden within domestic networks.<sup>8</sup> One workshop participant highlighted the ease of acquiring visas and the post-Covid boom in foreign expatriates setting up business as key factors enabling illicit flows to remain in the country.<sup>9</sup>

Criminal networks may make use of bank transfers or direct deposits to move illicit proceeds. They may also turn to shadow banking networks to avoid having to use regulated financial services, including using lenders, brokers, or other credit intermediaries that fall outside the regulated banking system. Criminals may also use other forms of investment to protect and launder proceeds, such as property purchases or investment in legitimate companies. It is imperative, therefore, that not only the financial sector but all businesses in the UAE remain vigilant around money laundering risks. From lawyers and company service providers to property brokers, vulnerability to financial crime linked to environmental crime is very real. In the US, for example, [recent evidence](#) suggests a prevalence of abuse-prone shell companies as a key method of moving the illicit proceeds of environmental crimes. Shell companies, which are legal entities with no active business operation, can be used to conceal true beneficial ownership and provide a veil of secrecy and anonymity for criminals looking to launder money and create a dead-end for any financial trail.

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[7] Project Workshop hosted on 6 March 2024 in the UAE.

[8] Project Workshop hosted on 6 March 2024 in the UAE.

[9] Project Workshop hosted on 6 March 2024 in the UAE.





Trade-based money laundering is also fundamentally linked to environmental crimes that involve transportation and global supply chains – as most do. Key trade-based money laundering techniques include the smuggling of illicit goods in legal products such as food or timber, as well as the over-invoicing or under-invoicing of commodities to smuggle illicit goods into a country. In the case of crimes such as IWT and the trade of illegally sourced minerals and stones, fake documentation is often used to misrepresent a shipment. The falsification of customs documentation or licencing is also widely used to enable environmental crime; for example, criminals have used fake documentation to disguise Somali charcoal to smuggle it into the UAE, passing off embargoed charcoal as being from countries such as Pakistan, Ghana, Cote d'Ivoire, Kenya, Tanzania, or Comoros.

## Terrorist & Conflict Financing

Organised crime generally – and environmental crime in particular – is a challenge for fragile and conflict-affected settings where the state authority's presence and ability to counteract crime may be limited. Intrastate conflicts also often feature non-state armed groups that rely on illicit criminal markets and illegal trade across porous borders to fund their activities, creating a blurred line between paramilitary and criminal groups. Furthermore, it takes considerable resources to monitor and protect land and wildlife, as well as enforce regulations such as safe mining practices, land conservation, and pollution standards; resources that are often neglected during periods of conflict.

Research conducted by INTERPOL and the Global Initiative found that environmental crime accounted for 38% of the financing of conflict and of non-state armed groups, including terrorist groups. In fact, in many conflict-affected contexts, environmental crime is the primary source of financing for non-state armed groups. Intrastate conflict is, furthermore, often linked to competition over natural resources such as oil, gold, diamonds, and timber. As climate change brings changes to biodiversity, access to natural resources, and water and food security issues, conflict over increasingly scarce natural resources will likely continue to increase. Additionally, local populations in many conflicted-affected regions have seen declines in legal income sources related to land use due to issues such as lack of respect of land rights and increased competition over scarce resources. This can place pressure on individuals, which may in turn lead them to engage in illicit or illegal practices such as artisanal and small-scale mining to support themselves.

Many non-state armed groups and militia are known to engage in land-clearing activities for financial gain, with the illicit trade of timber a key revenue source for groups in various countries, including Myanmar, the DRC, Afghanistan, and CAR. There is a heightened risk when conflicts occur in the vicinity of forests and other natural resource heavy areas, especially if state governments have little to no control of these areas. For example, the UN has outlined how al-Shabaab collects unofficial taxes on the charcoal trade in Somalia to fund activities, as well as how the rebel group Democratic Forces for the Liberation of Rwanda (FDLR) finances its activities through charcoal derived illegally from trees grown in the Virunga National Park, an increasingly deforested area in the Congo Basin.



## Illicitly Sourced Conflict Gold

The convergence between illicit mining and conflict financing in Central and East Africa is especially concerning for the UAE, as both the DRC and CAR are top source countries for gold refined and traded in Dubai. In 2021, the DRC exported \$12.2 million in gold, with \$12.1 million of that being imported into the UAE. The UAE was also the top destination for CAR gold exports, with \$30.4 million of its \$47.6 million in gold exports transported to the UAE. It is important for businesses across the PMS sector in the UAE to have effective mechanisms in place to identify and avoid illicitly sourced gold which could be linked to non-state armed actors, conflict-related violence and other human rights abuses.

The illicit oil trade also has links to terrorist financing. Iran's Islamic Revolutionary Guard Corps (IRGC), an organisation designated as terrorist by many countries, uses the illicit trafficking of Iranian oil as a key revenue source. Earlier this year, the US charged multiple members of the IRGC with the trafficking and selling of Iranian oil to government-affiliated buyers in countries such as China and Syria.

A significant portion of terrorist related financing through environmental crime is linked to the Islamic State's use of oil smuggling networks, which sold oil produced in facilities captured by the terrorist organisation in Iraq to pay the wages of its fighters. Although IS's physical empire has since collapsed, the use of environmental crime as a source of funds for terror groups is a present reality – jihadists in Nigeria are still today using illegally mined gold to fund their activities. While individual threats do rise and fall, it must be understood that environmental crime has now been established as a viable financing mechanism for terrorist organisations. Therefore, even though the waxing and waning of individual terror groups might change the present-day risk level of environmental crime-related terrorist financing, the long-term risk remains consistently high.

## 2. Convergence with Transnational Organised Crime

In recent years, sophisticated criminal organisations have taken the diversification of their transnational criminal activity to new levels, looking to increase their power and influence in specific regions whilst decreasing their dependency on any one specific illicit revenue source. Often, crimes converge in areas in a manner that increases efficiency, by making use of shared trafficking routes, labour, supplies, and intermediaries. As remarked in a recent study by the Earth League International, transnational environmental crime networks are extremely resourceful and adaptable, crossing borders and continents to achieve criminal objectives. Moreover, as outlined by the Global Initiative, a perpetuating cycle can be created whereby criminals exploit climate-related events for their own advantage – which in turn may create more climate-related damage that allows for further exploitation of vulnerable conditions by criminal actors.



Criminal networks often utilise the same mechanisms, trade routes, and supply chains for illicit products linked to environmental crime as those linked to other crimes such as counterfeit goods, drugs, or weapons and arms. Today, globalisation and digitalisation make this overlap all the easier, providing new vehicles through which criminals can increase the efficiency of their operations, including channels for coordinating with other criminal networks.

## Corruption

Environmental crime is facilitated by both public and private sector corruption, of both the high-level and low-level types. Across the public sector, local politicians, police, border and customs control, licencing authorities, and regulators can be involved in allowing environmental crime to occur. As outlined by the World Wildlife Fund, corruption undermines the ability of law enforcement and juridical systems to enforce laws relate to environmental protection and resource use. Moreover, political actors sometimes have a vested interest in the continuation of environmental crime due to benefits it may provide to them or their political factions, such as income from natural resources or revenue to finance intrastate conflicts, as outlined above.

### **Corruption across the public sector often takes the form of:**

- Bribes or favours to influence land use or award licences for activities such as fishing or hunting;
- Collusion by forest or wildlife rangers in carrying out environmental crime;
- Bribes to facilitate domestic or international transport of illegally sourced wildlife, including bribing border or customs officials, and port or airport operators;
- Political favours to influence mining or infrastructure projects, as well as to receive favourable health and safety rulings;
- Bribes for a favourable ruling in court processes;
- Corruption within police or investigative units;
- Influence over broader natural resource governance policies.

Corrupt actors across the private sector often facilitate environmental crime, too, with scope for corruption within mining companies, shipping companies, freight forwarding companies, brokers, commodity traders, and exporters. Lax governance or internal controls within such businesses can also further fuel environmental crime, which risks brands allowing illegally sourced materials to enter their supply chains. Environmental crimes can be enabled by bribery, nepotism, and favouritism in contracts and licencing, as well as market influence and collusion.





The waste management sector, for example, has come under increased scrutiny in recent years. A study by the Basel Institute on Governance found that complex legal frameworks and their weak implementation has created a space for corruption, allowing criminals to profit from the illegal trade in or management of waste. Basel found corrupt deals over the selection of waste management companies linked to powerful elites, schemes to gain lucrative contracts through bribery, and the illegal import of hazardous waste for profit. Among the industry's characteristics that lend themselves to corruption are poor record keeping, low awareness or understanding of laws and risks, and insufficient monitoring; these all demonstrate the importance of both public and private sector due diligence and governance to ensure corruption is kept at bay.

Furthermore, a significant portion of illegal land conversion for the purposes of illegal logging and mining is facilitated and accelerated by corruption. Agencies and law enforcement authorities tasked with safeguarding endangered species, protected land, and natural resources are susceptible to bribes and coercion. There are known instances of licencing authorities allowing companies to operate in environmentally protected areas, for example. Corruption can also be present throughout supply chains and transportation, including on the part of brokers, fixers, and shipping agents.

## Human Trafficking & Forced Labour

Over 12 million workers are entrapped in forced labour and modern slavery in environmentally damaging activities, according to a 2021 study by One Earth. This number is likely to be much larger when accounting for labour activities across supply chains involving environmental crime. The study also highlighted key regions with disproportionately higher rates of forced labour and environmental crime, including the Brazilian Amazon, Central and Eastern Africa, and South Asia. It is important for private sector actors in the UAE sourcing products from these regions – especially higher risk products such as gold, timber, or fish – to understand the heightened risks of these goods being linked to forced labour and modern slavery.

IUU fishing often involves forced labour, including trafficking of individuals, debt bondage, child labour, and modern slavery. The International Labor Organisation (ILO) estimates that 128,000 fishers are trapped in forced labour aboard fishing vessels worldwide in abusive working situations that are uniquely challenging to address given their isolation at sea. Research by the organisation The Outlaw Ocean found that virtually all crew of shipping vessels they spoke to were part of a “debt to clear” system, where they were working to pay off money they had borrowed to be smuggled illegally into a new country. The same research found that Chinese IUU criminals were using forced labour from Xinjiang – including persecuted Uyghur Muslims – to process seafood being sent to other regions, such as America and Europe.

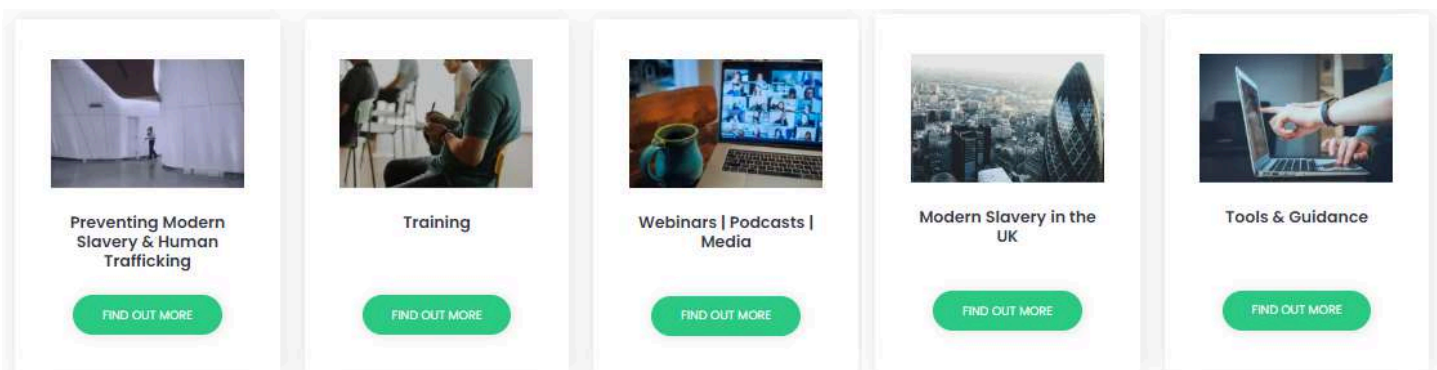
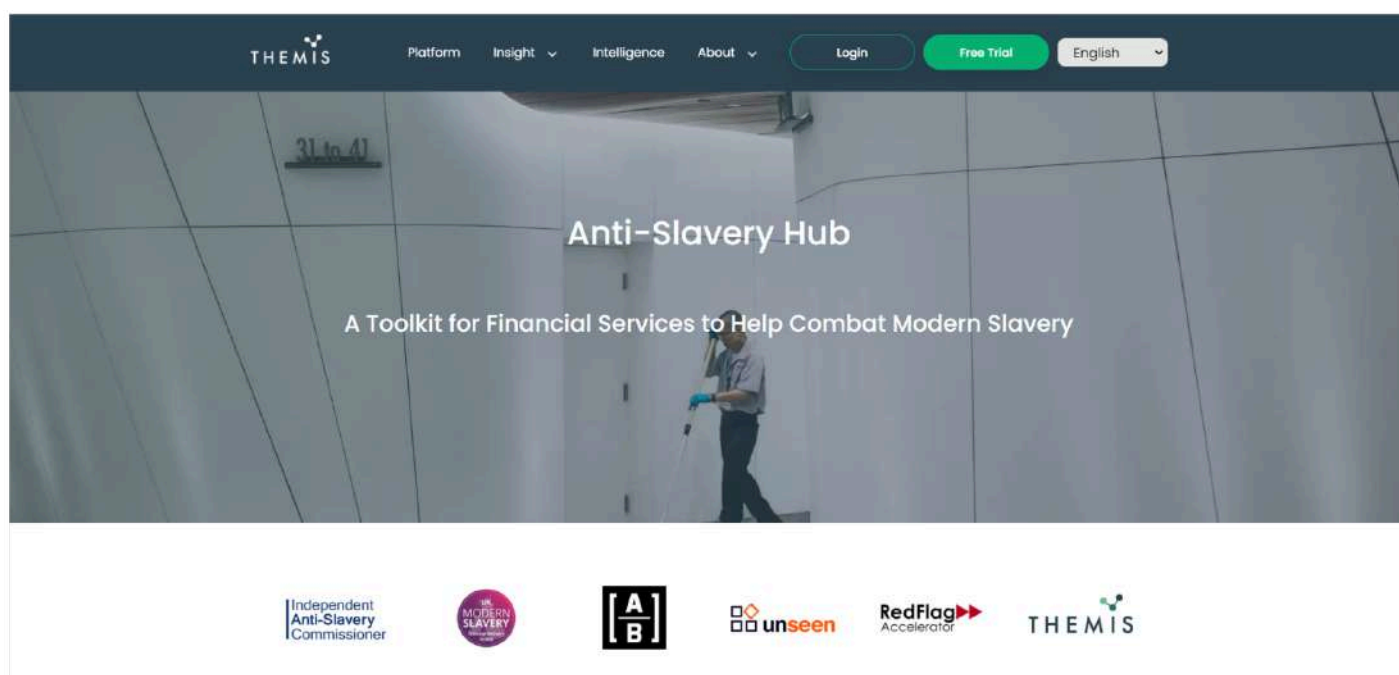
Regarding illegal land conversion, some estimates indicate that as much as 40% of all deforestation worldwide is carried out by victims of modern slavery or forced labour, with slave-based deforestation responsible for the emissions of around 254 billion tons of carbon dioxide each year. Illegal land conversion activities involving forced labour include land clearing for the purposes of establishing illegal logging and mining operations. For the illegal timber trade, forced labour is present in regions such as the Amazon, with individuals forced to work in logging camps under debt bondage, threats of violence, and informal and precarious recruitment systems.



Illegal mines also often rely on forced labour, including high levels of child labour. The UAE is the destination for a significant portion of gold smuggled from Sub-Saharan Africa (some artisanal gold mining in Sub-Saharan Africa is inextricably linked to some of the worst forms of child labour). Human trafficking in the DRC, for example, occurs in North and South Kivu where armed groups control mines, including gold mines.

## The Anti-Slavery Hub

The private sector in the UAE should remain vigilant in screening and monitoring for environmental crime risks with links to modern slavery and human trafficking (MSHT). For further guidance on this, businesses can consult resources such as Themis' Anti-Slavery Hub, which was designed in coordination with the UK's Independent Anti-Slavery Commissioner. This toolkit helps firms better understand and stay on top of their exposure to MSHT globally.



## Drugs and Weapons Trafficking

Drug traffickers and organised criminal groups contribute to illegal logging and land conversion in order to clear land for the production of drugs such as cocaine. Moreover, while the extent to which coca cultivation and subsequent cocaine production contributes to deforestation varies, the proceeds of drug trafficking often help fund additional land conversion and other environmental crimes, creating a reinforcing cycle of deforestation and criminal activity. A UNODC [study](#) found that illicit drug trafficking is exacerbating and amplifying an array of other criminal economies, including illegal logging and mining, as well as trafficking in wildlife and other environmental crimes.

The Amazon Basin [exemplifies](#) this convergence, with the region seeing an overlap of crimes ranging from coca cultivation and related cocaine trafficking to land grabbing, illegal logging, cattle laundering and illicit mining. These crimes often also rely on corruption and organised violence, with the involvement of groups that are transnational in nature, including cartel, mafia, and irregular militias style groups.

The recent UNODC [report](#) highlights this relationship between drug trafficking and deforestation, finding that criminals have invested illicit proceeds into both legal and illegal businesses, including agriculture, ranching, and mining activities. There is also [evidence](#) that drug traffickers are actively exploiting timber trafficking routes, including by smuggling drugs in shipments of lumber. Moreover, criminal groups operating in this space are increasingly moving into illicit gold mining, since gold and other precious metals and stones can also be used to launder illicit drug trafficking proceeds.

The overlap between global wildlife and drug trafficking routes and networks is an especially high risk for the UAE when it comes to regions such as East and Central Africa. For instance, a US Intelligence analysis of crime data on East Africa [found](#) that over two-thirds of actors in the wildlife crime dataset overlapped with individuals and facilitators in the narcotics dataset. Kenya, for example, [charged](#) a large criminal organisation with drug trafficking charges in 2018, finding that the organisation has also been subject to ivory seizures.





## Sanctions Evasion

Financial institutions in the UAE face significant risks related to sanctions evasion associated with commodities linked to deforestation and land conversion. For instance, the MENA region's demand for charcoal has historically contributed to the rise of illegal logging and forest degradation in Somalia, with more than 80% of the charcoal produced there being exported to Gulf states and neighbouring countries. This trade has cast a long shadow on the UAE's sanctions compliance, as it provides substantial financing to the terrorist group al-Shabaab, which is designated under UN sanctions. These sanctions require all UN member states to take the necessary measures to prevent the direct or indirect import of charcoal from Somalia. However, in order to circumvent sanctions, there has been reported use of fraudulent country of origin documentation from Comoros, Ivory Coast, and Ghana, to conceal Somali origin, and shipments are frequently routed through Iran, where they are packaged as a "product of Iran" before transiting on to the UAE.

The tradable nature, liquidity, wide availability, and anonymity of precious metals and stones also leave them vulnerable to abuse by individuals, entities, or governments seeking to evade sanctions, including those imposed by the UN and the UAE. Such activity may involve precious metals or stones mined under the control of a sanctioned person subsequently making their way into the global supply chain. Sanctioned individuals or entities may also use front companies to hide their links to mined commodities.







# 4 TYPOLOGIES & RED FLAGS

## Summary

In order for the UAE's private sector to effectively address and stamp out potential links to environmental and financial crime, companies must have a strong understanding of the specific risks, typologies, and red flags that relate to their particular sector and business practice. By focusing on the warning signs of suspicious activity and transactions, companies can spend more time looking to prevent and proactively counteract financial crime, instead of responding to criminal exposure after it's too late.

Chapter 4 outlines key typologies and red flag indicators to help UAE businesses identify signs of illicit activity related to the environmental-financial crime nexus. This list has been developed in consultation with firms in different sectors across the UAE during the project workshop hosted in Dubai in March 2024. Key typologies covered in the chapter are:

### Financial Transactions and Services Typologies

- From the use of intermediaries to the routing of money through offshore jurisdictions, criminals exploit a global network of financial and professional services to avoid detection and launder illicit proceeds.
- Criminals often look to obscure beneficial ownership of a bank account or investment fund through intermediaries, as well as use informal or underground money value transfer services (MVTs) to move illicit funds, a particularly high risk for those operating in the gold sector.



## Continued Summary

### Customer and Third-Party Typologies

- Close attention should be paid to potential red flag characteristics pertaining to clients, suppliers, partners, and third parties, as well as their networks, as criminals often use intermediaries to hide illicit activity.
- Use of front or shell companies by criminals is particularly common across the forestry, mining, and waste management sectors, with these companies often having ties to the import-export sector.
- Companies should also screen for potential risks related to political exposed persons and corrupt individuals, especially in source countries.

### Trade and Supply Chain Typologies

- Criminals rely on trade-based mechanisms to transport and conceal products with links to environmental crime.
- UAE businesses should pay close attention to the co-mingling of illicitly sourced commodities or products with legally sourced ones, which the UAE faces a particularly high risk of exposure to due to its position as an international trading hub.
- Another key risk is the use of refineries, mills, factories, or other physical points in the supply chain where the source can be obscured.
- The use of ghost ships, where vessels disguise their movements to facilitate trade-based crimes, as well as ship-to-ship transfers and transshipment, are further key risks.

### Geographical Typologies

- The UAE's role as a prominent transit hub globally leaves businesses across the country vulnerable to criminal activity stemming from all regions.
- Particular environmental crime typologies differ according to a jurisdiction's role in a criminal supply chain – the nature of risk depends on whether a country is a source, transit, or destination country.
- Jurisdictional risks that are of particular relevance to the UAE include illicit mining in East Africa, illegal logging in Latin America, and IUU fishing in India.

### Technology Typologies

- With the rapid growth of the use of online payment platforms, social media platforms, and e-commerce websites by criminals to sell illicit products, UAE companies must remain vigilant for warning signs of such illicit activity.
- Abuse of such platforms is particularly high risk for the illegal wildlife trade.
- Companies should also be aware of the potential use of cryptocurrency and other virtual assets in payments by consumers of environmental crime products, and transfers within environmental crime networks.





The UAE's private sector plays an indispensable role in ensuring financial and environmental crime is effectively addressed and stamped out, both within the country and abroad. To achieve this, companies must have a strong understanding of the specific risks, typologies, and red flags that relate to their particular sector and business practices. However, when it comes to the financial-environmental crime nexus, the FATF has previously highlighted insufficient awareness of risk indicators as a key challenge in identifying and disrupting environmental crimes globally. Moreover, the private sector often holds only one piece of the puzzle, with criminals using tactics that can confuse or mislead even the best-intentioned financial institutions, companies, and individuals.

It is important, therefore, that the private sector across the UAE stays as up to date as possible with financial crime typologies and red flags associated with environmental crimes specific to the UAE landscape. By focusing on the warning signs of suspicious activity and transactions, companies can spend more time looking to prevent and proactively counteract financial crime, instead of responding to criminal exposure after it's too late. This can help ensure they are not inadvertently caught up in illicit activity, while meeting their legal obligations to identify and report suspicious activity.

This chapter outlines key typologies and red flag indicators to help UAE businesses identify signs of illicit activity related to the environmental-financial crime nexus. This list has been developed in consultation with firms in different sectors across the UAE during the workshop hosted in the UAE on 6 March 2024. It is important to consider how to incorporate these typologies and indicators into existing anti-financial crime systems, controls, and governance frameworks, which are discussed at length in the next chapter.

The typologies and indicators most applicable to specific business operations will vary by sector and industry, as well as by size and scope of business dealings. Companies should therefore keep in mind their distinct financial crime risks and exposure as they review each typology and red flag. Dialogue between different industries and with the public sector can also help to enhance general understanding of these risks and establish how guidance can effectively be applied to fight environmental crime in the UAE.

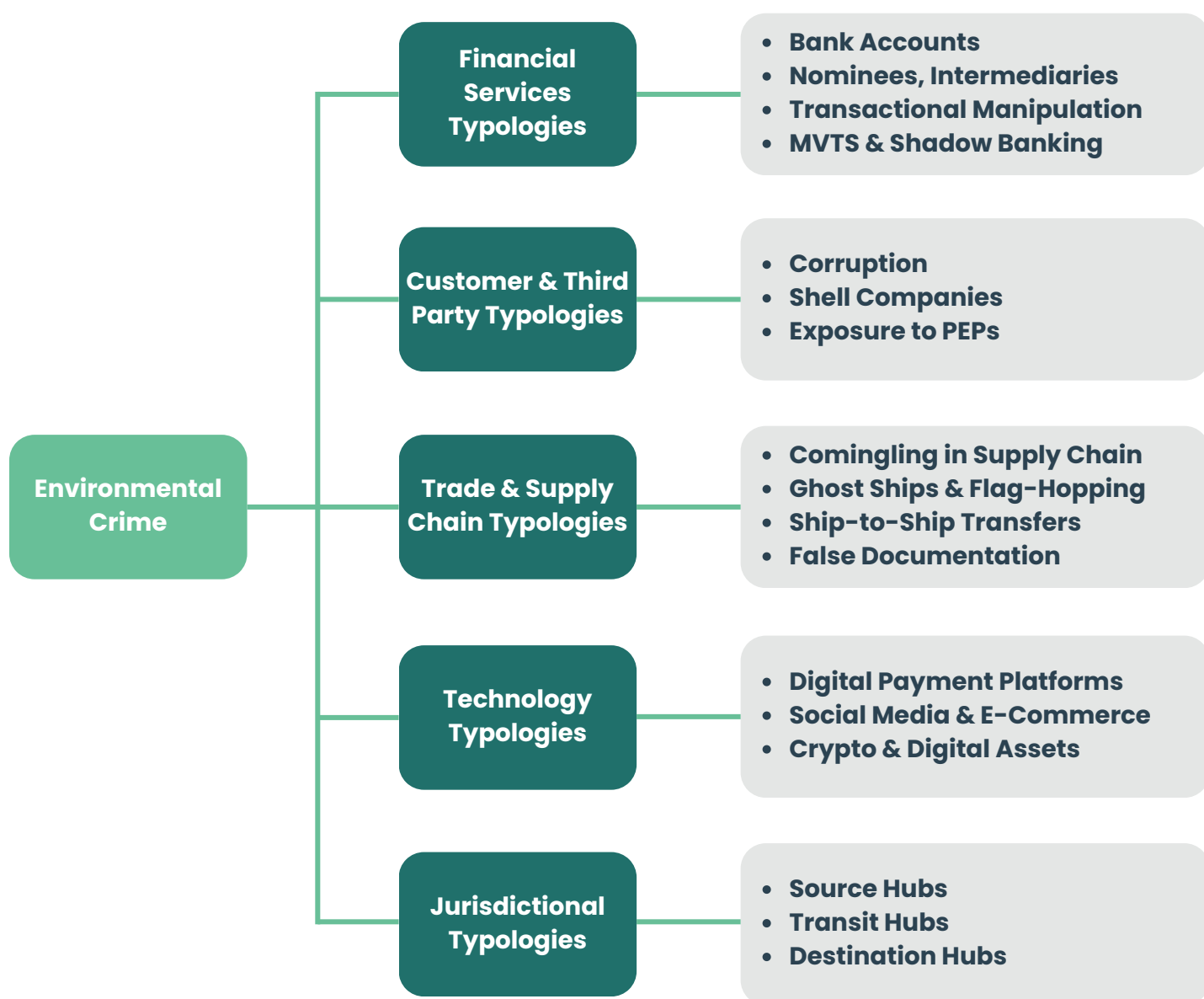
The more specific and contextualised red flags are, the more helpful they are at actually screening and identifying suspicious behaviours and activity. It is important for businesses to understand the specific red flags most pertinent to their business operations, clients and customers, and products. For example, for FIs onboarding a new client working in the animal care or zoo space, certain red flags such as large or unusual payments to veterinarians will be suspicious and raise IWT concerns. Workshop participants from the financial sector highlighted this, saying that red flag indicators should be quite detailed, otherwise they have found them lacking in ability to spot criminality.<sup>10</sup>

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[10] Project Workshop on 6 March 2024 in the UAE.



It is also important to keep in mind that environmental crime typologies and red flags often correlate with other criminal typologies and red flags across the financial crime space, with criminals using the same techniques to commit environmental and other forms of crime. Indeed, one workshop participant noted that their business only discovered an environmental crime had been committed whilst investigating another crime.<sup>[11]</sup> Cases may not always begin with the suspicion of an environmental crime, but companies should remain aware of environmental crime red flags even when investigating other forms of suspicious activity to adequately scope out correlations.



[11] Project Workshop on 6 March 2024 in the UAE.



# 1. Financial Transactions and Services Typologies and Red Flags

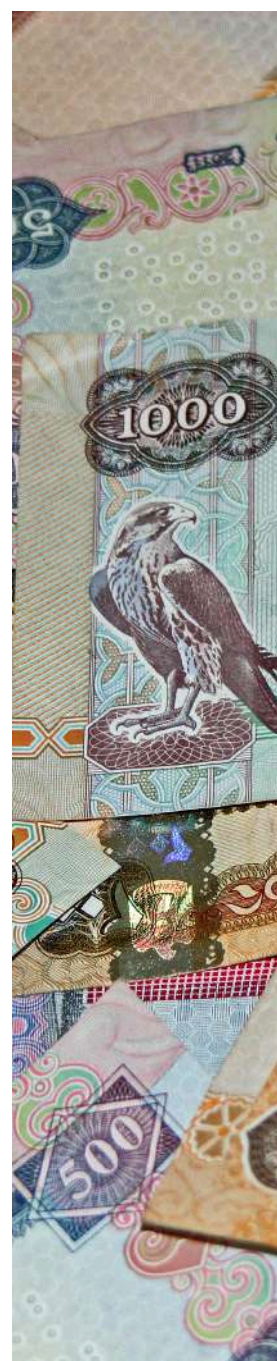
Criminals are constantly looking to update their repertoire of financial mechanisms and tactics to move and hide illicit assets and fund their illegal activities. Moreover, criminals have increasingly turned to members of the professional services, such as lawyers and company service providers, to facilitate or enable their financial crimes. From the use of intermediaries to the routing of money through offshore jurisdictions, criminals exploit a global network of financial and professional services to avoid detection, attempting to turn their illicit business activities and ill-gotten assets into seemingly legitimate business dealings. Key financial typologies and risks for the UAE private sector to keep in mind that are specific to environmental crime include:

**Bank Accounts:** Criminals often look to co-mingle illegal and legal proceeds, placing revenue from environmental crime into legitimate business accounts. This is a particular risk for FIs as it leaves them directly exposed to criminal or corrupt clients who may seek to use their accounts to launder and hide these proceeds, unbeknownst to the financial institution. Often, criminals will present illegal earnings as legitimate earnings from a business activity they also undertake in tandem, making it harder to identify and differentiate illegitimate funds or activities.

**Nominees, Trust Companies, and Intermediaries:** Criminals may look to use a network of intermediaries, including nominees or custodians, as well as trust companies, to disguise the beneficial ownership of a bank account, investment fund, or other financial instrument to avoid detection and to prevent such accounts from being linked back to an individual or company with criminal history. The FATF has highlighted the use of this approach in various environmental crimes, such as illegal logging.

**Transactional Manipulation:** Criminals can manipulate transactions to avoid detection. This can be done by using rapid fund movements such as multiple cash deposits, internal transfers followed by multiple cash withdrawals, or multiple cash deposits into accounts followed by multiple cash withdrawals. Significant cash payments or escrow type transactions from or to accounts and companies with the same beneficial owner are another key risk.

**Bank or Wire Transfers:** Criminals may use third party wire transfers under the guise of payments for goods or services that make sense within the sector in which they conduct their illicit dealings, such as agricultural goods or legally mined metals. It is therefore important for FIs to monitor who their clients are transferring money to, to see if funds are going to individuals or entities with higher risk characteristics, such as offshore accounts or newly established companies with no clear legitimate business operation. The transfer of funds to higher risk jurisdictions is also a key risk.





**Informal Money Value Transfer Systems (MVTs):** The abuse of informal or underground MVTs such as Hawala is a key risk in the UAE, in part due to the prevalence of these services across the country and regionally. The risk of informal MVTs being used to move illicit funds is particularly high for IWT and illicit gold trade in the UAE, as these services are also common in source regions for illicitly mined gold or illegally sourced wildlife, such as East Africa. While most MVTs are legitimate and serve a positive socio-economic purpose, they present a risky alternative to traditional banking, often accepting cash or other items that can be used to transfer money abroad while avoiding the regulated financial system.

**Shadow Banking:** Criminal networks may use bank transfers or direct deposits. They may also turn to shadow banking networks to avoid having to use regulated financial services, including using lenders, brokers, or other credit intermediaries that fall outside regulated banking.

**Cash-Intensive Businesses:** Criminals, especially those operating in illegal mining or logging, may use large cash transfers from cash-intensive businesses to beneficiaries in areas known as source regions for environmental crime, such as those with high levels of land clearing activity. Another risk is related to firms with unusually high volumes of business turnover in cash transactions, especially in countries with at-risk zones related to environmental crime. Workshop participants also noted cash-intensive businesses with links to ports and customs as an area of concern.<sup>12</sup>



## Example Financial Services Red Flags:

- Large cash withdrawals from financial institutions operating in rural areas that are close to areas with higher levels of resource extraction or deforestation.
- Receiving deposits and wire transfers from one or several origins without clear economic or financial grounds.
- Frequent payments from companies in the extractive sector to suppliers or beneficiaries unrelated to the legal person's activity or business.
- Circular transactions related to local trade (between local bank accounts).
- Circular financial transactions between a company's account and the private account of a company shareholder or director, without a clear business or economic reason.
- Deposits or transfers to a trader, dealer, or third party from foreign companies followed by the immediate transfer of similar amounts to another jurisdiction.
- Transactions between accounts of different companies that are affiliated with the same customer, particularly to or from free trade zones or countries with less beneficial ownership transparency.
- A single bank account being used by multiple businesses.
- Unusual forms of payment for a specific trade/sector, e.g. use of travellers' cheques in the trade of precious metals or stones.

[12] Project Workshop on 6 March 2024 in the UAE.



## 2. Customer and Third-Party Typologies and Red Flags

Close attention should be paid to potential red flag characteristics pertaining to clients, suppliers, partners, and third parties, as well as their networks. Criminals often hide behind front companies or individuals, and/or employ corrupt actors to help facilitate crimes. It is important therefore to assess exposure to a range of potential actors, interests, intermediaries, and power dynamics involved in environmental crime. When screening for potential links, companies should screen the entire networks of those they do business with, as otherwise hidden links could be missed. Key typologies and red flags for the UAE private sector to watch out for related to customers, suppliers, third parties, and their networks and intermediaries include:

**Public Sector Corruption at Source:** Corruption often acts as a “door-opener” for environmental crime, with corruption across government undermining the ability of law enforcement and the judiciary to effectively fight crimes. Companies should therefore watch out for customers, suppliers, partners or third parties with potential links to corrupt actors in the source or origin country where environmental crime stems from.

**Private Sector Corruption in Supply Chain:** Private sector corruption can occur at any point along the supply chain or financial transaction lifecycle. For environmental crime, corruption can occur across importers and exporters, refiners and smelters, manufacturers, traders, brokers, and financial institutions and lawyers, among others. Active bribery – namely the giving of bribes – is a key risk. Certain organisations, such as mining companies or conservation-related entities, also face risks related to receiving bribes. Businesses should therefore remain vigilant when screening customers, suppliers, partners, or other companies they are doing business with to ensure there is no history of corruption or bribery.

### Southern Africa Gold Smuggling Corruption Scheme

An investigation by Al Jazeera’s Investigative Unit (I-Unit) uncovered a series of gold smuggling gangs in Southern Africa that helped criminals launder hundreds of millions of dollars through a complex web of companies, counterfeit identities, and fake documents. The investigation found that several high-ranking officials from Zimbabwe were implicated in the scheme. In one case, one of Zimbabwe’s top ambassadors, Uebert Angel, offered to use his diplomatic privileges to carry more than \$1 billion of dirty cash into the country. Zimbabwe’s main gold export market is the UAE, to a tune of \$3.5 billion in gold exports to the UAE in 2021. Corruption across the gold sector in southern Africa is a major vulnerability that UAE-based gold refineries and dealers should account for when sourcing from this region.

The screenshot displays a digital profile for Uebert Angel. At the top, there is a navigation bar with icons for a person, a circle with a slash, a building, a scale, a briefcase, and a group of people. Below this is a circular profile picture of a man, followed by the name 'Uebert Angel' and a small icon of a document. The profile lists the following details: Gender: Male; Date of birth: 1978-09-06; Nationalities: United Kingdom, Zimbabwe (with a '[Less]' link); and Addresses: Residential: United Kingdom, Residential: Zimbabwe (with a '[Less]' link). To the right of the profile information is a section titled 'Adverse Media' with a pink warning box stating 'Adverse media has been reported against Uebert Angel'. Below this, it lists 'Organised Crime Groups, Gangs and Syndicates' and provides details about an event: 'Event: Pre-Trial: Preliminary Investigation Date: 2023-04'. A link to 'Six secrets uncovered by Al Jazeera's Gold Mafia investigation' is included, along with a snippet of text: 'Reportedly, in April 2023 an investigation by Al Jazeera's Investigative Unit (I-Unit) revealed a se...' and a '[More]' link. The date 'Date: 2023-04-14' is also present.

Source: [Themis Search](#)



**Front or Shell Companies:** The use of shell or front companies by criminals is commonplace across higher risk industries for environmental crime, such as forestry, mining, and waste management. While many companies use networks of subsidiaries for legitimate purposes, criminals also look to exploit company service providers by creating shell companies to hide true beneficial ownership, as well as illicit trade or business activity. This can present challenges for firms looking to distinguish between legitimate and illegal activities among their suppliers, business partners, or third parties, especially in industries that carry more environment-related risks. When used, front or shell companies often have ties to the import-export sector, to seem like they are issuing legitimate invoices and payments to suppliers, thereby covering up illegal trade practices.

**Entity Name Fraud:** Workshop participants noted criminal entities attempting to establish themselves with names very similar to legitimate entities operating in the same industry, and to pass themselves off as the legitimate business.<sup>13</sup> This demonstrates the importance of conducting due diligence on entities that goes beyond just entity name, as these may be intentionally misleading.

**Exposure to PEPs:** Criminals may look to take advantage of PEPs in their family or network of associates, leveraging such relationships for political favours or to avoid law enforcement. A key risk to keep an eye out for is a company with a foreign PEP involved in its corporate or ownership structure, especially if the company uses a front company to hide its links to such an individual. As outlined by the FATF, a company in one country may use offshore financial centres to obscure a connection with a subsidiary that has a PEP as a director, while using connections to this PEP to illegally obtain a mine concession, for example.

**Corporate Customers from High-Risk Industries:** Workshop participants noted a risk around corporate customers connected to high-risk industries for environmental crime such as IWT.<sup>14</sup>



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[13] Project Workshop on 6 March 2024 in the UAE.

[14] Project Workshop on 6 March 2024 in the UAE.





## Example Customer and Third-Party Red Flags:

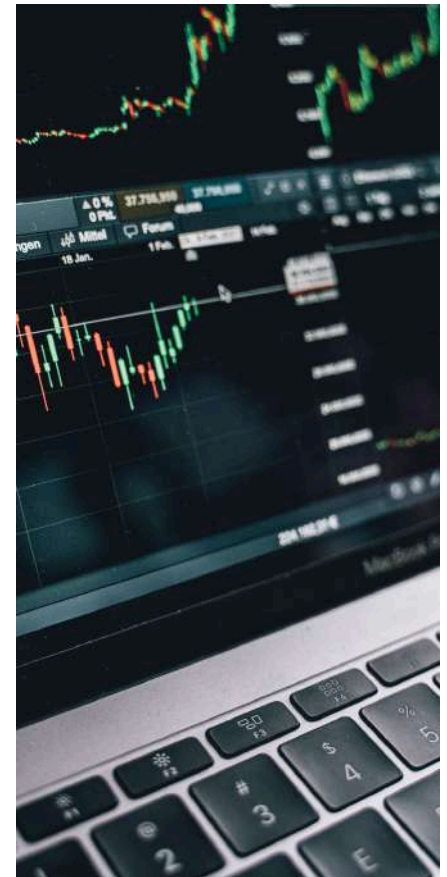
- Clients who are overly secretive or evasive about details such as their identity, source of wealth or funds, beneficial owners of accounts, or reason for choosing a particular payment method.
- Unexplained cash transfers involving senior officials or PEPs (or their family members), especially if these individuals operate within the natural resources, mining, wildlife, land management, forestry, or waste management spaces.
- Clients who have a history of adverse media or law enforcement against them or their close associate(s), especially if it involves bribery, corruption, environmental, or other organised crimes.
- A client identified as a manager or director of several companies linked to environmental extraction or with a history of sourcing from conflict zones or areas with high rates of deforestation or violence.
- Clients with land management or natural resource control rights in their own country, or clients with family members or close associates with these rights.
- Clients serving government positions that have direct say over procurement or trade agreements, mining land rights or other procurement agreements.
- Companies with shareholders who have been previously implicated in a crime.
- Intermediary companies that are operating out of a rural area, particularly one in a higher risk jurisdiction or region for environmental crimes.
- Intermediary companies that are registered in an offshore jurisdiction, particularly in one identified as having a higher prevalence of shell companies or lacking transparency in beneficial ownership.
- Clients at higher risk of exposure to a specific environmental crime by virtue of their profession: for instance, those working for a mining company or a private zoo or safari company.
- Businesses involved in commodity trading (as these can be used to conceal illicit commodities or products, such as timber, frozen foods, plastics and rubber, or agricultural products such as coffee).
- General trading companies set up as foreign entities and registered at residential addresses.



### 3. Trade and Supply Chain Typologies and Red Flags

Criminals often rely on trade-based mechanisms to transport and conceal products with links to environmental crimes, as well as use trade-based money laundering to clean their criminal proceeds. Environmental crime is often concealed within legitimate trade and transportation mechanisms. Key trade-based typologies and red flags for UAE businesses to look out for include:

**Comingling in Supply Chains:** Criminals may look to “clean” illicitly sourced commodities or products by co-mingling or smuggling them with legally sourced commodities or products of the same type, thus making it harder to identify those that were illicitly sourced. Workshop participants noted that the UAE’s status as an international trading hub exacerbates this risk, since underlying trade activity can make it difficult to trace origins and validate exactly what is being traded.<sup>15</sup> This may include the use of refineries, mills, factories, or other physical points in the supply chain where the source can be obscured. The co-mingling of illegal produced or stolen timber into legitimate sawmills is one of the most common ways for illicit timber to be moved. In the case of IUU fishing, transshipment allows for fishing vessels to remain at sea longer, and while at sea fish are kept in holds for longer periods, leading to co-mingling of IUU and non-IUU caught fish prior to landing, thus making supply chain and country of origin traceability harder. Of note, according to C4ADS, air freight and passenger clothing items are particularly common ways to transport animal products in the Middle East, with more trafficking instances concealed in these ways in the Middle East than any other region globally.



#### Comingling a Key Risk for PMS Sector

The co-mingling of illegally sourced gold with gold sourced legally is a key risk for the gold sector in the UAE, as criminals have targeted the country as a “cleaning hub” for illicit gold. It is easier to remove defining characteristics that may reveal the origin of gold than for many other illicit commodities (for example, by melting it down), allowing it to be mixed into the licit UAE market, thereby reducing its traceability.

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[15] Project Workshop on 6 March 2024 in the UAE.



**Ghost Ships:** Criminals may use so-called ghost ships or shadow fleets, which are vessels that disguise their movements to facilitate trade-based crimes, such as sanctions evasion, embargo circumvention, or money laundering. These ships turn off their automatic Identification systems (AIS) to conceal their locations and conduct illegal activities without detection. These create opaque parallel trade patterns that allow for sanctioned or stolen oil, illicit waste, illegal timber, and other environmentally harmful products to be smuggled through the international shipping industry. These shadow fleets often also have heightened risk of accidents, which may bring about severe environmental consequences, depending on the precise type of illicit commodity being carried (oil and waste spills are, as one might expect, especially harmful). According to an [investigation](#) by Reuters examining ship tracking and accident data, ghost ships are often older and not as well-maintained, and risk colliding with other ships more easily due to their AIS being turned off.

**Flag-Hopping:** Ships sail under the flag of the country in which they register, with that state then exercising regulatory control over the vessel. Ships can register in countries that offer lower fees, and offer less scrutiny, and are often [referred to](#) as “flag-of-convenience states”. There has also been an increasing trend of ships switching flags without registering with a state, often to avoid regulatory oversight, often targeting small registries that are privately managed. Another risk are vessels using fake company International Maritime Organisation (IMO) numbers, which serve as means of identification – this allows these ships to avoid being traceable by the international community.



## Emerging Risk – DP World–Tanzania

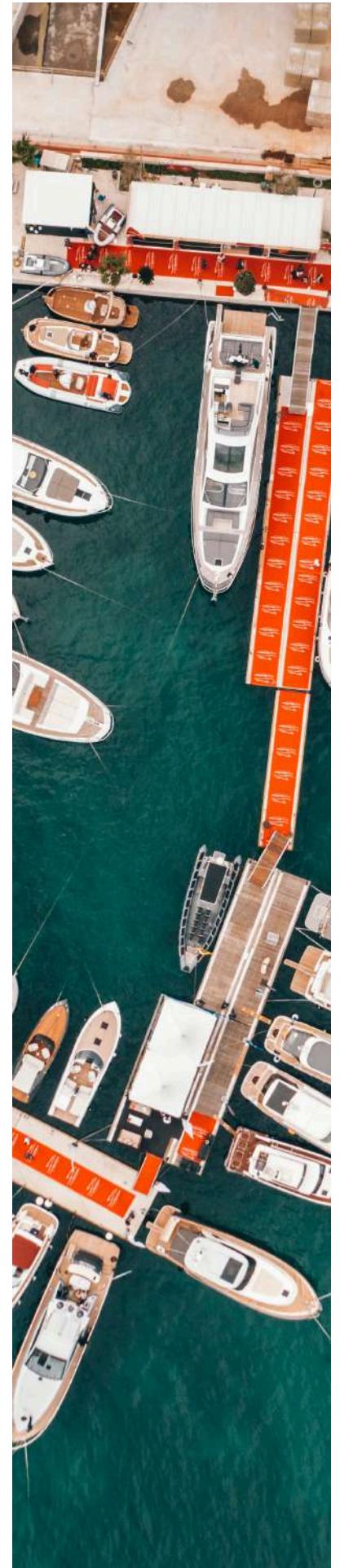
One flag-of-convenience state that is of particular relevance to the UAE is Tanzania, as the two countries have [strengthened](#) trade and investment ties in recent years. DP World [won a bid](#) in 2023 to operate part of Tanzania’s Dar es Salaam port. While this will have a considerable positive economic impact, it also leaves the UAE vulnerable to ships looking to abuse flag-hopping techniques to conduct environmental trade-based crimes under the radar of port authorities, law enforcement, and regulators in free trade zones such as Jebel Ali Port and Free Zone (which is owned by DP World).



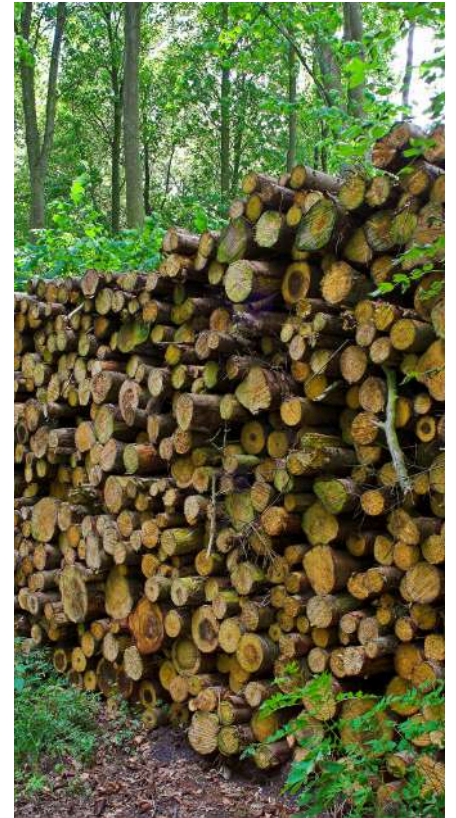


**Transshipment or Ship-to-Ship Transfers:** Transshipment means the unloading of goods from one ship and its loading into another to complete a journey to a further destination. It can be a completely legal practice used daily; however, criminals also use it to disguise the illicit origin or nature of products. Transshipment is often associated with IUU fishing, with valuable fish such as tuna species, mackerel, and crabs transshipped every day to shorten the time it takes to get the fish from the sea to the store. While this transshipment does not occur illegally in most cases, the common nature of this practice increases the risk of criminals abusing it for IUU fish. Similarly, ship-to-ship (STS) transfers are used to transfer cargo, including illicitly obtained, illegal, or sanctioned goods, between ships as they are positioned along each other, either stationary or moving. They often occur outside of the oversight of port authorities and often involve shadow fleets. This practice also carries severe environmental risks, as demonstrated by the 2019 case of two tankers catching fire in the Black Sea region while transferring fuel mid-sea (which they were doing as one vessel was barred from using its usual port).

**False Invoicing and Documentation:** False invoicing involves either invoicing for a fake product, or over- or under-declaring the quantity of goods being shipped; this practice is used to justify moving money across borders. For environmental crimes specifically, false documentation could include the mislabelling of hazardous waste or other dangerous products, which could have severe environmental or health consequences if materials that should undergo additional precautionary transportation protocols are mishandled. False documentation may also include false letters of credit or customs and shipping documents, which represent particular risks in illegal logging and waste trafficking crimes. FIs should also be wary of relying on paper documentation, such as bills of lading: legal documents issued by carriers to shippers detailing the quantity, type, and destination of the goods in transit. These are sometimes hand-written and therefore susceptible to fraudulent alteration which may serve to obscure goods' true provenance, thereby concealing illicit activity.



**Abuse or Forging of Certification Regimes:** There is a risk of criminals looking to abuse certification firms which provide validation for products free of environmental crime. A recent investigation by ICIJ found that major certification firms have validated products linked to deforestation and illegal logging in conflict zones, allowing these products to sport “green labels” of being ethically sourced when in reality they are not. In the case of diamonds, Kimberly Process (KP) certificates may be forged.



## Unlocking Technology to Enhance Supply Chain Transparency

Technology can play a hugely important role in supply chain traceability and transparency, helping companies verify country of origin for products, as well as the supply chain journey and end destination. Companies, especially those operating in the PMS sector in the UAE, should therefore consider investing in innovative tools to help spot trade-based criminal activity and ensure commodities such as gold are sourced and traded ethically. Such tools can include:

- Generative AI, which can analyse large volumes of data collected throughout the supply chain to identify patterns and anomalies in specific supply chain routes that may be signs of criminal activity. For example, a PMS company may use AI to understand common routes of legal gold from East Africa to the UAE to check if their specific supplier has made any suspicious supply chain choices.
- Blockchain technology can serve as a digital record-keeping tool for supply chain management and traceability by securely recording transactions between parties in a verifiable and permanent way, thus reducing risks associated with unsavoury intermediaries or third parties. Other traceability technology includes unique identifiers like barcodes, QR codes, or electronic chips on product packaging or pallets.
- AI technologies which can help detect forged or misleading documentation, such as certificates of origin, port entry documentation, or accounting ledgers. Workshop participants noted this as a way in which they verify authenticity of commodities, particularly gold.<sup>16</sup>

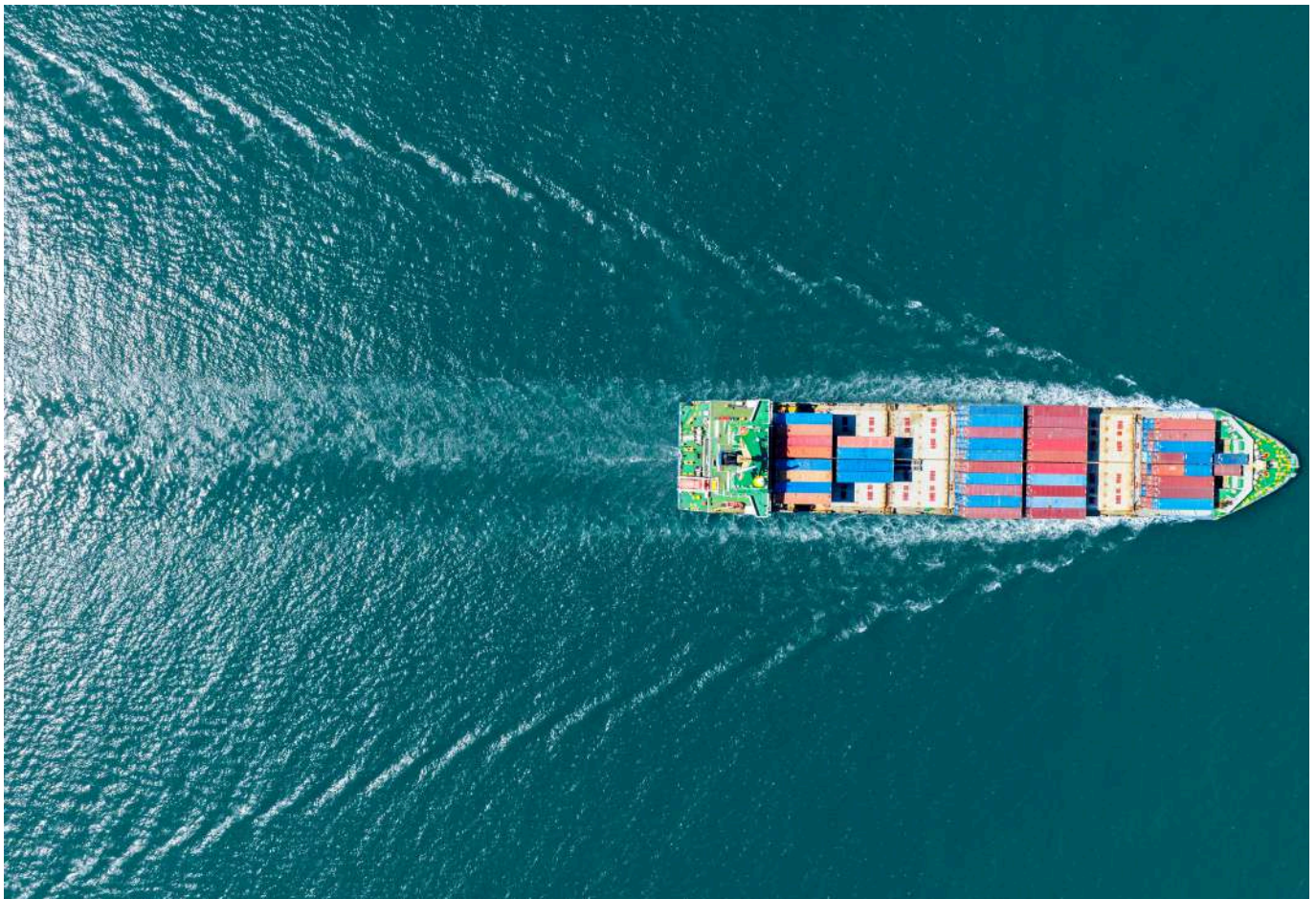
[16] Project Workshop on 6 March 2024 in the UAE.





## Example Trade-Based and Supply Chain Red Flags:

- Abnormal shipping routes or destination country for a product, or unusual changes of shipping routes.
- Any reluctance to offer information about the business at hand, the end-use of a product, or about the co-signor/co-signee, as this could signal use of a shell company to mask actual ownership.
- Any transaction where a shipper or a consignee insists on paying transportation costs in cash, or if the cost is paid by a third party (e.g. not a shipper or a receiver).
- Change of the delivery address at any time after it was shipped, as this could signal an intention to divert a shipment.
- Fake documentation to facilitate illegal waste trafficking, such as fake waste codes or falsification of waste documents.
- Commingling of personal and business proceeds.
- Discrepancy between cargo weight and appearance, or value and description.
- Discrepancy between the description or value of a commodity in shipping documents and invoices, relative to the actual goods shipped or actual value in payments made.
- Dubious or vague descriptions of commodities on shipping documents and invoices.
- Questionable paperwork such as duplicate certificate numbers, missing permit details, falsified signatures, and anomalous, incomplete, or suspicious certificates of origin.
- Illogical or anomalous purchases, payments, or other transactions related to gold trading from business accounts of clients.





## 4. Technology Typologies and Red Flags

Given the prevalent use of technology to advertise, trade and communicate via, UAE-based firms should pay attention to the following technology-specific environmental crime red flags:

**Digital Payment Platforms:** The rapid growth in use of online payment platforms internationally, and across the MENA region specifically, has provided criminals with new avenues for their illicit activities. The UAE has seen extensive investment in this sector in recent years, leaving it vulnerable to misuse of these platforms by criminals engaging in environmental crimes such as IWT. For example, an individual in one country may use a digital payment system to purchase an illegal animal product from an individual in another country. The speed and convenience of such platforms is appealing to criminals, as is the fact that many of these platforms are newer and still working to implement adequate transaction monitoring systems.

**Social Media & E-Commerce:** The buying and selling of illicitly sourced commodities or products is increasingly taking place online, with criminals looking to use digital avenues that often have lower risk of detection than more traditional, physical avenues; social media and e-commerce platforms often have less experience spotting and reporting signs of illicit trade than customs or other law enforcement. Criminals also use online marketplaces and social media sites to advertise illegal products. In the case of IWT, illicit activity hides in plain sight on online platforms – in self-proclaimed “animal lovers” groups on sites such as Facebook. E-commerce platforms have also seen an uptick in the illegal sale of wildlife and wildlife products in recent years globally. Workshop participants also highlighted the trend of influencers on social media marketing exotic animals to their followers, further fuelling risks around IWT being used by wealthy individuals to demonstrate status or attract a social media following.<sup>17</sup> Other commodities such as illicitly sourced gold and other precious metals and stones are also seeing an increase in sales across social media and e-commerce. Companies operating across the social media and e-commerce industries, as well as traders or companies carrying out transactions on these platforms, should be aware of warning signs of suspicious activity.



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[17] Project Workshop on 6 March 2024 in the UAE.



## Illegal Gold Mining Social Media Influencers

There is an increasingly thriving social media environment for illicit gold miners looking to recruit people and grow their illicit businesses. A 2023 study by Rest of World found that Brazilian miners-turned-influencers are using TikTok and YouTube to reach millions of viewers with videos showing how to mine gold illegally, using videos to encourage the growth of illegal mining settlements in northern Brazil.

Often these videos feature digging on protected indigenous land, using outlawed machinery. Some even show the use of banned chemicals, such as mercury, which present a significant health risk. Many of these accounts have extensive followings and viewership. One influencer, Garimpeiro Solitario, has over 600,000 followers and over 10 million views on TikTok. Some accounts are even monetising their content, providing a revenue stream for their illicit activity.

A key risk these accounts present to gold dealers, jewellers, and others operating across the legitimate gold industry is that these influencers are now launching their own e-commerce shops to sell mining equipment directly to viewers who are novice miners. This incentivises more small-scale illicit gold miners to break into legitimate markets and smuggle gold into legitimate supply chains, often using e-commerce platforms to conduct their illicit business as well.

The use of social media by illicit gold miners in Brazil both to recruit and conduct illicit sales and marketing is an emerging risk that businesses involved in the UAE's gold trade should be aware of due to the inflow of Brazilian gold into the UAE.

**Crypto and Virtual Assets:** Another key risk is the intersection of illicit commodities and social media with crypto and the dark web. This is a particular risk area for IWT, with studies showing that criminals have exploited the dark web to trade wildlife products, often using cryptocurrencies, to avoid detection. The abuse of crypto in the environmental crime space is a key risk for the UAE as one of the leading crypto markets internationally. With the UAE prioritising investment in fintech and other digital financial innovation, there is a need to remain vigilant to ensure crypto is not used for illicit transactions.



## UAE Leadership in Crypto Regulation

The UAE government has pushed forward crypto related regulation in the country to attract well-governed, legitimate crypto companies and trading platforms, as well as others working across the virtual assets and blockchain space. Dubai launched a Virtual Assets Regulatory Authority (VARA) which is responsible for overseeing virtual assets and virtual asset providers, including licencing. The regime includes compulsory rulebooks for service providers that outline AML/CFT rules and guidance on how to conduct due diligence, report suspicious activity, and implement adequate controls. The UAE's leadership in regulating and supporting those in the crypto sector helps ensure that potential abuse by criminals is minimised.

### Example Technology Red Flags:

- Initial connection on an online platform with a potential buyer or seller of a higher risk product or commodity which leads to that individual requesting to take the rest of the transaction "offline."
- CITES-listed species, embargoed commodities, or illicitly sourced stones or metals being openly marketed for sale on online platforms.
- Marketing of products on online platforms in "closed" or "secret" groups.
- Traders request numerous payments from online payment platforms.
- Irregular and unusual pattern of crypto trading transactions.
- Sending virtual assets to jurisdictions with weak AML regulations or measures.
- An individual asking to use the dark web to receive or send crypto, or to buy or sell products or commodities.





## 5. Geographical and Jurisdictional Typologies and Red Flags

The UAE's role as a prominent transit and destination centre for commodities and trade leaves it vulnerable to abuse by criminals and corrupt actors operating in the environmental crime space. The country's proximity to many regions at higher risk of environmental crimes (in particular, IWT, oil trafficking, and illegal mining) further heightens its risk exposure. It is therefore incredibly important for FIs and DNFBPs operating in the UAE to understand and account for risk factors as they relate to specific countries, trade routes, and regions.

It is important to note that Africa and Asia have heightened exposure to environmental crimes globally, largely due to their biodiversity, which creates a two-way corridor of illicit trade and financial flows between the continents, with the UAE acting as a natural transit hub between these regions. It is also key to remember, however, that it is not only countries with high levels of natural resources or biodiversity that face high risks related to environmental crime. Key international financial and trade hubs, such as the UAE, face higher risk due to their roles as intermediaries, even if unknowingly and unwittingly.

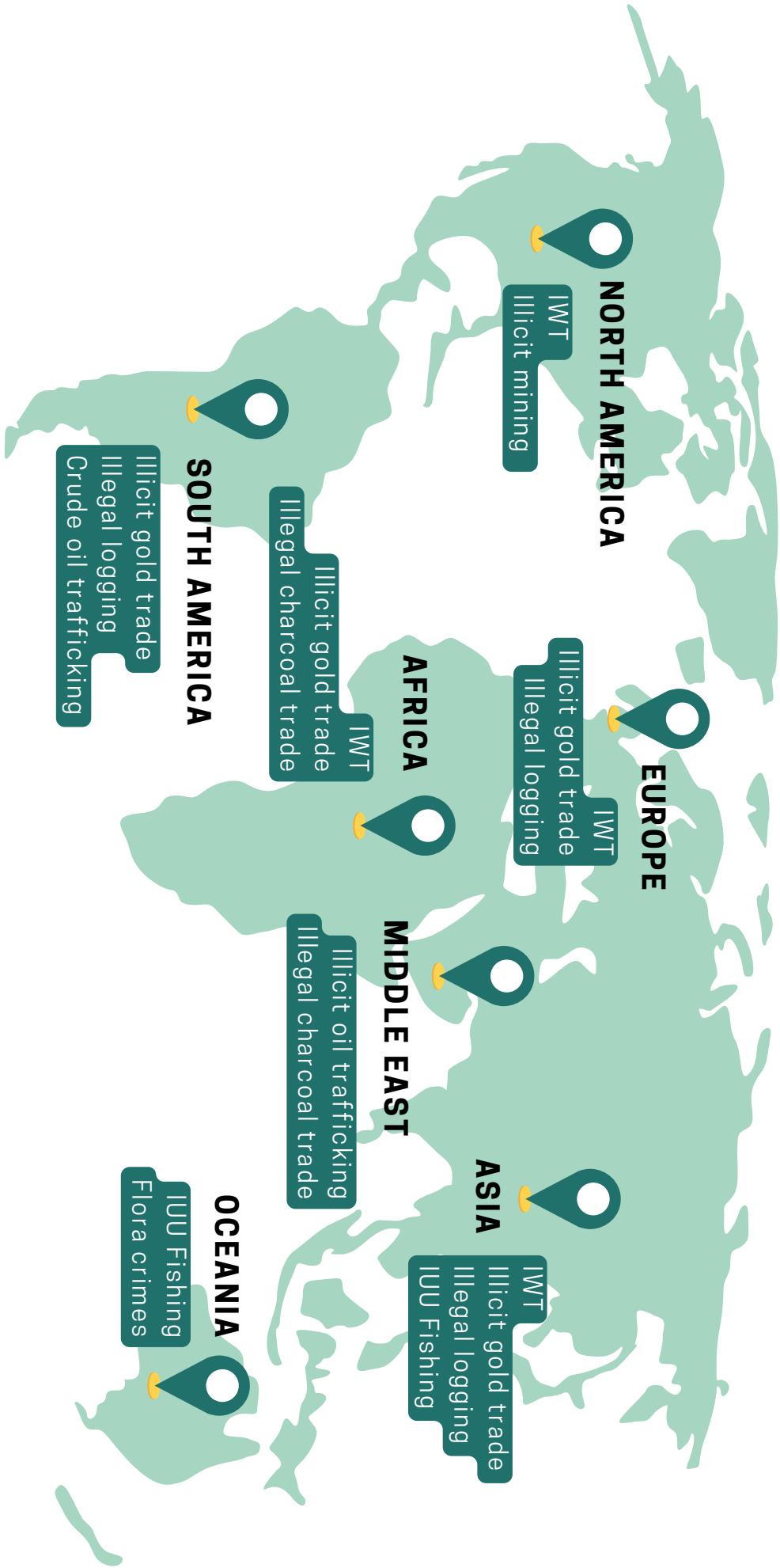
When examining jurisdictional risk, companies should keep in mind the following definitions:

- **Source Hubs** – Countries or regions that produce and export high levels of illicit commodities, goods, and products with links to environmental crimes;
- **Transit Hubs** – Countries or regions serving as intermediaries for the transit of illicit goods or their associated illicit financial flows;
- **Destination Hubs** – Countries or regions that purchase high levels of illicit goods linked to environmental crimes.

The following is a breakdown of geographical and jurisdictional risks of particular relevance to UAE businesses. These research findings are by no means exhaustive, and companies should conduct in-depth assessments on the specific jurisdictional risks they face based on the key countries in which they operate and do business. Country risk assessments are an important part of this process, enabling businesses to understand their financial crime landscape.



# UAE Jurisdictional Risk



**Asia:** As outlined by the Global Initiative against Transnational Organized Crime, environmental and financial crimes are a significant source of profit for a wide range of illicit actors operating in Asia. The Global Initiative also outlines that there are many highly influential state-embedded criminal actors who exert significant control across the continent. This presents a real risk related to government officials and PEPs operating in land management, forestry, customs, and other key areas relevant to environmental crimes.

- The UAE serves as a transit hub for illegal wildlife and wildlife products being moved between Africa and Asia. Ivory and pangolin are prominent products trafficked along this route, with China representing a key destination market for both, due in part to Chinese traditional medicine practices (although demand for ivory has decreased in China in recent years due to a national ban). For example, traffickers have used connecting flights from Africa to Dubai and on to Asia as a way to traffic these products. Other higher risk markets in Asia include Vietnam, Laos, Myanmar, and Cambodia – key destination and regional transit hubs for animals such as pangolin.
- India is a high-risk destination jurisdiction for illicit gold, with cases of criminals exploiting Dubai as a transit hub for the subsequent export of illicit gold into Indian ports and airports. India is the second largest gold consumer globally after China, with the UAE, Switzerland, Peru, and Ghana being the top gold suppliers to India. Gold smuggling into the country increased in 2023, due in part to gold prices reaching record highs. China, the world's largest single market for gold, is also a higher risk country, with reports of Chinese nationals being accused of leading illegal mining operations in countries such as Ghana.
- China is estimated to have one of the largest markets for illegally traded timber globally, driven in part by its traditional furniture and arts industries. Valuable rosewood is commonly sourced from south-eastern Asia, Africa, and Latin America. In recent years, trafficking routes using the UAE as a transit hub have emerged – as demonstrated by a case in 2021 where Hong Kong authorities seized 3.2 tonnes of red sandalwood in freight from the UAE.

## IUU Fishing

India is the top supplier of fish and seafood to the UAE and is currently ranked as fourth worst on the IUU Fishing Risk Index, due in large part to an increase in IUU vessels linked to India. Moreover, a study found that around 16% to 34% of catches analysed in the Indian Ocean were either illegal or unreported.

China is another key jurisdiction for UAE businesses to pay heightened attention to from an IUU risk perspective, given its status as a leading supplier of fish globally, the 5th largest supplier to the UAE, and the highest risk country on the IUU Fishing Risk Index. Chinese companies are increasingly involved in IUU fishing, with vessels under the Chinese flag being abused for IUU.





**Africa:** Some of the most pressing transnational crime issues across Africa today include land-grabbing due to infrastructure and development, agribusiness, and mining projects, and the trafficking of endangered species. Trade from East Africa presents considerable risks to the UAE specifically, due in part to actors using the East Africa-to-UAE trade route to smuggle illicitly sourced commodities such as gold and timber, with Dubai serving as a financial hub for the attempted laundering of associated criminal proceeds.

- The trade of African sourced illicit gold is a key risk for the UAE, given the UAE's status as one of the largest importers of African gold globally. According to some estimates, as much as 95% of gold officially exported from eastern and central Africa goes to Dubai. The top countries exporting from Africa to the UAE in 2022 were Mali, Ghana, and Zimbabwe. According to some estimates, up to 80% of the gold in Mali's supply chain is produced in Senegal, which presents a risk due to reports that Senegalese traders often rely on informal transactions and rarely produce certificates of origin. There are also concerns about countries like Libya and Venezuela using Mali as a platform to export their gold illegally to Dubai. Overall, the complex and interconnected nature of illicit gold supply chains across Africa means that businesses across the UAE's gold sector should remain vigilant in checking the true origin of gold and whether it was mined and traded legally.
- More generally, there are risks across East Africa, with widespread networks of private entities and transnational criminal groups operating in illicit mining looking to trade gold in Dubai. These networks often have links to corrupt actors in the region (and elsewhere) and operate as well-established business operations embedded within legal economies. According to the Global Initiative, Central Africa also struggles substantially with illicit gold and diamond mining and smuggling. The DRC and CAR are key source countries, with their gold smuggled into neighbouring countries such as Uganda and Rwanda before entering the international market. Kenya, in turn, serves as a transit hub for the smuggling of conflict gold regionally out of Africa.
- In terms of IWT, ivory is a key animal part trafficked through the UAE from Africa, originating from forest elephant populations in western and central Africa and savanna elephant populations in eastern and southern Africa. Nigeria is a prominent exit point for IWT from the continent to Dubai, according to the Global Initiative, with ivory originating in countries such as Cameroon, Gabon, CAR, and the DRC. In eastern and southern Africa, Kenya, Ethiopia, Uganda, Tanzania, Botswana, and Zimbabwe are common countries of origin – with smugglers often travelling directly to Dubai via air, and then on to other jurisdictions such as Hong Kong.



## Somali Charcoal Smuggling

Somalia presents a high risk to the UAE in terms of the smuggling of embargoed charcoal, often linked to conflict or terrorist financing. For instance, in 2023, the US designated four charcoal smugglers operating primarily between Somalia and the Persian Gulf. Such charcoal has fuelled local conflicts, produced revenue for groups like al-Shabaab, and contributed to deforestation and other environmental damage. Among those designated included a supplier and coordinator for the illicit trade focused on exporting to the UAE, as well as a businessman based in Dubai. The businessman owned at least three UAE-based companies, all supposedly within the general trading or shipping sectors, which were used to ship charcoal into the UAE as recently as 2022.

According to certain estimates, Oman is a major importer of illicitly produced Somali charcoal. This therefore also leaves the UAE vulnerable to smugglers trafficking this charcoal into the country across the UAE-Oman land border.

**Middle East:** There are regional networks of intermediaries and front companies engaged in the smuggling and trafficking of various illicit commodities across the Middle East, creating severe challenges in dealing with illicit trade and illicit financial flows. The integration of international criminal groups into networks heightens these challenges, as do ongoing geopolitical issues and instability across the region.

- There is a distinct risk around the illegal petroleum trade and trafficking of illicit oil due to international embargoes against Iranian oil. The Global Initiative outlines how oil smuggling and trafficking have become an economic strategy for Iran to evade Western restrictions and fund activity in the region, with regular reports of Iranian ships using disguises and ship-to-ship transfers to move Iranian oil undetected. This presents a risk to the UAE as it shares a maritime border with Iran which can be abused by those looking to evade sanctions.
- There are also risks around criminals abusing company service providers and financial services in the UAE to build networks of intermediaries and shell companies to move the proceeds of illegally exported Iranian oil and petrochemicals. For instance, in 2023, the US sanctioned a shadow banking network that enabled a designated Iranian petrochemical conglomerate to sell billions of dollars' worth of petrochemicals from Iran-based companies to buyers overseas. This network included UAE-based trading companies and exchange houses. In a case from this year, the US sanctioned a large-scale oil laundering network used by the National Iranian Oil Company to sell crude oil, which included individuals and companies located in the UAE, as well as India, Greece, Turkey, Cyprus, Russia, and elsewhere – demonstrating the truly global nature of these networks.



**South America:** As a region, South America is highly exposed to environmental crime. As outlined by the Global Initiative, it also hosts complex networks of links between more localised instances of criminality and regional illicit economies, with South American countries often caught up in global criminal supply chains as origin, transit, and destination points.

- Chile is a high-risk source country for the UAE, with key players in the country's illicit gold trade organising large-scale gold trafficking operations to Dubai. Other high-risk markets from an illicit gold perspective include Bolivia, Colombia, Ecuador, Panama, and Peru. Rural areas of the Amazon region are particularly high risk. In Brazil, there has been a 495% increase in mining activities on Indigenous land in the Amazon between 2010 and 2020, despite mining being banned in these legally protected areas. According to some experts, Venezuela has the most illegal mining spots identified; clandestine airstrips are often used to ship minerals, especially gold, out of the country, which presents a key risk for destination markets such as Dubai.
- Brazil is a key source market for illegal logging, especially in the Amazon region, where it has been associated with severe environmental degradation and violence committed by criminal organisations. As in the case of illicit gold, it is rural areas of the Amazon which are particularly high-risk. Studies show that nearly all timber leaving the Amazon is illegally or irregularly sourced, and organised crime groups are often the driving force behind these activities. Often, these groups are linked to illegal mining and farming as well. As Brazil is a top five source country for the UAE in terms of wood imports, and due to the pervasive nature of illegal deforestation related risks stemming from Brazil for supply chains globally, businesses across the UAE should be aware of red flags and remain vigilant when importing timber and related goods from Brazil.
- Venezuela is a high-risk country for crude oil trafficking, given the US sanctions it is under (although some of these were loosened in October 2023, initially until April 2024). Since these sanctions were imposed, traffickers have used a wide array of tactics to export over 360 million barrels of crude oil out of the country. This activity has been facilitated by a shadow network of brokers and companies across the world, including companies registered in the UAE.

## Peruvian Illicit Gold Trade

In 2022, Peru was the largest gold producer in South America, with a significant portion of this gold going to refineries in the UAE. According to some estimates, approximately 28% of Peruvian gold is illegally mined, with the gold sector a main driver of deforestation in the Peruvian Amazon. Illegal gold mining is a particularly high risk along Peru's La Pampa, as well as Tambopata, Manu, and Malinowski natural reserves. The gold is then transferred to local hubs such as Puerto Maldonado, where it is bought in bulk, processed, and resold to the international market as 'legitimate'.





**North America:** North America, and particularly the US, is becoming a key destination for the proceeds of environmental crime, as well as products sourced through environmental crime related activities, with criminals looking to take advantage of the international and open nature of the US financial system. A recent study by the Financial Accountability and Corporate Transparency (FACT) Coalition found that the US has become a key destination for illicit financial flows related to environmental crime, due in part to critical gaps being exploited by criminals, particularly groups involved in deforestation in the Amazon.

- The US, Canada, and Mexico all serve as source, transit, and destination countries for wildlife trafficking, with the US market for wildlife trafficking estimated to be worth billions of dollars annually. According to TRAFFIC, air travel plays a large role in the trade to and from North America – leaving the UAE vulnerable to criminals looking to use Dubai as a flight transit hub.
- Mexico faces illicit mineral extraction issues, particularly regarding gold, silver, copper, lead, zinc, and iron, with national cartels involved in the illicit trade. It is therefore important for UAE businesses involved in the trade of these commodities to double-check whether they are legally sourced if they originate from Mexico. There have also been reports of trading companies based in Miami in the US procuring gold that may have been illicitly sourced from Latin America before selling it on to refineries in Dubai.

**Europe:** While Europe is not as prominent a source region for environmental crime (apart from waste crime), its position as a global financial and trade hub leaves it vulnerable to abuse by criminals and corrupt actors operating across illicit economies. Many of the crimes they are engaged in are transnational phenomena, with many illicit markets stretching beyond and across national boundaries within the continent.

- As one of the largest global importers of the mineral, Switzerland faces substantial environmental and financial crime risks related to gold that has been illicitly sourced. It processes thousands of tonnes per year, mainly from the UAE, Argentina, Chile, and Peru. However, as noted, trade is often opaque and supply chains hard to monitor, making the risk of illicit gold entering Swiss markets very high.
- The UK ranks amongst the top wildlife importers globally, leaving it vulnerable to IWT. Indeed, Heathrow airport is one of the world's primary points of IWT seizures, serving as a key transit point for traffickers into European markets. As both Dubai and London are interconnected travel hubs, the role of London airports in IWT presents a heightened risk for the UAE. Germany is another key hub in Europe for IWT, serving as both a transit and destination hub for international networks – especially from Western and Central Africa to East and Southeast Asia. As with the UK, Germany and the UAE share a notable overlap of air travel and therefore connected risks related to IWT.
- Russia contains the largest area of natural and cultivated forests of any country in the world, with many of its woodlands under threat from illegal deforestation enabled and driven by corruption. As a result, Russia is a key source country for the illegal timber trade by organised crime groups into both Asia and Europe. Businesses in the UAE should, therefore, remain vigilant when sourcing timber or timber products from Russia.
- Much of the illegal timber imported into Europe travels via Spain, often from South and Central America. The regions of Valencia, Galicia, and Algeciras are key ports of entry for such timber. The illegal timber trade is also becoming a concern in Germany, according to the Global Initiative, with major German ports and airports facilitating the import of global timber.



## Increasing Risks around European Ports

The Global Initiative has outlined how European ports have come under stress from illicit flows in recent years, due to criminal organisations leveraging Europe's strong infrastructure and connectivity. Europe is also a gateway to destination countries for environmental crimes such as the IWT. An interesting component of this is that criminal groups are relying more on trade-based mechanisms to smuggle and traffic goods into countries in Europe, which decreases the need to rely on corruption. Increased numbers of transshipments which stop in Asia and the Middle East on the way to Europe are a key mechanism used in smuggling activities.

**Oceania:** Fauna-related crimes are a major risk in this region, especially IUU fishing, as fish is one of the most abundant natural resources in the region and a main revenue stream for its economies. Illegal fishing is the most significant and widespread form of organised crime in Kiribati, the Marshall Islands, and the Federated States of Micronesia and Palau.

- Global Initiative highlights the risk associated with vast fishing grounds in the Pacific and the extensive exclusive economic zones in the region, which make the detection of unusual Asian fleets engaged in illicit fishing a significant challenge for local authorities. The region of Micronesia has one of the highest scores for fauna crimes worldwide.
- Melanesia currently has one of the highest levels of flora crime globally, with Papua New Guinea and the Solomon Islands having the highest risk exposure. This is driven primarily by illegal logging, with most of the timber logged illegally in this region destined for Asian consumer markets.

## Example Jurisdictional Red Flags:

- Shipments or transactions originating in high-risk source countries or regions, such as Central and East Africa for gold, or Latin America for illegal timber.
- Shipments or transactions involving locations identified as key transit hubs for a range of environmental crimes, such as Malaysia, Singapore, Hong Kong, Brazil, Turkey, and UK.
- Shipments or transactions involving popular destinations for illicitly sourced products or commodities, such as India for illicit gold or China for illicit timber.
- PEPs from higher risk countries and regions, such as Kenya, Cameroon, DRC, and CAR.
- Intermediaries or shell companies registered in offshore jurisdictions or higher risk jurisdictions.





# 5 STRATEGIC FRAMEWORK

## Summary

Companies in the UAE should adopt a strategic framework to identify and disrupt environmental and financial crime exposure across their business operations. A carefully considered and implemented framework will help firms meet their regulatory requirements and avoid legal, financial, and reputational risks. Chapter 5 spells out the key aspects of a comprehensive framework; however, it is important to note that there is no one-size-fits all approach and every organisation should consider their specific business activities, sectoral and jurisdictional risks, and customer and supplier base.

A strategic framework will help organisations achieve:

- Better identification and mitigation of environmental and financial crime risks;
- More effective use of new technologies for key aspects of risk identification and management, including due diligence, screening, and ongoing monitoring;
- Stronger processes for suspicious activity and transaction reporting;
- A culture of awareness, transparency, and accountability ingrained across the organisation.

The chapter outlines six core components of a strategic framework:

**Risk Assessment** – Periodic business-wide risk assessments to track exposure to environmental and financial crime to help maintain an ongoing understanding of risks.  
**Policies and Procedures** – Clear and accessible policies and procedures for effective organisational response to tackling environmental and financial crime, including due diligence and ongoing monitoring.





## Continued Summary

**Policies and Procedures** – Clear and accessible policies and procedures for effective organisational response to tackling environmental and financial crime, including due diligence and ongoing monitoring.

**Systems and Controls** – Innovative but proven effective systems and controls for identifying and mitigating environmental and financial crime risks, including risk mapping software, digital risk assessment tools, automated screening and monitoring platforms, and specialist data that draws on smart data analytics.

**Governance and Management Information** – A governance framework setting out how your company will monitor, evaluate, and adhere to strategies and policies, including ESG governance and reporting, as well as management information plans in alignment with regulatory requirements.

**Culture** – A strong anti-financial crime culture that goes beyond box ticking and which is underpinned by ethical, environmentally friendly decision-making and built on collective values, attitudes, norms, and behaviours.

**Training and Awareness** – Periodic training to ensure all staff and senior management possess the skills, knowledge, and expertise needed to carry out their functions effectively in regard to environmental and financial crime management, as well as internal awareness-raising initiatives.

Companies in the UAE should adopt a strategic framework to identify and disrupt environmental crime and financial crime exposure across their business operations. A carefully considered and implemented framework will help firms meet their regulatory requirements and avoid legal, financial, and reputational risks. Frameworks should integrate the latest approaches and technologies for effective risk management and due diligence screening, such as platforms that allow for the identification of hidden links and network connections.

This chapter spells out the key aspects of a comprehensive strategic framework. There is no one-size-fits all approach to implementing such a framework – every organisation is exposed to environmental and financial crimes in different ways and to different degrees. Companies should consider their specific business activities, jurisdictions of operation, as well as customer and supplier base, when implementing an anti-financial crime framework and policies. The framework provided in this report should be used in unison with UAE AML/CFT laws and regulations. FIs and DNFBPs should reference CBUAE guidelines on AML/CFT matters, notably risk assessments, internal policies, controls, and procedures, customer due diligence, governance, and suspicious transaction reporting. For more in-depth information on reporting requirements and best practices, see Chapter 6.

- [CBUAE Guidelines on AML/CFT for FIs \(2021\)](#)
- [CBUAE Guidelines on AML/CFT for DNFBPs \(2021\)](#)



It is also important for senior management to fully support and contribute to the framework's design and implementation. Having a well-thought-out framework on paper is not enough in and of itself – promoting a positive anti-financial crime culture across all levels of the organisation, leading with a strong voice at the top, helps ensure the success of anti-environmental and financial crime policies, systems, and governance. Senior management should therefore take clear responsibilities for managing environmental and financial crime risks.

## Culture & Communications

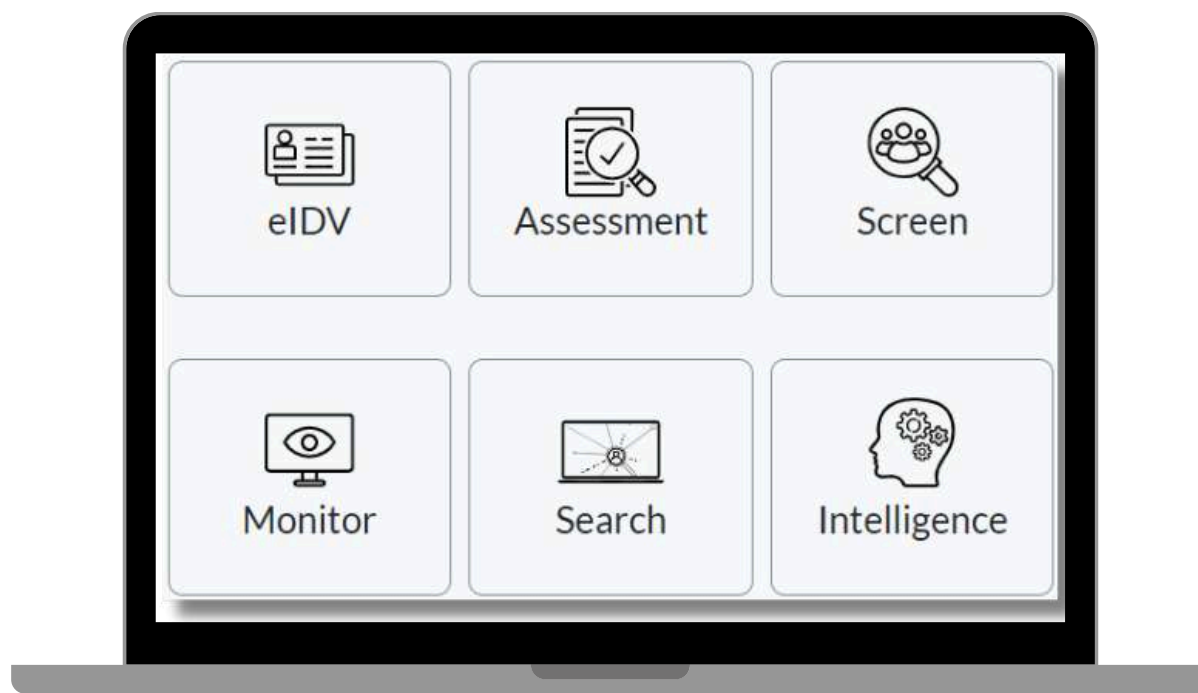


## Education & Awareness



## A strategic framework will help organisations achieve:

- Better identification and mitigation of environmental and financial crime risks;
- Adoption of the right new technologies and approaches for effective risk management, due diligence, and ongoing monitoring;
- Better processes for the reporting of suspicious activity – leading to higher-quality SARs;
- A culture of awareness, transparency, and accountability across organisation.
- suggest cutting out the identification part here as covered in bullet point one



## Questions to ask yourself:

**Understand** – Do you understand your organisation’s specific threats and vulnerabilities to environmental crime and associated financial crime?

**Identify** – Are you confident you would be able to spot potential links to environmental and financial crime, even if through indirect exposure?

**Innovate** – Are you using the most up-to-date technology and tools to conduct due diligence and manage financial crime risks?

**Act** – Are you confident your team would know what to do if a potential suspicion was raised internally? How would you report such suspicions to relevant authorities?

**Support** – Do you have the framework in place to continue to grow and support your company’s anti-environmental and financial crime efforts?

**Improve** – Do you review and refresh your policies, systems and controls annually to ensure they continue to be robust in the face of evolving risks?

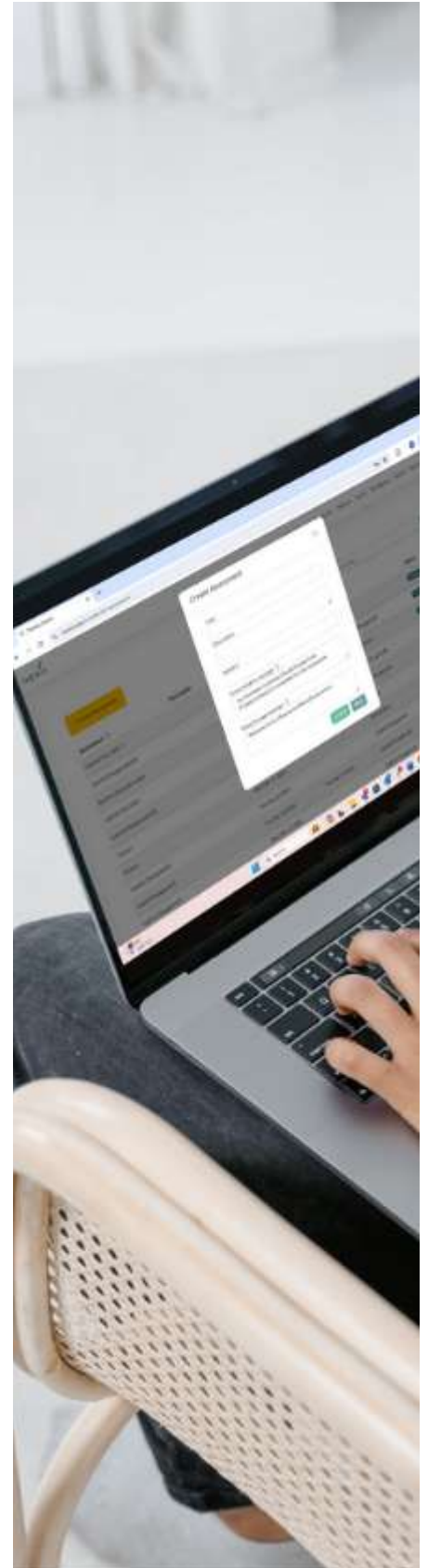




## 1. Risk assessment

Conduct periodic business-wide risk assessments to assess organisational exposure to environmental and financial crime.

- A business-wide environmental and financial crime risk assessment is the first and most important step to complete when setting out your firm's anti-financial crime response.
- Conducting periodic business-wide risk assessments helps organisations maintain an understanding of the risks they are exposed to and helps senior management determine and implement company strategy and risk appetite with regard to environmental and financial crime.
- Companies should consider performing risk assessments at least annually. However, assessments that are more frequent or less frequent may be justified, depending on the circumstances.
- The specific risks faced by a company will be dictated by, for example, the products and services it offers, the jurisdictions it operates in, its sector and industry, the types of customers it attracts, and the complexity of its business operations.
- When determining risk appetite, businesses should identify their comfort level based on resources available and what measures are needed to protect against legal, financial, and reputational risks. Companies can then effectively target their financial crime resources to the areas of greatest risk.
- Businesses should consult guidance issued by authorities, industry working groups, trade associations, specialised research outlets and civil society organisations as resources for identifying higher-risk jurisdictions, sectors, and business offerings. For example, workshop participants highlighted the importance of consulting external stakeholders for information on jurisdictional risk.<sup>18</sup>
- Businesses should incorporate the latest research and data into their risk assessments to ensure these reflect the latest trends, risks, and vulnerabilities. Horizon scanning is key to staying up to date with criminal techniques, jurisdictional threats, and regulatory requirements.



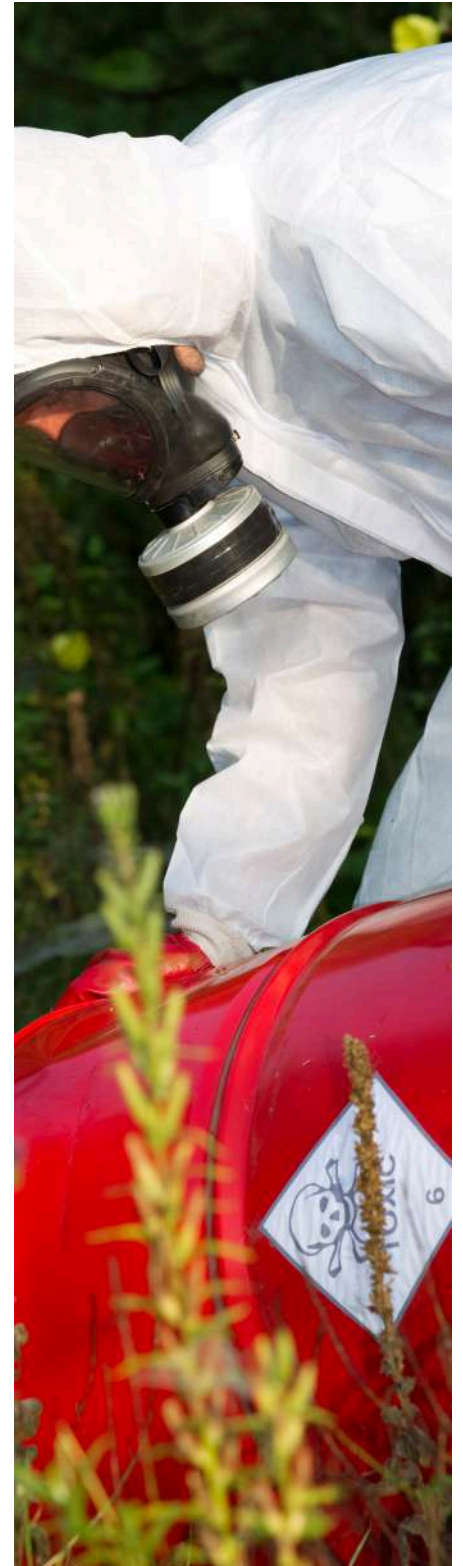
[18] Project Workshop on 6 March 2024 in the UAE.



## 2. Policies and procedures

Set out clear policies and procedures for effective organisational response to tackling environmental and financial crime.

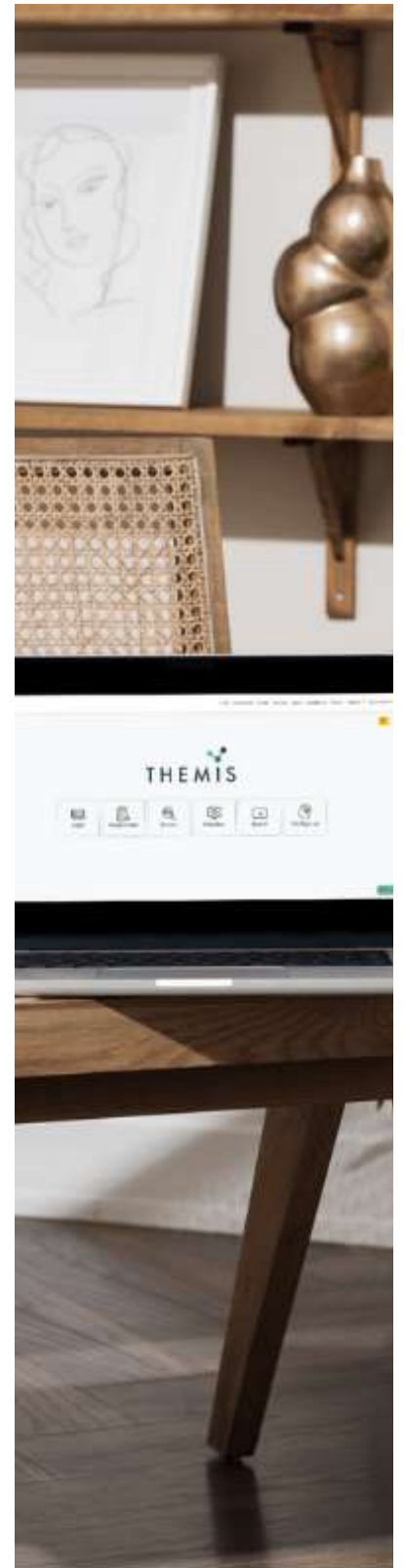
- These policies and procedures must be displayed in a way that is accessible, effective, and understood by all relevant staff.
- Starting from the top with senior management is important to ensure there is buy-in for the policies and procedures from everyone across the organisation. Leadership should also ensure clear responsibilities are in place to make sure employees know how specific policies apply to their roles and teams.
- Specific procedures should be set out for each different business line or team within the organisation, including front-line business teams, risk and compliance, operations, and procurement, in addition to senior management.
- Due diligence and ongoing monitoring are core components of effective policy. Thorough due diligence on customers, staff, suppliers, investments, and third parties helps identify and prevent direct and indirect links to environmental crime. Ongoing monitoring helps companies screen business relationships against specific financial and environmental crime data and red flags to identify any potential links to criminal convictions both at onboarding and on an ongoing basis.
- Policies should document a company's approach to legal and regulatory requirements, include anti-money laundering, sanctions, and anti-bribery and corruption policies, as well as other anti-financial crime areas such as fraud prevention and cybersecurity.
- For preventing and mitigating environmental crime, ESG policies are also beneficial and can be implemented to help protect a company from regulatory or reputational risks related to the environment, human rights, corruption, and corporate governance.
- Policies should be reviewed regularly to account for new risks and external events. This is especially important for environmental crime risks as this is an area of transnational crime that is evolving quickly and that is heavily impacted by external events and factors.



### 3. Systems and controls

Implement effective and innovative systems and controls to identify and mitigate environmental and financial crime risks.

- Companies should establish and maintain strong systems and controls designed to identify potential risks and suspicious activity. Policies and procedures alone are ineffective – you need the right systems and controls in place to operationalise these.
- Effective systems and controls include a combination of technology and human-driven due diligence and screening, customer and third-party onboarding, transaction monitoring, network mapping, fraud detection, and risk assessment.
- The most effective systems and controls integrate innovative technologies and tools that work within your business environment – ask your teams what systems, software, and platforms they need to ensure success. Such tools and technologies include:
  - End-to-end SaaS screening, monitoring, and investigations platforms that can help optimise the effectiveness and efficiency of identifying and assessing environmental and financial crime risks.
  - Risk mapping software that helps search and investigate network connections between individuals and legal entities, as well as potential links to financial crime.
  - Automated ongoing monitoring systems that can conduct daily ongoing screening across all clients and counterparties, incorporating rich array of data sources, as well as specific key word searches and red flag indicators.
  - eID&V tools that can perform live biometric facial recognition and verify documents for authenticity.
  - Digital risk assessment diagnostic and benchmarking tools to provide automated, tailored financial and environmental crime risk assessment reports.
- Data is key to any effective system or use of technology. Specialist data that draws on international databases and research into different financial crime typologies is particularly valuable. This includes official conviction data published by national and international authorities, as well corporate records, sanctions and PEPs lists, and adverse media. A rich dataset comprised of the above components is essential for effectively screening clients, suppliers, and third parties against all potential risk exposure and links to environmental crime.





## 4. Governance and management information

Monitor and manage the effective implementation of all components of the strategic framework.

- A good governance framework sets out how your company will monitor, evaluate, and manage adherence to its environmental and financial crime strategies and policies. As part of this, map out which governing bodies will be responsible for oversight and challenge of your policies, as well as which body is responsible for the more detailed monitoring and testing of their effectiveness.
- ESG governance and reporting are an important line of defence against environmental and financial crime as well. By asking the right questions and holding your company accountable to certain environmental and governance standards, you can increase both your environmental crime understanding and risk analysis.
- Management information (MI) helps provide senior leadership with a comprehensive understanding of environmental and financial crime risks and how these are being managed across the organisation.
- Senior management can only make the right decisions if they have the right level of data flowing into them on a regular basis. Your MI plan should outline what level of information and data you are providing, to whom and how frequently. Regulators will often want to see what MI is being fed into senior management and other levels of the organisation.



## 5. Culture

Promote a transparent culture of openness and awareness to ensure effectiveness of anti-environmental and financial crime response.

- A strong anti-financial crime culture underpinned by ethical, environmentally friendly decision-making is critical to a company's success and longevity, as it helps prevent inappropriate and risky behaviour that could damage reputation or lead to financial or legal consequences. It also protects against stakeholder or investor backlash.
- Successful culture is built on collective values, attitudes, norms, and behaviours of your company that aim to prevent, detect, and combat illicit or criminal activities. However, senior leadership has a duty to set a clear tone from the top:
  - Promoting a positive and consistent message around proactive risk mitigation and compliance goes a long way.
  - Senior leadership should look to embed transparency and accountability into the day-to-day decisions of the company.
  - Senior management is responsible for creating an environment of safety over fear and providing incentives and recognition for positive behaviour.
- Ensuring a strong culture that goes beyond box ticking is important not only for combating environmental and financial crime – it's also good for business more generally. FIs, for example, may be hesitant to do business with a company if they feel the company only has anti-financial and anti-environmental policies and controls on paper and not in practice. This very issue was highlighted by workshop participants in the financial services sector, who underlined the importance of seeing a consistent and concrete enactment of policies by their partners and customers.<sup>19</sup>



**Due Diligence • Anti-Financial Crime • Due Diligence**

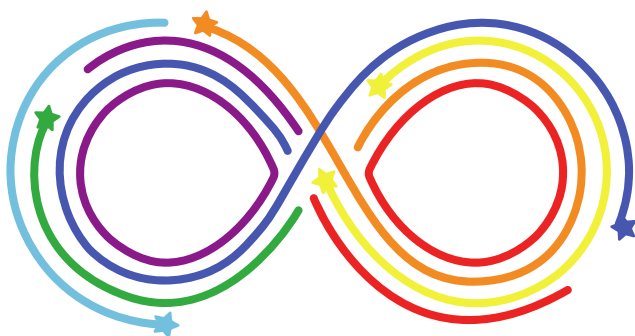
[19] Project Workshop on 6 March 2024 in the UAE.



## 6. Training and awareness

Implement training to increase awareness of the impacts of environmental and financial crime and to upskill staff on how to spot and report potential signs of it.

- Companies should ensure all staff possess the skills, knowledge, and expertise needed to carry out their functions effectively. Many staff will not be fully aware of the scale and impact of environmental crime, or how it relates to their specific role and daily work. Furthermore, busy staff face multiple competing priorities. Raising awareness of environmental and associated financial crime risks through periodic training is therefore vital to ensure that focus on these threats is not lost.
- Staff across all functions of a business should be given appropriate training on how to implement anti-financial crime policies, systems, and controls. Firms should incorporate environmental crime into their enterprise-wide financial crime training programmes, given its status as a predicate crime to money laundering.
- Training should incorporate guidance on how to spot signs of environmental and associated financial crime, and then how to report these internally. Staff should know how to escalate suspicions of environmental crime within their organisation and who the relevant compliance officer to flag these concerns to is.
- Companies should consider incorporating a blend of digital learning, classroom-based training, and other educational resources such as research reports. Training should be ongoing and repeated to ensure continuous development and focus.
- Workshop participants also highlighted the importance of internal awareness-raising initiatives, such as company-wide newsletters, announcements, and statistics, as well as the value-add of sharing external research with staff.<sup>20</sup>



[20] Project Workshop on 6 March 2024 in the UAE.





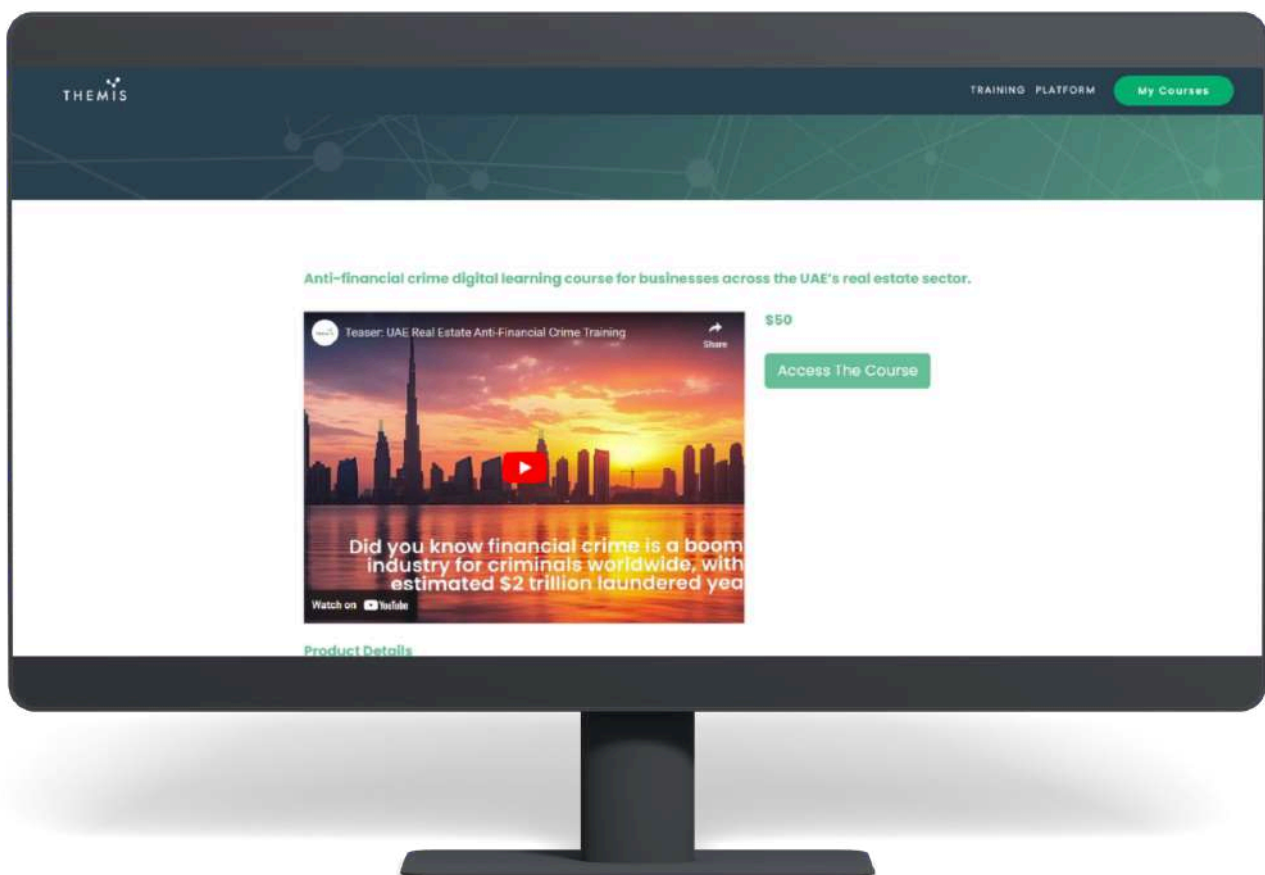
# The Power of Digital Learning

Digital learning courses, such as the one being developed alongside this report, are an excellent means through which businesses can increase their staff's awareness of environmental and financial crime risks. Interactive, scenario-based training helps improve learning retention rates and foster a deeper level of understanding.

## Effective digital learning courses are:

- **Fully tailored to your organisation's activities, areas of operation and specific needs** – thereby increasing the content's relevance to employees and encouraging an understanding of subject matter that has direct applicability to their jobs.
- **Rich in multimedia or scenario-based content** – incorporating various multimedia elements, including videos, interactive graphics and quizzes, will enhance the learning experience, cater to different learning styles and increase content retention.
- **Replete with original research and data** – learners benefit from the integration of original environmental and financial research into course content, including case studies and data.

**Importance of private sector community of interest:** Digital learning also offers a unique way to engage with other stakeholders across the private sector to enhance common understanding and adopt an innovative, whole sector approach to stamping out environmental crime. By creating a digital learning community, this engagement can be solidified and continued beyond one-off workshops or box ticking exercises.



# A Risk-Based Approach to Financial Crime Due Diligence



**Risk Assessments** – Conduct period enterprise-wide risk assessment, assessing customers, suppliers, partners, and third parties for distinct environmental and financial crime risks, in line with your company's risk appetite.



**KYC and Due Diligence** – Collect and verify information on customer identity (i.e. Know Your Customer) to confirm who customers are and to ensure that the funds involved in their transactions are originating from legitimate sources and being used for legitimate purposes. Under the CBUAE rulebook, there are three different types of KYC Processes that must be applied based on the ML/TF risk associated with a customer.

- **Customer Identification (CID) Process** – This process is the verification of the original identification documents of a customer. In the UAE these documents can be Emirates ID, passport with valid visa, or GCC National ID. Customer's full legal name, residential status, mobile number, nationality, date of birth, ID type, and ID number must be recorded as well.
- **Due Diligence** – This process is where additional information is collected and screened for potential criminal exposure. Due diligence on customers, suppliers, partners, and third parties should be conducted to ensure they are not connected to potential environmental or financial crimes. Due diligence should include screening for adverse media, a history of litigation or law enforcement, and sanctions against an individual or entity. Network connections should also be screened for, as this is key to uncovering potential hidden links to criminal activity that are a few steps removed.
- **Enhanced Due Diligence** – If higher risk characteristics are identified in the initial KYC and due diligence process, such as an individual who has PEP status or is from a high-risk jurisdiction, then that individual must undergo enhanced due diligence (EDD). This includes enhanced research on the identity and nature of the customer, as well as their source of funds or wealth.



**Ongoing Monitoring** – Customers, suppliers, partners, and third parties – and their transactions – should be monitored on an ongoing basis, in case their risk profiles change over the course of your relationship with them. Automated monitoring platforms can help screen for red flags or suspicious changes in behaviour or circumstances to ensure no hidden risks are missed.



**Suspicious Transaction Reports/Suspicious Activity Reports** – Report any suspicious transactions or activity identified through due diligence screening or monitoring. See the next chapter for details on how to effectively report to the UAE's FIU via the goAML system.





# 6 REPORTING BEST PRACTICES

## Summary

Due to the pervasiveness of environmental crime, and the many ways in which various industries across the globe are exposed to it, the private sector has an essential role to play in identifying and reporting activity linked to these criminal practices.

This is primarily done through the submission of STRs and SARs, which are widely used to report other types of financial crime (and related predicate crimes) but have so far been severely underused in relation to environmental crime.

Although environmental crime may seem very far away from many businesses, it poses a very present risk to entities covered by the UAE's AML/CFT legislation. Under this legal framework, businesses are obliged to report transactions where there is suspicion that the proceeds are related to a crime, or that funds are to be used to commit, conceal, or benefit from a crime.

"Crime" is defined in this regulation as "money laundering crime and related predicate offences" – this includes environmental crime, which is included in the FATF's list of predicate crimes, with major categories listed since 2021.

Chapter 6 provides a practical guide to reporting for UAE businesses, including details on:

- How to register on the goAML portal and submit report details and evidence;
- How to submit an effective suspicious transaction or activity report, namely good content to include and what style it should be written in;
- What the post reporting process entails and what is required of businesses once a report is submitted;
- What challenges may arise when reporting and how to bridge these challenges through efforts such as public-private collaboration, as well as through technology advancements.





# 1. Introduction

Due to the pervasiveness of environmental crime, and the many ways in which various industries across the globe are exposed to it, the private sector has an essential role to play in identifying and reporting activity linked to these criminal practices. This is primarily done through the submission of STRs and SARs, which are widely used to report other types of financial crime (and related predicate crimes) but have so far been severely underused in relation to environmental crime.

The FATF reports that, globally only a small number of submitted STRs relate to environmental crimes. It highlights that in one country, unnamed but described as having one of the highest deforestation rates in the world, less than 1% of STRs received from 2015 to 2019 were linked to illegal logging and land clearance. This defies the logic of suspicious activity reporting, where high levels of a particular type of criminal activity should be reflected in high levels of reports concerning that activity. Cases like the one cited in the FATF report indicate the existence of a vast gap between the reality of environmental crime on the ground and its perceived or acknowledged levels. This trend of underreporting is worrying as STRs and SARs provide Financial Intelligence Units (FIUs), regulators, and law enforcement authorities with crucial information to help identify, understand, and address financial crime.

There are indications that this trend may be changing as the international community and regulators pay increasing attention to the nexus of environmental and financial crimes. With countries such as the US highlighting a recent upward trend in environmental crime and associated illicit financial activities, regulators are issuing specific guidance on identifying and describing environmental crimes in STRs and SARs. In 2021, the FATF also updated its definition of environmental crime to include specific examples, with the aim of achieving a unified international understanding of the risk. That said, the reporting of environmental crime still lags far behind desired levels.

In the UAE, the Ministry of Economy has made clear, in its extensive guidance to FIs, DNFBPs, and VASPs, that the entirety of the private sector is responsible for playing its part in identifying and preventing environmental crime. The previous chapters of this report outline the nature of the problem, and the many ways in which businesses can proactively engage with it; this chapter covers how businesses can respond to the problem, by fulfilling their legal obligations to report suspicious activity linked to environmental crime.



## The legal responsibility to report suspicions of environmental crime

Although environmental crime may seem very far away from many businesses, it poses a very present risk to entities covered by the UAE's AML/CFT legislation. Under this legal framework, businesses are obliged to report transactions where there is suspicion that the proceeds are related to a crime, or that funds are to be used to commit, conceal, or benefit from a crime. "Crime" is defined in this regulation as "money laundering crime and related predicate offences".

The FATF Recommendations, which are the international standard for anti-money laundering regulation, have, since October 2021, included in their list of designated categories of offences: "environmental crime (for example, criminal harvesting, extraction or trafficking of protected species of wild fauna and flora, precious metals and stones, other natural resources, or waste)". Furthermore, as highlighted earlier in this report, environmental crime intersects with a wide range of financial and other crimes and is a key method of financing terrorism and conflict.

Beyond social and environmental concerns, then, environmental crime is the business of the UAE private sector for very practical reasons. Companies need to understand the risks, and pre-emptively and responsively mitigate them, to be able to meet the requirements of national law and international guidance.

Sources: [Central Bank AML/CFT Guidance for FIs on STRs](#) and [FATF Recommendations](#)

It is critical, however, that businesses do not fulfil their reporting duties purely out of a sense of bureaucratic necessity or compliance-related box-ticking. The submission of STRs and SARs offers the private sector a chance to play an active part in tackling environmental crime. The heavy exposure UAE businesses have to global flows of trade and finance may increase their environmental crime risk profile, but it equally presents them with the opportunity to achieve tangible impact.



## 2. The importance of reporting

Each STR or SAR, although it may seem individually insignificant, contributes to the bank of information being accumulated by the UAE's FIU. This body is responsible for producing actionable financial intelligence; this information is used to prosecute criminals, ensure national security, and identify new trends in the ever-evolving threats of organised crime and terrorism. STRs and SARs are not only key contributors to improving the FIU's understanding of the threats and vulnerabilities present in the UAE financial system; they also produce tangible results, leading to the arrest of criminals and the seizure of illegal assets.

### The growing effect of suspicious transaction/activity reports

Statistics from the UAE's Financial Intelligence Unit demonstrate the effectiveness of STRs and SARs. In 2022, money laundering investigations by UAE law enforcement confiscated over AED 3 billion; approximately 45% of these investigations were instigated by intelligence disseminated by the FIU. STRs and SARs played a key role in generating this financial intelligence: in 2022, the FIU received over 38,000 reports of suspicious activity, more than double the number received in 2020.

Source – UAE Best Practices Guide

Moreover, the potential importance of an individual STR is particularly great when it comes to environmental crime, as it can untangle the long and complicated financial structures environmental criminals rely on to achieve their ill-gotten gains. Any one case of environmental crime may involve the full range of businesses covered by UAE legislation on suspicious activity reporting:

A 2020 case demonstrates how reports of suspicious activity from UAE businesses can stop environmental crime in its tracks. Eight foreign nationals and one Emirati were sentenced to imprisonment, and around \$85 million was confiscated, for involvement in a scheme to launder the proceeds of illegal oil trading. The investigation and prosecution were instigated by an STR submitted by a UAE financial institution.





## Predicate Crime

**Illegal Oil Trading** – The illicit trade in petroleum is a multi-billion dollar industry. It deprives governments of vital economic resources, helps fund terrorist and international criminal organisations, and is a main source of pollution and land/water degradation in the areas where it takes place.

## Financial Crime

**Money Laundering** – Through the creation of shell companies, false recording of transactions, and the transfer of funds to the accounts of accomplices, the main defendant aimed to conceal the source of illegally obtained funds.

## Reporting

**STR** – The financial institution in which the main defendant's company held its accounts noticed an increase in the volume of the turnover. This increase did not correlate with the company's officially stated activities, and as such the financial institution audited and tracked the accounts and submitted a suspicious transaction report to the FIU.

## FIU

**Analysis and Dissemination** – The FIU's Operational Analysis Section analysed the STR, and advised the Abu Dhabi Public Prosecution to issue a freezing order on the accounts. The FIU then alerted 10 counterparts around the world regarding their findings.

## Conviction

**Imprisonment** – The case was brought to trial, and the nine defendants were sentenced to 7-10 years imprisonment (and subsequent deportation for the foreign nationals). The illicit oil trading activity was stopped.

Source: [UAE FIU](#)



The Ministry of Economy's continuing expansion of inspections (and concomitant fines) for non-complying companies demonstrates the seriousness of the government's efforts to ensure that suspicious financial activity is identified and tracked. This, combined with recent UAE-led initiatives focusing on environmental crime, means that businesses face strong pressure from above to improve their reporting of transactions and activity linked to financial crime in general, and environmental crime in particular. While progress has already been seen in the strong increase in quantity of STRs filed, it is essential that this is mirrored in an increase in the quality of STRs as well.

The quality of a suspicious activity and transaction report is, of course, crucial to its usefulness. In response to the rapid introduction of a new regulatory regime, it is perhaps understandable that a business might be tempted to protect itself by filing STRs 'defensively'. In other words, a company may file reports on activity it does not truly consider suspicious, or has not fully investigated, to technically meet its legal obligations. This practice is, however, explicitly warned against by the CBUAE, as it is fundamentally detrimental to the basic functioning and purpose of the national and international anti-money laundering system.

To encourage and help the private sector across the UAE fulfil their reporting obligations in a genuinely useful way, there now follows a practical, step-by-step guide on how to more effectively report suspicious links to environmental crime across clients, customers, suppliers, and third parties. This builds on the thorough set of guidelines for UAE businesses compiled by the Ministry of Economy, which includes specific recommendations for different financial and non-financial sectors.

### 3. A Practical Guide to Reporting

Since June 2019, FIs and DNFBPs have reported suspicious activity to the UAE's Financial Intelligence Unit (FIU) through an online platform named goAML. The UAE was the first state of the GCC region to adopt the system, which is a fully integrated software developed by the UNODC and designed especially for national FIUs. The goAML platform is used by all reporting entities (i.e. registered FIs, DNFBPs and VASPs) and provides a straightforward way to submit STRs/SARs. To submit a report, a business must complete the following steps:

#### Step 1 – Registering on goAML


To access the goAML portal, a business must first create an account via the Services Access Control Manager (SACM) website; it must identify itself with the ID or registration number given by its supervisory body (e.g. the Central Bank) and supply the details of its nominated compliance officer/money laundering reporting officer (MLRO). This generates login details to be used to register on the goAML portal itself. Once this second registration is complete, it is possible to submit a range of reports.



## Step 2 – Selecting Report Type




The UAE's goAML platform offers a selection of set report types, some to be used by all reporting entities, and others relevant only to particular types of businesses.

Given the research focus on environmental crime, this chapter mainly addresses the two most relevant report types, the Suspicious Transaction and Suspicious Activity reports. The other report formats are, however, very important for a business's general anti-money laundering framework.



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المالية  
Financial  
Intelligence  
Unit

### UAEFIU Report Types

Report Types				Reporting Entity Sector						
Report Type	Report Code	Report Name	Description	Financial Institutions	DPMS	Real Estate Agents & Brokers	Company Service Providers	Lawyers & Notaries	Auditors & Accountants	VASPs
Suspicious Reports	STR	Suspicious Transaction Report	Used when the Reporting Entity identifies a suspicion or a red flag during or after the transaction.	✓	✓	✓	✓	✓	✓	✓
	SAR	Suspicious Activity Report	Used when the Reporting Entity identifies a suspicion or a red flag before conducting the transaction	✓	✓	✓	✓	✓	✓	✓
Additional Information Reports	AIF	Additional Information File without Transaction(s)	Should the FIU require any further details while reviewing a STR/SAR, then the reporting entity that originally submitted the said report may be solicited for further information by receiving an AIF request from the FIU through the Message Board.	✓	✓	✓	✓	✓	✓	✓
	AIFT	Additional Information File with Transaction(s)	The AIFT report is similar to the structure of an AIF report, with the exception that this report type supports the submission of transactions	✓	✓	✓	✓	✓	✓	✓
Threshold Reports	DPMSR	Dealers in Precious Metals and Stones Report	A threshold report used for specific type of transactions (cash or international wire transfer)	✗	✓	✗	✗	✗	✗	✗
	REAR	Real Estate Activity Report	A threshold report used for specific type of transactions (cash or crypto currency).	✗	✗	✓	✗	✓	✗	✗
Targeted Financial Sanctions Reports	FFR	Funds Freeze Report	A targeted financial sanctions report used to report any freezing measure, prohibition to provide funds or services, and any attempted transactions related to 'confirmed matches' to the UNSC or the UAE sanctions lists	✓	✓	✓	✓	✓	✓	✓
	PNMR	Partial Name Match Report	A targeted financial sanctions report used when the Reporting Entities identifies a partial name match to the UNSC or UAE sanctions list.	✓	✓	✓	✓	✓	✓	✓

The Funds Freeze Report and Partial Name Match Report are used to report measures taken (asset freezing/suspension of transactions) against customers who are confirmed or partial matches to entities subject to financial sanctions. The Dealers in Precious Metals and Stones Report and Real Estate Activity Report are 'threshold reports', used to report transactions involving cash payments in excess of a threshold of AED 55,000; the Real Estate Activity Report also requires businesses to report transactions where virtual assets, or funds converted from virtual assets, are used.





All four report types are important for tackling environmental crime; sanctioned entities, such as Al-Shabaab in Somalia, use environmental crime as a key funding source, and cash and cryptocurrency payments are both favoured methods of laundering criminal proceeds. The two types of report most relevant to cases of environmental crime, however, are the Suspicious Transaction and Suspicious Activity reports. These reports are very similar but differ in that:

- An STR is used to report **transactions** suspected to be illicit
- An SAR is used to report **activity or attempted transactions** suspected to be illicit.

It is worth reiterating that the law obliges reporting entities to submit reports ‘upon suspicion or if they have reasonable grounds to suspect’ that activity relates to crime. This makes a double requirement on businesses; not only must they not submit unreasonable reports, they also must not ignore cases where there are reasonable grounds to suspect a connection to criminal activity. It is therefore in the interests of businesses to thoroughly familiarise themselves with the typologies, risk indicators and red flags of environmental crime, so that they do not miss transactions they are legally obliged to report.

## Step 3 – Submitting Report Details and Evidence

As highlighted above, it is the quality of the information within a report that makes it useful, not simply the fact that it has been submitted to the FIU. The goAML system requires reporting entities to fill out several additional information fields, including at least one Reason of Reporting from a pre-set selection of options, but the most important section of any STR/SAR is the description, or narrative, included in the report.

The purpose of the description, which is mandatory in the goAML STR and SAR formats, is to outline the reasons why transactions or other activity are suspicious. This should include information regarding the background to the report, a description of the parties involved in the suspicious activity, a full account of the reasons for the report, and a list of any red flags for criminal activity.



## What makes a good suspicious transaction report?

How should a business fill out the 'description' section of the suspicious transaction/activity report template?

**Content:** The Rulebook of the Central Bank states that “a narrative should identify the five core components – who? what? when? where? and why? – of the suspicious activity being reported to the FIU. The method of operation/modus operandi (or how?) is also important and should be included in the report narrative”. As far as possible, try to answer the following questions in the report:

- Who is involved?
- How are they involved?
- What is the criminal property (linked to environmental crime, e.g. illegally sourced commodities) or links to environmental crime that you are describing?
- What is the value of the assets or funds involved (estimated as necessary)?
- Where are the assets / funds?
- When did the activity take place?
- How did the circumstances arise?
- Why are you suspicious/why do you have particular knowledge?

**Style:** To best aid the FIU's ability to analyse the description, aim to follow these tips:

- Write clearly and concisely – make the reasons for suspicion easy to understand
- Structure logically – give a chronological account of the suspicious activity, and take the reader through the story step-by-step
- Avoid jargon/acronyms as much as possible
- Give a simple explanation of technical terms you need to use

It is very useful to include explicit references to specific environmental crimes or typologies (e.g. “illegal wildlife trading”, “under-invoicing of gold exports”). This increases the ability of the FIU to sort through and search the large amount of information in its database.

## Step 4 – Post Report Process

Once a reporting entity has submitted its STR/SAR, the FIU may respond with requests for further information, or it may give the reporting entity instructions on continuing transactions with and monitoring the suspected client. Often, however, the FIU will offer no response to a report of suspicious activity. In such cases, it is the business's own responsibility to conduct a proper post-report process.



After submitting an STR/SAR, businesses are required to take appropriate measures and re-evaluate their client relationship. Businesses are under no obligation to continue to deal with customers they suspect of being linked to criminal activity, unless specifically instructed by the FIU to do so. Such an instruction may be made so that authorities can continue to monitor a customer's activity, but in the absence of any guidance from the FIU, it is up to the reporting entity to decide whether to continue a business relationship. Such a decision should be made by referring to the company's formal risk appetite policy.

Any client relationships that a business continues must undergo enhanced due diligence (EDD) and monitoring procedures. This primarily involves identifying all transactions, accounts and customers linked to the reported activity; businesses must determine whether further suspicious transactions have taken place and report them if this is the case. In addition, the customer relationship in question, and all associated accounts, must be classified as high-risk, and necessary steps must be taken in line with the company's risk management framework (e.g. further due diligence on clients, and increased ongoing monitoring).

## Tipping off

*Businesses must make sure they follow the regulations on the confidentiality of STRs, often referred to as the rules on 'tipping off'. The Central Bank summarises these by stating that:*

It is a federal crime for LFIs [or DNFBPs or VASPs] or their managers, employees, or representatives, to inform a customer or any other person, whether directly or indirectly, that a report has been filed or will be filed, or of any information or data contained in the report, or that an investigation is under way concerning the transaction, otherwise known as "tipping off." Any person violating this prohibition is liable to a penalty of no less than AED100,000 and no more than AED500,000 and imprisonment for a term of not less than six months, according to the Article 25 of the AML-CFT Law.

Source: [CBUAE AML Guidance](#)







## Sector-specific requirements

The supervisory bodies of the various financial and non-financial sectors in the UAE offer supplementary guidance on reporting specific to the businesses they oversee. This report does not go into every detail regarding sector-specific reporting requirements, which are largely covered by the general guidance given above. Further detailed information on reporting requirements can be found in the individual sector guides provided by the [Ministry of Economy](#).

## Bridging the challenges to reporting

Despite the quantity and quality of guidance available, the task of identifying, reporting and ultimately preventing environmental crime may still seem impossibly large, especially for smaller non-financial businesses with limited resources to allocate to compliance and due diligence. Yet there are several ways in which this challenge can be met.

A first crucial step that businesses need to take is to understand the underlying risks and red flags that they should watch out for. This has been a consistent theme in this report, which has offered detailed guidance on some of the major jurisdictional and typological features that are common indicators of environmental crime risk. General guidance is most useful, however, if businesses are able to adapt it to their day-to-day business practices, combining outside insights with their own expertise and experience; indeed, as described in the introduction, this approach underpins the methodology followed in this report.

With relatively understudied threats like environmental crime, however, there may simply not be enough knowledge within a business to be able to adequately mitigate its risks. In these cases, it is vital to obtain external training to spread awareness of the risks that a given business might face (the importance of this is discussed fully in the previous chapter). In addition, outsourced compliance services allow FIs and DNFBPs to engage top-level expertise without having to overstretch financially; such solutions are doubly advantageous, as providers of these services naturally have wide exposure to the full range of crime typologies. Although some businesses may not have the resources to hire a dedicated in-house MLRO/compliance lead, a good outsourcing service can provide an effective alternative at a much more affordable cost.

Furthermore, there is an important role to be played by technologies, such as intelligent due diligence and screening software, which bridge the gap between client-facing businesses and the FIU. The use of these types of solutions both reduces private sector risk exposure to environmental crime and increases the quality of the information passed on to law enforcement. Combining the often too-separate stores of knowledge held by the public sector and private sector is needed to allow the global financial system to get to grips with environmental crime.



Increased public-private collaboration and communication is in its own right another necessary step to improve the reporting of environmental crime. The FATF has underlined the importance of proactive dialogue between government and business in addressing financial crime risks, and the UAE has set an international standard with the initiation of an environmental crime-specific working group in its Public-Private Partnership Committee between government and the private sector (including both FIs and DNFBPs). Insights from members of this working group, who were participants in the primary research for this report, have made important contributions to this report, offering a valuable case study for the usefulness of PPPs. Knowledge-sharing platforms like these are vital for tackling environmental crime, which has historically received less attention than other types of predicate crime, and as such is worse understood.

Another PPP that has been successful in the improving suspicious activity reporting is the UK's Joint Money Laundering Intelligence Taskforce (JMLIT), as the UNODC has highlighted. JMLIT is a partnership between UK law enforcement and over 40 financial institutions, whose aim is to share knowledge of new typologies, existing vulnerabilities, and live intelligence between the public and private sectors. This has proved highly effective for improving reporting standards – a SAR originating within the JMLIT group is 60 times more effective than a generic SAR filed by a given regulated entity. By continuing and expanding its groundbreaking work, the UAE's environmental crime PPP promises to help businesses mitigate not only the current threats of environmental crime, but also new dangers as they evolve in the future.

Better understanding the risks of environmental crime should not just be a matter for AML/Compliance specialists, however. Businesses can greatly improve their ability to identify risks, and report suspicious activity, by spreading knowledge of the problem throughout the business, in particular to the employees in the 'first line of defence' (e.g. relationship managers) who are often far more familiar with clients, accounts, and their backgrounds. This is not to say that every employee in every FI and DNFBP must have the same level of expertise as dedicated compliance officers, but any business committed to not enabling environmental crime should ensure that all its employees are aware of the basic details of the risk it poses: red flags, common typologies, the fact itself that environmental crime is a hugely profitable and widespread enterprise.

Although this might well require additional investment, perhaps in the form of external training from environmental crime experts, this should prove a sound financial decision in light of the increasing efforts of regulators to discover, and fine, insufficient compliance regimes. More positively, proactively addressing environmental crime risks at this stage allows businesses to make a tangible difference in improving a global problem that is only going to come under further scrutiny, as policymakers increase the intensity of environmental legislation. While environmental crime is a serious threat to the UAE private sector, it also gives firms the opportunity to establish themselves as industry leaders, by being some of the first businesses globally to fully address the problem.





# 7 CONCLUSION

It is unavoidably clear that the risks faced by the UAE's private sector from environmental crime are great in both scale and complexity, but it is equally true that there are many practical actions that businesses can take to address these risks. Any sense that it is a hopeless task to mitigate the threats of environmental crime must be rejected. Effective action is possible – and it is necessary, if firms wish to ensure their long-term financial sustainability, fulfil their legal and social responsibilities, and respond to the UAE government's commitment to be a global leader in fighting both financial crime and environmental degradation.

Many businesses with the highest risk exposure to environmental crime are already actively engaged in mitigating its threats; this was evident in the primary research conducted for this report. Workshop participants, both FIs and DNFBPs, described how their businesses have incorporated environmental risk mitigation strategies into their daily practices: senior AML officers from a large financial institution outlined how they curate sector- and jurisdiction-specific lists of environment crime typologies, while the global head of legal and compliance at a gold refinery discussed how their company conducts on-site inspections across its supply chain, to ensure it remains protected from illegal mining threats.

At the same time, there was a broad consensus that more needs to be done. The threats of environmental crime are extraordinarily great, but it is only recently that a general understanding of this reality has arrived. The FATF, widely seen as the international standard-setter for countries' efforts to fight financial crime, only added environmental crime to its official list of crimes predicated to money laundering in 2021.



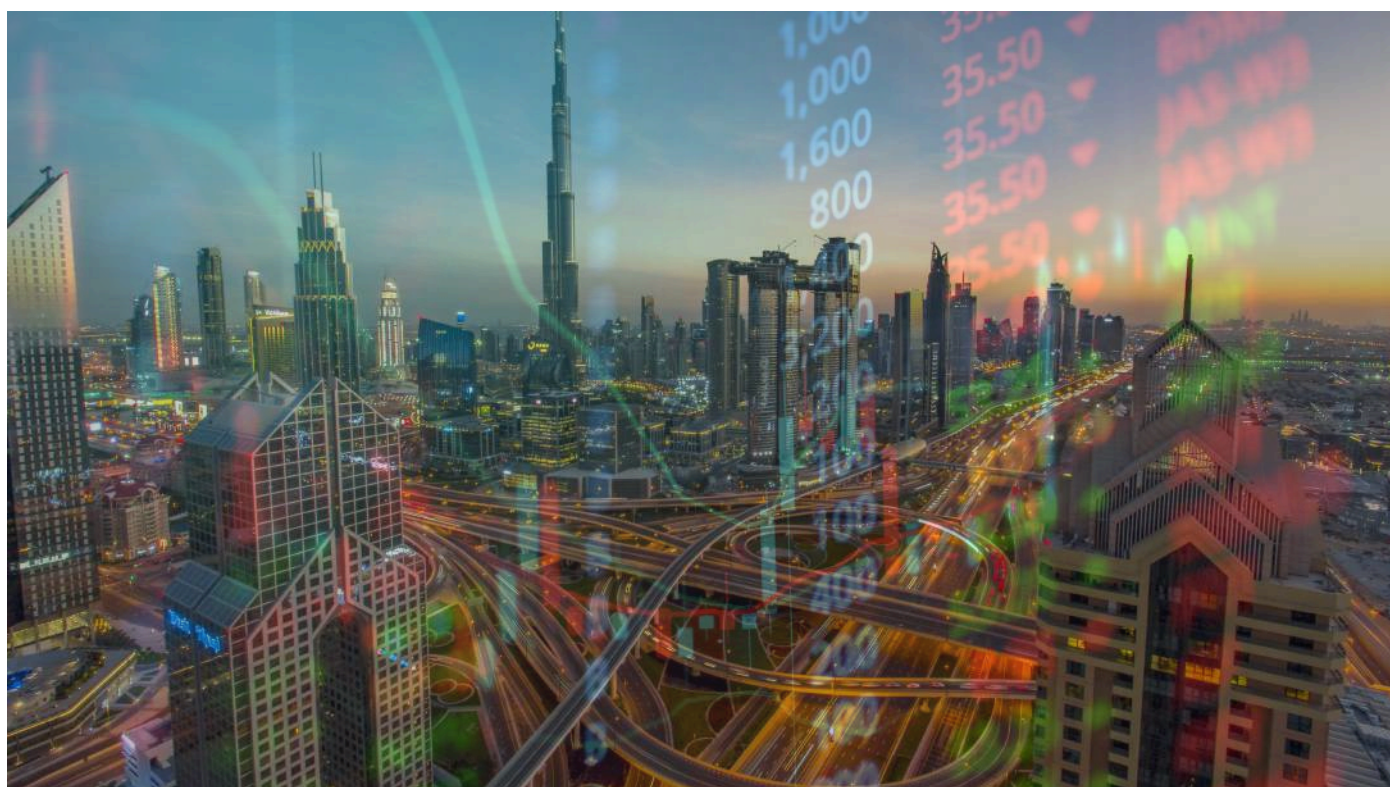


This report has highlighted how the UAE has taken a lead in developing private sector awareness and preventive capability around environmental crime; indeed, the fact that the Executive Office of Anti-Money Laundering and Counter Terrorism Financing and the British Embassy Abu Dhabi have commissioned and supported the development of this resource is a strong demonstration of bilateral leadership in fighting this threat.

Around the world, however, environmental crime often remains an overlooked area of public policy and private sector attention. The UAE, in its position as a pre-eminent economic hub of trade and finance, and an ever more attractive destination for foreign businesses and individuals, has profound international influence. As was shown in its leadership of last year's COP 28, the UAE government is committed to improving the health and security of the world's financial and ecological systems, and the country's businesses have a crucial role to play in realising these aims.

Ultimately, readers of this report should see their responsibilities to identify and mitigate environmental crime risks not as an onerous additional burden on their businesses, but as a way in which they can meaningfully contribute to the national aims of the UAE, and the interests of the entire global community. As has been repeatedly underlined in this research, environmental crime affects us all, businesses included. While criminals and their enablers can make vast short-term profits by destroying the natural world, degrading legal structures, and devastating whole communities, there is no long-term sustainable economic future in a world ravaged by environmental crime.

Yet although environmental crime risks are all too real for the UAE private sector, so too are effective methods of risk mitigation. With the insights gathered from this research process, and ongoing processes of knowledge sharing and capacity building, businesses can equip themselves with all they need to make tangible progress in the fight against environmental and financial crime.



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## About Themis

Themis helps clients identify and manage their specific financial crime risks, through a combination of innovation, insight and intelligence.

Our cutting edge platform helps organisations understand these strategic threats through an ESG and socio-economic lens and protects their clients, suppliers and 3rd parties from criminal attacks or association. Founded, developed and delivered by financial crime subject matter experts.

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