

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

For the period from 1 January to 31 December 2014

**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 6 March 2015 for the Reporting Period from 1 January 2014 to 31 December 2014 (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 2014 to 31 Dec 2014 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 2014 to 31 December 2014 dated 6 March 2015 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 Zammou  
Licensed audit expert

### **Enclosure**

Emirates Gold DMCC's Compliance Report dated 6 March 2015



## Compliance Report – LBMA 2014

6 March 2015

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 2014.

### Details of the Reporting Entity

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| <b>Name</b>                                       | : Emirates Gold DMCC                                 |
| <b>Location</b>                                   | : Jumeirah Lakes Towers, Dubai, United Arab Emirates |
| <b>Reporting Period</b>                           | : 1 January 2014 – 31 December 2014                  |
| <b>Senior Manager responsible for this report</b> | : 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 2014. 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.

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| <b>Step 1</b> | <b>Objective:</b><br>Establish strong company management systems   |
|               | <b>Compliance Statement:</b><br>We have fully complied with Step 1   |
|               | <b>Demonstration of Compliance:</b><br><br><b>Has the refiner adopted a company policy regarding due diligence for supply chains of gold?</b><br><br>The <i>Emirates Gold Compliance, Anti-Money Laundering and Supply Chain Management Policy</i> (the “ <b>Policy</b> ”) has been in use for the entire Reporting Period and this policy is consistent with the <i>LBMA Responsible Gold Guidance</i> .<br><br>The Policy appears on our website <a href="http://www.emiratesgold.ae">www.emiratesgold.ae</a> and is displayed on our internal “announcement board” to remind all employees of our responsibilities. The Policy is an integral part to our on-boarding process and must be acknowledged in writing by all our precious metal suppliers.<br><br>Our Chief Compliance Officer (the “ <b>CCO</b> ”) plays a pivotal role in the application of the Company’s due- |





diligence measures and continues his education, for instance by attending numerous conferences (including the OECD conferences in 2014 in Paris and Kinshasa) and interacting with individuals highly qualified on the topic of responsible gold (OECD, LBMA, DMCC, UN Group of Experts, AGC, Human Right Watch, RJC etc.). Our CCO is also fully immersed in the daily activities of the Company and is accessible to all employees. He manages and educates his team who help him monitor the Company's compliance efforts. His experience also includes undergoing due-diligence audits for 2012 and 2013 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. Several enhancements were included in the Procedures during the year 2014.

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.

In 2014, the Company also achieved ISO 9001:2008 certification for Quality Management. The Compliance team worked together with the internal ISO implementation team to ensure that the Procedures also conform to the Company's ISO framework.

The Policy together with its implementation through a robust risk management system provided the Company in 2014 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. In 2014, the CCO further enhanced his reporting to Senior Management pre and post transaction, by providing in-depth analysis of relevant supply chains.

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

Our Chief Compliance Officer has traveled to conduct on-site visits to educate suppliers, strengthen our understanding of active and potential new supply chains, as well as enhance our own knowledge of responsible sourcing. However, we note that the Company's original travel plans in West Africa for 2014 were impacted by the spread of the Ebola virus, resulting in fewer trips than planned. The feedback from the on-site visits continues to play an important role in shaping our views and decisions around specific supply chains and also more general themes such as artisanal mining.

***Has the Refiner established a company-wide communication mechanism to promote broad-based***



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|  | <p><b>employee participation and risk identification to management?</b></p> <p>An 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 2014, this mechanism was again used effectively. Also, the Company has a direct line of communication with its regulator which was used on some occasions for reporting purposes.</p> <p>The 2014 employee training program was executed effectively and in accordance with the plan shared by the Compliance team with Senior Management at the start of the year.</p> |
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| <b>Step 2</b> | <p><b>Objective:</b><br/>Identify and assess risks in the supply chain</p>  |
|               | <p><b>Compliance Statement:</b><br/>We have fully complied with Step 2</p>  |
|               | <p><b>Demonstration of Compliance:</b></p> <p>In 2014 we have continued to use a measured approach to assess risk based on assigning risk levels to suppliers following the relevant guidelines and our own internal standards.</p> <p><b>Does the Refiner have a process to identify risks in the supply chain?</b></p> <p>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 in 2014 remain the same as the previous year:</p> <ul style="list-style-type: none"> <li>• <b>Supplier Risk Classification:</b> 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.</li> <li>• <b>Transactional Risk Assessment:</b> 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.</li> </ul> <p>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 2014 our risk identification and assessment framework complied with a robust supply chain management system.</p> <p><b>Does the Refiner assess risks in light of the standards of their due-diligence system?</b></p> <p>Our risk assessment is consistent across suppliers and based on our documented due-diligence</p> |



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|  | <p>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 once a month to discuss all aspects related to the Company’s risks and compliance framework. Minutes of these meetings are kept to guarantee effective follow up.</p> <p>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. Key supplier information is readily available electronically to the Compliance team, Senior Management and also the operations team.</p> <p>All red flags due to location or suppliers are reviewed very carefully by the Compliance team and Senior Management before the Company engages in any dealings.</p> <p><b><i>Does the Refiner report risk assessment to the designated manager?</i></b></p> <p>Yes, as described above.</p> |
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| <b>Step 3</b> | <p><b>Objective:</b><br/>Design and implement a management system to respond to identified risks</p>   |
|               | <p><b>Compliance Statement:</b><br/>We have fully complied with Step 3</p>   |
|               | <p><b>Demonstration of Compliance:</b></p> <p><b><i>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?</i></b></p> <p>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> <ul style="list-style-type: none"> <li>• Risk identified from the supplier’s operating principles, intended business, their beneficial owners, and the robustness of KYC requirements.</li> <li>• Risk identified from the type of precious metal the supplier intends to bring for refining.</li> <li>• Risk identified from conflict areas or high-risk regions from which the precious metal originates.</li> </ul> <p>Internal procedures describe risk mitigation steps to undertake for each category above. In 2014, such steps included on-site visits to collect first-hand information on supply chains, and also checking independently the validity of some supplier licenses (for example) with the relevant local authorities.</p> <p>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.</p> |





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|  | <p>The Chief Compliance Officer is responsible for monitoring the progress of the risk mitigation plans which have been initiated for high-risk suppliers.</p> <p><b><i>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.</i></b></p> <p>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.</p> <p>In 2014, 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:</p> <ul style="list-style-type: none"> <li>• 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 2014.</li> <li>• The Company has abolished its list of “Banned Countries” (in the spirit of removing “embargos”) and established a list of “Red Flag Countries” instead. The Company investigates in even further details potential supplies which originate from these countries. In fact, the Company did not source any gold in 2014 from Red Flag Countries.</li> </ul> |
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| <b>Step 4</b> | <p><b>Objective:</b><br/>Arrange for an independent third-party audit of the supply chain due diligence</p>  |
|               | <p><b>Compliance Statement:</b><br/>We have fully complied with Step 4</p>   |
|               | <p><b>Demonstration of Compliance:</b></p> <p>Ernst &amp; Young Ltd based in Switzerland (“<b>EY Swiss</b>”) 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 Swiss 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.</p> <p>The Swiss office of Ernst &amp; Young was chosen for their track record of LBMA Responsible Gold audits.</p> |

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| <b>Step 5</b> | <p><b>Objective:</b><br/>Report on supply chain due diligence</p>   |
|               | <p><b>Compliance Statement:</b><br/>We have fully complied with Step 5</p>  |
|               | <p><b>Demonstration of Compliance:</b></p> <p>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.</p> |