

Sourcing Strategy

February 2024

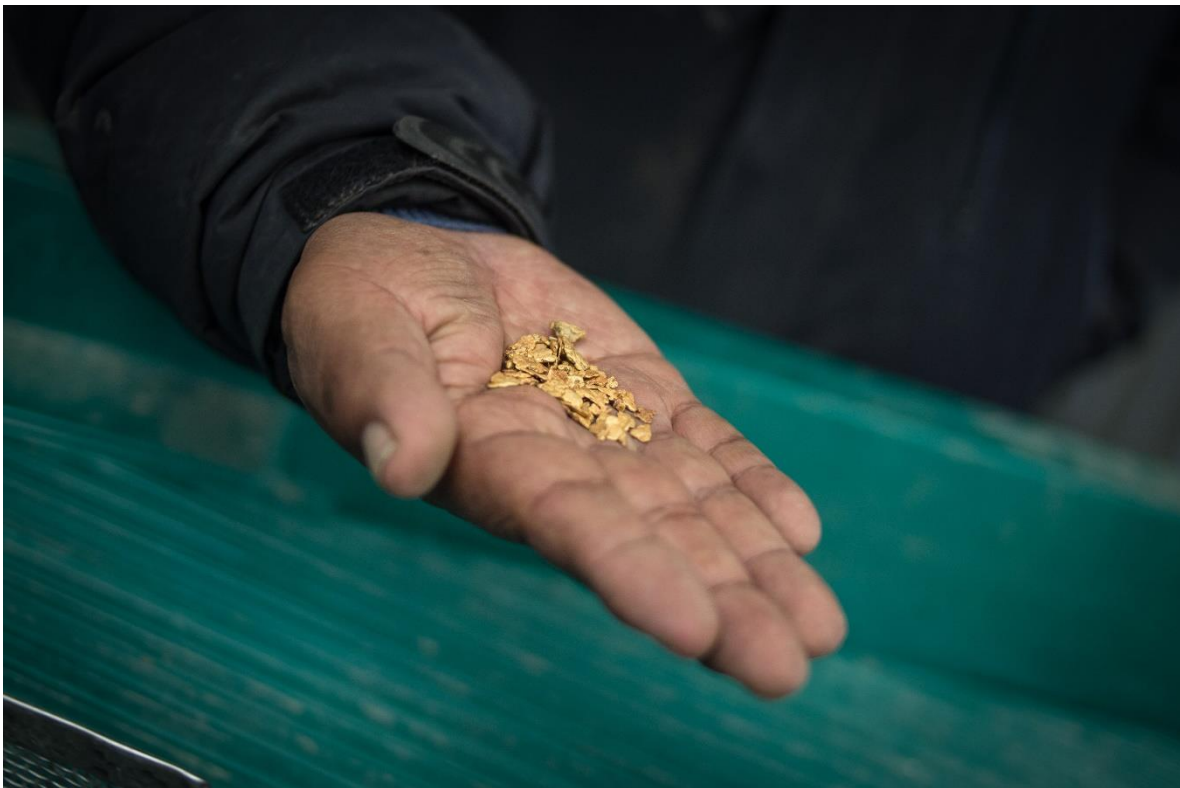


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1. INTRODCUTION

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 enable eligible and responsible artisanal and small-scale gold mining (ASGM) entities to adopt and maintain socially inclusive, safer, cleaner, and better environmental operating practices through the creation of a market-driven mechanism.

In 2013, the Swiss Better Gold Association and SECO launched the Swiss Better Gold Initiative, since then the Initiative has been implemented as a private-public partnership. The objective of this partnership is to facilitate a significant increase of its impact on the ground through a higher volume of gold from responsible artisanal and small-scale producers supported by the Initiative that reaches the international gold market. To achieve this goal, the Association has developed a sourcing strategy, which is described in this document.

The Swiss Better Gold sourcing strategy is the core document of Swiss Better Gold and outlines its overall approach. It is complemented by specific supply chain models, which take into account the particularity of a supply chain type, such as the model for gold panners or the collaboration with processing plants. In their structure, these models always reflect the core approach outlined here. These specific models can be found in the annex.

The Swiss Better Gold sourcing strategy is designed to be flexible and adjust to changing circumstances in the field, and to knowledge and experience gained through the Swiss Better Gold Association’s activities in its countries of operation. To that end, the Swiss Better Gold Association continues to update this strategy

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in consultation with its members and key stakeholders, namely Swiss Better Gold supply chain actors.

The Swiss Better Gold Association develops technical guidance, reference documents, protocols, and procedures to accompany the implementation of this sourcing strategy by a diverse network of gold mining producers, and to support Swiss Better Gold independent verifiers in reconfirming producers' accreditation status.

2. SCOPE AND APPLICATION

The Swiss Better Gold sourcing strategy applies to all countries where the Swiss Better Gold Association, in collaboration with SECO, is supporting ASGM producers to supply responsibly produced gold to the market.

The Swiss Better Gold sourcing strategy applies to ASGM producers¹, which might be organised as co-operatives, small enterprises, or family businesses. The sourcing strategy also covers ASGM producers on or near concessions of medium and large-scale mining operations that might have sourcing or production agreements with the owners of such concessions. The Association might collaborate with these medium or large-scale operators in order to create supply chains that include these ASGM producers. In the case where Swiss Better Gold and the mining producer can create meaningful ESG impact (environmental, social, and governance), the Association might also support medium-scale producers directly by applying the Swiss Better Gold approach outlined below.

If an ASGM producer is willing to reach a specific Voluntary Sustainability Standard (VSS) certification², Swiss Better Gold parallelly implements its own instruments, namely the escalator approach.

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 Such as Fairmined, FairTrade, Responsible Jewellery Council, Responsible Minerals Initiative.

3. CONTINUOUS IMPROVEMENT AND INCENTIVES FOR ASGM

The Swiss Better Gold Association facilitates the flow of gold from responsible ASGM producers to the market. Continuous improvement is a core principle and fundamental to the success of the Swiss Better Gold sourcing strategy. Participating ASGM producers 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.

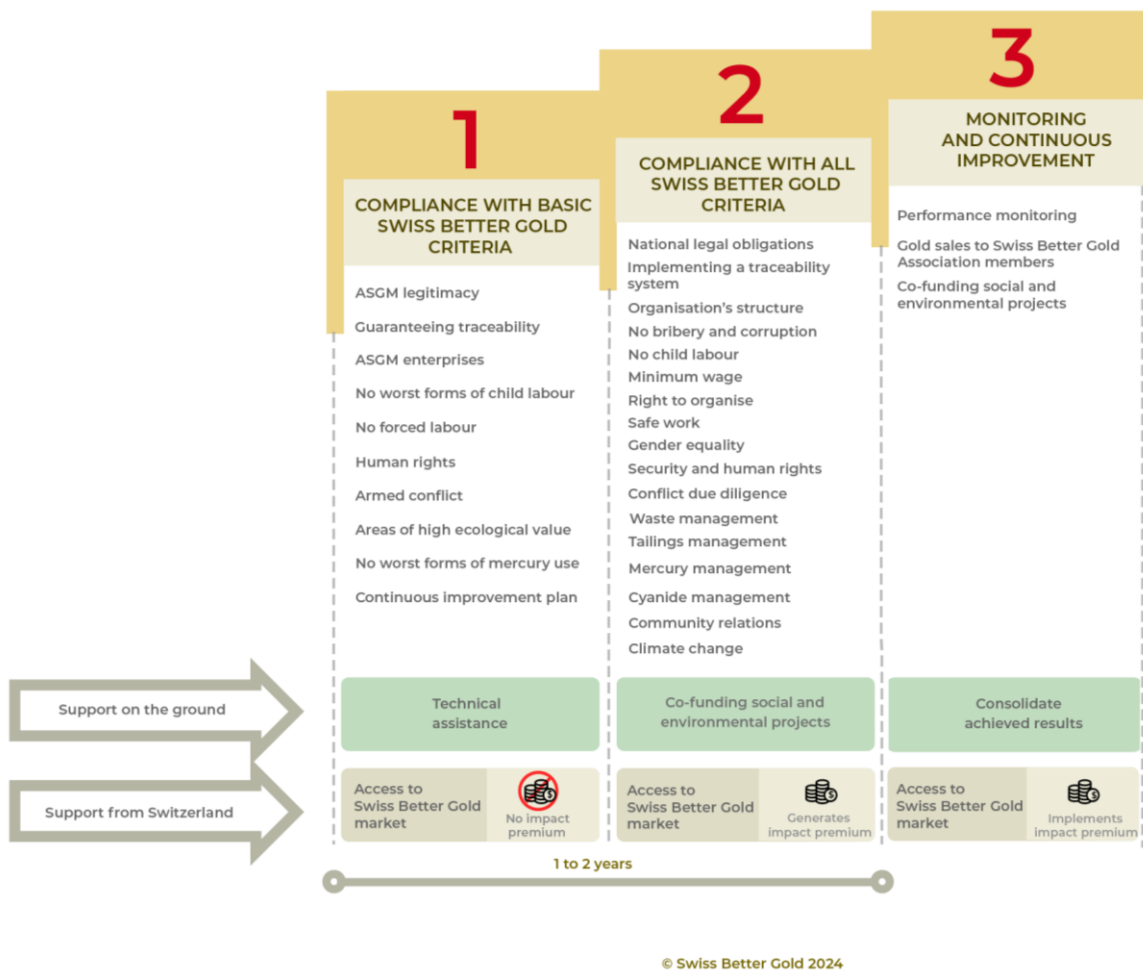


Figure 1: The Swiss Better Gold Continuous Improvement Escalator and its incentives

The Swiss Better Gold Continuous Improvement Escalator has three progressive steps: from a first selection of ASGM producers, to becoming verified Swiss Better

Gold suppliers and, finally, to maintain their status through continuous monitoring and reporting of their performance.

To motivate ASGM producers 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 producers:

- **Access to Swiss Better Gold Association member markets and supply chains:** For many ASGM producers, 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 producers 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 to ASGM producers. Working with a network of specialists covering all aspects of responsible ASGM and supported with funding from SECO and the Swiss Better Gold Association, the implementing partners can accompany the ASGM producers who show the potential and willingness to climb the Swiss Better Gold Continuous Improvement Escalator. The level of support made available to ASGM producers 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 producers for projects that contribute to the economic, environmental, and social development of mining communities directly associated with the producer. The projects' purpose and the use of the funding is agreed between the Association and the ASGM producer through an agreement that is administered with support from the Swiss Better Gold implementing partners.

4. PROGRESSIVE SWISS BETTER GOLD CRITERIA

Swiss Better Gold implementing partners identify mining producers that have the potential and motivation to participate in the Swiss Better Gold programme³. Swiss Better Gold implementing partners only engage with 'legitimate' ASGM producers as defined by the LBMA Responsible Sourcing Programme and the

³ 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.

OECD Guidance for Responsible Supply Chains from Conflict Affected and High-Risk Areas⁴. To ascend the Swiss Better Gold Continuous Improvement Escalator and benefit from the incentives described in Section 3, ASGM producers are continuously supported so that they can demonstrate that they have met the Swiss Better Gold sourcing criteria for each step.

The criteria are designed to meet the critical and essential expectations of brands and manufacturers who wish to buy responsible ASM gold, including to meet industry-specific and cross-sector compliance requirements. The Swiss Better Gold sourcing criteria are based on and aligned with broadly recognised standards applicable to the responsible production and supply of artisanal and small-scale gold, such as the LBMA Responsible Sourcing Programme, the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, and the World Gold Council's Responsible Gold Mining Principles⁵. The Swiss Better Gold verification guidance stipulates risk management processes and operating practices to address important governance, social and environmental risks for these sourcing criteria.

There are 27 Swiss Better Gold criteria, organised into three (3) aspect areas according to ESG. Ten (10) 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 17 criteria are to be 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 producers' progression.

STEP 1: At Step 1, ASGM producers are assessed by the Swiss Better Gold implementing partners to assure they meet the ten (10) basic requirements. The last of those criteria refers to the producer'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 producer's commitment to the Swiss Better Gold programme and an effort in order to reach compliance with the Swiss Better Gold sourcing criteria.

⁴ 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>).

⁵ Access: 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/responsiblegold/responsible-gold-mining-principles>).

At Step 1, to incentivise ASGM producers, 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 with ASGM producers at Step 1 and purchase gold from them once the 'basic' Swiss Better Gold sourcing criteria are met and with the knowledge that the mine is legitimate and is formally committed to follow a CIP to advance to Step 2. The ASGM producers 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.

Step 1 Basic Criteria		
Aspect	Criterion	Description
Governance & organisational capacity	ASGM legitimacy	Producers are legitimate ⁶ ASGM operations.
	Guaranteeing traceability ⁷	Producers have a system in place or hold a registry that guarantees traceability based on the legality of their operations (origin/provenance, processing/transformation and commercialisation/export).
	ASGM enterprises	Producers are ASGM enterprises ⁸ .
	Armed conflict	Producers do not directly or indirectly support non-state armed groups.
	Continuous improvement plan	Producers commit to a measurable time-bound continuous improvement plan to achieve compliance with the Swiss Better Gold criteria.
Social	No worst forms of child labour	Producers are not linked in any way to the worst forms of child labour ⁹ .

⁶ 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>).

⁷ Applies from May 2024.

⁸ 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>).

⁹ See ILO C182 (https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C182).

	No forced labour	No forced or compulsory labour at the operations.
	Human rights	Producers 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.
Environmental	Areas of high ecological value	No operations in designated areas of high ecological value, including in natural World Heritage Sites ¹⁰ , Key Biodiversity Areas ¹¹ , Alliance for Zero Extinction sites ¹² , and protected areas categorised I to IV by the International Union for Conservation of Nature ¹³ .
	No worst forms of mercury use	Producers do not apply the worst forms of mercury use in the recovery of gold.

STEP 2: Step 2 is achieved once the ASGM producer’s performance meets the full 27 Swiss Better Gold criteria. At this step, the ASGM producer attracts a payment for co-funding community development projects that the producer has agreed with the Swiss Better Gold Association. ASGM producers are only eligible to receive the payments for co-funding community development projects once they have been accredited as Swiss Better Gold producers.

Step 2 Swiss Better Gold Criteria		
Aspect	Criteria	Description
Governance & organisational capacity	National legal obligations	Producers comply with all national legal obligations.
	Implementing a traceability system ¹⁴	Producers implement a traceability system that allows the mineral to be tracked from the point of extraction,

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¹⁰ A “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/>).

¹¹ “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.

¹² The 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/>).

¹³ IUCN 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>).

¹⁴ Applies from May 2024.

		through the beneficiation process, to its commercialisation/export.
	Organisation's structure	Producers have a clear and transparent structure and decision-making process appropriate to their size that enables the documentation and effective control and monitoring of activities to implement the Swiss Better Gold sourcing criteria.
	No bribery and corruption	Producers implement an anti-corruption policy that forbids bribery and corruption.
	Conflict due diligence	Producers follow a risk management approach consistent with the OECD Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas including the Annex II Model Supply Chain Policy.
Social	No child labour	No children under 15 working and no child under 18 carrying out hazardous work at the operation.
	Minimum wage	Workers receive at least the minimum legal wage.
	Right to organise	Producers recognise the right of all workers to organise and to join workers' organisations and to collectively negotiate their working terms and conditions.
	Safe work	Producers provide a safe working environment.
	Gender equality	Producers demonstrate a clear commitment to identify and address gender inequality.
	Security and human rights	Producers engaging security personnel effectively align their practices with the Voluntary Principles on Security and Human Rights.
	Community relations	Producers 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.
Environmental	Waste management	Producers demonstrate effective management of mining, processing, and other wastes to reduce negative environmental and health impacts.

	Tailings management	Producers properly plan the disposal of tailings and associated wastewater and their discharge into other waters is effectively avoided.
	Mercury management	Producers demonstrate a commitment consistent with the mercury-eliminating actions noted in Annex C of the Minamata Convention.
	Cyanide management	Producers' cyanide leaching plants are constructed to effectively avoid environmental contamination and are operated by trained adult personnel.
	Climate change ¹⁵	Producers demonstrate a commitment to tackle climate change by identifying, documenting (reporting) and implementing measures to reduce greenhouse gas emissions to their ability.

STEP 3: Having met the 27 Swiss Better Gold criteria, ASGM producers 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 Swiss Better Gold implementing partners continuously monitor the producers against the Swiss Better Gold criteria and report periodically to the Swiss Better Gold Association as outlined in the Swiss Better Gold verification guidance.

5. MONITORING AND VERIFICATION

The credibility and integrity of Swiss Better Gold is based on two pillars. Firstly, the continuous monitoring of the participating mining producers by the Swiss Better Gold implementing partner. Monitoring activities initiate from the moment when the producer is identified (initial assessment) and decides to become part of the Swiss Better Gold programme, and are ongoing. They include the constant accompaniment of the producer by the implementing partner, who conducts the gap analysis, provides technical assistance and implements the CIP, carries out follow-up visits, reports on these, and gives recommendations on the progress of the producer on the Swiss Better Gold escalator¹⁶.

Secondly, once the implementing partner has recommended Step 2 for an ASGM producer and they have been accredited by the Swiss Better Gold Association as a Swiss Better Gold supplier, a third-party verification is mandatory within two

¹⁵ Applies from September 2021.

¹⁶ Monitoring activities also cover the contractors on site.

years of the accreditation in order to reconfirm the producer's eligibility for the Swiss Better Gold programme. The verification is repeated every two years.

Third-party verification is often seen as having higher credibility because of its clear independence from the entity being assessed. For the ASGM sector, however, the costs of standard scheme-approved auditors are often prohibitive. The Swiss Better Gold Association recognises that a flexible approach is needed to find an acceptable level of assurance with the market.

The Swiss Better Gold sourcing programme applies the following monitoring and verification activities to meet the expectations of the market at a cost that is plausible for small gold producers:

- For the confirmation at Step 1, the Swiss Better Gold Association is supported by the Swiss Better Gold implementing partners for the selection and monitoring of ASGM producers, as well as any other third parties the members choose to commission and that are widely recognised as competent persons.
- For the accreditation at Step 2, the implementing partner gives a recommendation to the Swiss Better Gold Association who grants the accreditation. Moreover, the Swiss Better Gold Association contracts approved qualified and independent third parties¹⁷ to verify compliance of ASGM producers with the sourcing criteria within 24 months after Step 2 accreditation. The practices of the verifiers bodies or assessors align with the principles of recognised conformance guidance and standards, such as ISO 17001:2005 or equivalent¹⁸, 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 verification bodies to ensure consistency of quality in the reconfirmation of Swiss Better Gold ASGM producers.
- For Step 3, the Swiss Better Gold Association is supported by the Swiss Better Gold implementing partners for the continued monitoring and reporting of performance of the ASGM producers, as well as any other third parties the members choose to commission and that are widely recognised as competent persons.

6. MARKETING CLAIMS

A necessary and important element of the Swiss Better Gold sourcing strategy is the treatment of claims (and potentially misleading claims) for gold sold and

¹⁷ The Swiss Better Gold Association defines criteria to be met by qualified independent third parties in order for them to be approved. The Association also defines the required reporting format.

¹⁸ Principles to guide verification and validation bodies include impartiality, competence, factual approach to decision making, openness, confidentiality, responsibility, level of assurance, and accountability.

advertised as being produced and transformed by businesses and organisations participating in the programme. The Swiss Better Gold Association has developed a claims guide that is available on the website (<https://swissbettergold.ch/about-us>).

7. NON-COMPLIANCE

'Non-compliance' by a Swiss Better Gold producer refers to major non-conformity with the Swiss Better Gold principles (outlined in the sourcing strategy, verification guidance, Swiss Better Gold Fund policy, claims guide and others). It is based on a breach of international standards, due diligence protocols, or involves a serious crisis related to human rights violations, or other social or environmental adverse impacts. The seriousness of the breach is determined by the Swiss Better Gold Association Board of Directors and is based on the context, the event and the risks involved,

Non-compliance with the Swiss Better Gold principles occur in the following cases:

- Nonalignment with the Swiss Better Gold sourcing criteria
- Non justified lack of implementation of technical assistance, social and environmental projects supported by the Swiss Better Gold Fund
- Breaches with the Swiss Better Gold claims guide, which lead to reputational or other negative consequences for Swiss Better Gold
- Reputational risks perceived as such by the Swiss Better Gold Association
- Major differences in values stated in the Swiss Better Gold Association bylaws, particularly Article 3 (<https://swissbettergold.ch/about-us>)

Non-compliance cases are analysed by the Swiss Better Gold Association Board of Directors. Where deemed necessary, the Swiss Better Gold Association asks its counterpart for an improvement plan, addressing the identified situation. If the implementation of the improvement plan hasn't been initiated within 6 (six) months, the Swiss Better Gold Association considers suspension and in cases where there has been no improvement at all, also exclusion from the Swiss Better Gold programme.

Non-compliance can be reported:

- Through the Swiss Better Gold grievance mechanism
- By Swiss Better Gold implementing partners
- By Swiss Better Gold verifiers
- By the Swiss Better Gold producer