

Conflict-Free Gold Standard Guidance for Assurance Providers^{*}

Under Development – Based on the Exposure Draft, May 2012

(*Previously called the 'Assurance Framework')

Introduction

The World Gold Council has promulgated the *World Gold Council Conflict-Free Gold Standard (Standard)* to provide a mechanism by which its members and other gold mining companies can assess the risk that their operations may contribute to armed conflict and associated severe human rights abuses. Where the risk exists that gold production may support armed conflict, World Gold Council Members and companies complying with the *Standard* will abide by a set of criteria, in accordance with the *Standard*, to mitigate those risks. The *Standard* requires that Members and other applicable companies submit their reports on conformance to an independent assurance provider before the reporting is disclosed publicly. The *Standard* provides for transparent public reporting of companies' commitments to extract gold in a manner that does not fuel conflict.

This *Assurance Framework* is not intended to act as an assurance standard and the expectation is that assurance providers will apply recognised assurance standards.

This *Assurance Framework* sets out guidance to practitioners (referred to as assurance providers) who have been engaged to provide assurance on a company's reporting of conformance with the *Standard*. This *Assurance Framework* provides assistance to assurance providers on the application of assurance standards to this specific type of engagement and on potential assurance issues that may arise when performing this type of engagement.

An engagement to provide assurance is one in which a practitioner expresses a conclusion designed to enhance the degree of confidence of intended users on a company's reporting on its conformance with the *Standard*.

This *Assurance Framework* should be read in conjunction with the:

- Applicable assurance standards
- *Standard*
- Other guidance issued to companies on the World Gold Council website www.gold.org

The Assurance Framework has the following sections

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Section 1: Context

1.1 Background

The World Gold Council has developed the *Assurance Framework* following consultation with the industry and the assurance profession. The *Assurance Framework* has been tested alongside the *Standard* as part of two pilot programmes at World Gold Council Member operations. Knowledge gained from the pilot programmes; including observations relating to the practical applicability of the *Standard* and implications for assurance has been incorporated into this document.

The *Assurance Framework* provides guidance in the application of existing recognised assurance standards. The development of the framework draws from existing standards used for verification and assurance, including Standard on Assurance Engagements *ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000)* issued by the International Auditing and Assurance Standards Board (IAASB). This framework does not set a new assurance standard, but rather provides guidance for assurance providers to promote quality and consistency in the conduct of assurance engagements.

1.2 Users of the Assurance Framework

The *Assurance Framework* is intended for the use of assurance providers. It sets out assurance concepts and refers to a number of requirements in assurance standards, including the subject matter and scope of the assurance engagement and provides guidance on their application to these engagements in accordance with the *Standard*. The document also provides guidance on performing the assurance engagement including site sampling, relying on existing audit functions the company may have in place, the assurance implications associated with the reporting of non-conformances and first-time reporting and examples of assurance deliverables.

Companies may refer to this *Assurance Framework* to better understand the elements of an assurance engagement and to assist them in establishing monitoring and activities over their own compliance with the *Standard*.

1.3 Application of the Standard and assurance

The *Standard* is designed to apply to World Gold Council Members and other companies involved in the extraction of gold. The *Standard* stipulates that its intention is that 'conformance can and will be externally assured.'

Companies that apply the *Standard* are each required to report publicly on their conformance, in accordance with the *Standard* on an annual basis (referred to as 'Statements of Conformance' on page five in the *Standard*). For the purpose of this document we have described the companies reporting as 'The Conflict-Free Gold Report on Conformance' (CFG Report).

Assurance providers should be engaged by the company to report, in accordance with recognised assurance standards and the guidance set out in the *Assurance Framework*, on whether management's CFG Report is prepared in accordance with the *Standard*.

The assurance report should be publicly disclosed alongside the CFG Report or clearly sign-posted to where it can be accessed. It is expected that users of the assurance report do so for information only, to establish that a report was commissioned from and provided by the assurance provider. An assurance provider's consent to the assurance report being published is because publication of the assurance report is a requirement of the *Standard*. Consent and publication of the report are not intended to indicate that assurance providers accept any liability to parties other than their clients.

The *Standard* is comprised of assessments Parts A - E (Part A Conflict Assessment; Part B Company Assessment; Part C Commodity Assessment; Part D Externally Sourced Gold Assessment and Part E Statement of Conformance Documentation).

Part A of the *Standard* requires companies to assess whether they are adhering to international sanctions and undertake a risk assessment based upon the recognition of conflict. The Part A assessment should be performed by all companies and assessed separately for every operation. Applying the *Standard's* criteria, operations that are considered to be 'conflict-affected or high-risk' must complete all assessments in Parts A - E of the *Standard*. For operations not considered conflict-affected or high-risk, the assessment is restricted to Parts A, D and E.

Table 1 outlines the parts of the *Standard* which are relevant for companies to report on and therefore form the scope of the assurance engagement.

Table 1: Applicable parts of the Standard for the company to report on:

<i>Standard</i>	Relevant parts of <i>Standard</i> for each mining operation	
	Is the operation considered conflict-affected or high risk?	
	Yes	No
Part A: Conflict Assessment		
Part B: Company Assessment	3	7
Part C: Commodity Assessment	3	7
Part D: Externally Sourced Gold Assessment	3	3
Part E: Statement of Conformance Documentation	3	3

The scope of the assurance engagement will be consistent with what the company is required to report on its conformance in accordance with the *Standard*. In general, the extent of assurance work will increase based on the number of operations the company has in a conflict-affected or high-risk area. This is because the assurance provider will need to be satisfied that the company has appropriately reported on its conformance with Parts A – E of the *Standard* at each of those operations.

For companies that can demonstrate that they do not have operations in a conflict-affected or high-risk area, the assurance process should be less complex, and restricted to reporting on Parts A, D and E. The assurance provider however needs to be in agreement with the results of the company's Part A conflict-assessment and concur there are no operations considered to be conflict-affected or high risk.

1.4 Timing for obtaining assurance

The effective start date of the *Standard* is for periods commencing 1 January 2013.¹ Companies with a 31 December year-end will have their first reporting year-end at 31 December 2013. Assurance is applicable on the first-year reporting.

It is recommended that a company issue their CFG Report and obtain independent assurance within four months following their year-end reporting cycle.

¹ Note that this is the provisional effective date

Section 2: Key assurance concepts

2.1 What is assurance?

The carrying out of assurance is referred to as an assurance engagement. This is defined by *ISAE 3000* as follows:

- A process where a practitioner evaluates or measures a subject matter that is the responsibility of another party against suitable criteria
- Based on that evaluation, an independent assurance report is prepared that expresses a conclusion to provide the intended users with a degree of confidence about the subject matter

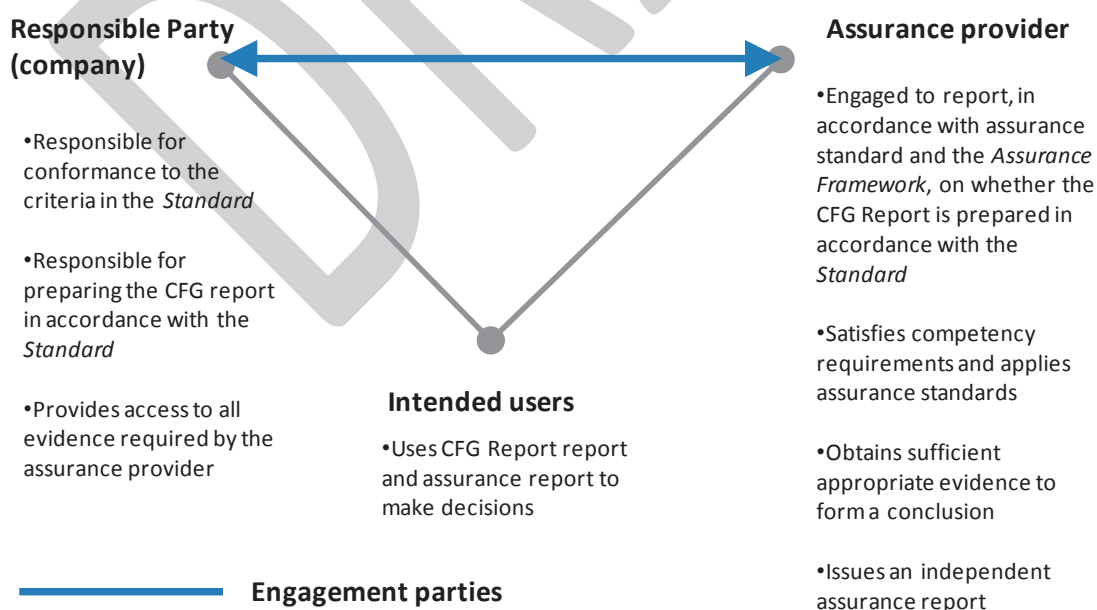
Table 2: Characteristics of an assurance engagement

- Designed to enhance the confidence of intended users on a company's reporting on its conformance with the *Standard*
- Three-party relationship
- Evaluates the subject matter against the suitable criteria
- Obtain sufficient appropriate evidence to form a conclusion
- The output is an independent assurance report

To provide independent assurance, a three-party relationship must exist between the assurance provider, responsible party (the company) and intended users of the report.

- Assurance provider – an individual or group of practitioners that collectively possess the skills, knowledge and experience required to competently perform the assurance engagement
- Responsible party – the party (i.e. the company) responsible for the reported subject matter information (i.e. the company's compliance with the *Standard*)
- Intended users – the parties for whom the reported subject matter information is prepared

Figure 1: Diagram of the three-party relationship for the *Standard* assurance engagement:



Section 3: World Gold Council assurance requirements

Section 3 provides guidance to assurance providers on how to apply certain assurance concepts referred to within recognised assurance standards such as *ISAE 3000* when performing an assurance engagement on a company’s reporting of conformance with the *Standard*.

Table 3 sets out the World Gold Council assurance requirements. The table is structured into three columns:

- Explanation of key assurance term
- Application of the assurance term to the *Standard*; and
- Practical steps for the assurance provider

Table 3: World Gold Council assurance requirements

Key term	Application to the <i>Standard</i>	Practical steps
<p>3.1 Assurance subject matter</p> <p>The terms ‘assurance subject matter’ and ‘subject matter’ referred to in this guidance are equivalent to the ‘matters or information subject to assurance’.</p> <p>The subject matter of an assurance engagement can take many forms such as management statements on:</p> <ul style="list-style-type: none"> • Policies • Performance • Systems & processes • Status of compliance • Statements of conformance • Data/Key Performance Indicators • Whole reports <p><i>ISAE 3000</i> requires an assurance engagement to be conducted on an appropriate subject matter. It describes an appropriate subject matter as one that is identifiable and capable of consistent evaluation or</p>	<p>The assurance subject matter is the information that goes into forming the companies CFG Report (therefore is ‘identifiable’). The <i>Standard</i> sets out on page five minimum disclosures.</p> <p>A summary of the minimum disclosures required in the CFG Report is below:</p> <p><u>Disclosure 1</u>: The reporting boundaries for the CFG Report. This includes all operations that a company has operational control over. (As per the <i>Standard</i> ‘<i>Conformance reviews should be undertaken on a site-by-site basis and must include all operating assets under the direct control of the Company.</i>’)</p> <p><u>Disclosure 2</u>: The time period that the conformance relates to (Per <i>Standard</i> ‘<i>cover activities over a twelve-month period</i>’)</p> <p><u>Disclosure 3</u>: List of operations considered “conflict-</p>	<p>The assurance provider may consider the following when determining if the subject matter is capable of consistent evaluation against the criteria (i.e. <i>Standard</i>):</p> <ul style="list-style-type: none"> • <u>Disclosure 1</u> – assess the appropriateness of the reporting boundaries the company has chosen e.g. - whether the boundaries are consistent with what the company discloses in their Sustainability Report and/or Annual Report, or other information obtain by the assurance provider; and - if there any operations excluded in the reporting boundary which the company should report on • <u>Disclosure 3</u> – the recognition of conflict assessment in Part A of the <i>Standard</i> is potentially contentious because it requires companies to categorise operations as ‘conflict-affected or high-risk.’ The <i>Standard</i>’s main reference is the Heidelberg Conflict Barometer. (Refer to <i>Standard</i> page 18) The assurance provider needs to apply judgement

Key term	Application to the Standard	Practical steps
<p>measurement against identified criteria. Information about an appropriate subject matter should be able to be subjected to procedures for gathering sufficient appropriate evidence to support an assurance conclusion.</p>	<p>affected or high-risk” (Per <i>Standard</i> ‘<i>The disclosure should specify the names and locations of the operations that are considered to be in a “conflict-affected or high-risk area”</i>)</p> <p><u>Disclosure 4</u>: Non-conformances, potential breaches and remedial action plans (Per <i>Standard</i> ‘<i>disclosure of activities underway to achieve conformance at any operations that do not conform to the Standard at the time of disclosure</i>’)</p> <p><u>Disclosure 5</u>: Statement of conformance (Per <i>Standard</i> ‘<i>public statements relating to their conformance or otherwise</i>’)</p> <p>Appendix iii) provides an example of a company’s CFG Report</p>	<p>and understand the process the company has followed in their recognition of conflict assessment, and consider whether:</p> <ul style="list-style-type: none"> - the company process was robust enough including sources that the company referred to - the last two years of the Heidelberg <i>Conflict Barometer</i> were applied - there is other publicly available information not considered by the company that indicates an operation may be conflict-affected or high-risk region (e.g. from recent political instability, performing a media search) - whether the company should obtain an expert opinion (e.g. human rights lawyer) <ul style="list-style-type: none"> ● <u>Disclosure 4</u> – the CFG Report may identify a number of non-conformances and/or remedial action plans. Where the assurance provider assesses that these have been adequately disclosed (i.e. a brief description of any non-conformances, potential breaches and associated remedial action plans that have arisen during the period), this would ordinarily not result in an assurance qualification. ● <u>Disclosure 5</u> – the assurance provider should ensure that the company’s statement on conformance with the <i>Standard</i> is provided by a sufficient authority. This may be in the form of a signature by the CEO or appropriate delegate. Where the Conflict-Free Gold Report is contained within a larger publication e.g. the group sustainability report, the CEO or appropriate delegate’s signature may appear in the beginning of the overall report.

Key term	Application to the <i>Standard</i>	Practical steps
<p>3.2 Assurance suitable criteria</p> <p>The practitioner should assess the suitability of the criteria to evaluate or measure the subject matter prior to accepting the engagement. <i>ISAE 3000</i></p> <p>The practitioner’s assessment of the reporting criteria should consider the following aspects, as derived from paragraph 36 of the International Framework for Assurance Engagements²:</p> <ul style="list-style-type: none"> • Relevance: relevant criteria contribute to conclusions that assist decision-making by the intended users • Completeness: criteria are sufficiently complete when relevant factors that could affect the conclusions in the context of the engagement circumstances are not omitted • Reliability: reliable criteria allow reasonably consistent evaluation or measurement of the subject matter including, where relevant, presentation and disclosure, when used in similar circumstances by similarly qualified practitioners • Neutrality: neutral criteria contribute to conclusions that are free from bias • Understandability: understandable criteria contribute to conclusions that are clear, comprehensive, and not subject to significantly different interpretations <p>The criteria need to be available to the intended users to allow them to understand how the subject matter has been evaluated or measured.</p>	<p>The reporting criteria consists of the requirements set out within Parts A to E of the <i>Standard</i> (referred to as ‘criterion’), supplemented by how a company has decided to apply them at a more detailed level (such as through policies, procedures and internal controls which are used).</p> <p>The assurance provider will need to assess the appropriate application of the <i>Standard’s</i> requirements against the five characteristics of suitable criteria set out by <i>ISAE 3000</i>. For example:</p> <p>The company policies, processes, procedures, systems, guidance etc and how they are used to apply Parts A – E of the <i>Standard</i>; and how it has addressed the principles of completeness and reliability, specifically:</p> <ul style="list-style-type: none"> • Completeness – all relevant factors that could affect the conclusions are not omitted • Reliability – The company’s application is consistent across all operations <p>The assurance provider should document their assessment of the company’s interpretation and application of the criteria during the planning phase of the engagement.</p>	<p>The assurance provider may consider it necessary for the company to disclose publicly a brief description of how the company conforms to the requirements in the <i>Standard</i>. For example a brief summary of the company’s policies, processes and compliance activities undertaken by the company to conform to Parts A – E of the <i>Standard</i>. This may assist to provide context to the intended user, assisting them to understand how the company processes may have been reviewed and/or tested as part of the assurance scope.</p> <p>The company may wish to disclose very little about the company’s conformance to the <i>Standard</i>, and the CFG Report may be brief. The assurance provider needs to assess whether the CFG Report contains sufficient information regarding the company’s interpretation and application of the <i>Standard</i>, as well as the minimum disclosures referred to above. Information can be referred to in the CFG Report but be disclosed elsewhere (e.g. company website).</p> <p>In the event that the assurance provider’s assessment indicates the company’s interpretation and application of the criteria is not suitable, the assurance provider should discuss the impact of the required changes to the interpretation and application of the criteria with the company. If the interpretation and application of the criteria is not altered, the assurance practitioner should consider the impact on the assurance report and if they should issue a qualified conclusion.</p>

² [source required]

Key term	Application to the <i>Standard</i>	Practical steps
		<p>When assessing the suitability of the criteria, the assurance provider should be aware of the following:</p> <ul style="list-style-type: none"> • Professional scepticism – the need to maintain a sceptical mindset and entertain a realistic possibility that management’s assertions may be misstated • Management bias – there may be reputational and commercial consequences to non-conformance • Cultural considerations – the requirements of the <i>Standard</i> may not be easy for companies to apply across all their operations, and there may not always be a cultural fit with certain territories. The assurance provider needs to preserve a mindset that does not consider inconsistent application of the <i>Standard</i> and/or unethical behaviour to be acceptable for certain areas
<p>3.3 Assurance evidence</p> <p>An assurance engagement involves performing procedures to obtain assurance evidence about the subject matter being assured. The assurance provider considers materiality, assurance engagement risk and the quantity (sufficiency) and quality (appropriateness) of evidence required when planning the nature, extent and timing of his assurance approach.</p> <p>The following provides some guidance on what assurance providers should consider:</p> <ul style="list-style-type: none"> • Materiality is a concept used by auditors in determining the nature, timing and extent of procedures required to be executed, and to assess the relative significance of identified misstatements 	<p>The <i>Standard</i> recognises that companies may already have internal or external assurance processes that can be relied on, for example:</p> <ul style="list-style-type: none"> • Internal audits in accordance with the requirements of the Voluntary Principles on Security & Human Rights • SOX processes • ISO certification; and/or • GRI report assurance on the company’s sustainability reporting <p>Obtaining assurance evidence over the CFG Report is not intended to duplicate existing assurance arrangements. The company and its assurance provider should consider existing assurance processes, confirm the ability to rely on these, and complement them as</p>	<p>Where possible, the gathering of evidence should align with the company’s existing processes, controls and systems to reduce the burden of providing significant additional evidence or requirements that are not part of the normal course of operating a site in accordance with good practice.</p> <p>The assurance conclusion is on the company’s overall report on conformance. The selection of sites to visit will invariably involve a discussion between the assurance provider and the company. However the onus is on the practitioner to ensure that the final site selection will provide sufficient appropriate evidence.</p> <p>The assurance provider will plan the assurance procedures to be performed. Examples of the types of evidence gathering activities that an assurance</p>

Key term	Application to the <i>Standard</i>	Practical steps
<p>or non-compliance in the context of the overall reported information or compliance requirements. Information is material if its misstatement or non-compliance could influence the decisions of users of the CFG Report</p> <ul style="list-style-type: none"> Assurance engagement risk: the risk that the practitioner expresses an inappropriate conclusion The nature, extent and timing of evidence gathering procedures will vary between engagements. The procedures selected depend on the assurance provider's judgement, including the assessment of the risks of material misstatement or material non-compliance of the matter being assured, whether due to fraud or error 	<p>needed.</p> <p>When planning the assurance engagement, the assurance provider should obtain sufficient appropriate evidence to support their assurance conclusions on the subject matter.</p> <p>The assurance engagement should include evidence gathering at:</p> <ul style="list-style-type: none"> Corporate level; and Operations (mining and processing) <p>The operations selected and the number to be visited should be determined as part of the assurance provider's planning procedures, and will be informed by the risk assessment process undertaken.</p>	<p>provider may perform include:</p> <ul style="list-style-type: none"> Management interviews Documentation review Site tours Review of risk assessments Evaluate other assurance processes /controls and determine the extent to which they may be relied upon Test internal controls for prevention and detection of material errors in reported information Sample test the integrity of underlying information Review supporting information Assessment of the design and implementation of the process
<p>3.4 Level of Assurance</p> <p><i>ISAE 3000</i> defines two levels of assurance that can be delivered by the assurance provider: 'reasonable' and 'limited' assurance.</p> <ul style="list-style-type: none"> Reasonable assurance is a higher level of assurance and a positive form of expression is issued. The objective of a reasonable assurance engagement is to reach an opinion on whether the subject matter is materially free from misstatement Limited assurance is a lower level of assurance, and a negative form of expression is issued. The objective of a limited assurance engagement is to reach a conclusion that is meaningful and not misstated based on the work performed 	<p>The <i>Standard</i> does not prescribe the level of assurance required. Companies should engage with their assurance providers to determine which level of assurance is appropriate, and considering the needs of the intended user.</p> <p>When referring to assurance, the company should state whether a 'reasonable' or 'limited' assurance engagement was performed.</p> <p>Note: The <i>Standard</i> does not specifically require assurance providers to perform an assurance engagement under <i>ISAE 3000</i>. There are a number of local assurance standards globally which also comply with the requirements of <i>ISAE 3000</i> and which may also be used if they are more common in the</p>	<p>In practice the level of work associated with 'limited' assurance engagements can vary. The assurance procedures performed by the assurance provider may be restricted primarily to enquiries and analytical procedures, or involve further testing and evidence gathering.</p> <p>Where there is a fundamental weakness or lack of information that prevents reasonable assurance from being provided, then it is not possible to elect for limited assurance to scope out this area of deficiency.</p> <p>In practice for companies that do not have operations considered as 'conflict-affected or high-risk,' there may be a relatively similar level of work to conduct a reasonable assurance engagement than a limited</p>

Key term	Application to the <i>Standard</i>	Practical steps
<p>The level of work required for a limited assurance engagement is substantially less detailed than a reasonable assurance engagement. As such, the level of assurance provided is lower than for a reasonable assurance engagement.</p>	<p>jurisdiction concerned.</p> <p>Where the assurance engagement is not being performed in accordance with <i>ISAE 3000</i>, the level of assurance should be equivalent to either 'limited' or 'reasonable' as defined by <i>ISAE 3000</i> and the relevant standard being used by the assurance provider should be disclosed.</p>	<p>assurance engagement. This is because the assurance procedures and assurance evidence obtained for assessments Part A, D, E may be similar.</p>
<p>3.5 Assurance Report</p> <p>The assurance provider prepares an independent assurance report that includes a conclusion on whether the selected subject matter is prepared in accordance with the criteria.</p> <p><i>ISAE 3000</i> states that the practitioner should conclude whether sufficient appropriate evidence has been obtained to support the conclusion expressed in the assurance report.</p> <p><i>ISAE 3000</i> includes a list of disclosures to be included in the assurance report, which are mandatory for engagements performed in accordance with <i>ISAE 3000</i>. These include, but are not limited to:</p> <ul style="list-style-type: none"> • A title that clearly indicates the report is an independent assurance report • An addressee • An identification and description of the subject matter information • Identification of the criteria • Where appropriate, a description of any significant, inherent limitation associated with the evaluation or measurement of the subject matter against the 	<p>The assurance report is prepared by the assurance provider and discloses details of the assurance engagement, and the conclusion. The assurance report should be publicly disclosed with the CFG Report, or clearly sign posted to where it can be accessed.</p> <p>The assurance statement should include (but not limited to):</p> <ul style="list-style-type: none"> • The scope of the assurance engagement, including a description of the subject matter (CFG Report) required by the <i>Standard</i> • Activities undertaken to obtain sufficient appropriate evidence, including the names of operations visited • For 'limited assurance' a description of the assurance procedures performed • Assurance conclusion relating to the company's conformance with the <i>Standard</i> <p>Issues of non-conformance and the consequence for the assurance report are dealt with in Section 5: Non-conformances and the implications for assurance.</p>	<p>Companies may already obtain independent assurance on their Sustainability Reporting. If the same assurance provider is engaged to conduct assurance over the CFG Report, then the company and assurance provider may decide to combine the assurance activities, and issue one assurance report. In this case assurance over the CFG Report can be viewed as an extension to the scope of the sustainability report assurance engagement, and separate paragraphs on the scope and conclusion disclosed within the sustainability engagement assurance report, and reference that the CFG has been assured in accordance with the <i>Assurance Framework</i>.</p> <p>For limited assurance engagements, a description of the assurance procedures performed is necessary for the intended user to understand the assurance work undertaken in forming the assurance provider's conclusion.</p> <p>The assurance report includes mandatory standard wording. <i>ISAE 3000</i> does permit the assurance report to be expanded to include other information and explanations that are not intended to affect the assurance provider's conclusion, such as key observations or findings made as part of the assurance</p>

Key term	Application to the <i>Standard</i>	Practical steps
<p>criteria</p> <ul style="list-style-type: none"> • A statement to identify the responsible party and to describe the responsible party's and the practitioner's respective responsibilities • A statement that the engagement was performed in accordance with <i>ISAE 3000</i> • A summary of the work performed • Level of assurance • The practitioner's conclusion (positive form expressed for reasonable assurance; negative form expressed for limited assurance) • Where appropriate, the conclusion should inform the intended users of the context in which the practitioner's conclusion is to be read • Where the practitioner expresses a qualified, the assurance report should contain a clear description of all the reasons • The assurance report date • The name of the firm or the practitioner and a specific location 		<p>engagement. However there is a risk that the inclusion of additional findings is subjective and may undermine the conclusion and confuse the reader of the report. It may be preferable for the company to report on any observations for improvement within the body of the CFG Report, as distinct from the assurance report.</p>

Key term	Application to the <i>Standard</i>	Practical steps
<p>3.6 Frequency of assurance</p> <p>The frequency of assurance means how often it is performed.</p>	<p>Companies are required to report and seek assurance covering the subject matters set out above on an annual basis.</p> <p>It is recommended that a company issue their CFG Report and obtain independent assurance within four months following their year-end reporting cycle.</p>	<p>The timing of the assurance engagement should be agreed in advance with the company and the assurance provider. The assurance planning phase and any site visits may occur prior to the year-end reporting period, and substantive procedures on the CFG Report performed shortly after year-end.</p> <p>For considerations on the timing of assurance in the first year, refer to Section 5: First-time reporting.</p>
<p>3.7 Materiality</p> <p>Materiality is a concept used by assurance practitioners in determining the nature, timing and extent of procedures required to be performed, and to assess the relative significance of identified misstatements in the context of the overall reported information. Information is material if its omission or misstatement could influence the decisions of the intended users of the CFG Report.</p> <p><i>ISAE 3000</i> states ‘the practitioner should consider materiality and engagement risk when planning and performing an assurance engagement.’</p> <p>The assurance provider should assess materiality when planning the engagement and revisit this assessment throughout the assurance engagement, and at the reporting stage prior to the assurance report being signed to determine if additional work is required.</p>	<p>The assurance provider should consider the material misstatements that are relevant to each Part (A-E) of the <i>Standard</i>. This is because different subject matter information contained within the same CFG Report may have different levels of materiality. Some subject matter information may not be material. The assurance provider applies judgement in this respect.</p> <p>Factors which may influence the assurance provider’s assessment of materiality in the CFG Report include:</p> <ul style="list-style-type: none"> • The possibility of bias or misreporting of facts • Number of operations considered ‘conflict-affected or high-risk’ • Trends reported over time such as an improvement in the control environment • The information needs of users <p>The materiality of misstatements must be considered individually and in aggregate with all misstatements. Some items may also be material by their omission.</p> <p>The assurance provider should maintain a summary of uncorrected misstatements throughout the engagement. In combination these considerations</p>	<p>Where the company discloses non-conformances or other material items, this may not result in an assurance qualification. The assurance provider should encourage the company to voluntarily describe those items, so that the assurance report can be issued with an unqualified conclusion. The assurance provider may include an emphasis of matter paragraph to draw to the user’s attention to the item(s) already disclosed in the CFG Report. In accordance with assurance standards, an emphasis of matter paragraph is appropriate where a matter which is included in the CFG Report is deemed fundamental to bring to the attention of users.</p> <p>Where there are numerous non-conformances that have arisen, the assurance provider should apply judgement and assess the implications to their assurance report.</p> <p>Examples of material misstatements in relation to the company’s reporting on conformance with the <i>Standard</i> may include (but are not limited to) the following:</p>

Key term	Application to the <i>Standard</i>	Practical steps
	<p>should determine whether the misstatement may affect the decisions of a user of the CFG Report and the impact on the assurance report.</p>	<p>Part A: Conflict Assessment</p> <ul style="list-style-type: none"> • <u>International Sanctions</u> - the company has not identified that it is in breach of an international sanction (related to gold) and continues to produce/export gold • <u>Recognition of Conflict</u> - operations are incorrectly classified by management as outside a conflict-affected or high-risk zone and the relevant parts of the <i>Standard</i> are not completed • <u>Recognition of Conflict</u> - joint ventures where the company has direct control are not included within the reporting boundary <p>Part B: Company Assessment</p> <ul style="list-style-type: none"> • <u>Commitment to Human Rights</u> - the company reports that it is in compliance with the Voluntary Principles on Security & Human Rights (VPs), but the implementation of the VPs has not been rolled out to all operations • <u>Corporate Activities & Disclosure</u> - the company has been credibly accused of a complicity with human rights abuse, and the company has not publicly disclosed the facts or addressed the concerns raised • <u>Security</u> - findings from an internal audit site report which highlighted a series of small security breaches have not been addressed 12 months following the report date • <u>Payments & Benefits</u> – lack of effective controls surrounding the payments system <ul style="list-style-type: none"> e.g. i) incorrect payment description recorded for unusually large payments e.g. ii) payment/s was approved above the designated authorisation limit

Key term	Application to the <i>Standard</i>	Practical steps
		<p>Part C: Commodity Assessment</p> <ul style="list-style-type: none"> • <u>Control of Gold at the Operation</u> – areas in the gold process circuit where there have been past security breaches are not identified as key risk points in the company’s documentation • <u>Control of Gold at the Operation</u> – the operation’s gold room control procedures are not being adhered to • <u>Transport</u> - there is no evidence of due diligence procedures being performed on the company’s transporters or refiners <p>Part D: Externally Sourced Gold Assessment</p> <ul style="list-style-type: none"> • Identified gaps in conformance with the <i>OECD Due Diligence Guidance for Responsible Sourcing of Minerals from Conflict-Affected and High-Risk Areas</i>, carried out on suppliers of externally sourced gold, are not being addressed in a timely basis
<p>3.8 Assurance engagement team competencies</p> <p>The assurance provider is an individual or group of practitioners that collectively possess the skills, knowledge and experience required to competently perform the assurance engagement.</p> <p>A multidisciplinary team should provide the expertise necessary to adequately assure a company’s non-financial performance (ISAE 3000)</p>	<p>The report assurance of Disclosures 1 – 5 should be conducted by an independent assurance provider.</p> <p>The assurance provider should only accept the engagement where they are satisfied that the engagement team collectively possess the necessary competencies, including ability to demonstrate:</p> <ul style="list-style-type: none"> • Independence (refer to the detailed criteria set out in section 4.3 selecting the assurance provider) • Organisational and individual competence • Experience in non-financial assurance • Understanding of subject matter (refer to practical steps) 	<p>Further guidance on types of external organisations providing report assurance services is provided in section 4.3: Selecting the assurance provider.</p> <p>Subject matter and industry experience in relation the <i>Standard</i> may include (but not be limited to) knowledge of:</p> <ul style="list-style-type: none"> • Physical metal flows and the process integrity of gold/gold bearing materials • Security procedures, community relations activities and payments at operations • Application of frameworks referred to within the <i>Standard</i> including Voluntary Principles of Human

Key term	Application to the <i>Standard</i>	Practical steps
	<ul style="list-style-type: none"> Industry expertise (refer to practical steps) 	<p>Rights and Security, UN <i>Guiding Principles on Business and Human Rights</i>, OECD <i>Due Diligence Guidance for Responsible Sourcing of Minerals from Conflict-Affected and High-Risk Areas</i> and LBMA <i>Responsible Gold Guidance</i></p> <ul style="list-style-type: none"> Areas of conflict-affected and high-risk, including the social, political and cultural considerations Past experience in working with gold mining companies, gold industry and mining industry in general <p>If the assurance provider does not possess the necessary subject matter knowledge and competencies, they may seek to involve an external expert to be part of the engagement delivery team. An external expert is a person or firm not employed by the assurance provider, who possesses specialist skills, knowledge and experience in a particular field other than assurance (e.g. human rights, gold mining industry). An external expert may be contracted by the assurance provider directly, contracted by management of the company or employed by that company.</p> <p>It is recommended that the assurance provider refer to Auditing Standard ISA 620 <i>Using the Work of an Auditor's Expert</i>, or equivalent guidance, when deciding to involve an external expert.</p>

Section 4: Guidance in the assurance approach

4.1 Site Selection

The company's CFG Report is with respect to their overall conformance to the *Standard* which has been implemented across its operations. The operations and the number selected to be visited for assurance purposes should be determined as part of the assurance provider's planning procedures and will be informed by the risk assessment process undertaken.

The requirement for site visits will be determined by a number of factors. Assurance providers may use a risk weighted analysis to reflect more important criteria when determining the selection chosen. There may be circumstances where the assurance provider believes that they should visit all sites because of their unique risk characteristics.

Assurance providers may use the following criteria to select a sample of mining operations to include as part of their assurance activities, including site visits:

- Number of operations considered conflict-affected or high-risk area
- Number of operations within the same conflict-affected or high-risk geographical area (e.g. multiple operations in Mexico)
- Size of operation (gold production/number of employees/financial contribution)
- Number of different types of operating facilities (e.g. carbon-in-leach, carbon-in-pulp, heap leach operations and production of gold concentrate)
- Consistent processes that can be demonstrated across operations
- Evidence that can be obtained at the corporate level
- Level of assurance engaged to provide – limited or reasonable
- Geographical, cultural, or regulatory influences
- Changes in operational control or activities (e.g. start up/closure)
- Instances of prior non-conformances at operations
- Quality of management practices and performance
- Level of reliance on existing certification and assurance e.g. internal audit
- Prior year assurance findings

Where the assurance provider has obtained evidence to be satisfied with a company's determination that they do not have operations considered as conflict-affected or high-risk, the assurance provider may determine that sufficient, appropriate evidence to support the assurance conclusion may be obtained from procedures performed at the corporate level, without the need for the assurance provider to visit operations.

For companies that have operations in a conflict or high-risk area, it is expected that the assurance provider will need to obtain evidence at the corporate level and at a sample of operations considered as conflict-affected or high-risk. The number and nature of sites to be visited will depend on the assurance provider's professional judgement.

4.2 Using existing certifications, standards and internal audit

Companies may have in place existing internal or external assurance/certifications (or a combination) as part of their management systems and processes and reporting of similar information. Assurance against a company's conformance to the *Standard* is not intended to duplicate existing assurance arrangements nor require these to be re-done. However, the assurance provider needs to perform sufficient procedures to be satisfied this is the case. The company and its assurance provider should consider all existing assurance processes, evaluate the extent to which these this work can be used and complement them as needed with

additional assurance work (which may include re-performing some previous assurance procedures) to be in a position to issue their own conclusion in accordance with the relevant assurance standards requirements.

Using the work of internal audit

Companies may have an internal audit function in place which regularly evaluates the procedures, processes and controls the operations have in place with regard to the subject matter of the *Standard*. The assurance provider may be able to rely on the work of internal audit as part of the assurance engagement.

Where it is possible to rely on work undertaken by a company's internal audit, SOX process or any other acceptable auditable process the engagement team should refer to the requirements of *ISA 610 Considering the Work of Internal Audit* or equivalent guidance.

4.3 Selecting the assurance provider

The *Standard's* intention is that all companies obtain independent assurance on their annual CFG Report.

Types of external assurance providers include:

- Financial audit firms
- ISO certification firms
- Specialist sustainable development firms
- Stakeholder organisations

In selecting an external assurance provider, companies should require the assurance provider to demonstrate that they meet the criteria in Table 4 referenced in the *Standard* (page six) and also refer to Section 3.8 Assurance Engagement Team Competencies:

Table 4: External assurance provider criteria

- Providers should make a public statement of independence that makes the nature of their relationship with the reporting organisation explicit (AA1000 AS)
- An assurance provider should have no direct financial or material indirect financial interest in the assurance client (Code of Ethics for Professional Accountants)
- An assurance provider should have no undue dependence on total fees from assurance client (benchmark of no more than 30% of total income from assurance client recommended as per Cyanide Management Code)
- No member of the assurance team should be performing services for the assurance client that directly relates to the subject matter of the assurance engagement or dealing in or be a promoter of shares and securities in the assurance client (Handbook of International Auditing, Assurance and Ethics Pronouncements)
- No member of the assurance team should be acting as an advocate on behalf of an assurance client in litigation or in resolving disputes with third parties (Handbook of International Auditing, Assurance and Ethics Pronouncements)
- Individuals involved in any specific assurance process must be demonstrably competent in terms of skills, Sustainability subject matter, industry experience, assurance process experience and areas of expertise to cover the assurance topics (AA1000)
- A multidisciplinary team should provide the expertise necessary to adequately assure a company's non-financial performance (*ISAE 3000*)
- The organisations through which individuals provide assurance must be able to demonstrate adequate institutional competencies, including adequate assurance oversight, understanding of the legal aspects and infrastructure (AA1000)

Companies are encouraged to apply the criteria above in developing their request for proposals (RFPs). This should ensure a common understanding early in the engagement and support both comprehensive reporting and robust assurance. Management is responsible for conformance to the *Standard* and preparing the CFG Report. To enable an efficient assurance engagement, management should communicate the following with assurance providers upfront:

- The company's assessment of the number of sites in a conflict-affected or high-risk area
- Indicative timing and scheduling of work
- Any evidence that needs to be made available to the assurance provider

An engagement letter setting out the scope of the assurance engagement, key engagement details and terms and conditions should be signed by the assurance provider and the company before the assurance engagement commences.

4.4 Assurance deliverables

The assurance provider is recommended to provide two deliverables to the company at the conclusion of the assurance engagement.

The assurance deliverables will be provided following the company's final approved version of the CFG Report. In accordance with recognised assurance standards, the assurance provider will request that the company sign a representation letter, which sets out the company's responsibilities, including an explicit statement that the company has established processes and procedures to be satisfied that they are in conformance with the *Standard*.

The two assurance deliverables are:

- 1) **Independent Assurance Report** addressed to the Board, which states the assurance provider's conclusion. The assurance report must be publicly disclosed alongside the CFG Report or clearly sign-posted to where it can be accessed. An example template for the assurance report in Appendix 8(ii).

For companies that already receive independent assurance over their sustainability reporting, it may be possible that assurance over the *Standard* is incorporated into the sustainability assurance opinion.

- 2) **Management Report** addressed to the company and for internal use only. The Management Report may include:

- Introduction
- Summary of communications
- Details of work performed
- Issues identified and recommendations for improvement
- Details of non-conformances and follow-up of remedial action plans
- Closing meeting notes

It is recommended that the actual contents of the Management Report be agreed between the company and the assurance provider. The table in Appendix 8(iii) sets out an example template which could be used by the assurance provider to communicate their findings and recommendations for improvement within the Management Report.

There may be some matters identified by the assurance provider which can be regarded as so important, that they should be communicated to management when they arise. This may include suspected fraud or clear cases of non-conformance identified at operations.

Section 5: First-time reporting

The first year of a company's conformance with the *Standard* is expected to be the most challenging. This is because the company will need to have undertaken self-assessments against the requirements of the *Standard* for all operations for the first time and implement any of the *Standard's* requirements that are not already in place at operations. It is also the first time that a company will prepare the CFG Report.

It is recommended that the company engages in discussions with the assurance provider early in the first year of reporting. In addition, there are assurance implications that the company and assurance provider may wish to consider including:

Company considerations

- i) Readiness review – a company may consider requesting the assurance provider to perform a 'readiness review' prior to the assurance engagement on the first year's CFG Report commencing. This may involve the assurance provider undertaking a gap analysis against the requirements of the *Standard*. A company should then report how it intends to address any identified gaps and provide a timeframe within which it intends to do this. The assurance provider would follow this up as part of the year-end assurance engagement on the CFG Report.
- ii) Statement of conformance declaration – Part E of the *Standard* requires that each operation issues a statement of conformance, which accompanies the gold doré or gold-bearing material being despatched from the operation(s). It is implicit in the *Standard* that this cannot be done until assurance is achieved. Therefore to facilitate the company being able to adopt the Part E documentation as soon as possible, the first time assurance can be conducted on a shorter period, being for a minimum period of three months. Three months is considered as an acceptable time-frame for the company to demonstrate conformance with the *Standard*. For example if assurance was performed for the three months ended 31 December 2012 (and assuming there were no qualifications), then the company could adopt the Part E Statement of Conformance documentation from the date the independent assurance opinion was signed.

All subsequent assurance could be performed for a 12 month period in line with the company's normal reporting cycle.

Assurance provider considerations

- iii) Readiness review – where a company's systems, processes and controls are not sufficiently developed to provide sufficient appropriate assurance evidence for the CFG report, then it may not be possible to provide 'reasonable' or 'limited' assurance on some of the reported information in the CFG Report. If this is a possibility, the assurance provider should discuss with the company upfront about performing a 'readiness review' prior to the assurance engagement commencing. (Refer to description above of readiness review.) If issues are identified and resolved early as part of the readiness review, this may reduce the likelihood of the assurance provider issuing a qualified assurance report.

Although the assurance provider can identify weaknesses and recommend a range of courses of corrective action, should they anticipate providing assurance in future the extent of their involvement in implementing corrective action must be limited in order to avoid a self-review threat.

- iv) Increasing the number of sites to visit - in order to obtain sufficient appropriate evidence to support the assurance conclusion, the assurance provider may judge it appropriate to visit a greater sample of operations in the first year. In some situations the assurance provide may request to visit all conflict-affected or high-risk operations (or at least one site within each conflict-affected or high-risk geographical

area). Following the first year, a rotation to visit all conflict-affected or high-risk operations every few years may be judged appropriate depending upon the assessment of risk factors, as set out in section 4.1.

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Section 6: Appendixes

- i) Template – Independent Limited Assurance Engagement Report
- ii) Template – Detailed Findings/Management Report
- iii) Template – Illustration of a Conflict-Free Gold Report issued by a company

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Appendix i) Template – Independent Limited Assurance Engagement Report

Independent Limited Assurance Report to [company]

We were engaged by [company] to provide limited assurance on their Conflict-Free Gold reporting ('the Report') for the year ended [31 December 201X] of [company].

What was included in the scope of our assurance engagement?

Assurance scope

[Company's] report on the Conflict-Free Gold, on pages [x] to [x], comprises

- The reporting boundaries for the Report
- The time period that the conformance relates to
- List of operations considered "conflict-affected or high-risk"
- Non-conformances identified and remedial action plans
- Statement of conformance (or non-conformance) with the *Standard*

Responsibilities

The [directors/management] of [company] are responsible for the preparation and presentation of the Report in accordance with the *World Gold Council Conflict-Free Gold Standard ('the Standard')*. This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived.

Our responsibility is to carry out a limited assurance engagement and 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 (ISAE 3000)* issued by the International Auditing and Assurance Standards Board and the guidance set out in the *Assurance Framework on the Conflict-Free Gold Standard* issued by the World Gold Council.

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.

This report has been prepared for [company] for the purpose of assisting the [directors/management] in determining whether [company] has complied with the *Standard* and for no other purpose. Our assurance report is made solely to [company] in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than [company] for our work, or for the conclusions we have reached in the assurance report.

What did we do to reach our conclusions?

We 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 [company's] processes and risk management protocols in place
- Enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Report
- Visits to the following sites which were selected on the basis of operating mines for which the company is seeking conformance:
 - Corporate head office
 - Site A, Country
 - Site B, Country

- Assessing the suitability of the policies, procedures and internal controls that the [company] has in place to conform to the *Standard*
- Review of a selection of the supporting documentation which supports the self-assessment
- Test a selection of the underlying processes and controls which support the information in the Report
- Review of the presentation of the Report to ensure consistency with our findings]

Independence

In conducting our engagement, we have complied with the applicable requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.

What are our conclusions?

Based on the limited assurance procedures performed, as described above, nothing has come to our attention that would lead us to believe that [company's] report on Conflict-Free Gold, as defined above, for the year ended [31 December 201X], was not in all material respects, prepared and presented in accordance with the *World Gold Council Conflict-Free Gold Standard*.

[Signature]
[Assurance firm]
[Date]
[City, Country]

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Appendix ii) Template – Management Report

We recommend that the actual contents of the Management Report be agreed between the company and the assurance provider. The table below sets out an example which could be used by the assurance provider to communicate their findings and recommendations for improvement within the Management Report.

Table of Findings and Recommendations

No.	Section of the Standard	Observation	Recommendation	Management response
1	[Part B – Company Assessment Section 1 – Commitment to Human Rights]	[It is noted that a training program for security staff on conflict-related severe abuses of human rights issues is in existence. However, training involved less than 70% of the team.]	[The company should co-ordinate additional training sessions on the conflict-related severe abuses of human rights issues, and ensure attendance of 100% of security staff within the next 6 months.]	[Management will co-ordinate further training sessions for all security staff to attend within the next 6 months. Attendance at the training will be monitored by Human Resources and Security, and will be included as part of the new joiners program for all security personnel. We will also incentivise the security managers to ensure attendance of all their staff at training through the balance score card. Responsibility: xx Action date: xx]
2	[Part B – Company Assessment Section 1 – Commitment to Human Rights]	[As part of our assurance procedures, we observed that there were two major suppliers for which there was no evidence of due diligence checks being performed.]	[Supplier due diligence requires improvement and a consistent policy applied to all significant suppliers. This due diligence to include, as a minimum checks, against the EU database of politically exposed persons.]	[Management has begun to implement a remedial action plan to develop new, more rigorous supplier due diligence procedures. This will include due diligence checks with regard to politically exposed persons, criminal record checks and connections to human rights abuses. Existing suppliers will be reviewed on a risk-based approach to ensure that the most materially significant companies are reviewed retrospectively. Responsibility: xx Action date: xx]
3	...			

Appendix iii) Template – Illustration of a Conflict-Free Gold Report issued by a company

[Company] acknowledges that its licence to operate means that it needs to demonstrate that gold has been extracted in a manner that does not fuel conflict. [Company] takes this responsibility seriously and as such, has adopted the *World Gold Council Conflict-Free Gold Standard (Standard)*.

This Conflict-Free Gold Report (CFG Report) summarises how [Company] conforms to the requirements of the *Standard* for the year-ended 31 December 2013.

Reporting boundary

The reporting boundary of this CFG Report includes all mining and processing operations that [Company] has management control over. This is consistent with the reporting boundaries that [Company] publicly discloses in its Sustainability Report and Annual Report.

Standard's requirements

The *Standard* is comprised of assessments Parts A - E (Part A Conflict Assessment; Part B Company Assessment; Part C Commodity Assessment; Part D Externally Sourced Gold Assessment and Part E Statement of Conformance Documentation).

Part A of the *Standard* requires companies to assess whether they are adhering to international sanctions and undertake a risk assessment based upon the recognition of conflict. Applying the *Standard's* criteria, operations that are considered to be 'conflict-affected or high-risk' must complete all assessments in Parts A - E of the *Standard*. For operations not considered conflict-affected or high-risk, the assessment is restricted to Parts A, D and E.

[Company]'s evaluation

Following our Part A Conflict Assessment, [Company] concluded that we did not breach any international sanctions and we have two mines considered to be in 'conflict-affected or high-risk' areas, as determined by the latest Heidelberg *Conflict Barometer*. These two operations are:

- Los Altos mine in Veracruz region, Mexico
- Marias mine in Lagunes region, Côte d'Ivoire

We therefore undertook Parts B and C assessments as set out in the *Standard* for these operations.

Our conclusion for Parts B and C assessments is that we were in conformance with all the criteria of the *Standard*. A key component of remaining in conformance with the *Standard* was the successful execution of a remedial action plan at the Los Altos mine. In October 2011, we adopted the *Voluntary Principles on Human Rights and Security (VPs)* and stated on our website that we had implemented the VPs at all our sites. However, through the assessment, it became apparent that the mine in Mexico had not implemented the policy and had not followed the new prescribed company approach, such as due diligence background checks on all the security staff with regards to complicity in human rights abuses and keeping records of training on human rights related issues. The matter was fully investigated. A remedial action plan was drawn up and the necessary changes implemented within three months. The matter formed part of the regular reports sent by the mines to our quarterly board meetings and the Board is confident that the mine management has dealt with the matter appropriately.

We also complied with Part D – Externally Sourced Gold Assessment as we do not purchase gold from third parties and implemented the appropriate Statement of Conformance Documentation to accompanying gold being dispatched at operations as required in Part E.

In conclusion, [Company] was in conformance with the criteria set out in the *World Gold Council Conflict-free Gold Standard* for the reporting year end 31 December 2013.

[Company] engaged the services of the assurance provider [assurance firm], and their independent assurance report can be viewed on [page number / web link].

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