

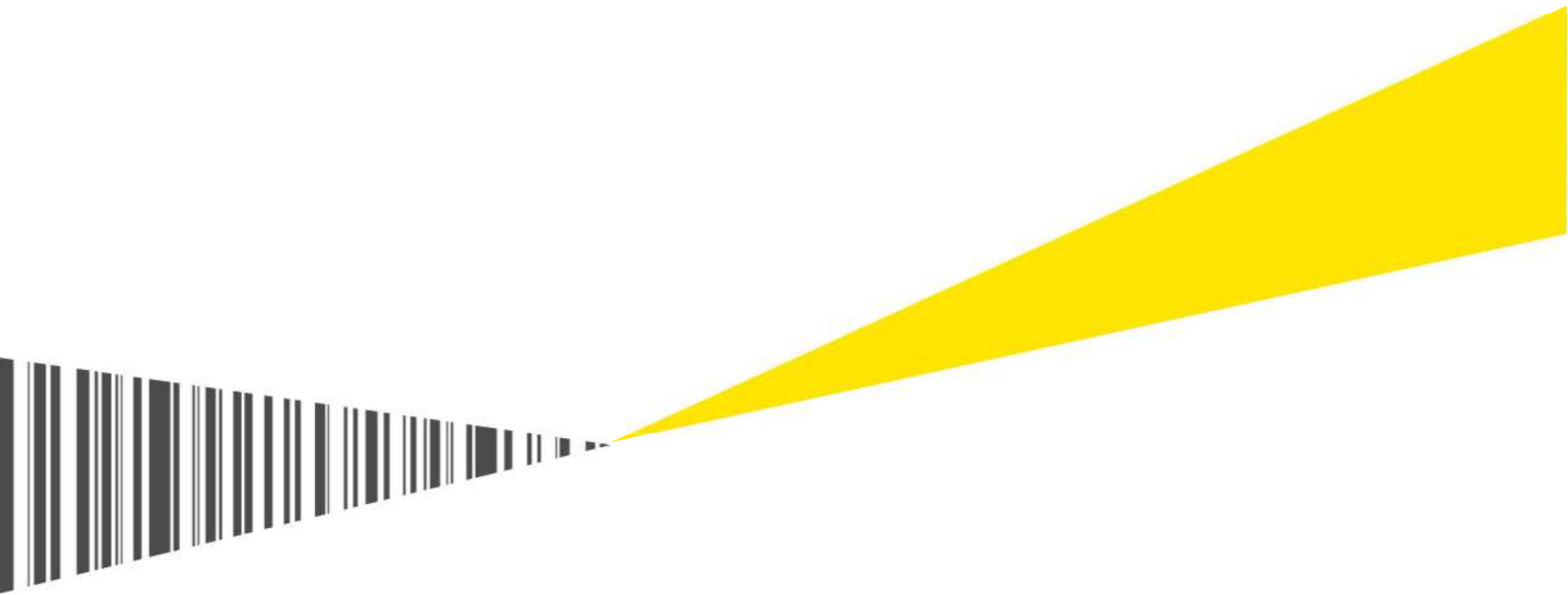
# **Independent Limited Assurance Report**

**(ISAE 3000 engagement)**

**For the period 1 January to 31 December 2019**

**Emirates Gold DMCC**

**26 March 2020**



**Building a better  
working world**



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## **Independent Limited Assurance Report on Emirates Gold DMCC 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 4 March 2020 for the Reporting Period from 1 January to 31 December 2019 (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 during the year to demonstrate compliance, and whether management’s overall conclusion has been drawn in accordance with the requirement of the DMCC Rules for Risk Based Due Diligence in the Gold and Precious Metals Supply Chain Version 1.1/2017 (the “DMCC Rules”) and with the DMCC Review Protocol on Responsible Sourcing of Precious Metals Annex 3 to DMCC Rules (the “DMCC Review Protocol”) both obtained from the DMCC website during December 2019.

### **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 Rules. This responsibility includes conformance with Rules 1 to 5 of the DMCC Rules. The criteria identified by the management as relevant for demonstrating compliance with the DMCC Rules 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 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 Rules and whether management’s overall conclusion has been drawn in accordance with the requirement of the DMCC Rules and with DMCC 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 Rules. 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 Rules and with the DMCC 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.

A limited assurance engagement also includes:

- ▶ Walking through 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 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 2019 to 31 December 2019 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**

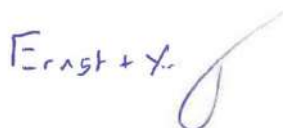
Non-financial information, such as that included in the Refiner's Compliance Report, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The methods used by refiners to comply with the DMCC Rules 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 organisations.

#### **Opinion**

Based on the limited assurance procedures performed, as described above, nothing has come to our attention that would lead us to believe the Refiner's Compliance Report dated 4 March 2020 for the period from 1 January to 31 December 2019, 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 Rules for Risk Based Due Diligence in the Gold and Precious Metals Supply Chain Version 1.1/2017 and with the DMCC Review Protocol on Responsible Sourcing of Precious Metals Annexure 3 to DMCC Rules.



26 March 2020

Dubai, United Arab Emirates

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## Compliance Report – DMCC 2019

4<sup>th</sup> March 2020

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 during the calendar year 2019 with the DMCC Rules for Risk Based Due Diligence in the Gold and Precious Metals Supply Chain Version 1.1/2017 issued by the Dubai Multi Commodities Center Authority (the “DMCC”) for a responsible supply chain of precious metals.

### Details of the Reporting Entity

Refiner’s Name : Emirates Gold DMCC  
 Location : Jumeirah Lakes Towers, Dubai, United Arab Emirates  
 Reporting Period : 1 January 2019 – 31 December 2019  
 Senior Managers responsible for this report : M. and R. Shakarchi



### Summarized Conclusion

We have fully complied with each of the rules in the DMCC Rules for Risk Based Due Diligence in the Gold and Precious Metals Supply Chain Version 1.1/2017 (the “DMCC Rules”) during the calendar year 2019 and the Company is therefore in compliance with the DMCC Rules 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 rules in the “5-Rule” framework for risk-based due diligence of the precious metal supply chain.

<b>Rule 1</b>	<b>Objective:</b> Establishing robust company supply chain management systems
	<b>Rules Included:</b> 1.1 Overriding Principle, 1.2 Supply Chain, 1.3 Policy and Process Implementation, 1.4 Minimum KYC Requirements, 1.5 Implementation of KYC Systems and Processes, 1.6 Specific KYC Requirements, 1.7 Record Keeping and Updating of Information, 1.8 KYC Requirements for Politically Exposed Persons, 1.9 Appointment of a Dedicated Supply Chain Officer, 1.10 Functions and Duties of the Supply Chain Officer, 1.11 Appointment of a Controller, 1.12 Functions and Duties of the Controller, 1.13 Records of Internal Inventory and Transactional Documentation, 1.14 Record Keeping, 1.15 Enhanced Relationships with Suppliers, 1.16 Uncooperative Suppliers, 1.17 Security Requirements, 1.18 Cooperation with law enforcement agencies, Training of staff and KYC, 1.19 Grievance Mechanism
	<b>Compliance Statement:</b> We have fully complied with Rule 1
	<b>Demonstration of Compliance:</b> The Emirates Gold Compliance, Anti-Money Laundering (AML), Combating the Financing of Terrorism



(CFT), Anti-Bribery and Corruption (ABC), and Supply Chain Management Policy (the “Policy”) has been in use for the entire Reporting Period and this policy is consistent with the DMCC Rules. 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.

The Policy appears on our website <http://www.emiratesgold.ae/> and is displayed on our internal “announcement board” to remind all 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.

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, internal and external reporting, training, KYC and client on-boarding requirements, AML and CFT procedures, country risk determination, supply chain risk assessment, and risk mitigation. We did not make any major changes in the Procedures during the Reporting Period. Implementing changes made in 2018, we systematically used throughout the year our improved process for risk assessment which consists of (i) identification of conflict-affected and high-risk areas and (ii) red flag identification and supply chain risk assessment. (Further details are provided in Step 2 below.) In 2019 we also implemented systematically our enhanced annual client reviews.

Our on-boarding and KYC process are detailed and satisfy the specific requirements of Rules 1.6-1.8 and the minimum requirements of the UAE Cabinet Resolution no 38 of 2014 Concerning the Executive Regulation of the Federal Law no 4 of 2002 Concerning Anti-Money Laundering and Combating the Financing of Terrorism (the “Resolution”). In particular, we identify Politically Exposed Persons (“PEP”) and ultimate beneficial owners holding five percent or more of the share capital of a supplying counterparty.

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 reviews (audits), and a reporting/whistleblowing mechanism for both internal and external grievances. The Compliance team has a direct line of reporting into Senior Management and is responsible for maintaining and implementing the Policy and Procedures.

Senior Management monitors the effectiveness of the Procedures relying on independent external responsible sourcing audits (such as the LBMA, DMCC and RMI audits for the calendar year 2018), internal reviews (such as the one performed in October 2019), and daily communications between Senior Management and the Compliance team (sometimes documented in the minutes of the monthly Compliance-Management meeting). The Procedures is a controlled document under our ISO 9001:2015 Quality Management System, so all approvals to changes in the Procedures are performed in accordance with this ISO standard.

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 for the eighth consecutive year) and interacting with individuals highly qualified on the topic of responsible sourcing (OECD, LBMA, DMCC, RMI, UN Group of Experts, NGOs such as Human Rights Watch, etc.) Our Compliance Officers are located on-site and fully immersed in the daily activities of the Company, and they are accessible to all employees. They are able to witness, check documentation, and inspect any shipment received by the operations team. The Compliance Officers also serve as “controllers” in the context of the Resolution and fulfill all the responsibilities described in Rules 1.9-1.12.



	<p>Our compliance and management teams are experienced: for the reporting period of 2018, they managed three responsible sourcing audits (LBMA, DMCC and RMI) gaining experience and sharing information with auditors and those responsible for setting the standards. More generally the Company has been reporting publicly on its sourcing practices since 2012 with all audit reports available on its website. The compliance team has access to the relevant resources to perform its duties.</p> <p>The Company maintains adequate documentation and records as described in this report, and in line with the DMCC Rules and industry standards. 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.</p> <p>Our officials travel 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. The feedback from 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 2019, our on-site visits focused on strengthening our understanding of recycled gold supplies further.</p> <p>Our internal processes are secure and robust in identifying inconsistent supplies and securing and segregating shipments. For example, melted bars from suppliers are segregated and separated overnight to avoid tampering or removal. We also identify supply chain actors in accordance with the DMCC Rules and often perform due-diligence and identification of supply chain actors beyond the standards set by these rules.</p> <p>In 2019 four internal training sessions were conducted by the Compliance team on topics related to responsible sourcing, due-diligence and anti-money laundering. In addition, new employees receive basic training on compliance, the DMCC Rules, and the OECD Guidance during the induction process.</p>
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<b>Rule 2</b>	<p><b>Objective:</b> Identifying and assessing risks in the supply chain</p>
	<p><b>Rules Included:</b> 2.1 Overriding Principle, 2.2 Risk-based Approach, 2.3 Considerations of Risk Assessments, 2.4 Red Flags, 2.5 Location-based Red Flags, 2.6 Supplier-based Red Flags, 2.7 Circumstances-based red flags, 2.8 Procedures relating to Red Flags, 2.9 Policy Updating and Suitability</p>
	<p><b>Compliance Statement:</b> We have fully complied with Rule 2</p>
	<p><b>Demonstration of Compliance:</b> We continue to use a measured approach to assess risk by assigning risk levels to supply chains following the relevant guidelines and our own internal standards. In 2019, we used our multiple step risk assessment process as further described below.</p> <p>From first point of contact with a potential new supplier, and on a continuously monitored basis, we assess and identify risks for both the supplier and the material delivered by this supplier. Our three main risk assessments in 2019 were:</p>



- *Conflict-Affected and High-Risk Areas ("CAHRA") Assessment:* Each sourcing country is assessed for (i) conflict, (ii) human rights abuses, (iii) severe deficiencies in governance, (iv) lack of AML, and (v) sanctions, among other factors. The assessment provides us with a final determination whether the country classifies as a Conflict-Affected and High-Risk Area or not.
- *Supply Chain Risk Assessment:* This classification is determined mainly by the content and quality of the supplier's on-boarding documentation as well as red flags which can be classified in three categories (i) location such as origin and transit, (ii) supplier, and (iii) circumstances. The CAHRA assessment above is integral to our final assessment on whether a supply chain is high risk or not. Our method is therefore in compliance with Rules 2.4-2.7.
- *Transactional Risk Assessment:* For each transaction related to processing of precious metals 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 mitigation steps are taken.

Our Policy and Procedures are built on our own high ethical standards as well as the OECD, LBMA, DMCC and RMI guidance for responsible sourcing. All on-boarding risk assessment processes and risk evaluation forms are documented in the Procedures and therefore consistent with our Policy, so in 2019 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. In addition, revised guidance documents from the LBMA, DMCC and RMI are issued from time to time which require us to amend some processes and progressively communicate with suppliers any changes that may affect them.

Our risk assessment is consistent across suppliers and based on our documented due-diligence practices. We assess risk as described above taking into consideration the information gathered from our direct counterparty, the various actors and their responsibilities in the supply chain (traders, exporters, miners etc.), and the origin and type of gold supplied (mined gold whether from artisanal sources or larger scale mines, recycled gold, jewelry, bullion etc.)

Our Supply Chain Risk Assessment was carefully crafted to take into considerations the requirements of the DMCC Rules as well the LBMA and RMI standards, and due-diligence documentation is collected for supply chains also in accordance with these standards.

The Compliance Officers present all potential new high-risk suppliers (as defined by our risk assessment) 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. High risk suppliers, if any, are reviewed at least once a year by 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 risk classifications and transactions, 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,



	<p>the operations team, and also Senior Management.</p> <p>In conformance with Rule 2.8, 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.</p> <p>The Company conducts enhanced due-diligence and risk mitigation as described in Rule 3 below.</p>
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Rule 3	<p><b>Objective:</b> Developing and implementing a risk mitigation/control plan</p>
	<p><b>Rules Included:</b> 3.1 Overriding Principle – Development of Risk Control Plan, 3.2 Alignment with International Standards, 3.3 Content Requirements</p>
	<p><b>Compliance Statement:</b> We have fully complied with Rule 3</p>
	<p><b>Demonstration of Compliance:</b></p> <p>The process described in Rule 2 identifies higher risk suppliers through the Company’s risk assessment framework and also assesses transactional risk. For higher risk suppliers, the assessment 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>• Location risk identified from conflict-affected and high-risk areas from which the precious metal originates or transits (CAHRA).</li> <li>• Supplier risk identified from the supplier’s operating principles, intended business, their beneficial owners, and the robustness of KYC requirements.</li> <li>• Circumstances risk identified in the supply chain which may include for example risks associated to the type of material (mined gold, recycled bars, jewelry etc.)</li> </ul> <p>Internal procedures describe risk mitigation steps to undertake for each category above. Such steps may include 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 material. Ultimately, the Company disengages completely from suppliers who do not want to comply with its 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. All relevant processes are included in the Company’s Procedures document.</p> <p>The Compliance team considers the DMCC Rules 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</p>



supply chain. In fact, documentation is often collected beyond the requirements of the DMCC Rules even for supply chains assessed as low risk. Compliance and management often undertake reviews of low risk suppliers which present potential higher risk in the future.

In 2019, and continuing on its standards of previous years, the Company made and received payments for its gold trading operations almost exclusively through official banking channels so that the proceeds of transactions remain traceable. This simple risk-mitigation policy combats money laundering and conflict minerals financing directly at their source. In fact, in the whole calendar year 2019 the Company traded less than four and a half kilograms of gold in cash, the majority being local sales of investment products, such as bars and coins (mostly to its own employees).

<b>Rule 4</b>	<b>Objective:</b> Carrying out independent third-party audits on responsible supply chain due-diligence
	<b>Rules included:</b> 4.1 Overriding Principle, 4.2 DMCC Review Protocol, 4.3 Minimum Review Requirements, 4.4 Minimum Requirements of Reviewers, 4.5 Composition of the Review, 4.6 Annual Report on Supply Chain Due Diligence, 4.7 Review Programmes of Accredited Members
	<b>Compliance Statement:</b> We have fully complied with Rule 4
	<b>Demonstration of Compliance:</b> 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 Rule 4, and the guidance and protocols provided by the DMCC Rules. EY Dubai interviewed our staff and audited a sample of the Company’s transactions, suppliers’ on-boarding files, and also checked our policy and procedures documents, 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.

<b>Rule 5</b>	<b>Objective:</b> Reporting annually on responsible supply chain due diligence
	<b>Rules Included:</b> 5.1 Overriding Principle, 5.2 Minimum Requirements of Public Reporting
	<b>Compliance Statement:</b> We have fully complied with Rule 5
	<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.