

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

for the period from 1 January to 31 December 2017 of  
**Emirates Gold DMCC, Dubai, UAE**

**Emirates Gold DMCC**  
**To the attn. of Mr. Mohamed Shakarchi**  
**Jumeirah Lakes Towers, DMCC**  
**Sheikh Zayed Road (Exit 32)**  
**PO Box 24305**  
**Dubai**  
**United Arab Emirates**

Geneva, 27 March 2018

## **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 20 March 2018 for the reporting period from 1 January 2017 to 31 December 2017 (the "Refiner's Compliance Report").

### **Management's responsibilities**

Emirates Gold 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, Version 6 dated 14 August 2015 (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 responsibility**

Our responsibility is to carry out a reasonable assurance engagement in order to express a conclusion based on the work performed. We conducted our 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 Programme - Third Party Audit Guidance for ISAE 3000 Auditors Version 3, dated 11 March 2016 (the "Audit Guidance").

### **Reasonable assurance procedures performed**

We have planned and performed our work to obtain all the evidence, information and explanations considered necessary in relation to the above scope. These procedures included:

- ▶ Enquiries of management to gain an understanding of Emirates Gold's processes and risk management protocols in place
- ▶ Walkthrough EG's due diligence process to gain an understanding of implemented controls and procedures

- ▶ On-site visit to the refinery to interview personnel from the logistics, operations, safe, refining process, and accounts that are directly linked with either sourcing, processing or storing the gold
- ▶ Enquiries of staff responsible for the preparation of the Refiner's Compliance Report
- ▶ Review of policies, procedures and internal controls that Emirates Gold has in place to conform to the LBMA Responsible Gold Guidance
- ▶ Review of a selection of the supporting documentation, including gold supplier counterparty due diligence file and transaction's documentation
- ▶ Review of the Refiner's Compliance Report

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 absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques that can result in materially different measurements and can impact comparability. The methods used by refiners to comply with the LBMA Responsible Gold Guidance may differ. It is important to read the Emirates Gold's gold supply chain policy available on its website.

### **Our independence and competency statement**

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.

### **Opinion**

In our opinion, the Refiner's Compliance Report for the period from 1 January 2017 to 31 December 2017 dated 20 March 2018 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 6 dated 14 August 2015.

Ernst & Young Ltd



Milena De Simone  
Partner



Zakaria Zammou  
Senior Manager

### **Enclosure**

Emirates Gold DMCC's Compliance Report dated 20 March 2018



## Compliance Report – LBMA 2017

20 March 2018

The aim of this report is to summarize the steps taken by Emirates Gold DMCC (the “Company”, the “Refiner”, “Emirates Gold” 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 2017.

### Details of the Reporting Entity

Refiner’s Name	:	Emirates Gold DMCC
Location	:	Jumeirah Lakes Towers, Dubai, United Arab Emirates
Reporting Period	:	1 January 2017 – 31 December 2017
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 2017. 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> The <i>Emirates Gold Compliance, Anti-Money Laundering (AML), Combating the Financing of Terrorism (CFT) and Supply Chain Management Policy</i> (the “ <b>Policy</b> ”) is consistent with the <i>LBMA Responsible Gold Guidance</i> and the OECD guidelines for responsible sourcing, and has been in use for the entire Reporting Period. 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.  In 2017 our Policy remains the same as the previous year. This 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

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employees of our responsibilities. The Policy is an integral part of our on-boarding process and must be acknowledged in writing by all our precious metal suppliers.

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, for example, the OECD conference in Paris) and interacting with individuals highly qualified on the topic of responsible gold (OECD, LBMA, DMCC, UN Group of Experts, AGC, Human Rights Watch, CFSi/RMI etc.). Our Compliance Officers are also fully immersed in the daily activities of the Company and are accessible to all employees. A new compliance officer with relevant AML and CFT experience was hired at the end of the year to replace departing members of the team.

***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 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 2017 as we continue to improve our compliance framework, but there were no major changes.

The Procedures describe in detail 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 reviews 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.

The 2017 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.

***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. 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.

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

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. 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.

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



An internal reporting mechanism is established to guarantee employee concerns, both minor and major, are reported anonymously if they wish, 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.

## Step 2

### Objective:

Identify and assess 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.

#### ***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 in 2017 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.
- **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 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 2017 our risk identification and assessment framework complied with a robust supply chain management system. However, in the spirit of continuous improvement, we continue to analyze and review our own processes and welcome valuable additions or changes to our framework. We have in the past benefited from suggestions from our auditors as well as other market participants to improve our systems.

#### ***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 Compliance Officers present 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, 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



	<p>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>The Compliance team considers the LBMA 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. In fact, documentation is often collected beyond the requirements of the LBMA guidance even for supply chains assessed as low risk.</p> <p>In 2017, and continuing on its standards of previous years, the Company also 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 and sales of gold in cash, so that the proceeds of transactions remain traceable through the banking system. In fact, in the whole calendar year 2017 the Company traded less than four kilograms of gold in cash of which almost fifty percent were transactions of investment bars and coins from the Company’s existing and past employees.</p> <p><b>Does the Refiner report risk assessment to designated Senior Management?</b></p> <p>Yes, as described above, risk assessments are documented and approvals are given by Senior Management when required.</p>
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<b>Step 3</b>	<p><b>Objective:</b> Design and implement a management strategy 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></p> <p><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></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 or transits.</li> </ul> <p>The above risks are then mapped into supplier, circumstances or location red flags in the Company’s Procedures.</p> <p>Internal procedures describe risk mitigation steps to undertake for each category above. Such steps include on-site visits to collect first-hand information on supply chains, and also checking</p>



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).

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

<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 & Young Ltd based in Geneva, Switzerland (“EY Switzerland”) 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 Switzerland 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.  The Swiss office of Ernst & Young was chosen for their proven track record of LBMA Responsible Gold audits and because they are on the LBMA’s list of Approved Service Providers (updated 15 December 2017).

<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.