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Berne Declaration
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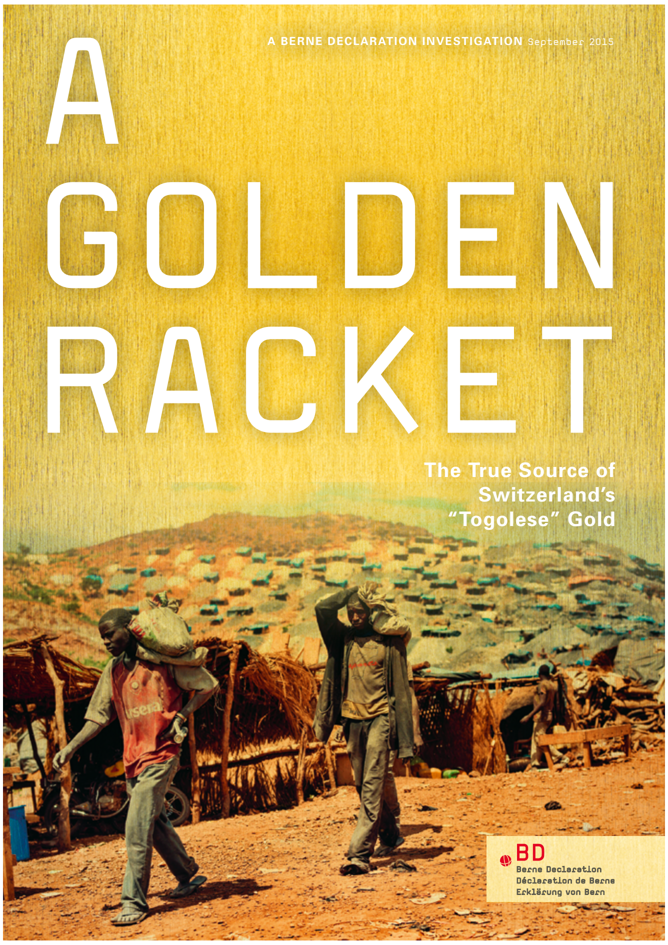
EXECUTIVE SUMMARY

A Golden Racket: The True Source of Switzerland's "Togolese" Gold – A Berne Declaration Investigation September 2015, 40 p.



Between 2012 and 2014, Switzerland imported 7,500 tonnes of mined gold from over 60 countries. It is one of the largest importers globally, refining the equivalent of 70% of the world's annual production. In 2013, the Federal Council clearly recognised the risks associated with this lucrative industry and underlined the importance of higher standards of corporate transparency and accountability. Yet, efforts to stem the inflow of gold that may be the proceeds of corruption, environmental damage or human rights violations remain embryonic.

In February 2014, and for the first time since 1980, the Federal Council published statistics on the provenance of Switzerland's gold. Every year, the country imports thousands of kilograms of mined gold worth millions of Swiss francs from Togo, a non-producer country. This report traces the true source of this "Togolese" gold – to Burkina Faso.

In many of the artisanal mines across the country, gold is extracted under abysmal conditions. Between 30% and 50% of the labour force are children who, alongside their adult colleagues, work 12-hour shifts, day and night. Many handle highly toxic substances, including mercury, unprotected and on a daily basis. Security provisions are next to inexistent and shaft cave-ins – at times fatal – occur frequently. Work-related illnesses include respiratory and pulmonary disease from excessive dust exposure, and skeletal injuries from heavy lifting and shaft accidents. Excessive exposure to mercury seriously harms the digestive and immune systems, lungs and kidneys.

At least 7 tonnes per year of this artisanal gold never makes it onto the books in Burkina Faso and is instead smuggled overland to Lomé, Togo. Among the primary Burkinabé "comptoirs d'achat" (trading intermediaries) in control of this illicit trade is SOMIKA, owned by El Hadj Adama Kindo, a powerful local businessman. SOMIKA denies any wrongdoing. Once in Lomé, the gold is purchased by Wafex Sàrl, a subsidiary of an agglomeration of inconspicuous companies owned by a family of Lebanese origin called Ammar Group. Wafex in turn exports the gold to Switzerland using Ammar Group's Geneva-based arm, MM Multitrade SA, where it ends up in one of Switzerland's "big four" refineries, Valcambi SA. Valcambi then refines and sells on the bars or ingots, crediting the equivalent value in troy ounces of gold onto MM Multitrade's account at Arab Bank in Geneva.

The motivation for this illicit trade is simple: Burkinabé comptoirs avoid paying export taxes of 500 FCFA (approx. 0.9 CHF) per gram of gold (in addition to all other corporate taxes on grams traded and corresponding profits), while Ammar Group profits from Togo's generous export rates that are ten times cheaper. These activities cost the Burkinabé state at least 3.5 billion FCFA (6.47 million CHF) in 2014 – a sum equivalent to one quarter of the total aid Switzerland sent to the country in the same year.

Burkina Faso's gold rush in the early 2000s brought hopes for mining as a means for reducing poverty in a country ranked 7th least developed in the world. The labour-intensive artisanal gold sector remains a crucial source of employment for around 1.2 million of the country's rural dwellers. Yet, as this report shows, the people see little of the revenues; instead, profits are accumulated into private coffers, enriching a local and international elite.

Meanwhile in Switzerland, Valcambi, who profits from this dirty trade, waxes lyrical about its "ethical, moral and social standards". In its compliance reports, the refinery claims to be acting "in strict accordance with" the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* and its *Supplement on Gold,* and the London Bullion Market Association's (LBMA) *Responsible Gold Guidance.* It claims to have the "highest traceability standards" over its entire supply chain and every single lot of material processed. And yet, it continues to purchase and refine gold originating from mines run on what the International Labour Organisation terms the "worst forms of child labour".

This report unveils the major shortfalls – or perhaps deliberate blind spots – in the refinery's human rights due diligence and efforts to trace the true origin of the gold it refines. The gaping void between Valcambi's official statements pertaining to the OECD and LBMA guidance, and its everyday compliance procedures, audited by KPMG, reveal the former to closer resemble a public relations strategy than a true commitment. We further illuminate how these operations take place under minimal scrutiny from the Swiss customs administration who, in the words of an anti-money laundering official, "prefer not to know".

Our research began based on a series of documents provided by anonymous sources. Over nine months, we conducted 45 interviews with government officials, customs authorities, anti-money laundering consultants, compliance experts, non-governmental organisations (NGOs), lawyers, bankers, gold miners, traders, unionists and journalists in Switzerland, Togo and Burkina Faso, including in five of the country's artisanal mines. We contacted all companies for comment: Valcambi and Ammar Group declined our requests for meetings and did not respond to questions sent by email; Arab Bank and KPMG refused to comment.

The Berne Declaration is not calling for a boycott of artisanal gold from Burkina Faso. However, business in such contexts requires the utmost vigilance from all parties – so much is made clear by the existence of gold-specific and even artisanal gold sector-specific guidelines. Yet, despite the existence of these guidance tools, controls on their implementation are weak and companies are not sanctioned in cases of breach. It is a reasonable expectation that companies know and repeatedly verify the source of their gold, but, as this report shows, voluntary measures are not working. It is time for mandatory human rights due diligence.

SUMMARY OF KEY RECOMMENDATIONS

To the OECD and LBMA

- Extend the guidance tools to include all companies sourcing mined gold, not just those operating in high-risk or conflict-affected locations.
- Provide clear guidance for companies on how to conduct child labour due diligence in their mineral supply chains.
- The LBMA should ensure that its "enhanced due diligence" measures for gold from high-risk locations are required the length of the supply chain, from mine to refinery, irrespective of whether it is artisanal or industrial gold.
- Ensure that companies are properly sanctioned for breaching the guidance.

To the Swiss Authorities

- Legally oblige companies to conduct due diligence over their entire supply chain to ensure that the gold that they purchase does not cause, contribute to, and is not directly linked to, human rights violations, and to prevent the purchase of, or trade in, illegally acquired commodities. For more information, see Switzerland's "Responsible Business Initiative".
- Fully implement existing procedures under the Anti-Money Laundering Act (AMLA) that oblige refineries to verify the legal origin of all imported gold.
- Require gold importing companies to declare both the provenance and origin of mined gold to the Federal Customs Administration, and make this information publicly available.

To Valcambi and Ammar Group

- Valcambi should fully implement its Precious Metals Supply Chain Policy with immediate effect, strengthen its due diligence procedures to identify child labour and other human rights risks in the gold supply chain, and annually publish independent reports on its supply chain due diligence.
- Valcambi should design and implement a remediation plan with Ammar Group ensuring that the latter: adopts and fully implements human rights due diligence in line with the UN Guiding Principles on Business and Human Rights; uses its leverage to ensure that the mines it sources from cease to operate using the worst forms of child labour, and to push for better mine management in terms of security for workers; purchases and exports its gold directly from the country of origin; and ensures that all gold purchased has been acquired in a legal manner and taxed according to the law in its country of origin.

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