

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

for the period from 1 January to 31 December 2019 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, 19 March 2020

## **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 4 March 2020 for the Reporting Period from 1 January 2019 to 31 December 2019 (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 8 dated December 2018 (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 Sourcing Programme - Third Party Audit Guidance for ISAE 3000 Auditors Version 1 dated 11 December 2018 (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 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**

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 2019 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 LBMA Responsible Gold Guidance, Version 8 dated December 2018.

Ernst & Young Ltd

Partner

Manager

### **Enclosure**

Emirates Gold DMCC's Compliance Report dated 4 March 2020



## Compliance Report – LBMA 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 with the due-diligence guidance issued by the London Bullion Market Association (the “LBMA”) for a responsible gold supply chain for the calendar year 2019.

### 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



### 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 Version 8 of the LBMA Responsible Gold Guidance for the calendar year 2019. 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>Adopt a company policy regarding due diligence for supply chains of gold</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 LBMA Responsible Gold Guidance Version 8 (the “LBMA Responsible Gold Guidance”). 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 <a href="http://www.emiratesgold.ae/">http://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 of our on-boarding process and must be acknowledged in writing by all our precious metal suppliers.

***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, 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.

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 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.

***Establish 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, and in line with the LBMA Responsible Gold Guidance 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. Our internal processes are also secure and robust in identifying inconsistent supplies and securing and segregating shipments. For example, melted bars from



	<p>suppliers are segregated and separated overnight to avoid tampering or removal. We also identify supply chain actors in accordance with the LBMA Responsible Gold Guidance and often perform due-diligence and identification of supply chain actors beyond the standards set by this guidance.</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 LBMA Responsible Guidance, and the OECD Guidance during the induction process.</p> <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>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).</p> <p><b><i>Strengthen company engagement with Gold-Supplying Counterparties, and where possible, assist Gold-Supplying Counterparties in building due diligence capacities</i></b></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><b><i>Establish a confidential grievance mechanism</i></b></p> <p>A grievance mechanism is established to guarantee employee or external stakeholders' 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.</p>
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<b>Step 2</b>	<p><b>Objective:</b> Identify and assess risk in the supply chain</p>
	<p><b>Compliance Statement:</b> We have fully complied with Step 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><b><i>Identify risks in the gold supply chain</i></b></p> <p>From first point of contact with a potential new supplier, and on a continuously monitored basis, we</p>



assess and identify risks for both the supplier and the material delivered by this supplier. Our three main risk assessments in 2019 were:

- *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.
- *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.

#### ***Assess risks in light of the standards of their supply chain due-diligence system***

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 LBMA Responsible Gold Guidance as well the DMCC 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 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, the operations team, and also Senior Management.

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 Responsible Gold Guidance 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.

**Report risk assessment to designated Senior Management**

Yes, as described above, risk assessments are documented and approvals are given by Senior Management when required.

**Step 3**

**Objective:**

Design and implement a management strategy to respond to identified risks

**Compliance Statement:**

We have fully complied with Step 3

**Demonstration of Compliance:**

**Report findings to designated Senior Management**

Yes, the Compliance Officers have direct access to Senior Management and critical findings are reported immediately when they occur.

**Devise a strategy for risk management of an identified risk by either (i) mitigation of the risk while continuing 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 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:

- Location risk identified from conflict-affected and high-risk areas from which the precious metal originates or transits (CAHRA).
- Supplier risk identified from the supplier's operating principles, intended business, their beneficial owners, and the robustness of KYC requirements.
- 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.)

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.

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.

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**



	<p><b>reporting to designated senior management</b></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><b>Undertake additional fact and risk assessments for risk requiring mitigation, or after a change of circumstances</b></p> <p>Compliance monitors actively supply chains and performs due-diligence in line with the LBMA Responsible Gold Guidance and often in excess of this standard. Risks which may not be captured by the guidance are also evaluated on a case by case basis depending on the information gathered on the supply chain. Transactions and client files are monitored for consistency and any changes in circumstances are investigated and documented.</p>
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<b>Step 4</b>	<p><b>Objective:</b> Arrange for an independent third-party audit of the supply chain due diligence</p>
	<p><b>Compliance Statement:</b> We have fully complied with Step 4</p>
	<p><b>Demonstration of Compliance:</b></p> <p>Ernst &amp; Young Ltd based in Geneva, Switzerland (“EY Switzerland”) 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 the 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 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.</p> <p>The Swiss office of Ernst &amp; Young was chosen for their proven track record of LBMA Responsible Gold audits and because they are on LBMA’s Approved Service Provider List (updated 3<sup>rd</sup> March 2020).</p>

<b>Step 5</b>	<p><b>Objective:</b> Report on supply chain due diligence</p>
	<p><b>Compliance Statement:</b> We have fully complied with Step 5</p>
	<p><b>Demonstration of Compliance:</b></p> <p>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>