

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

For the period from 1 January to 31 December 2013

**Emirates Gold DMCC**



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**Emirates Gold D.M.C.C.  
To the attn. of Mr. Mohamed Shakarchi  
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Sheikh Zayed Road (Exit 32)  
PO Box 24305  
Dubai  
United Arab Emirates**

Geneva, 6 March 2015

## **Independent Reasonable Assurance Report on Emirates Gold DMCC's Refiner's Compliance Report**

### **Introduction**

We were engaged by Emirates Gold DMCC ("Emirates Gold") to perform a reasonable assurance engagement on Emirates Gold's Compliance Report dated 22 May 2014 for the Reporting Period from 1 January 2013 to 31 December 2013 (the "Refiner's Compliance Report").

### **Scope**

The objective of this engagement is to provide an opinion on whether the Refiner's Compliance Report describes fairly the activities undertaken to demonstrate compliance and whether management's overall conclusion has been drawn in accordance with the requirements of the LBMA Responsible Gold Guidance Version 5 dated 18 January 2013 (the "LBMA Responsible Gold Guidance") and with the LBMA Third Party Audit Guidance Version 2 dated 18 January 2013 (the "LBMA Audit Guidance") both obtained from the LBMA's website during March 2015.

### **Management's responsibilities**

Emirates Gold being an Associate of the London Bullion Market Association ("LBMA") has decided to implement the LBMA Responsible Gold Guidance on a voluntary basis. The management of Emirates Gold is responsible for the preparation and public disclosure of the Refiner's Compliance Report in accordance with the LBMA Responsible Gold Guidance. This responsibility includes conformance with Steps 1 to 5 of the LBMA Responsible Gold Guidance. The criteria identified by the management as relevant for demonstrating compliance with the LBMA Responsible Gold Guidance are the activities described within the Refiner's Compliance Report.

### **Our independence**

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standard Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

In conducting our engagement, we confirm that we satisfy the criteria for assurance providers as set out in the LBMA Audit Guidance to carry out the assurance engagement.

## **Our responsibility**

Our responsibility is to report, in accordance with ISAE 3000 standard, whether the Refiner's Compliance Report describes fairly the activities undertaken during the year to demonstrate compliance with the LBMA Responsible Gold Guidance and whether management's overall conclusion has been drawn in accordance with the requirements of the LBMA Responsible Gold Guidance and with the LBMA Audit Guidance.

We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board and the guidance set out in the LBMA Responsible Gold Guidance. This standard requires that we plan and perform this engagement to obtain a reasonable level of assurance.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about the fairness of the Refiner's Compliance Report the fact that management's overall conclusion has been drawn in accordance with the requirements of the LBMA Responsible Gold Guidance and with the LBMA Audit Guidance. The nature, timing and extent of procedures selected depend on our judgment, including the risk of material misstatements, whether due to fraud or error, in the Refiner's Compliance Report. In making those risk assessments, we considered internal control relevant to Emirates Gold's preparation of the Refiner's Compliance Report. A reasonable assurance engagement also includes:

- ▶ Walkthrough refiner's due diligence process to gain an understanding of implemented controls and procedures
- ▶ Discussions with refiner's management, compliance and operations team on the content of the report and various supply chain due diligence processes in place
- ▶ Site visits to the refinery to evaluate if the management system is in place as described in the compliance report
- ▶ During site visits we have interviewed personnel from the logistics, operations, safe, refining process, and accounts that are directly linked with either sourcing, processing or storing the gold.
- ▶ Testing, on a sample basis, of account opening procedures and due diligence conducted before engaging with a potential gold supplying counter party
- ▶ Testing, on a sample basis, of transactions to evaluate if due diligence processes are being followed
- ▶ Review of whether systems used for registering, adapting, aggregating and reporting are satisfactory
- ▶ Obtaining and considering evidence to support the assertions and claims made in the Refiner's Compliance Report
- ▶ Review the statements made by the management in the Refiner's Compliance Report as compared to the findings arising from the above procedures performed
- ▶ The procedures performed relate to the Reporting Period from 1 Jan 2013 to 31 Dec 2013 and do not extend to any assertions made in the Refiner's Compliance Report regarding events subsequent to that period

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

### **Inherent limitations**

Non-financial information, such as that included in the Refiner's Compliance Report, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The methods used by refiners to comply with the LBMA Responsible Gold Guidance may differ. It is important to read Emirates Gold's gold supply chain policy available on its website.

Our testing of the accuracy of selected qualitative statements in the Refiner's Compliance Report relating to the material issues (such as management assertions and performance claims) were done through interviews and sample document reviews.

The authenticity of documents produced by gold supplying counterparties was not checked by contacting the respective government organizations.

### **Opinion**

In our opinion, the Refiner's Compliance Report for the period from 1 January 2013 to 31 December 2013 dated 22 May 2014 describes fairly the activities undertaken during the reporting period to demonstrate compliance and management's overall conclusion contained therein is in accordance with the requirements of the LBMA Responsible Gold Guidance, Version 5 dated 18 January 2013 and with LBMA Third Party Audit Guidance Version 2 dated 18 January 2013 (both obtained from the LBMA's website during March 2015).

Yours sincerely  
Ernst & Young Ltd



Mario Mosca  
Licensed audit expert



Zakaria Zamimou  
Licensed audit expert

### **Enclosure**

Emirates Gold DMCC's Compliance Report dated 22 May 2014



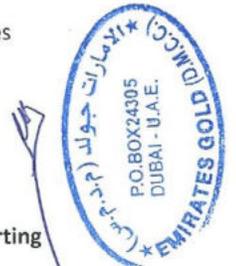
## Compliance Report – LBMA 2013

22 May 2014

The aim of this report is to summarize the steps taken by Emirates Gold DMCC (the “Company” or “we”) to achieve compliance with the due-diligence guidance issued by the London Bullion Market Association (the “LBMA”) for a responsible gold supply chain for the calendar year 2013.

### Details of the Reporting Entity

**Name** : Emirates Gold DMCC  
**Location** : Jumeirah Lakes Towers, Dubai, United Arab Emirates  
**Reporting Period** : 1 January 2013 – 31 December 2013  
**Senior Manager responsible for this report** : Mohamed Shakarchi, CEO, Founder



### Management’s Conclusion

Is the refiner in compliance with the requirements of the *LBMA Responsible Gold Guidance* for the Reporting Period?

**Yes** Emirates Gold has in place effective management systems, procedures, processes and practices to conform to the requirements of the *LBMA Responsible Gold Guidance* for the year 2013. In this document the reader will find a description of the reasons which support this conclusion.

If users of this report wish to provide any feedback to the Company with respect to this report, they can contact our compliance team at [compliance@emiratesgold.ae](mailto:compliance@emiratesgold.ae)

### Our Evaluation

The structure of our evaluation is to address separately each step in the “5-Step” framework for risk-based due diligence of the precious metal supply chain.

<b>Step 1</b>	<b>Objective:</b> Establish strong company management systems
	<b>Compliance Statement:</b> We have fully complied with Step 1
	<b>Demonstration of Compliance:</b> <b><i>Has the refiner adopted a company policy regarding due diligence for supply chains of gold?</i></b> In 2011 the Company expanded its compliance team by hiring a qualified full-time Chief Compliance Officer with the objective of developing a robust due diligence system that complies with the emerging international guidance on responsible gold. The Chief Compliance Officer was given adequate resources and mandated to establish and maintain a robust compliance framework which includes the Company’s supply chain management system and policy. As an immediate first step (and consistent with the Company’s operating practice in previous years), the compliance and management teams established very prudent and conservative guidelines to not engage with suppliers deemed high-risk as the Company developed and documented the best system to include all the steps of

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responsible gold sourcing. With a clear goal in mind, the compliance team worked together with Senior Management to formalize and implement the *Emirates Gold Compliance, Anti-Money Laundering and Supply Chain Management Policy* (the “Policy”), which is consistent with the *LBMA Responsible Gold Guidance*. This Policy was in use throughout the 2013 Reporting Period.

The Policy appears on our website [www.emiratesgold.ae](http://www.emiratesgold.ae) and is displayed on our internal “announcement board” to remind all employees of our responsibilities. In 2013, we continued to disseminate this Policy to all our clients and suppliers, and the acknowledgement of its standards and values is an integral part to our on-boarding process.

Senior Management is fully supportive of the Chief Compliance Officer (the “CCO”) who is properly qualified for his responsibilities. Our CCO is the point person for external communications for matters related to compliance, and he has also been to numerous conferences (including the OECD conferences in 2013 in Paris and Kigali) and interacted with many individuals highly qualified on the topic of responsible gold (OECD, LBMA, DMCC, UN Group of Experts, etc.). Our CCO is also fully immersed in the daily activities of the Company and is accessible to all employees. His experience also includes undergoing due-diligence audits for 2012 at the Company.

***Has the Refiner set up an internal management structure to support supply chain due diligence?***

The implementation of the Policy is documented by a procedures handbook (the “Procedures”) which covers in depth all aspects of our policy, such as (but not limited to) responsibilities and authorities of relevant officers, monitoring, reporting, training, client on-boarding requirements, anti-money laundering procedures and risk classification and mitigation.

The Procedures describe in details the responsibilities and assign authority for the effective implementation of all aspects of the Policy. The implementation of the Policy and its widespread communication is achieved by a clear delegation of duties and authority, frequent communications with the Company’s employees, internal auditing and a reporting (whistleblowing) mechanism. The Chief Compliance Officer has a direct line of reporting into Senior Management and is responsible for maintaining and implementing the Policy and Procedures.

The Policy together with its implementation through a robust risk management system provided the Company in 2013 with a solid platform necessary to conduct business respecting strict due-diligence and risk mitigation measures.

***Has the Refiner established a strong internal system of due diligence, controls and transparency over gold supply chain, including traceability and identification of other supply chain actors?***

The Company maintains adequate documentation and records as described in this report. In addition, the Company keeps all necessary records of client on-boarding files and transaction documents which are maintained for at least five years. We are also capable of tracing any of our own gold kilo bars to their original lot.

The Company also closely monitors the engagement with higher risk suppliers, and seeks to disengage or suspend trading if issues with the same supplier persist.

***Has the Refiner strengthened company engagement with gold supplying counterparties, and where possible, assisted gold supplying counterparties in building due diligence capabilities?***

Accepting the standards expressed in our Policy is a sine qua non for doing business with us, and our KYC forms reflected this point in 2013. In addition, our Chief Compliance Officer has conducted on-site visits locally and internationally to educate suppliers, strengthen our understanding of active and potential new supply chains, as well as enhance our own knowledge of responsible sourcing. We have



also sponsored a translation of the local responsible gold due-diligence guidance as well as a teach-in for local jewelers and traders on responsible sourcing.

**Has the Refiner established a company-wide communication mechanism to promote broad-based employee participation and risk identification to management?**

A clear internal reporting mechanism is established to guarantee employee concerns are reported anonymously, quickly and effectively. The mechanism also ensures that the compliance team and Senior Management are made aware of such concerns promptly and able to take immediate action if necessary. In fact, the Procedures describe a mechanism for employees to report anonymously any suspicions or concerns they may have related to suppliers, transactions or the Company's processes including our risk management system. In 2013, this mechanism was used effectively. Also, the Company has a direct line of communication with its regulator.

Employee training is fundamental to the successful implementation of the Policy. In 2013 training typically consisted of in-class presentations followed by Q&A. Attendance to training presentations is mandatory and recorded.

**Step 2**

**Objective:**

Identify and assess risks in the supply chain

**Compliance Statement:**

We have fully complied with Step 2

**Demonstration of Compliance:**

The Company's risk assessment methodology evolved over the past few years from a simple but drastic system (which consisted in disengaging from the vast majority of suppliers with high-risk supply chains) to a more refined approach which fits the *LBMA Responsible Gold Guidance*. The original methodology resulted in a limited amount of high-risk transactions. This approach was communicated as early as 2009 with a clear message that the Company would not consider gold coming directly or indirectly from conflict areas. As international and local responsible gold guidance developed, the Company aired on the side of caution adopting this very conservative but prudent risk control policy. However, in light of the refined guidance provided by the LBMA, and the time spent analyzing this guidance and designing a more refined and robust framework, we have developed a measured approach to risk which allows us to classify suppliers' risk levels consistently and respond adequately. Our framework is modeled on the *LBMA Responsible Gold Guidance* as well as other responsible gold guidelines.

Throughout 2013, we used this measured approach to assess risk.

**Does the Refiner have a process to identify risks in the supply chain?**

From first point of contact with a new supplier, and on a continuously monitored basis, we assess and identify risks for both the supplier and the material delivered by this supplier. Therefore, our two main assessments are:

- **Supplier Risk Classification:** This classification is determined mainly by the content and quality of the supplier's on-boarding documentation as well as the form and origin of the gold. Following a thorough gathering of on-boarding documentation of the supplier, and analysis of their business model, the origin of their supply (including mode of transport, level of conflict, human rights abuse, existence of sanctions, and stability of the financial system in



the country of origin) and background checks against databases (World-check©) a final risk level is assigned to each supplier.

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

Our Policy and Procedures are built on our own high ethical standards as well as the OECD and LBMA guidance for sourcing gold responsibly. All on-boarding risk assessment processes and risk evaluation forms are documented in the Procedures and therefore consistent with our Policy, so in 2013 our risk identification and assessment framework complied with a robust supply chain management system.

**Does the Refiner assess risks in light of the standards of their due-diligence system?**

Our risk assessment is consistent across suppliers and based on our documented due-diligence practices. The Chief Compliance Officer presents all potential new high-risk suppliers to Senior Management before any engagement begins. The supplier's information and internal risk assessment is reviewed and discussed thoroughly. The close proximity of the Chief Compliance Officer and Senior Management means frequent daily interactions. However, the Chief Compliance Officer and Senior Management also meet formally no less than once a month to discuss all aspects related to the Company's risks and compliance framework.

The Chief Compliance Officer is responsible for informing relevant employees, including Senior Management of the classification of each supplier. The Chief Compliance Officer is also responsible for monitoring and updating the risk classification of all of the Company's precious metal suppliers.

All red flags due to location or suppliers are reviewed very carefully by compliance and management before the Company engages in any dealings.

**Does the Refiner report risk assessment to the designated manager?**

Yes, as described above.

<b>Step 3</b>	<p><b>Objective:</b> Design and implement a management system to respond to identified risks</p>
	<p><b>Compliance Statement:</b> We have fully complied with Step 3</p>
	<p><b>Demonstration of Compliance:</b> <b>Has the Refiner devised a strategy for risk management of an identified risk by either (i) mitigation of the risk while continuing to trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk?</b>  The process described in Step 2 identifies higher risk suppliers through the Company's risk classification framework and also assesses transactional risk. For higher risk suppliers, the matrix identifies the source of risks which can fall into three possible categories. Risk mitigation steps can then be initiated according to the source of the risk:</p>



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

Internal procedures describe risk mitigation steps to undertake for each category above. In 2013, such steps included on-site visits to collect first-hand information on supply chains.

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

The Chief Compliance Officer is responsible for monitoring the progress of the risk mitigation plans which have been initiated for high-risk suppliers.

***Where a management strategy of risk mitigation is undertaken, it should include measurable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk and regular reporting to designated senior management.***

For the Reporting Period, the Company’s risk mitigation consisted in many of the steps above, including a robust gathering and analysis of the relevant transactional and supplier documentation.

In 2013, and continuing on its standards of previous years, the Company operated simple risk-mitigating policies which combat money laundering and conflict minerals directly at their source:

- Very strict control on purchases of gold in cash from suppliers, so that the proceeds of a sale remain traceable through the banking system. In fact, the Company did not buy any measurable amount of gold in cash from suppliers in 2013.
- The Company has established a list of “Banned Countries”, and the Company rejects or disengages with suppliers which originate material from these countries.

<b>Step 4</b>	<b>Objective:</b> Arrange for an independent third-party audit of the supply chain due diligence
	<b>Compliance Statement:</b> We have fully complied with Step 4
	<b>Demonstration of Compliance:</b> Ernst and Young (“EY”) have conducted a reasonable assurance audit of the Company’s due-diligence practices in accordance with the International Standard in Assurance Engagements ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000). The audit was conducted in line with guidance and protocols provided by the LBMA. EY interviewed our staff and audited a large proportion of the Company’s transactions, suppliers’ on-boarding files, and also checked our procedures document as well as the implementation of our risk assessment framework and risk mitigation steps. They conducted the audit on-site in the premises of our refinery.



<b>Step 5</b>	<b>Objective:</b> Report on supply chain due diligence
	<b>Compliance Statement:</b> We have fully complied with Step 5
	<b>Demonstration of Compliance:</b> Our compliance Policy is available on our website, and the present Compliance Report and associated independent reasonable assurance report will be available on our website when issued.