



SOMO  
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The Netherlands

Public Eye  
Marc Guéniat  
Avenue Charles-Dickens 4  
1006 Lausanne

Balerna, 21 February 2017

Dear Mrs Schipper, Mrs de Haan, Mr Guéniat,

I write with reference to your letter of 14 February 2017 enquiring about further information on some elements of the announcement made in Valcambi's statement dated 26 November 2016 following the release of the report "A Golden Racket – The True. Source of Switzerland's "Togolese" Gold" by Public Eye (former Declaration de Berne) and "Gold from children's hands in consumer electronics" issued by SOMO. We appreciate your supporting Valcambi's work to drive best practices in our sector and contribute to access to markets for artisanal and small-scale miners (ASM). The challenges encountered and created by the ASM sector cannot be solved by one group alone; governing bodies, governments, NGOs along with the civil society, sector associations and the upstream and downstream counterparties must combine forces to drive responsible practices along our supply chains and support artisanal miners achieve their quest for dignity and prosperity.

### Findings of the in-depth analysis

As per our statement, Valcambi contracted Estelle Levin Ltd. (ELL) to conduct an in-depth analysis on our documentation related to the alleged supply chain, cross-checking with the allegations included in the report. In parallel our existing due diligence procedures and reports of auditors on these matters were also evaluated. The analysis included the review of the following documents:

- Mining licenses,
- Export licenses,
- Mine site visit reports,
- Transportation documents,
- Counterparties' conflict minerals/responsible business policies,
- SAP transactions

The analysis allowed us to confirm that:

- Valcambi's LBMA and RJC third party audit reports for the years in scope revealed no nonconformities in the due diligence practices performed.
- Valcambi's dossier for sourcing from Burkina Faso and Togo identified all entities at each supply chain tier, including the export and mining licenses from which the gold originated.



- Valcambi ascertained that the quantities of gold received from this supply chain were below the total country production according to publicly available data.
- Valcambi held mine site visit reports, performed by one of the entities in the supply chain on their counterparty, confirming the absence of child labor and the adequacy of working conditions (amongst other things).
- Valcambi received the gold from accredited transportation companies.
- Valcambi had acquired the counterparty's relevant policies.

The dossier also included meeting minutes between the Togo importer and the Burkina Faso exporter, confirming that all due taxes had been paid and that there were no pending actions on this point. This evidence is reinforced by the fact that, we haven't seen nor have heard of any additional open legal cases against the mines ore the exporter in terms of tax or fiscal fraud or smuggling so far.

### **How Valcambi intends to drive positive change in ASM**

As per our letter dated 15 November 2015, the Berne Declaration's report led us to implement a full review of our compliance systems on mined sources.

The process started with an assessment of our existing due diligence procedures to identify areas that needed further strengthening. The enhanced procedures are inspired by our previous one but they systematize the whole due diligence process, introducing new elements such as a set of integrated protocols and tools specific to the ASM sector. These new elements will allow us to carry out due diligence to ultimately source with confidence from a diversity of ASM suppliers, including those in conflict-affected and high-risk areas.

Our enhanced sourcing procedures are contained within Valcambi's due diligence manual. We are pleased to share its Table of Contents, and a summary of the major improvements made through this process.

The development of these enhanced procedures has been achieved through ongoing consultation with relevant stakeholders (NGOs, clients, peers, ASM experts, industry associations, international organizations, academic institutions) to get their input and critical feedback and has been monitored for consistency by a third party academic party. They are currently being tested on the ground.

We are keen to help the entire ASM sector benefit from what we have been learning in the field of responsible sourcing from ASM, through a learning by doing approach. To support this we have also done or are doing the following:

- Carried out an internal training across our corporate departments on ASM
- Hired a Communications and Corporate Affairs Officer to support stakeholder engagement on our activities
- Identifying key partner projects for piloting our ASM sourcing procedures on the ground.
- Become a founding Member of the European Partnership for Responsible Minerals Trade and actively participated in setting the pillars of its theory of change
- Have decided to join the Global Compact
- Become a member of the Global Mercury Partnership
- Scoped if and how we might bring our expertise and industry position to bear to support pilots for responsible sourcing of gold in DRC
- Visited ASM mines, processing centers, and regulators in Mongolia (CEO and COO)
- Participated in the development of the International Knowledge Hub of Swiss Development and Cooperation
- Brought our experience to bear at national and international meetings on responsible sourcing
- Engaged industry associations to see if there are elements of our manual that might have utility for improving responsible sourcing from ASM across the gold sector generally, and scoped how to operationalize this.



We hope that through having tailored our due diligence now more to the realities and risks of the ASM sector, we can be a more constructive supply chain partner to drive positive change and economic development in ASM mining communities.

As we progress on this important agenda, we will continue engaging and updating our stakeholders on an ongoing basis.

With kind regards,

Valcambi sa

Michael Mesaric  
CEO

Simone Knobloch  
COO

Encl.

## **Due Diligence System at Valcambi**

In the context of the evaluation of and response to the risks related to doing business with Counterparties and applicant-Counterparties in precious metals, including legitimate ASM organizations, the enhanced due diligence system Valcambi has in place ensures that the company meets: its own internal due diligence requirements, the legal requirements in the countries where it operates and has business relationships in and the requirements of various voluntary industry initiatives and international guidance documents.

The updated sourcing procedures have been bundled in a due diligence manual, with a set of tools to carry out a thorough risk assessment and risk mitigation. The process and procedure include Know Your Customer (KYC) and Know Your Product (KYP) stages of accepting Counterparties and provides detailed guidance on mitigation - through a cycle of risk prevention, detection, response - and reporting procedures. The manual also demonstrates a commitment to engage in opportunities for formalisation with ASM sources.

## **Governance**

The governance and organization processes place accountability and responsibility for human rights at a senior executive level in the company. Throughout the KYC and KYP process, the LCO, the Sales Officer, AMS and the CEO deal directly with human rights and conflict minerals risks. When agreement cannot be reached, the Board of Directors is responsible for the final decision. They sit together on a Responsible Sourcing Committee and jointly carry out an investigation and decision-making process for (applicant-)Counterparties that are judged to present medium-to-high risks. Clear procedures on documents filling and written record, risk assessment and decisions making procedure are in place.

## **KYC**

Valcambi assesses (applicant)-Counterparties' country-related risks through the means of Politically Exposed Persons (PEP) risk assessment, Conflict and Human Rights Risks & White Collar Crimes assessment tools. Tailored risk investigation further enables the assessment of risks attached to the region where the mine site is located. Once an (applicant)-Counterparty successfully passes this phase, the risk assessment moves on to a second one where the counterparty's responsible sourcing due diligence practices are assessed.

## **KYP**

Once the (applicant)-Counterparty has successfully passed the KYC stage, we move on to assess the risks of the product and the supply chain upstream of the Counterparty (provenance and transportation route). The purpose of the KYP risk identification and assessment is to define the initial risk level associated with the product, the supply chain and the source. A series of tools are used to assess the risks.

## **Mitigation**

These risk mitigation protocols allow Valcambi and its counterparties to identify risks with a view to preventing or mitigating them and any subsequent adverse impacts.

## **Reporting**

When risks are identified, guidance and tools are provided to ensure counterparties report on their supply chain due diligence in a simple and clear manner.

### **On ASM sourcing**

The ASM due diligence procedures are intentionally tailored at entry level to allow Valcambi to source from ASM operators that are largely demonstrating acceptable good practice and can be accompanied and enabled on a journey of continuous improvement through good practice towards best practice. This is aligned with Appendix 1 of the Gold Supplement of the OECD Due Diligence Guidance, and with the FAQs of the OECD. This approach does not preclude operators from accessing responsible markets if their practices are not yet perfectly in line with international standards but implies a support for improvement to pull the sector forward on responsible business practices. Valcambi sees this as the pragmatic view that is ultimately supportive of sustainable development through enabling the professionalization of SMEs as drivers for economic growth and job creation, especially in rural areas.