

BD comments on Valcambi statement

Lausanne/Zurich, 16th September 2015

On 10th September 2015, the Berne Declaration (BD) published a report titled “A Golden Racket – The True Source of Switzerland’s “Togolese” Gold”, implicating the Swiss refinery, Valcambi. Valcambi reacted two days later with [a press release](#).

Valcambi denies buying gold originating from “any of the 5 mines mentioned” in the BD’s report and provides a long explanation of its due diligence and compliance procedures. The refinery also rejects allegations that it would have “infringed both international standards as well as its own supply chain policies,” describing them as “unsubstantiated and false.”

The Berne Declaration’s response:

- **Valcambi provides no evidence to support its denial of the Berne Declaration’s findings**, which are the result of a rigorous research process undertaken over the course of 9 months. The BD’s report underwent a thorough fact-checking and external peer review process before publication.
- Valcambi states that through its due diligence procedures, it knows the source of “every single lot of precious metals bearing material”. Yet, this is somewhat paradoxical given it had to “thoroughly” audit its records before making this claim.
- Valcambi’s denial is based on the existence of mining and export licenses. The BD wishes to reiterate that it has never stated that the mines themselves are illegal nor has it claimed that the Burkinabé traders in question do not hold export licenses. Rather, the **BD focusses on evidence that Burkinabé traders illegally smuggle a substantial portion of their production to Togo**, where the gold is exported to Switzerland. **Valcambi has failed to comment on this in its press release.**
- **Valcambi provides no details about its Togolese partners nor about the origin of the gold it buys.** The BD’s evidence shows that Wafex Sàrl, the Lomé-based branch of the Ammar Group and one of Valcambi’s counterparties, exports tonnes of gold every year from Togo, **a non-producer country. This fact alone is enough to raise a “red flag”, according to the OECD’s Gold Supplement** – guidance that Valcambi claims it complies with. The *Gold Supplement* precisely defines such a “red flag” situation as it relates to refiners: “The gold is claimed to originate from a country that has limited known reserves or stocks, likely resources or expected production levels of gold (i.e. the declared volumes of gold from that country are out of keeping with its known reserves or expected production levels)”. In case of red flags, refiners are required to proceed with all further steps of the OECD guidance, including sending an on-the-ground, independent assessment team to gather facts on the company’s red flagged supply chain, designing and implementing a response strategy, and publically reporting on this. **Valcambi does not publically report on its steps taken in light of this particular red flag situation.**
- On the contrary, during the BD’s on-the-ground research in Burkina Faso, we interviewed a representative from the Ministry of Mines in Burkina Faso, who stated that “there are pretty much no legal exports from Burkina Faso to Togo”. The BD also has quotes from Burkinabé tradesmen stating that Wafex is a particularly popular counterparty due to its policy of “just handing over the cash” and “not caring about the receipts.”
- According to its press release, Valcambi also demands its counterparties to affirm that they conform to the *OECD Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas and Supplement on Gold* by signing a “Statement of Conformance”. The BD has robust evidence showing that Lomé-based Wafex and Geneva-based MM Multitrade SA are Valcambi’s counterparties.

Valcambi has not denied this in its press release. We can deduce, therefore, that the refinery asked both Wafex and MM Multitrade to sign such a Statement of Conformance.

- Yet, in detailing how the gold Wafex exports comes from Burkina Faso, having been smuggled over the boarder to Lomé in Togo, the BD's **report brings the authenticity of this Statement of Conformance into question**. It is questionable that Wafex can legitimately claim to be compliant with the OECD guidance while it receives gold from a network that smuggles large quantities out of Burkina Faso.
- In a later statement to the UK newspaper, *The Independent*, Valcambi acknowledged that its "Togolese" gold does indeed come from Burkina Faso: "**The refinery in Switzerland accepted that the gold came from Burkina Faso** [...] Its chief executive told *The Independent* it was standard practice for miners to export their goods from a different country to the mine, **perhaps for tax reasons.**" Valcambi does not deny, therefore, that Burkina Faso may have lost considerable tax income on the gold smuggled to Togo, which it subsequently bought. The industry association of precious metals traders, the LBMA, itself announced that it would follow up such allegations.
- According to its press release, Valcambi's "Statement of Conformance" further requires its counterparties to "strictly adhere to the rule that no children can be employed at mine site and no child labour will be tolerated". **Valcambi fails to provide any information on the mines where its gold is sourced**. However, child labour is widely known to be commonplace in Burkina Faso's artisanal mining sector – clearly documented, for example, by UNICEF in 2011. The BD's assessment from the 5 mines we visited that 30% to 50% of the workforce is composed of children is further supported by reports from the International Labour Organisation. We are not convinced, therefore, that Valcambi can be confident in Wafex's statement that child labour is inexistent in the mines it sources from.
- The BD would further like to stress that we contacted all the parties involved and provided them due time to respond. **None responded to our questions**. We first contacted Valcambi in May 2015, requested an interview and, in absence of a response, subsequently provided them with a detailed list of 27 questions on 11th June, three months before publication. These questions (see below) remain unanswered.

Questions addressed to Valcambi via email on 11.6.2015

In line with Valcambi's 2014 Compliance Report and Precious Metals Supply Chain Policy, the below questions are laid out according to the OECD and LBMA's due diligence guidelines and 5-step procedure.

General Questions

1. Our documents detail the relationship between Valcambi SA and Ammar Group/STE Wafex Sàrl/MM Multitrade SA. To when does Valcambi's relationship with Ammar Group/Wafex date?
2. Our sources further show that since mid-2014, Ammar Group/Wafex/MM Multitrade has had a monopoly over Switzerland's gold imports from Togo. Does Valcambi agree with this statement?
3. According to the Swiss Customs Administration, 6,904kg of gold was imported into Switzerland from Togo in 2014. In 2012, this figure was 13,062kg – 70% of all Togo's gold exports. Our sources show that the entirety of this mined gold was refined by Valcambi. Are these figures correct?

Questions Pertaining to Step 1: Establish Strong Company Management Systems

Valcambi states that it has "the ability to ensure the highest traceability standards over the entire Supply Chain in regards to information, documents and actors related to every single lot of precious metals bearing material which we process" (Compliance Report 2014, p.4) and that its "business partners [including miners and metal traders] ... comply with the same values that we apply to ourselves" (Precious Metals Supply Chain Policy 2012, p.3).

4. Please describe the Know Your Customer (KYC) procedure (PMSCP, p.5, art. 8) carried out on Ammar Group/Wafex/MM Multitrade SA, and please set out the extent to which this procedure complies with the LBMA KYC guidance? Were all three entities covered by the procedure?
5. How often does Valcambi repeat its KYC procedures with respect to particular business partners? How many times has Valcambi conducted its KYC procedure on Ammar Group/Wafex/MM Multitrade SA?
6. Which entity/ies are Valcambi's formal counterparty/ies?
7. Question 3 of Valcambi's Pre-KYC form (KYC Step 1) asks its counterparties whether they have established policies and procedures designed to meet and implement the LBMA Responsible Gold Guidance and the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High-Risk areas and its Supplement on Gold. How did Ammar Group/Wafex respond to this question? Did Ammar Group/Wafex send Valcambi a copy of its responsible gold policy (question 4)?
8. Only Step 1 of Valcambi's KYC is available online. What does Step 2 entail?
9. Assuming Valcambi's KYC procedures are in line with the LBMA KYC guidance, how did Valcambi evaluate its counterparty's response, notably to:
 - 6(c) and 8(m) on child labour regulation and procedures at the mining sites to prevent child labour;
 - 6(d) on the use of public security forces on or around the mining sites;
 - 8(j) on safety procedures and systems of personnel at mining sites;
 - 8(k) and 9(j) on environmental impact at the mining sites and processing plant?
10. Did Ammar Group/Wafex provide Valcambi with a copy of its licences to import gold into Togo and its Burkina Faso-based counterparties' licences to trade and export gold from Burkina Faso? Did these licences cover all the mine sites where the gold is sourced from and did they cover the full quantity of gold Ammar Group/Wafex trades? What did Valcambi do to verify these answers?
11. Given Valcambi's commitment to review the business practices not only of its counterparties, but also of its counterparties' counterparties (PMSCP, p.4, art. 2), please describe the steps Valcambi took to evaluate SOMIKA's business practices. Is Valcambi aware that SOMIKA has been at the centre of several serious allegations in the past?

Questions Pertaining to Step 2: Identify and Assess Risks in the Supply Chain, and Step 3: Design and Implement a Strategy to Respond to Identified Risks

The LBMA Responsible Gold Guidance (Step 2, p.6) clearly states, "the assessment of risk in a supply chain begins with the origin of gold".

12. When Valcambi undertook its "strengthened risk assessment" of the aforementioned supply chain (Compliance Report 2014, p. 4), did it identify any red flags? How did it assess these risks?
13. Did Valcambi subject Ammar Group/Wafex to its enhanced due diligence practices given the higher-risk location of their operations (Compliance Report 2014, p.5)? If so, please explain what these enhanced due diligence practices entailed.
14. Please detail the management strategy Valcambi implemented to respond to the identified risks (Compliance Report 2013, p.5).

More specifically:

15. What steps did Valcambi take to identify the origin of the gold, i.e. where the mines are located ([LBMA, p.1](#))? How often did Valcambi repeat this exercise over the course of its relationship with Ammar Group/Wafex?

16. If Valcambi did not identify any red flags, please explain why not given:

- a) either i) Valcambi identified the origin of the gold to be Burkina Faso, which constitutes a high-risk area, or
ii) Valcambi did not successfully identify the origin of the gold and hence recorded its provenance to be Togo, which is a country that has limited known reserves or stocks, likely resources or expected production levels of gold (*cf.* [OECD Supplement on Gold](#), p. 79, 88); and/or
- b) that both Togo and Burkina Faso are countries where anti-corruption laws, customs controls and other relevant government oversight laws are weakly enforced (*cf.* [OECD Supplement on Gold](#), p. 79, 88).

17. Since 2012, Burkina Faso has officially produced around 900-1,000kg of artisanal gold per year. Our sources suggest that (*cf.* question 3 above), in 2014, Valcambi refined 6,904kg of artisanal gold exported from Togo by Wafex. Even if a proportion of this gold derives from places other than Burkina Faso, the significance of the discrepancy between these two figures suggests that a proportion of this gold has not been officially declared in Burkina Faso and, therefore, not taxed according to national laws. Was this a red flag for Valcambi? What did Valcambi do to evaluate and mitigate this risk?

18. How does Valcambi evaluate the artisanal mining conditions in Burkina Faso?

19. Is Valcambi aware that child labour is widespread in Burkina Faso's artisanal mines and that the Burkinabé government has categorised this child labour as unlawful?

20. Did Ammar Group/Wafex commit to, and acknowledge in writing its/their compliance with a supply chain policy consistent with Annex II of OECD (*cf.* [PMSCP](#), p.5, art. 12)?

21. Valcambi states that its "strengthened risk assessment process prohibits entering into any business relationship with any counterparty that has not fully complied with all requirements stated in its Precious Metals Supply Chain Policy" ([Compliance Report 2014](#), p.5). Does Valcambi judge Ammar Group/Wafex to have fully complied with its PMSCP?

22. Has Valcambi ever undertaken spot checks on, or employed an on-the-ground assessment team to generate and maintain information on its supply chain in Togo and Burkina Faso (*cf.* [OECD Supplement on Gold](#), p.80)? If not, why not? If so, what were the findings?

Questions Pertaining to Step 4: Carry Out Independent Third-Party Audit and Step 5: Report Annually on Supply Chain Due Diligence

23. Has Valcambi ever produced a Corrective Action Plan (*cf.* [LBMA](#), p. 12) or its equivalent for the risks identified in the aforementioned supply chain? If so, please kindly provide us with a copy. If not, why not?

Other Questions

24. Does Valcambi always purchase gold from Ammar Group/Wafex, or is it sometimes purely a tolling partner?

25. Please explain the added value of the "[Green Gold](#)" products given Valcambi's commitment that *all* of its gold is fully traceable and sourced in line with the highest ethical, moral and social responsibility standards.

26. Will Valcambi reassess its business relationship with Ammar Group/Wafex in light of the above?

27. What steps will Valcambi take to fully implement its Precious Metals Supply Chain Policy?
