

# Independent Limited Assurance Report

(ISAE 3000 engagement)

For the period 1 January 2015 to 31 December 2015

Emirates Gold DMCC

31 May 2016





31 May 2016  
Dubai, United Arab Emirates,

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

### **Introduction**

We were engaged by Emirates Gold DMCC ("Emirates Gold") to perform a limited assurance engagement on Emirates Gold's Compliance Report dated 26 May 2016 for the Reporting Period from 1 January 2015 to 31 December 2015 (the "Refiner's Compliance Report").

### **Scope**

The objective of this engagement is to provide an opinion on whether nothing has come to our attention that would lead us to believe that Emirates Gold's Compliance Report for the period from 1 January 2015 to 31 December 2015, did not in all material respects, describe fairly the activities undertaken during the year to demonstrate compliance, and whether management's overall conclusion contained therein, is not in accordance with the requirements of the DMCC's Practical Guidance for Market Participants in the Gold and Precious Metals Industry Version 1 - April 2012 (the "DMCC's Practical Guidance") and with the DMCC Review Protocol on Responsible Sourcing of Precious Metals Version 3.3 - August 2014 ("the DMCC's Review Protocol") both obtained from the DMCC's website during May 2016.

### **Management's responsibilities**

The management of Emirates Gold is responsible for the preparation and public disclosure of the Refiner's Compliance Report in accordance with the DMCC's Practical Guidance. This responsibility includes conformance with Steps 1 to 5 of the DMCC's Practical Guidance. The criteria identified by the management as relevant for demonstrating compliance with the DMCC's Practical 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 DMCC's Review Protocol 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 DMCC's Practical Guidance and whether management's overall conclusion has been drawn in accordance with the requirements of the DMCC's Practical Guidance and with the DMCC's Review Protocol.

We conducted our limited 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 DMCC's Practical Guidance. This standard requires that we plan and perform this engagement to obtain a limited level of assurance.

A limited assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about the fairness of the Refiner's Compliance Report and the fact that management's overall conclusion has been drawn in accordance with the requirements of the DMCC's Practical Guidance and with the DMCC's Review Protocol. 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. The limited assurance engagement also included:

- ▶ Walkthrough Emirates Gold's due diligence process to gain an understanding of implemented controls and procedures
- ▶ Discussions with Emirates Gold's management, compliance and safe & 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 departments 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 counterparty
- ▶ 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 January 2015 to 31 December 2015 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 DMCC's Practical 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 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**

Based on the limited assurance procedures performed, as described above, nothing has come to our attention that would lead us to believe that Emirates Gold DMCC's Compliance Report dated 26 May 2016



for the period from 1 January 2015 to 31 December 2015, did not in all material respects, describe fairly the activities undertaken during the year to demonstrate compliance, and management's overall conclusion contained therein, is not in accordance with the requirements of the DMCC's Practical Guidance for Market Participants in the Gold and Precious Metals Industry Version 1- April 2012 and with the DMCC Review Protocol on Responsible Sourcing of Precious Metals Version 3.3 - August 2014 (both obtained from the DMCC's website during May 2016).

A handwritten signature in blue ink, which appears to be 'Ernst + Young'.

EY  
Dubai, United Arab Emirates  
31 May 2016

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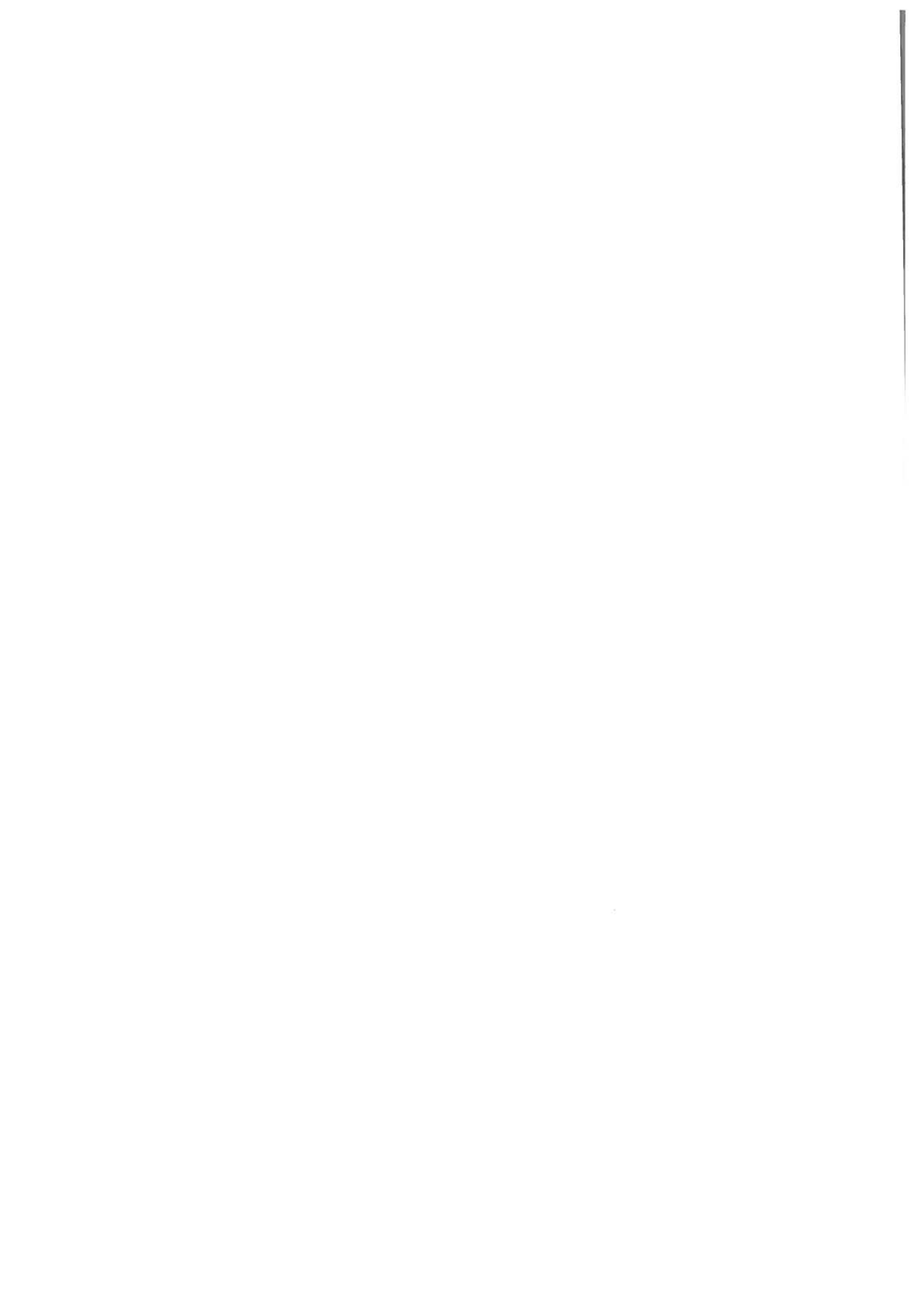
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## Compliance Report – DMCC 2015

26 May 2016

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 Dubai Multi Commodities Center Authority (the “DMCC”) for a responsible supply chain of precious metals for the calendar year 2015.

### Details of the Reporting Entity

<b>Name</b>	:	Emirates Gold DMCC
<b>Location</b>	:	Jumeirah Lakes Towers, Dubai, United Arab Emirates
<b>Reporting Period</b>	:	1 January 2015 – 31 December 2015
<b>Senior Manager responsible for this report</b>	:	Mohamed Shakarchi, CEO, Founder

### Summarized Conclusion

We have fully complied with each of the steps in the DMCC *Practical Guidance for Market Participants in the Gold and Precious Metals Industry* (the “DMCC Guidance”) during the calendar year 2015 and the Company is therefore in compliance with the DMCC Guidance for such period.

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> Establishing robust company supply chain management systems
	<b>Compliance Statement:</b> We have fully complied with Step 1
	<b>Demonstration of Compliance:</b> <b>1. Develop a policy and processes for responsible supply chains</b> The <i>Emirates Gold Compliance, Anti-Money Laundering and Supply Chain Management Policy</i> (the “Policy”) has been in use for the entire Reporting Period and this policy is consistent with the <i>DMCC Guidance</i> . In particular, our Policy expresses (i) our strong position against child labour and conflict financing, and (ii) our commitment to applying a risk based approach to the management of supply chains.  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.  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 2015 as we continue to improve our compliance framework.

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 Compliance team has a direct line of reporting into Senior Management and is responsible for maintaining and implementing the Policy and Procedures.

In January 2016, the Company was also issued an LBMA Responsible Gold certificate for the calendar year 2014 by the London Bullion Market Association (this certificate is available on our website). The Company also achieved a milestone by being added to the Conflict-Free Sourcing Initiative's list of Conflict-Free Smelters & Refiners. (<http://www.conflictreesourcing.org/>)

The Policy together with its implementation through a robust risk management system provided the Company in 2015 with a solid platform necessary to conduct business respecting strict due-diligence and risk mitigation measures.

**2. Assign a dedicated compliance or risk officer**

Our Compliance team and Compliance Officers play a pivotal role in the application of the Company's due-diligence measures and they continue their education, for instance by attending numerous conferences (including the OECD conference in 2015 in Paris) 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 Compliance Officers are also fully immersed in the daily activities of the Company and are accessible to all employees. Our Compliance and Management teams have experience in undergoing compliance audits in 2012, 2013 and 2014 at the Company.

**3. Develop internal documentation and records of supply chain due diligence**

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.

**4. Strengthen relationships with suppliers**

Our Compliance team 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. 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. In 2015, the Company conducted visits on mine sites in West Africa conducting due-diligence and broadening its own experience and knowledge.

In addition, the Company also attended the Africa Dubai Precious Metals Forum held in Accra in September 2015. This forum allowed the exchange of ideas with many market participants from traders to government officials on the responsible sourcing of gold.

**5. Develop accurate security requirements**

Melted bars from suppliers are segregated and separated overnight to avoid tampering or removal.





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 2015 also, this mechanism was used effectively. Also, the Company has a direct line of communication with its regulator.

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.

#### 6. *Conduct necessary training*

The 2015 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.

## Step 2

### Objective:

Identifying and assessing the risks in the supply chain

### Compliance Statement:

We have fully complied with Step 2.

### Demonstration of Compliance:

In 2015 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.

#### 1. *Include appropriate risk factors in the risk assessment*

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 2015 remain the same as the previous year:

- **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, LBMA and DMCC 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 2015 our risk identification and assessment framework complied with a robust supply chain management system.

#### 2. *In-depth review of all red flags*



	<p>Our risk assessment is consistent across suppliers and based on our documented due-diligence practices. The Compliance Officers present all potential new high-risk suppliers (as defined in our Compliance, Anti-Money Laundering and Supply Chain Management Procedures) 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 Compliance Officers and Senior Management means frequent daily interactions. However, the Compliance team 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 Compliance team is responsible for informing relevant employees, including Senior Management of the classification of each supplier. The Compliance team 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>3. Conduct enhanced due-diligence on red-flagged suppliers</b></p> <p>The Company conducts enhanced due-diligence and risk mitigation as described in Step 3 below.</p>
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<b>Step 3</b>	<p><b>Objective:</b> Developing and implementing a risk mitigation/control plan</p>
	<p><b>Compliance Statement:</b> We have fully complied with Step 3</p>
	<p><b>Demonstration of Compliance:</b></p> <p><b>1. Develop a policy and processes for conducting risk mitigation</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 2015, 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 Compliance team 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>



	<p>The Compliance team is responsible for monitoring the progress of the risk mitigation plans which have been initiated for high-risk suppliers (if any).</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 2015, 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. For instance, the Company operates 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, in the whole calendar year 2015 the Company bought less than two hundred and fifty grams of gold in cash which includes purchases from its own employees of investment bars and coins. (This amounts to less than ten thousand U.S. Dollars in total for the entire year).</p>
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<b>Step 4</b>	<p><b>Objective:</b> Carrying out independent third-party audits of gold and precious metals company's due diligence practices</p>
	<p><b>Compliance Statement:</b> We have fully complied with Step 4</p>
	<p><b>Demonstration of Compliance:</b> Ernst &amp; Young Dubai ("EY") have conducted a limited 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 DMCC. 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.</p>

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

