

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

For the period from 1 January to 31 December 2015

**Emirates Gold DMCC**

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

Geneva, 3 May 2016

## **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 31 March 2016 for the Reporting Period from 1 January 2015 to 31 December 2015 (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 5 dated 18 January 2013 (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 limited 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 2, dated 18 January 2013 (the "Audit Guidance").

The extent of evidence-gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.

### **Limited 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

- 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 website.

### **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.

### **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 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 LBMA Responsible Gold Guidance, Version 5 dated 18 January 2013 and with LBMA Third Party Audit Guidance Version 2 dated 18 January 2013.

Yours sincerely

Ernst & Young Ltd



Milena De Simone  
Partner



Zakaria Zammou  
Senior Manager

### **Enclosure**

Emirates Gold DMCC's Compliance Report dated 31 March 2016



## Compliance Report – LBMA 2015

31 March 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 London Bullion Market Association (the “LBMA”) for a responsible gold supply chain for the calendar year 2015.

### Details of the Reporting Entity

**Name** : Emirates Gold DMCC  
**Location** : Jumeirah Lakes Towers, Dubai, United Arab Emirates  
**Reporting Period** : 1 January 2015 – 31 December 2015  
**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 2015. 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>Has the refiner adopted a company policy regarding due diligence for supply chains of gold?</b> The <i>Emirates Gold Compliance, Anti-Money Laundering and Supply Chain Management Policy</i> (the “Policy”) was first issued in 2012, 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 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.





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 conferences 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.

***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 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.

***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.

***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 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. 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.



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

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.

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:**

Identify and assess 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.

**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 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.

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 2015 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 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. 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.

In 2015, 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 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).

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

Yes, as described above.

**Step 3**

**Objective:**

Design and implement a management system to respond to identified risks

**Compliance Statement:**

We have fully complied with Step 3

**Demonstration of Compliance:**

**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?**

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.

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).

**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.

**Step 4**

**Objective:**  
Arrange for an independent third-party audit of the supply chain due diligence

**Compliance Statement:**  
We have fully complied with Step 4

**Demonstration of Compliance:**  
Ernst & Young Ltd based in Geneva, Switzerland (“EY Swiss”) 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 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.

The Swiss office of Ernst & Young was chosen for their track record of LBMA Responsible Gold audits.

**Step 5**

**Objective:**  
Report on 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.