

Swiss Better Gold

Sourcing Strategy ©

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INTRODUCTION

The Swiss Better Gold Association is a non-for-profit association created by Swiss businesses active in the gold supply chain, from refiners to retailers, with support from the Swiss State Secretariat for Economic Affairs (SECO). It is an open initiative for interested and committed members. The Swiss Better Gold Association's aim is to create a market-driven mechanism that enables viable and responsible artisanal and small-scale gold mining entities to adopt and maintain socially inclusive, safer, cleaner, and better environmental operating practices.

The Swiss Better Gold Association and SECO launched the third stage of their partnership in September 2021. The objective of the partnership is to facilitate a significant increase of the volume of gold to reach the international gold market from responsible artisanal and small-scale mine operators supported by the initiative. To achieve this goal, the association has developed a sourcing strategy, which is described in this document.

The Swiss Better Gold sourcing strategy is designed to be flexible to adjust to changing circumstances in the field, and to knowledge and experience gained through the Swiss Better Gold Association's activities within its countries of operation. To that end, the Swiss Better Gold Association will continue to update this strategy in consultation with its members and key stakeholders.

The Swiss Better Gold Association develops guidance, reference documents, protocols, and procedures to clarify and enable the implementation of this sourcing strategy by small and artisanal gold mining (ASGM) operators and to enable Swiss Better Gold independent verifiers to assess and monitor operators' performance.

1. SCOPE AND APPLICATION

The Swiss Better Gold sourcing strategy applies to all countries where the Swiss Better Gold Association – SECO partnership is supporting ASGM operators to supply responsibly produced gold to the market.

The Swiss Better Gold sourcing strategy applies to ASGM operators¹, which might be organised as co-operatives, small enterprises, or family businesses. The sourcing strategy also covers processing plants (such as aggregators and toll millers), and ASGM operations on or near concessions of medium and large-scale mining operations that might have sourcing or production contracts with the owners of such concessions.

¹ The Swiss Better Gold Association adopts the OECD definition for ASM from the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, third edition, page 65: "formal or informal mining operations with predominantly simplified forms of exploration, extraction, processing, and transportation. ASM is normally low capital intensive and uses high labour-intensive technology. 'ASM' can include men and women working on an individual basis as well as those working in family groups, in partnership, or as members of cooperatives or other types of legal associations and enterprises involving hundreds or even thousands of miners. For example, it is common for work groups of 4-10 individuals, sometimes in family units, to share tasks at one single point of mineral extraction (e.g., excavating one tunnel). At the organisational level, groups of 30-300 miners are common, extracting jointly one mineral deposit (e.g., working in different tunnels), and sometimes sharing processing facilities" (<https://www.oecd.org/daf/inv/mne/OECD-Due-Diligence-Guidance-Minerals-Edition3.pdf>).

2. COLLABORATION WITH VOLUNTARY SUSTAINABILITY STANDARDS SYSTEMS

From the outset, the Swiss Better Gold Association and SECO have actively collaborated with Voluntary Sustainability Standards systems (VSS) that apply to and are actively assuring performance at ASGM operations. The Swiss Better Gold Association will work with VSS that have equivalent requirements to the Swiss Better Gold sourcing strategy and the Swiss Better Gold criteria as well as corresponding geographical scope. The association will support VSS certification when mines want to obtain it.

3. CONTINUOUS IMPROVEMENT AND INCENTIVES FOR ASGM

The Swiss Better Gold Association facilitates the flow of gold from responsible artisanal and small-scale mining operations to the market. Continuous improvement is a core principle and fundamental to the success of the Swiss Better Gold sourcing strategy. Participating ASGM operations are incentivised to continually improve their practices and, step-by-step, gain access to the international gold market by demonstrating their compliance with the Swiss Better Gold criteria. This progressive approach is known as the Swiss Better Gold Continuous Improvement Escalator (the Swiss Better Gold escalator) and is depicted in *Figure 1* below.

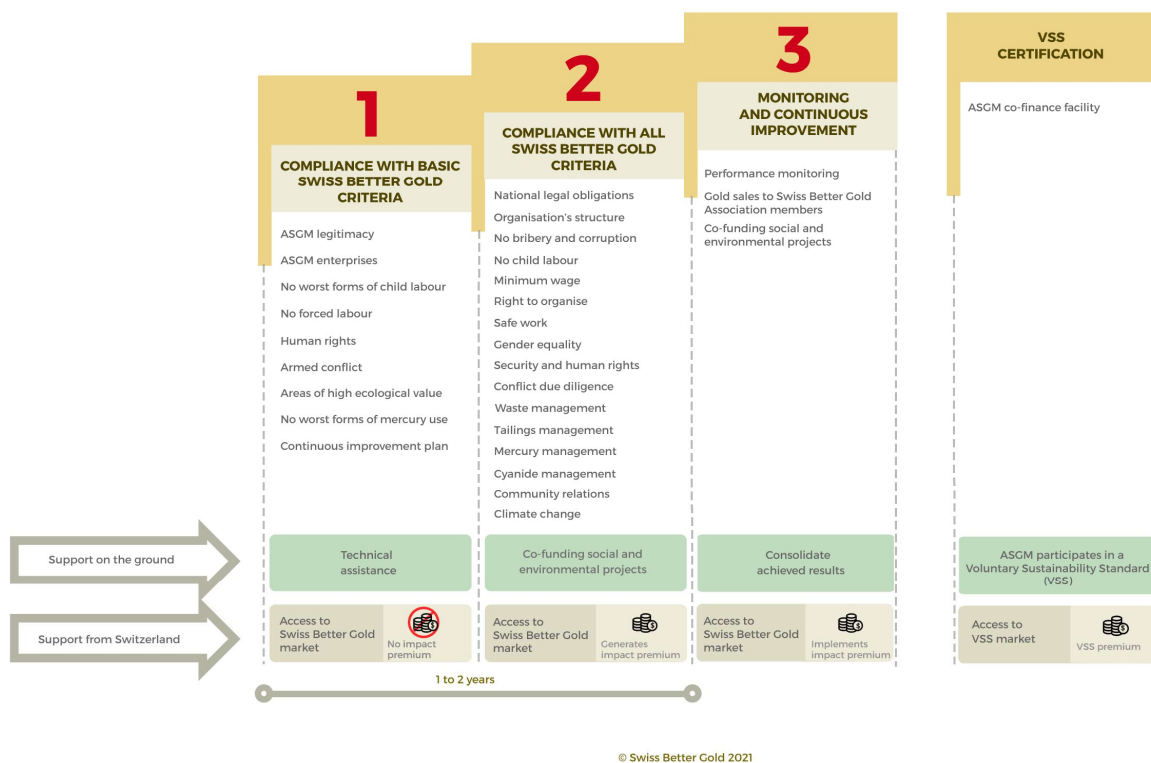


Figure 1: The Swiss Better Gold Continuous Improvement Escalator and its incentives

The Swiss Better Gold Continuous Improvement Escalator has three progressive steps: from a first selection of ASGM operators, to becoming verified Swiss Better Gold suppliers and, finally, to maintain their status through continuous monitoring and reporting of their performance.

To motivate ASGM operations to ascend the steps of the Swiss Better Gold escalator and progress towards higher standards, greater organisational capacity, and to mine more productively, efficiently, safely, and cleanly, the Swiss Better Gold Association provides incentives for ASGM operators:

- **Access to Swiss Better Gold Association member markets and supply chains:** For many artisanal and small-scale mine operators, having access to the supply chains of Swiss Better Gold Association members provides considerable benefits. Association members may be able to offer better terms of trade to ASGM operators compared with local traders, including guarantees of long-term contracts, prices that are often consistently better than those that can be attained in local markets in most countries, surety of demand, and very low credit risk.
- **Swiss Better Gold capacity development and technical assistance:** Swiss Better Gold implementing partners' field activities provide capacity development and technical assistance at ASGM operations. Working with a network of specialists covering all aspects of responsible ASGM operations and supported with funding from SECO and the Swiss Better Gold Association, the implementing partners can accompany many ASGM operations that show the potential and willingness to climb the Swiss Better Gold Continuous Improvement Escalator. The level of support made available to ASGM operators is based on the needs of the mine and the funding available.
- **Community development:** The Swiss Better Gold Association makes available co-funding for eligible ASGM operations for projects that contribute to the economic, environmental, and social development of mining communities directly associated with the ASGM operation. The projects' purpose and the use of the funding is agreed between the association and the ASGM operator through an agreement that is administered with support from Swiss Better Gold implementing partners.

4. PROGRESSIVE SWISS BETTER GOLD CRITERIA

Swiss Better Gold implementing partners identify mines that have the potential and motivation to participate in the Swiss Better Gold programme². Swiss Better Gold implementing partners only engage with 'legitimate' ASGM operators as defined by the LBMA Responsible Sourcing Programme and the OECD Guidance for Responsible Supply Chains from Conflict Affected and High-Risk Areas³. To ascend the Swiss Better Gold Continuous Improvement Escalator and benefit from the incentives described in Section 3, ASGM operators are supported so that they can demonstrate that they have met the Swiss Better Gold sourcing criteria for each step.

² All Swiss Better Gold Association members are expected to be responsible for making themselves aware of and complying with all applicable 'gold-sourcing' legislation and regulation in Switzerland and any other country of operation, including obligations to carry out anti-money laundering and other due diligence on potential, new and existing suppliers, business partners, and customers.

³ See the LBMA Responsible Sourcing Programme (<https://www.lbma.org.uk/responsible-sourcing>) and the OECD Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk Areas (<https://www.oecd.org/daf/inv/mne/OECD-Due-Diligence-Guidance-Minerals-Edition3.pdf>; p.69).

In the Swiss Better Gold verification guidance, the sourcing criteria stipulate risk management processes and operating practices to address important governance, social and environmental risks. The criteria are designed to meet the critical and essential expectations of brands and manufacturers who wish to buy responsible ASGM gold, including to meet with industry-specific and cross-sector compliance requirements. These practices are drawn extensively from broadly recognised VSS certifications applicable to the responsible production and supply of artisanal and small-scale gold⁴.

There are 25 Swiss Better Gold criteria, organised into three (3) aspect areas according to ESG (*environmental, social, and governance & organisational capacity*). Nine (9) of these criteria are required to be met at Step 1 of the Swiss Better Gold escalator and are known as ‘basic’ criteria. The remaining 16 criteria are met at Step 2 of the Swiss Better Gold escalator and are known as Swiss Better Gold criteria. The following paragraphs explain the criteria for each of the three progressive steps of the Swiss Better Gold escalator and the assistance provided by Swiss Better Gold implementing partners to enable ASGM operators’ progression.

STEP 1: At Step 1, ASGM operators are assessed by the Swiss Better Gold implementing partners to assure they meet the nine (9) basic requirements. The last of those criteria refers to the operator’s agreement to a structured and continuous improvement plan (CIP) and the compliance of its time-bound actions. The CIP is drafted together with the implementing partner and is to assure the operator’s commitment to the Swiss Better Gold programme.

At Step 1, to incentivise ASGM operators, Swiss Better Gold implementing partners provide technical assistance to help make operational improvements for the completion of the operation-specific CIP.

Swiss Better Gold Association members engage ASGM operators at Step 1 and purchase gold from ASGM operators once the ‘basic’ Swiss Better Gold sourcing criteria have been met and with the knowledge that the mine is legitimate and is formally committed to follow a CIP and advance to Step 2. The ASGM operators are required to move to Step 2 of the Swiss Better Gold escalator by meeting the requisite criteria within 24 months of the start of their participation in the Swiss Better Gold sourcing programme.

⁴ The Swiss Better Gold sourcing criteria were developed using several reference VSS and in some parts of the criteria draw on these VSS substantially. These VSS include the LBMA Responsible Sourcing Programme (<https://www.lbma.org.uk/responsible-sourcing>), the OECD Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk Areas (<https://www.oecd.org/daf/inv/mne/OECD-Due-Diligence-Guidance-Minerals-Edition3.pdf>), the World Gold Council’s Responsible Gold Mining Principles (<https://www.gold.org/about-gold/gold-supply/responsible-gold/responsible-gold-mining-principles>), the Responsible Jewellery Council’s Code of Practice and Chain of Custody standards (http://www.responsiblejewellery.com/files/RJC_Code_of_Practices_2013_eng.pdf), Fairtrade (<http://www.fairtrade.org.uk/en/farmers-and-workers/gold>), and Fairmined (<http://www.fairmined.org/the-fairmined-standard/>).

TABLE 1			
Step 1 Basic Swiss Better Gold sourcing criteria			
Aspect	Criterion	Description	Alignment with the LBMA Responsible Sourcing Programme
Governance & organisational capacity	ASGM legitimacy	Operators are legitimate ⁵ ASGM	Aligned
	ASGM enterprises	Operators are ASGM enterprises ⁶	Aligned
	Armed conflict	Operators do not directly or indirectly support non-state armed groups	Aligned
	Continuous improvement plan	Operators commit to a measurable time-bound continuous improvement plan to achieve compliance with the Swiss Better Gold criteria	Not covered
Social	No worst forms of child labour	Operators are not linked in any way to the worst forms of child labour ⁷	Aligned
	No forced labour	No forced or compulsory labour at the operations	Aligned
	Human rights	Operators are not linked in any way to any forms of torture, cruel, inhuman, and degrading treatment; gross human rights abuses; war crimes or other serious violations of international humanitarian law, crimes against humanity or genocide	Aligned

⁵ Following the OECD Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk Areas definition, page 69: "The legitimacy of artisanal and small-scale mining is a difficult concept to define because it involves a number of situation-specific factors (see Appendix). For the purposes of this Guidance, legitimate refers, *among others*, to artisanal and small-scale mining that is consistent with applicable laws. When the applicable legal framework is not enforced, or in the absence of such a framework, the assessment of the legitimacy of artisanal and small-scale mining will take into account the good faith efforts of artisanal and small-scale miners and enterprises to operate within the applicable legal framework (where it exists) as well as their engagement in opportunities for formalisation as they become available (bearing in mind that in most cases, artisanal and small-scale miners have very limited or no capacity, technical ability or sufficient financial resources to do so). In either case, Artisanal and small-scale mining, as with all mining, cannot be considered legitimate when it contributes to conflict and serious abuses associated with the extraction, transport or trade of minerals as defined in Annex II of the Guidance" (<https://www.oecd.org/daf/inv/mne/OECD-Due-Diligence-Guidance-Minerals-Edition3.pdf>).

⁶ Following the OECD definition, page 65: "ASM Enterprises – Artisanal and small-scale entities that are sufficiently formalised and structured to carry out this Guidance. As per the Appendix, all artisanal and small-scale miners are encouraged to formalise in this regard" (<https://www.oecd.org/daf/inv/mne/OECD-Due-Diligence-Guidance-Minerals-Edition3.pdf>).

⁷ See ILO C182 (http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:312327:NO).

Environmental	Areas of high ecological value	No operations in designated areas of high ecological value, including in natural World Heritage Sites ⁸ , Key Biodiversity Areas ⁹ , Alliance for Zero Extinction sites ¹⁰ , and protected areas categorised I to IV by the International Union for Conservation of Nature ¹¹	Aligned
	No worst forms of mercury use	Operators do not apply the worst forms of mercury use in the recovery of gold	Aligned

STEP 2: Step 2 is achieved once the ASGM operator's performance meets the full 25 Swiss Better Gold criteria. At this step, the ASGM operator attracts a payment for co-funding community development projects that the operator has agreed with the Swiss Better Gold Association. ASGM operators are only eligible to receive the payments for co-funding community development projects once their performance has been validated as having met the Swiss Better Gold criteria.

TABLE 2 Step 2 Swiss Better Gold criteria			
Aspect	Criteria	Description	Alignment with the LBMA Responsible Sourcing Programme
Governance & organisational capacity	National legal obligations	Operators comply with all national legal obligations	Aligned
	Organisation's structure	Operators have a clear and transparent structure and decision-making process appropriate to the size of the organisation that enables the documentation and effective control and monitoring of activities to implement the Swiss Better Gold sourcing criteria	Implied

⁸A "World Heritage Site" is a site or property inscribed on the World Heritage List. See UNESCO World Heritage List for more information (<http://whc.unesco.org/en/list/>).

⁹"Key Biodiversity Areas" is an approach that helps to identify and designate areas of international importance in terms of biodiversity conservation using globally standardised criteria. See the "World Database of Key Biodiversity Areas" and "A Global Standard for the Identification of Key Biodiversity Areas" for additional definitions.

¹⁰The Alliance for Zero Extinction (AZE) comprises of 88 non-governmental biodiversity conservation organisations working to prevent species extinction. 587 sites and 920 species have been evaluated to be "endangered" or "critically endangered"; the map and list can be found on the website (<https://zeroextinction.org/>).

¹¹IUCN protected area management categories classify protected areas according to management objectives. These categories are recognised by international bodies such as the United Nations. Category information can be found on the website (<https://www.iucn.org/theme/protected-areas/about/protected-areas-categories>).

	No bribery and corruption	Operators implement an anti-corruption policy that forbids bribery and corruption	Aligned
	Conflict due diligence	Operators follow a risk management approach consistent with the OECD Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk Areas including the Annex II Model Supply Chain Policy	Aligned
Social	No child labour	No children under 15 working and no child under 18 carrying out hazardous work at the operation	Aligned
	Minimum wage	Workers receive at least the minimum legal wage	Not covered
	Right to organise	Operators recognise the right of all workers to organise and to join workers' organisations and to collectively negotiate their working terms and conditions	Not covered
	Safe work	Operators provide a safe working environment	Aligned
	Gender equality	Operators demonstrate a clear commitment to identify and address gender inequality	Not covered
	Security and human rights	Operators engaging security personnel effectively align their practices with the Voluntary Principles on Security and Human Rights	Not covered
	Community relations	Operators demonstrate a clear commitment to the building of positive, mutually beneficial and peaceful relations with communities affected by their activities and provide access to an appropriately designed grievance mechanism	Aligned
Environmental	Waste management	Operators demonstrate effective management of mining, processing, and other wastes to reduce negative environmental and health impacts	Implied
	Tailings management	Operators properly plan the disposal of tailings and associated wastewater and their discharge into other waters is effectively avoided	Implied
	Mercury management	Operators demonstrate a commitment consistent with the mercury-eliminating actions noted in Annex C of the Minamata Convention	Aligned
	Cyanide management	Operators' cyanide leaching plants are constructed to effectively avoid environmental contamination and are operated by trained adult personnel	Aligned

	Climate change ¹²	Operators demonstrate a commitment to tackle climate change by identifying, documenting (reporting) and implementing measures to reduce greenhouse gas emissions to their ability	Aligned
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STEP 3: Having met the 25 Swiss Better Gold criteria, ASGM operators should continue to maintain the operating practices and systems to ensure consistent performance and to adhere to any operation-level continuous improvement plan required by the Swiss Better Gold Association. The ASGM operators, with support from the Swiss Better Gold implementing partners, will monitor the operations against the Swiss Better Gold criteria and report periodically to the Swiss Better Gold Association as prescribed in the Swiss Better Gold verification guidance.

5. ASSURANCE AND MONITORING

A common taxonomy for assurance or conformity assessments includes first, second and third-party verifications or validations. First-party verifications, or self-assessments, are internal exercises carried out by trained or professionally qualified staff. Second and third-party validation is completed by independent bodies or individuals that have no formal association with the entity subject to the assessment. A second-party auditor is selected by the entity being assessed and follows the terms of reference set by that entity. Most often, a third-party verification is carried out by an auditor or assessment body that has been approved by a certification or standard-setting scheme and follows the protocols dictated by that scheme.

Third-party validation is often seen as having higher credibility because of its clear independence from the entity being assessed. For the artisanal and small-scale gold mining sector, however, the costs of standard scheme-approved auditors carry costs that are very often prohibitive. The Swiss Better Gold Association recognises that a flexible approach is needed to find an acceptable level of assurance with the market at a cost that small producers can afford and to be able to participate in the Swiss Better Gold sourcing programme.

The Swiss Better Gold sourcing programme will apply the following assurance models to meet the expectations of the market at a cost that is plausible for small gold producers.

- For Step 1, the Swiss Better Gold Association will be supported by the Swiss Better Gold implementing partners for the validation of ASGM operators, as well as any other third parties the members choose to commission and that are widely recognised as competent persons.

¹² Applies from September 2021

- For the Step 2 Swiss Better Gold criteria, the Swiss Better Gold Association will contract approved qualified and independent third¹³ parties to validate compliance of ASGM operators with the sourcing criteria. Such validation should then be renewed on a yearly basis. The practices of validation bodies or assessors will align with the principles of recognised conformance guidance and standards, such as ISO 17001:2005 or equivalent¹⁴, and be familiar with auditing standards for management systems, such as ISAE 3000, or ISO 19011:2011. The association may develop a register of qualified individuals and validation bodies to ensure consistency of quality in the assurance of Swiss Better Gold ASGM operators.
- For Step 3, the Swiss Better Gold Association will be supported by the Swiss Better Gold implementing partners for the continued monitoring and reporting of performance at Swiss Better Gold ASGM operators, as well as any other third parties the members choose to commission and that are widely recognised as competent persons.
- The Swiss Better Gold Association may recognise third-party public and private initiatives, standards, and certification systems the producer-requirements of which are determined to meet the Swiss Better Gold criteria. The association accepts material from ASGM operators that can demonstrate requisite verification against such 'recognised' third party systems. In all cases, the association may complete due diligence on sites certified by third-party systems through the Swiss Better Gold implementing partners in the field.

As noted above, the Swiss Better Gold criteria also apply to aggregators and processors of artisanal and small-scale mined gold, and thus these assurance models would also apply to these businesses in principle. Because gold processors and aggregators in the countries of Swiss Better Gold activities have complex supply chains that can have high-risk profiles – serving up to several hundred transactions from small producers annually, the application of the Swiss Better Gold criteria and assurance models will be advanced case-by-case. Each aggregator or processor and their suppliers identified for possible participation will be subject to due diligence overseen jointly by the Swiss Better Gold implementing partners in-country team and the supply member of the Swiss Better Gold Association.

6. MARKETING CLAIMS

A necessary and important element of the Swiss Better Gold sourcing strategy is the treatment of the claims (and potentially misleading claims) for gold sold and advertised as being produced and transformed by businesses and organisations participating in the sourcing programme. The Swiss Better Gold Association has developed an accompanying claims guide that is available at the association secretariat.

¹³ The Swiss Better Gold Association will define criteria to be met by qualified independent third parties in order for them to be approved. The association will also define the required reporting format.

¹⁴ Principles to guide verification and validation bodies include impartiality, competence, factual approach to decision making, openness, confidentiality, responsibility, level of assurance, and accountability.