

The errors of the Swissaid Report - Document for the media

| | Page Report | Swissaid (SA) Allegations | Response Valcambi (VC) |
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| 1 | 3 / 4 / 6 | Like a mantra the accusation of the "questionable or dubious relationship" between Kaloti and VC runs through the whole report. There is also a talk of a questionable supplier. | <p>This is wrong. VC has no questionable relationships with any of its suppliers since we conduct thorough due diligence before onboarding them and we perform periodical risk review on all our counterparties. In the supplement we document our DD processes in detail.</p> <p>Swissaid does not present a single piece of evidence in the whole document for these accusations made.</p> |
| 2 | 4 | "The study denounces the hypocrisy of a system in which stakeholders resort to intermediaries to conceal the origins of the gold, rather than sourcing it directly. Yet these practices fuel the worst human rights violations..." | <p>This is wrong. VC doesn't use intermediaries to "mask" the gold origin, but does the opposite: we always try to be as close to the source as possible (limiting the number of intermediaries) to best manage our risks. For mined products, sourcing DIRECTLY from the mines, and for recycled being as close as possible to the source.</p> <p>In the supplement we document our Supply Chain Policy in detail. <i>(See in the attachment VC's PM Supply Chain Policy)</i></p> |
| 3 | 6 | "A large proportion of its imports come from questionable suppliers such as Dijllah and the internationally active Kaloti group". | <p>This is wrong. The suppliers are not questionable and the proportion is not large (below 6% of Dubai's scrap volumes per year - 306t in 2019 total Middle East, source Metal Focus) and below 2.5% of Valcambi's T/O). SA does not present any evidence and figures for this statement. The UAE is a world-major precious metals hub that cannot be ignored. With actors in high-risk regions, including the UAE, we conduct enhanced due diligence before starting a relationship with a counterparty. <i>(See details of sourcing from CAHRAs in attached supplement on PM Supply Chain Policy)</i></p> |
| 4 | 6 | "In Switzerland, there are significant shortcomings in the control of gold imports and in the supervision of refiners. The latter are not required to ensure that the gold has been produced without violating human rights." | <p>This is entirely wrong. LBMA accredited refiners must comply with the highest standards in terms of Human Rights and AML. The LBMA RGG follows the OECD DDG that includes respect of Human Rights criteria. The audit framework verifies and certifies full compliance with the LBMA standard. As such there is oversight.</p> |
| 5 | 6 | "The study shows that some of this gold is believed to come from African mines and the Dubai souk." | <p>That is wrong. "We don't take any gold from Africa via third counterparties or through Dubai. We take Africa gold from mines directly. This means that we know the mine and how the mine works. VC directly conducts the risk assessment and management, and deals directly with the Africa based entity. We have never taken any other gold</p> |

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| | | | <p>from Africa. We request the Statement Of Conformance (SoC) from the refiners or the counterparties we buy gold from. They not only list the countries where the material has been sourced from, but we have also the right to have access to clients' due diligence files related to the suppliers that have provided the materials entering our supply chain. They have to refine the material they deliver to us in a segregated manner. We are looking much further down the supply chain than many other market participants. (See our attached document on "PM Supply Chain Policy")</p> |
| 6 | 6 | <p>The gold is processed by refineries in the UAE with which the Swiss companies have no direct links, which makes it impossible for them to trace its origin and ensure that it its mining takes place under acceptable conditions.</p> | <p>That is wrong. We DO know the origin of recycled gold surpassing the various industry standards and mandatory regulatory requirements going beyond the direct supplier. We request this information for each delivery through a Statement of Conformance (SoC). This information is requested, obtained and checked for any delivery. We, as stated above, do not accept mined gold via intermediaries. And, as explained before, when sourcing from mines, we directly conduct the risk assessment and management of the mining operation. We have the obligation to assess whether the gold has been mined responsibly.</p> |
| 7 | 7 | <p>VC-Kaloti: a dubious relationship and defective due diligence</p> | <p>That is wrong and SA does not deliver any evidence.</p> <p>Today's LBMA-approved GD Refiners are the gatekeepers for responsible sourcing. But to VC, this is not enough. We know and understand that all actors involved in the value chain, and not least the end-consumer, place increasing value and importance on the assurance of a product's traceability, provenance and proof of authenticity. Our refining service is becoming a smaller part of the service we provide to our clients, who have increasing expectations of the refiners to not only handle KYC, KYP and AML, but also now 'Know the product's Historical Journey'. To provide this and to build the confidence and trust of our partners, we take a truly holistic approach to the 'product' beyond compliance with the traditional standards. With this, we believe that our DD is one of the most thorough in the sector.</p> <p>We go beyond industry standards in:</p> <ul style="list-style-type: none"> ·Product origin: LBMA-accredited GD Refiners have to know and declare the exact origin of the precious metal received, according to the "origin" definition of the LBMA Responsible Gold Guidance (RGG). The origin of recycled gold is the point in the gold supply chain where the gold is delivered to the Refiner. For mined products, this is where the mine is located. <p>At VC, we surpass the various industry standards and mandatory regulatory requirements going beyond the direct supplier for recycled materials. We request this</p> |

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| | | | <p>information for each delivery through a Statement of Conformance (SoC). This information is requested, obtained and checked for any delivery.</p> <p>We inform our clients that VC does not accept into its value chain materials from countries on sanction lists, such as Sudan, and from additional origins, based on our risk and flow analysis. This has always been VC's sourcing policy. VC does not source material of African origins or from Africa, via intermediaries. Should we consider the sourcing of materials originated from Africa, VC directly conducts the risk assessment and management, and deals directly with the Africa based entity.</p> <p><i>(See our attached document on "Precious Metals Supply Chain Policy")</i></p> |
| 8 | 7 | Kaloti has been the main client of the Central Bank and the Khartoum refinery for several years. | <p>We can't comment.</p> <p>But according to Katoi's statement to Bloomberg, "Kaloti is independently audited each year against the relevant standards and at no time has any conflict material, from any jurisdiction, including Sudan, been identified in any of its supply chains." and "Furthermore, Kaloti has never sent any gold material sourced from Sudan to any Swiss refinery whatsoever."</p> |
| 9 | 7 | The audits to which refineries are subject are not sufficiently transparent. | <p>This is wrong: LBMA suppliers names have always been available to our auditors who are responsible for assessing our practices and provide audit reports to the regulators. VC makes these reports publicly available.</p> |
| 10 | 10 | Based on these statements, the world's largest gold refineries should source their gold directly from artisanal mines in order to participate in local economic development and fight human rights violations. | <p>This is exactly what VC already does. VC only sources DIRECTLY Artisanal and Small-Scale mined gold from the producing mines. The only exception is the value chain we have established with Anexpo, an aggregator, in Colombia. We have communicated publicly the names of all ASM mines we source from in press releases, in our sustainability reports, and in industry events.</p> |
| 11 | 10 | Only a few tons of African artisanal gold are exported directly to LBMA-certified refineries, the industry benchmark standard. The vast majority of this gold goes to Dubai, where some Swiss refineries obtain their supplies, thus avoiding complicated due diligence work on the African continent. This demonstrates a certain hypocrisy on the part of these Swiss companies in proclaiming loud and clear that there is no African artisanal gold in their supply chain when they are in fact sourcing "recycled" gold from Dubai. | <p>That is wrong.</p> <p>"Vast" majority cannot be quantified and the import into UAE is not registered as artisanal mined gold. ASM amounts to 15 to 20 percent* of the global mine production (total global mine production 2019: 3533 tons, source Metal Focus 2020). 15% of the total would be equal to 529 tons and this would mean that all gold in Dubai is artisanal only, which is impossible, in other words the African mined gold goes somewhere else.</p> <p>We do enhanced due diligence. We know where the metal is coming from.</p> |

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| | | | <p>-We do take gold from Africa but only from mines directly. And we know how the mine operates by conducting the DD ourselves. We have not taken anything else from Africa.</p> <p>-We take scrap that exclude gold from Africa.</p> <p>-We are sure that our scrap gold does not contain African gold.</p> <p>-We work with counterparties that have to show us where the gold comes from.</p> <p>As stated in VC's PM Supply Chain Policy: VC considers African countries as high-risk. VC does not accept materials originated from Africa through non-African based gold hubs. When sourcing/considering sourcing of materials of African origin, VC directly conducts the risk assessment and management, and deals directly with the Africa based entity.</p> |
| 12 | 10 | The refineries being called out are not the only players in the supply chain that need to be held accountable. Banks, the technology industries and the major watch and jewellery groups cannot assume that they are being supplied with "ethical" gold. They must commit themselves financially to the formalization of artisanal and small-scale gold mining (ASM). | <p>All our clients conduct thorough due diligence on Valcambi and ask us to demonstrate the soundness of the gold we supply. In addition, the majority of our clients buying artisanal gold from VC are directly involved in collaboration with us in some initiatives that aim at formalising ASM mines, supporting adoption of responsible practices so that the miners can sell their gold at international market price, and contributing to improved working and livelihood conditions of the miners and the mining communities. SA should also refer to the members of the SBGA (Swiss Better Gold Association) who are actively involved in supporting ASM.</p> <p>Did SA talk to our clients? Not that we are aware of.</p> |
| 13 | 39 | The Ticino refiner (VC) also refused to divulge the gold quantities imported and to speak with its suppliers in the UAE. | <p>This is wrong We never stated to refuse to speak with our suppliers.</p> <p>We invited SA to access further information by signing an NDA, something they refused to do.</p> |
| 14 | 40 | A brief analysis of some of these suppliers testifies to the strong probability that newly mined gold from Africa and from the Dubai souk is present in the gold imported by Swiss refiners from the UAE. | <p>That is wrong. And: There is no evidence. What kind of brief analysis did they do? What is a strong probability?</p> <p>How can a "brief analysis" show a 'high probability' that imported gold from Dubai by Swiss refiners comes from Africa?</p> |
| 15 | 40 | Sourcing artisanal gold is a positive practice supported by SWISSAID, but this must be done through direct business relations. In importing gold from intermediary | VC fully agrees with this and precisely only sources Artisanal and Small-Scale mined gold DIRECTLY from the producing mines. The only exception is the value chain we have established with Anexpo, an aggregator, in Colombia. |

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| | | countries, certain refiners do not show sufficient concern regarding the actual origin of the precious metal and take the risk of nurturing the worst possible violations relating to gold trade. | We have communicated publicly the names of all ASM mines we source from in press releases, in our sustainability reports, and in industry events. |
| 16 | 43 | What is the true origin of the gold imported by VC from Kaloti and Trust One Financial Services (T1FS)? Is the gold related to the Sudanese conflict found in the gold bars of the Ticino refinery? | <p>This is another suggestive question without evidence with the aim of defaming VC.</p> <p>We know where the gold is coming from. For each delivery, we request a SOC. We tell our metal provider from which countries we don't want to source metals, or which counterparties we do not want to receive metals from, whether the sanctions are all valid to us or only partially etc. Our clients know what we are looking for and what we do not want to receive.</p> <p><i>(See our attachment on VC's PM Supply Chain Policy)</i></p> |
| 17 | 43 | But how can he (Mr. Mesaric) be sure of this given that he imports large quantities of gold from Kaloti and T1FS and that he acknowledges that some of his gold could come from the Dubai souk. It is difficult to know this because the Ticino refiner gives no information regarding its sourcing. However, its explanations show that the company is exposing itself to very significant risks and that due diligence is clearly insufficient. | <p>The accusation that due diligence is "clearly insufficient" is a groundless claim without evidence. Swissaid has not a single piece of evidence. The LBMA audits, especially the LBMA special audit focusing on Valcambi's business with the UAE for the period of 2018, concluded that Valcambi conducted its activities in accordance with the requirements of the LBMA Responsible Gold Guidance without any objections.</p> <p>We conduct enhanced investigation beyond the first intermediaries for recycled gold." From 2013 onwards, we have systematically examined our customers' responsible sourcing procedures and processes to check their alignment with ours in compliance with the LBMA RGG (which follows the OECD DDG and the requirements detailed in the OECD Gold Supplement). We also reserve the right, in case of doubt or simply as confirmation, to have access to clients' due diligence files related to the suppliers that have provided the materials entering our supply chain.</p> |
| 18 | 43 | VC states that it conducts spotchecks on its suppliers, without specifying whether these are its direct suppliers, in this case trading companies, or its indirect suppliers, i.e. refineries. The Ticino refiner also states that it conducts "further investigation, among other checks, on the origin of the precious metals delivered to VC beyond the first intermediary for recycled materials and up to the mine for mined products. This information is requested, obtained and checked for any delivery". However, as regards recycled gold, it does not specify whether this investigation stops | We have explained in detail to SA about our due diligence procedures: "we conduct enhanced investigation beyond the first intermediaries for recycled gold." From 2013 onwards, we have systematically examined our customers' responsible sourcing procedures and processes to check their alignment with ours in compliance with the LBMA RGG (which follows the OECD DDG and the requirements detailed in the OECD Gold Supplement). We also reserve the right, in case of doubt or simply as confirmation, to have access to clients' due diligence files related to the suppliers that have provided the materials entering our supply chain. |

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| | | at the refiner's level, or whether suppliers to that refinery are also monitored. | |
| 19 | 43 | SWISSAID is not in a position to ascertain whether the refineries processing this gold have been checked by VC. | Exactly, SA admits having no evidence. This proved that the whole report is based on assumptions, not evidenced. |
| 20 | 44 | Unreliable guarantees: In addition to insufficient controls in its supply chain, VC applies limited procedures to ensure compliance and the origin of precious metals. In general, the Ticino refiner requires a "statement of compliance" from its suppliers, in which the latter undertake to comply with VC's due diligence procedures and to ensure the true origin of precious metals. | That is wrong. How can SA assert this? We have explained in great details many times the enhanced due diligence process for high-risk locations, beyond the first intermediaries for recycled, and up to the mine for primary feed. |
| 21 | 44 | Relying on statements of compliance to ensure responsible supplier practices is a measure that has proven to be largely insufficient in the past | As explained multiple times to SA: the SoC is in addition of conducting DD on our counterparties. Since we are the only refiner requesting a SOC and all our audit reports are compliant with the LBMA RRG, how can this measure be proven to be largely insufficient in the past? |
| 22 | 44 | In a report published in 2015, the NGO "Public Eye" showed that VC supplied Togo with gold illegally exported from Burkina Faso. The precious metal was partly produced by children. VC defended itself by claiming to have signed a contract with the supplier stating that the gold was produced in a responsible manner. | That is wrong. VC never supplied Togo with gold illegally exported from Burkina Faso. This means that SA has not even read the first page of the report of Private Eye. We published our investigation on our Website: The names of the mines sites the NGO alleged we sourced from did not match the names on the mining licenses provided by the mining entities from which we sourced in Burkina Faso. Consequently, the allegations of child labor on the mines from which we sourced were unsubstantiated and rather based on assumptions that conditions are the same at all mines in Burkina Faso. Our dossier included reports of visits to the mine sites confirming the absence of child labor and the adequacy of working conditions. <i>(See attached media release from VC and VC's statement on reports by PE and SOMO)</i> |
| 23 | 44 | In the case of the UAE, it seems very risky for VC to rely on Kaloti's statements and to consider that its 'traceable' gold has not been mixed with other sources. | That is wrong: We do NOT rely only on our counterparties SoC, we systematically examine our customers' responsible sourcing principles and processes to check their alignment with ours in compliance with the LBMA RGG. We also |

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| | | | reserve the right, in case of doubt or simply as confirmation, to have access to clients' due diligence files related to the suppliers that have provided the materials entering our supply chain. |
| 24 | 44 | VC representatives seem to be well-aware of the risks they take in terms of their supply in Dubai and this does not really seem to be a problem for them. | This is completely opposite of what we said: Dubai is a marketplace where you have to conduct EDD (Enhanced Due Diligence) because it is classified as high risk. We get the SOC from the refiners or the counterparties we buy gold from. They not only list the countries where the material has been sourced from, but we have also the right to have access to clients' due diligence files related to the suppliers that have provided the materials entering our supply chain. They have to refine the material they deliver to us in a segregated manner. They have to show us where the gold is coming from. We are looking much further down the supply than many other market participants. |
| 25 | 44 | In a telephone interview, confirmed by email, VC CEO Michael Mesaric said: "I am 90% sure of being 'clean'". He also stated that "in 85-90% of cases, we know where the gold has been sourced"; without specifying whether these are its global supplies, in the UAE or in India. While SWISSAID welcomes Mr Mesaric's honesty, this is worrying. | That is wrong. VC said: No one can be 100% sure for secondary material or scrap. VC knows at 99% certainty of origin, according to the LBMA definition of the origin. When it comes to the genesis for recycled gold, we systematically go beyond the direct supplier but can go back up to the 4th or 5th intermediary at most. It is utopic to think that for recycled it is possible to know at 100% the genesis (the very origin of that gold) of contained material. Nobody can. Regarding the secondary market as a whole, we have said that we know where the gold comes from in 85 to 90% of the secondary market. For the rest we have too little knowledge and therefore we do not source anything. |
| 26 | 44 | Given that the VC refinery has the capacity to refine up to 1,200 tonnes of gold per year, tens of tonnes of gold of problematic and untraceable origin could end up in its supply chain. | These are totally unfounded allegations and figures which we reject completely. Capacity has nothing to do with actual throughput What evidence has Swissaid? |
| 27 | 44 | VC's explanations show that its sourcing from Dubai is not under control. Indeed, the statements made by representatives of the Ticino refinery seem to confirm that they are unable to ascertain the real origin of all their gold. | That is wrong. In Dubai you have to do EDD because it is classified as high risk. In addition, we request the SOC from the refiners or the counterparties, and we have also the right to have access to clients' due diligence files related to the suppliers that have provided the materials entering our supply chain. |
| 28 | 45 | VC is thus taking very significant risks that its competitors prefer to avoid and is exposed to the import of illegal gold, | That is wrong. We already explained our EDD procedures. |

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| | | produced in violation of human rights or participating in the financing of conflicts. | All LBMA accredited refiners must comply with the highest standards in terms of Human Rights and AML. The LBMA RGG follows the OECD DDG which includes respect of Human Rights criteria. The audit framework verifies and certifies full compliance with the LBMA standard. The LBMA audit, done specifically for UAE for 2018, concluded that everything is in order. |
| 29 | 45 | VC's sourcing from Kaloti does not comply with the OECD Guidance document. Annex 2 of the OECD Guide states that where a company identifies a reasonable risk that suppliers are sourcing from or linked to third parties directly or indirectly supporting armed groups or committing serious abuses, the downstream company should immediately suspend or discontinue engagement with such suppliers. VC cannot confine itself to ensuring the origin of gold imported from Kaloti; it should also carefully examine its supplier's practices for possible links to conflict gold. | <p>That is wrong. We do comply completely with the OECD Guidance document.</p> <p>As already mentioned: we systematically conduct Enhanced DD scrutinizing the social, environmental and AML practices; including further investigation into the origin of the precious metals delivered to VC beyond the first intermediary for recycled materials and up to the mine for mined products. This information is requested, obtained and checked for any delivery. We also conduct spot-checks on all our counterparties. We get the SOC from the refiners or the counterparties we buy gold from. They not only list the countries where the material has been sourced from, we have also the right to look at their due diligence. They have to refine the material they deliver to us in a segregated manner. We are looking much further down the supply than many other market participants. - We don't take any gold from Africa. Africa we only take gold from mines directly. We have never taken anything else from Africa. -We take scrap that exclude gold from Africa,</p> |
| 30 | 45 | By sourcing from the Central Bank of Sudan, Kaloti is dealing with an entity that buys conflict gold and gold produced in violation of human rights. If VC had followed the OECD guidance, it should have immediately suspended or terminated its relationship with Kaloti. | <p>We cannot comment. But Kaloti denied to have any business relationship with the Central Bank of Sudan.</p> <p>Please refer Kaloti's statement to Bloomberg.</p> |
| 31 | 46 | The conditions of Step 1 of the OECD Guidance document are met by VC. The Ticino refiner has established company management systems and has adopted a supply chain policy. It also complies with Step 4 by submitting to audits, although these are the source of much criticism. In contrast, Steps 2, 3 and 5 of the Guidance document have not been followed. | <p>That is wrong. We do comply with all five steps. We explained our procedure in high risk areas.</p> <p>We meet all the criteria of the OECD DDG and the LBMA RGG.</p> <p>In addition, together with "Levin Sources" we enhanced our EDD.</p> <p>The work we have done has led to our existing responsible sourcing due diligence 'manual' that aligns with and goes beyond the OECD DDG and the LBMA RGG, and includes an enhanced systematic and rigorous system of 'red flags' to</p> |

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| | | | <p>assess and manage risks from high-risk sources. We submitted the 'manual' for independent review and contribution by NGOs and academic institutions. All their comments have been incorporated.</p> <p><i>See Document PM Supply Chain Policy</i></p> |
| 32 | 46 | <p>In Step 2, VC must identify and assess the risks in the supply chain. According to the OECD, a refinery can be considered as a downstream or upstream company in the supply chain depending on the type of gold it imports. For example, if VC imports a bar of refined gold, it is considered a downstream company, whereas if the gold is raw or pre-refined, it is considered an upstream company. Since VC has not provided any information on the type of gold imported from Kaloti, SWISSAID is not in a position to determine whether the Ticino refiner is an upstream or downstream player and therefore cannot judge which measures it should implement.</p> | <p>That is wrong.</p> <p>VC has fulfilled the conditions of step 2. Otherwise it would not have met the LBMA standard. VC has provided all necessary documents to the auditor.</p> <p>Apparently Swissaid admits that they have no information about any imports from Kaloti to VC.</p> <p>Swissaid's allegations are based on pure assumptions.</p> |
| 33 | 46 | <p>In both cases, however, it (VC) should:</p> <ul style="list-style-type: none"> • Gather information on Kaloti's due diligence practices in order to determine whether any red flags have been detected or should reasonably have been detected in the supply chain. • Establish whether Kaloti has fully applied its due diligence • Obtain the results of the Kaloti audits | <p>That is exactly what we do with all our existing counterparties.</p> |
| 34 | 46 | <p>Reacting to risks and developing a risk management plan Step 3 of the OECD Guidance document is to design and implement a strategy to respond to identified risks. Faced with these red flags and in accordance with Annex 2, VC should have immediately ceased sourcing from Kaloti.</p> | <p>This is precisely what we do with all our existing counterparties.</p> |
| 35 | 46 | <p>VC publishes very little information on its due diligence as required by Step 5 of the OECD Guidance document. Like other LBMA-certified refineries, the Ticino refinery does not publish the names of local suppliers and exporters located in high-risk areas and yet the OECD Guidance document requires it to do so.</p> | <p>We have systematically reported publicly the names of our sources from CAHRAs in our Sustainability Reports and press releases.</p> <p><i>(In addition, see VC's document on precious metals policy)</i></p> |

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| 36 | 59 | VC must comply with Annex 2 of the OECD Guidance and immediately suspend its sourcing from Kaloti. It must establish a risk management plan requiring the UAE group to strengthen its due diligence measures and suspend supplies from suppliers related to conflict minerals. | VC does completely comply with OECD DDG and LBMA RGG. |
| 37 | 59 | VC cannot rely on statements of compliance. It must make ad hoc visits to its suppliers and examine their due diligence undertakings with the utmost attention. <ul style="list-style-type: none"> • The Balerna-based refiner cannot only verify the origin of the imported gold but must carefully examine the practices of its suppliers for possible links to conflict gold. | We do not just rely on the Statement of Conformance (SoC). The SoC is in addition to the enhanced due diligence we conduct on all our counterparties. We already explained in detail our procedure for high-risk sources and high—risk provenance. <i>(See attachments)</i> |
| 38 | 59 | VC must control all the players in its supply chain, particularly the refineries. It cannot import DGD-certified gold without verifying the origin of the gold contained in the bars. | This is exactly what we do and what we explained above. |
| 39 | 59 | VC must publish precise information regarding its due diligence and its sourcing from high-risk areas, particularly in the UAE. It must publish the names of local suppliers and exporters located in sensitive areas, as required by Step 5 of the OECD Guidance document. | We publicly communicate our due diligence approach, our Precious Metals Supply Chain policy on Valcambi’s website. We also systematically report publicly the names of our sources from CAHRAs in our Sustainability Reports and press releases. <i>(See attachments)</i> |
| 40 | 59 | VC must obtain its supplies directly from the artisanal mines, as recommended by the LBMA and the OECD, among others. | That is exactly what we do. We have clearly said to SA and communicated publicly "we take no gold from the mine indirectly." We source DIRECTLY from ASM; with only one exception in Colombia through Anexpo, an aggregator. The names of the mines we source from are publicly communicated in our media releases and sustainability reports. |
| 41 | 59 | Audited for more than 40 years by KPMG, VC must now choose a different audit company. | Despite having received from KPMG the correct figures SA has chosen to publish a wrong information. VC has been audited by RCS since 2019. |
| 42 | 59 | With regard to VC, the LBMA must open an incident management process, conduct a new special audit, assess the seriousness of the breaches and take decisions accordingly. | This is precisely how this works. For 2018 LBMA asked VC to, in addition to our annual audit, undergo a ‘special audit’ covering only the material control, specifically to VC’s transactions of materials received from the UAE from 1 January 2018 to 31 December 2018. The auditor, chosen |

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| | | The audit must verify the effectiveness of VC's due diligence in its sourcing from the UAE. | of a group of auditors selected by the LBMA and not known to VC until the audit, concluded that our activities have been conducted in accordance with the requirements of the LBMA RGG. In addition, in February 2020 we agreed with the LBMA that our 2019 LBMA audit will be shadowed by an auditor from the EU for the purpose of assessing our auditor . We underwent the audit a few weeks ago and it showed non non-conformance. Our audit reports are available online, and we will publish our 2019's as soon as we receive it. |
| 43 | 59 | Auditors must demand that VC demonstrate how it can be convinced that Kaloti does not import illegal gold or produce it in violation of human rights. They must examine how VC has ensured Kaloti's good practices and how it has analysed its due diligence. The auditors must also analyse whether VC visited the Emirati group's refineries and what observations were made. | That is indeed the job of the auditors. And to verify our good practices. |
| 44 | 59 | Auditors should assess allegations of non-compliance with Annex 2 of the OECD Guidance document as well as analysing the reasons VC did not suspend its relations with Kaloti, which was importing gold from the Central Bank of Sudan, an institution linked to conflict gold. | Ditto previous comments In a statement to Bloomberg, Kaloti said: "Kaloti is independently audited each year against the relevant standards and at no time has any conflict material, from any jurisdiction, including Sudan, been identified in any of its supply chains". Kaloti said: " Furthermore, Kaloti has never sent any gold material sourced from Sudan to any Swiss refinery whatsoever. " |
| 45 | 60 | The LBMA must have access to the identity of suppliers of its member refineries in order to identify questionable business relationships. | All the names of counterparties and related information are accessible by the auditor. |
| 46 | 60 | In order to comply with the OECD Guidance, the LBMA's Responsible Gold Guidance document should require refineries to publish the identity of their suppliers in locations flagged as sensitive. | This is correct for suppliers based in CAHRAs, or for CAHRAs related sourcing. VC does publish the name of all the mines based in CAHRAs we source from. |

citation: Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF). (2017). Global Trends in Artisanal and Small-Scale Mining (ASM): A review of key numbers and issues. Winnipeg: IISD.

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