

Independent Limited Assurance Report

(ISAE 3000 engagement)

For the year from 1 January 2016 to 31 December 2016

Emirates Gold DMCC

30 April 2017



Building a better
working world

30 April 2017
Dubai, United Arab Emirates

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

Introduction

We are engaged by Emirates Gold DMCC ("Emirates Gold") to perform a limited assurance engagement on Emirates Gold's Compliance Report dated 31 March 2017 for the Reporting Period from 1 January 2016 to 31 December 2016 (the "Refiner's Compliance Report").

Scope

The objective of this engagement is to provide an opinion on whether nothing has to come to our attention that would lead us to believe that Refiner's Compliance Report for the period from 1 January 2016 to 31 December 2016, 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 requirement 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 ("DMCC Review Protocol").

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 Step 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 the 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 requirement of the DMCC's Practical Guidance and with DMCC's Review Protocol.

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagement ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standard 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 and 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 limited assurance engagement also includes:

- ▶ Walkthrough Emirates Gold's due diligence process to gain an understanding of implemented controls and procedures
- ▶ Discussions with Emirates Gold's management, compliance, safe 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 Refiner's Compliance Report
- ▶ During site visits we have interviewed personnel from the department 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 2016 to 31 December 2016 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 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 organisations.

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 31 March 2017 for the period from 1 January 2016 to 31 December 2016, 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 dated 1 April 2012 and with the DMCC Review Protocol on Responsible Sourcing of Precious Metals Version 3.3 – August 2014.

Ernst & Young

EY
Dubai, United Arab Emirates
30 April 2017

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ED None

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Compliance Report – DMCC 2016

31 March 2017

The aim of this report is to summarize the steps taken by Emirates Gold DMCC (the “Company”, the “Refiner” 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 2016.

Details of the Reporting Entity

Refiner's Name	:	Emirates Gold DMCC
Location	:	Jumeirah Lakes Towers, Dubai, United Arab Emirates
Reporting Period	:	1 January 2016 – 31 December 2016
Senior Manager responsible for this report	:	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 2016 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

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.

Step 1	Objective: Establishing robust company supply chain management systems
	Compliance Statement: We have fully complied with Step 1
	Demonstration of Compliance:
	<p>1. Develop a policy and processes for responsible supply chains</p> <p>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, human rights violations and conflict financing, and (ii) our commitment to applying a risk based approach to the management of supply chains.</p> <p>In 2016 our Policy was amended to include the definition of “worst forms of child labour” from Convention 182 of the International Labour Organization (ILO).</p> <p>The Policy appears on our website www.emiratesgold.ae and is displayed on our internal “announcement board” to remind all employees of our responsibilities. The Policy is an integral part</p>



of 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 internal processes, such as (but not limited to) responsibilities and authorities of relevant officers, monitoring, reporting, training, KYC and client on-boarding requirements, anti-money laundering procedures and risk evaluation and mitigation. The Procedures document includes the details of our risk matrix which plays an important role in our supplier risk classification. Several enhancements were included in the Procedures during the year 2016 as we continue to improve our compliance framework. In particular the Procedures reflect simple suggestions and enhancements from our auditors following our 2015 responsible gold audits.

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 2016, the Company was also issued an LBMA Responsible Gold certificate for the calendar year 2015 by the London Bullion Market Association (this certificate is available on our website). The Company also achieved a milestone by being the first refiner in the middle east to be added to the Conflict-Free Sourcing Initiative’s list of Conflict-Free Smelters & Refiners. Lastly, in December 2016 the Company was included in Apple’s List of Smelters and Refiners with a compliant third party audit status and having completed Apple’s Risk Readiness Assessment.

2. Assign a dedicated compliance or risk officer

Our Compliance Officers and Senior Management play a pivotal role in the application of the Company’s due-diligence measures and they continue their education, for instance by attending numerous meetings (including the OECD conference in Paris and the Apple Responsible Sourcing session at the LBMA conference in Singapore) and interacting with individuals highly qualified on the topic of responsible gold (OECD, LBMA, DMCC, UN Group of Experts, AGC, Human Rights 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, 2014 and 2015 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. Each gold kilo bar is produced with a serial number and a corresponding certificate. We are therefore capable of tracing any of our own gold kilo bars to their original lot using our internal database and procedures.

4. Strengthen relationships with suppliers

Our Compliance Officers and Senior Management have 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. Travel is both local and international, including destinations in West Africa and Latin America. 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 on more general themes such as artisanal mining.

In addition, Senior Management moderated the panel “How to Responsibly Source Gold Doré from



Africa" at the Africa Dubai Precious Metals Forum held in Accra in September 2016. The panelists included the OECD, Ghana's Mineral Commission and SODEMI from the Ivory Coast. Topics addressed by the moderator and discussed by the panel included the problem of child labour in gold mining. This forum also allowed the exchange of ideas with many market participants from traders to government officials on the topic of responsible sourcing.

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 (if they wish) any suspicions or concerns, both minor and major, they may have related to suppliers, transactions or the Company's processes including our risk management system.

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 2016 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. This training program included several internal sessions conducted by the Compliance Officers on topics related to responsible sourcing.

Step 2

Objective:

Identifying and assessing the risks in the supply chain

Compliance Statement:

We have fully complied with Step 2.

Demonstration of Compliance:

We continue to use a measured approach to assess risk based on assigning risk levels to supply chains 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 2016 remain the same as the previous years:

- **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, known reserves, and stability of the financial system in the country of origin) and background checks against databases (World-check®), we follow several steps including the calculation of our risk matrix before a final risk level is assigned to each supply chain. The risk assessments are documented and approvals are given by Senior Management when required.
- **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 risks in these categories are identified, a risk evaluation form is completed and relevant mitigations steps are taken.

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 2016 our risk identification and assessment framework complied with a robust supply chain management system.

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

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 and final approval comes from Senior Management. 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.

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.

All red flags due to location, suppliers or circumstances are reviewed very carefully by the Compliance team and Senior Management before the Company engages in any dealings.

3. *Conduct enhanced due-diligence on red-flagged suppliers*

The Company conducts enhanced due-diligence and risk mitigation as described in Step 3 below.

Step 3

Objective:

Developing and implementing a risk mitigation/control plan

Compliance Statement:

We have fully complied with Step 3

Demonstration of Compliance:

1. *Develop a policy and processes for conducting risk mitigation*

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:

- Risk identified from the supplier's operating principles, intended business, 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 or transits.

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.

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.

The Compliance team is responsible for monitoring the progress of the risk mitigation plans which have been initiated for high-risk suppliers (if any).

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. All relevant processes are included in the Company's Procedures document.

The Compliance team considers the DMCC Guidance as a minimum set of due-diligence standards and often performs more stringent and in-depth due-diligence regardless of the risk assessment of a supply chain. Also, documentation is often collected beyond the requirements of the DMCC Guidance even for supply chains assessed as low risk.

In 2016, 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 2016 the Company bought less than three hundred grams of gold in cash which includes purchases from its own employees of investment bars and coins. (This amounts to less than twelve thousand U.S. Dollars in total for the entire year).

Step 4

Objective:

Carrying out independent third-party audits of gold and precious metals company's due diligence practices

Compliance Statement:

We have fully complied with Step 4

Demonstration of Compliance:

Ernst & Young Dubai ("EY Dubai") 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 Dubai interviewed our staff and audited a sample 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.



Step 5	Objective: Reporting annually on responsible supply chain due diligence
	Compliance Statement: We have fully complied with Step 5
	Demonstration of Compliance: 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.