# BENEATH THE SHINE
# A TALE OF TWO GOLD REFINERS

July 2020

Stefan Wermuth/Bloomberg via Getty Images

# CONTENTS

# EXECUTIVE SUMMARY

Gold evokes associations of beauty, luxury, wealth and prestige. However, beneath the shine and the careful branding of an industry with a jealously guarded reputation lies the dark reality of a global trade that is linked to conflict and serious abuses.

Despite the Organisation for Economic Cooperation and Development (OECD), civil society and other key stakeholders calling on the gold sector to make much-needed reforms, the industry and the governments of producing and importing countries have yet to take sufficient action to bring about a more responsible trade. Gold from suppliers connected to armed groups and serious human rights violations (which we refer to as 'conflict gold') still finds ready buyers, which in turn deal with well-respected industry leaders and whose gold can be likely found in products of major global brands.

This Global Witness investigation exposes the ingredients of a failed global gold trade: an unscrupulous trader likely to be sourcing conflict gold, a respected refiner ignoring alarm bells, auditors and industry associations often failing to do their jobs, and governments dodging their responsibilities.

Specifically, the report reveals that despite being listed on the Good Delivery List of the London Bullion Market Association (LBMA), the industry standard for responsible gold sourcing, the world's largest gold refiner, the Swiss-based Valcambi, has sourced gold from the highly problematic gold trader and refiner Kaloti. The report also reveals that Kaloti has acquired gold from the Central Bank of Sudan, a supplier known to source conflict gold. The Central Bank of Sudan has sourced gold from mines occupied by armed groups since 2012, including from the notorious Jebel Amer mines in Darfur. These militias, some of them responsible for gross human rights abuses, reap huge profits by trading and smuggling gold from the mines and by levying illegal taxes on miners. Gold sold by Kaloti – possibly including gold connected to these militias – appears likely to have reached end purchasers that are household names, including brands such as Amazon, Starbucks and Disney.

## Kaloti's links to Sudanese conflict gold

Our research shows that UAE-based Kaloti sourced gold from Sudan since 2012. In 2012 Kaloti acquired most of Sudan's gold and the company appears to have been the main buyer of the country's gold in 2018. Most of Kaloti's gold in 2012 came from the Central Bank of Sudan, which also supplied gold to Kaloti between 2013 and 2015 and between 2017 and 2019. Until 2017 (and in practice until 2020) it had a monopoly on selling gold for export from the country. Global Witness does not allege that Kaloti has knowingly and directly sourced conflict gold from Sudan. However, gold the Central Bank sources has repeatedly been connected to conflict and human rights abuses, particularly in the Jebel Amer area.

According to the UN, out of the 65 tonnes of Sudanese gold the UAE imported in 2012, 30 tonnes was connected to armed groups. Since Kaloti has reportedly sourced 57 tonnes of Sudanese gold that year, it appears that in 2012 Kaloti has likely sourced at least 22 tonnes of gold connected to armed groups. Since then, Kaloti's sourcing has continued to raise red flags. In 2013, when it sourced gold from the Central Bank, control of the mines in Jebel Amer passed to a militia known as the Abbala Armed Group (AAG) after fighting with another local militia that left hundreds dead. While there is no direct record of the Central Bank buying gold from Jebel Amer that year, a media report claimed that the fighting was reportedly part of a plan to ensure that the mines' entire output went to the Bank.

In 2015 the AAG occupied 400 mines in the Jebel Amer area and made an annual income which the UN estimated to be at least US$54 million. The AAG was at the time controlled by Sheikh Musa Hilal Abdallah Alnsiem, previously a leader of a notorious militia, which had played a major role in violently displacing millions of people in the Darfur conflict. According to the UN, the Central Bank of Sudan bought a part of this conflict gold and a Sudanese government report from May 2015 mentioned Kaloti as the major customer for the gold of the Central Bank of Sudan.

In 2017 the Rapid Support Forces (RSF), a powerful paramilitary group in Sudan, seized control of the Jebel Amer mines. In 2014–15 the RSF had reportedly burned homes and raped and executed villagers in Darfur, while in 2019 it was allegedly involved in the massacre of over 100 pro-democracy protesters in Khartoum. Gold from Jebel Amer was sold in 2018 by a company owned by the brother and nephews of RSF leader Mohammed 'Hemedti' Hamdan Daglo, with customers allegedly including the Central Bank. As a previous Global Witness investigation has shown, the RSF and their leader Hemedti – now one of the most powerful men in Sudan – have captured a swathe of the country's gold industry and are likely using it to fund their operations. In 2019, another militia, the Sudan Liberation Army/Abdul Wahid, which has routinely engaged in killings, kidnappings, extortion, torture and forced labour, sold gold mined elsewhere in Darfur, with the Central Bank likely among its customers. Kaloti sourced gold from the Central Bank in both 2018 and 2019.

Kaloti strenuously denies that it has purchased conflict gold. However, the group has a recent history of covering up due diligence failures, as evidenced by Global Witness's 2014 report City of Gold, which exposed Kaloti's collusion with auditor Ernst & Young (EY) and accreditation body the Dubai Multi Commodities Centre (DMCC) to conceal negative findings of EY about Kaloti's inadequate due diligence. The present report reveals how the objectivity of a subsequent audit by Grant Thornton (GT) in 2015 was likely also compromised by collusion. Collusion aside, Kaloti has fallen far short of the OECD's Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance), which is the internationally recognised standard for responsible sourcing and forms the basis of the DMCC's standard. For example, it has sourced gold from a supplier whose gold was connected to armed groups (the Central Bank of Sudan), failed to carry out proper checks on this high-risk Sudanese gold, and failed to report publicly on its due diligence arrangements.

Nevertheless, Kaloti appears to face little pressure to introduce more responsible procedures either from the UAE government (Dubai remains a notorious hub for high-risk gold with weak due diligence checks) or from the DMCC itself (even after its delisting of the company's Sharjah refinery in 2015 the organisation allowed Kaloti to keep three companies registered in its free trade zone and to open a new refinery there in 2017.

## Valcambi's relationship with Kaloti

Thanks to its relationship with a well-known and supposedly reputable refiner like Valcambi, Kaloti's gold is entering international markets. Valcambi lends a stamp of approval to Kaloti's irresponsible sourcing practices by continuing to buy from the company.

Valcambi's involvement with Kaloti dates back to 2002, and the present report reveals that during 2018 and 2019 it sourced around 20 tonnes of gold directly from Kaloti and over 60 tonnes from Trust One Financial Services Ltd, a UK-registered company with board-level links to Kaloti (its four directors include Osama Kaloti, son of the Kaloti Group founder Munir Kaloti, and formerly included another individual who has been listed as director of several Kaloti companies). There are grounds to suspect that Trust One Financial Services may buy gold from Kaloti. This gives rise to the possibility that it does so in order to conceal its ultimate sourcing from Kaloti.

Valcambi publicly presents itself as an industry leader on responsible sourcing, claims to go above and beyond the OECD Guidance and has told Global Witness that it conducts enhanced due diligence on high-risk supply chains. However, Valcambi publishes little information about its due diligence activities and appears to have ignored clear warning signs that should have led it to stop purchasing gold from Kaloti. Kaloti's involvement in the conflict-linked Sudanese gold market is common knowledge – Kaloti even sponsored the Sudan International Mining Business Fora in 2017 and 2018. Moreover, had Valcambi conducted appropriate due diligence it would have discovered that Kaloti was sourcing from the Central Bank of Sudan, which the UN has explicitly identified as a recipient of gold linked to armed groups. Valcambi appears to seek out gold from high-risk sources like Kaloti but fails to assess its suppliers' entire supply chain, thereby ignoring its suppliers' possible connections to conflict gold - contravening the OECD Guidance.

Valcambi's apparent lack of due diligence on Kaloti has been facilitated by the LBMA, whose Responsible Gold Guidance is not fully aligned to the OECD Guidance, as well as the LBMA's lack of oversight of the audit on Valcambi, and also by its auditor of 45 years, KPMG, possibly turning a blind eye to Valcambi's sourcing from a high-risk supplier. Valcambi has also gone unchallenged by the Swiss authorities, which fail to regulate imports of raw gold for refining due to loopholes in their money laundering legislation. Meanwhile, Swiss customs have no legal mandate to carry out security checks on gold imports from high-risk areas in relation to human rights abuses, and the standards body, the Swiss Precious Metal Control, has only recently started carrying out checks on refiners' risk management but still lacks clear criteria for these inspections.

## Key recommendations

The overall picture that emerges from Global Witness's investigation is of a sector shirking its responsibilities with cynical complacency. Global Witness is therefore calling on all relevant actors to take the necessary steps to ensure that the gold trade does not continue to fuel and fund conflict and human rights abuses. In particular:

> Valcambi and other refiners must ensure, in line with the OECD Guidance, that they have effective due diligence systems and that they do not source conflict gold nor source gold from companies that risk doing so;

> industry accreditation bodies such as the DMCC and LBMA must ensure that their due diligence standards are fully aligned to the OECD Guidance, that audits are carried out in a meaningful way and that adequate sanctions are imposed on refiners that breach their standards; and

> jurisdictions such as the UAE and Switzerland that currently lack adequate governance of gold imports must adopt and enforce stringent legislation on supply chain due diligence.

# METHODOLOGY

This report is based on in-depth research and analysis carried out between June 2017 and June 2020. A parallel investigation was also conducted by SWISSAID. We gathered information through field research in Dubai, Sudan and Switzerland and through meetings and correspondence with public officials, industry representatives and experts. Given the sensitivity of the issues, we do not reveal the identities of most interviewees in this report. Global Witness also reviewed, analysed and used a range of data sets, including gold production and trade data and company records.

## KALOTI'S GOLD AND THE SUDANESE ARMED CONFLICT

Sudan has been shaken by conflict and crisis throughout its recent history, with one of the longest-running civil wars[1] in recent history – and gold has played a central role. When South Sudan gained independence from Sudan in 2011, it took with it most of the country's oil reserves, which until then had been a major source of income for the government in Khartoum. The loss of oil revenues to its newly independent neighbour was a major blow to Sudan, triggering a rush for new sources of income. In particular, the focus turned to gold. Omar al-Bashir's government was reportedly so desperate to get its hands on gold to sell on in exchange for hard currency that it willingly paid gold suppliers above the market price.[2]

Since 2009, Sudan's now former president al-Bashir has been the subject of an arrest warrant from the International Criminal Court, charged with genocide, crimes against humanity and war crimes in Darfur between 2003 and 2008.[3] The US government sanctioned Sudanese government institutions in 1997 (a decision revoked only in 2017) in response to the Sudanese government's continued support for international terrorism, ongoing efforts to destabilise neighbouring governments and widespread human rights violations.[4] The internationally isolated al-Bashir government found a willing buyer for Sudanese gold in the form of the Kaloti Group.

### Kaloti

By setting up Kaloti Jewellery International in 1988 in Dubai, Kaloti CEO and Chairman Munir Ragheb Mousa Al Kaloti (Munir Kaloti hereafter) and his son-in-law laid the groundwork for the Kaloti Group.[5] (See also "Kaloti's empire of high-risk gold in the UAE")

For the purpose of this report we define the 'Kaloti Group' as the group of companies engaged in activities related to the precious metals sector (including trading, refining, testing and transporting) and either having a company name that includes 'Kaloti' or having members of the Kaloti family listed as key stakeholders (or both). Global Witness uses 'Kaloti' in this report to refer to an unspecified company or companies of the Kaloti Group.

We have identified 10 companies to which these criteria apply or have applied.[6] All but two use 'Kaloti' in the company name. Munir Kaloti is listed as a director, manager and/or shareholder of most of these companies and his son Osama Munir Ragheb Al Kaloti (Osama Kaloti hereafter) is a director and/or owner of several of them. In addition, two of Munir Kaloti's sons-in-law are listed as shareholders and/or directors of several of the companies.

Kaloti has sourced gold from Sudan since at least 2012[7] when it sourced most of Sudan's gold exports.[8] A source with intimate knowledge of the Sudanese gold sector told Global Witness in 2018 that Kaloti was the majority buyer of Sudan's gold at the time of the interview[9] (the country produced an estimated 77 tonnes of gold that year[10]) and that it may have made upfront payments worth millions of dollars to the Sudanese government to secure its supply and safeguard its business relationship with the Sudanese government.[11] Kaloti denies such payments. In its response to our enquiries, it explains that the Central Bank of Sudan routinely requires receipt of payment for such exports from the purchaser prior to allowing the exporter to release the gold consignment.[12]

Kaloti has sourced gold from both the Central Bank of Sudan and the Sudan Gold Refinery, according to various independent sources.[13] The Central Bank of Sudan holds a majority stake in the Sudan Gold Refinery[14] and is reported to supervise its operations directly.[15]

Former Sudanese President al-Bashir at the inauguration of the Sudan Gold Refinery. Kaloti has sourced gold from this refinery, which was sanctioned by the U.S. *ASHRAF SHAZLY/AFP/Getty Images.*

According to audit findings reviewing Kaloti's 2012 operations, the Sudan Financial Services Company, 99% owned by the Central Bank of Sudan,[16] was one of Kaloti's main suppliers in that year.[17] Kaloti continued sourcing gold from the Central Bank of Sudan in 2013 according to a source[18] and a DMCC report referring to Kaloti's due diligence audit from 2013/14[19] mentions the Sudan Gold Refinery as Kaloti's key supplier in Sudan.[20] A study of the Sudanese Ministry of Finance and National Economy on the role of Sudan's mining sector for economic diversification from May 2015 confirms that Kaloti was the major customer for the gold of the Central Bank of Sudan. According to the study, the risks related to the U.S. sanctions and Kaloti's "monopolistic situation" explain the lower prices the Central Bank of Sudan received for its gold sales which account for a loss of US$1.1 billion during the six previous years compared to the international gold price.[21] In 2018 Global Witness spoke to a gold expert who confirmed that Kaloti sourced gold from the Central Bank of Sudan recently, and during a meeting in 2020 the expert confirmed that Kaloti has still sourced gold from the Central Bank in 2019.[22]

Until 2017, the Central Bank had a monopoly on exporting gold.[23] Since then, private companies have been permitted to export a share of their supply and sell the rest to the Central Bank,[24] but reportedly this arrangement was not put into practice until 2020.[25] The Central Bank has sourced gold for export from artisanal mining sites (i.e. sites where mining is done by hand), including those controlled by armed groups in the Jebel Amer area of Darfur, according to UN experts and press reports.[26]

## The Abbala Armed Group

Violence broke out in the Jebel Amer area not long after the discovery of large gold deposits in April 2012.[27] The resulting influx of artisanal miners led in January 2013 to conflict between rival armed groups over access to a gold mine in Jebel Amir.[28] The clashes between a militia drawn from the Abbala tribe which the UN Panel of Experts refers to as Abbala Armed Group[29] (AAG) and a militia from the Beni Hussein tribe on whose lands the gold had been found [30] led to over 800 deaths and displaced 150,000 people in 2013 alone.[31] According to a Reuters report, UN officials and diplomats alleged that the Sudanese government was complicit in the violence, encouraging the AAG to seize control over gold supplies for its Central Bank.[32] The government denied these charges.[33]

According to one gold expert, Kaloti sourced gold from the Central Bank of Sudan (the official buyer of the gold from the Jebel Amer mines)[34] in 2013,[35] when the violence there was at its worst.[36] Global Witness does not allege that Kaloti has knowingly and directly sourced conflict gold from Sudan. However, there are significant risks that such gold has entered Kaloti's supply chain due to its repeated sourcing from the Central Bank of Sudan and insufficient due diligence, as discussed further below. Kaloti denies having sourced conflict gold and having purchased gold from Darfur.[37]

In a report from 2016 the UN Panel of Experts on Sudan clearly identified gold from the Jebel Amer area as "conflict-affected", with the AAG occupying at least 400 mines in the area.[38] The UN Panel stated with certainty that the Central Bank of Sudan bought gold from areas controlled by the AAG in 2015.[39]

Gold mine workers wait to get their raw gold weighed at a gold shop in the town of Al-Fahir in North Darfur in 2013. *REUTERS/ Mohamed Nureldin Abdallah*

UN experts estimated the AAG's annual income through mining, illegal levies on other miners and merchants, and gold smuggling to be at least US$54 million.[40] The AAG was at the time controlled by Sheikh Musa Hilal Abdallah Alnsiem (Hilal hereafter), previously a leader of the notorious Janjaweed militias, which had played a major role in violently displacing millions of people in the Darfur conflict, in which hundreds of thousands of civilians have died.[41] Hilal himself derived a substantial revenue stream from illicit levies on gold mining in Jebel Amer,[42] despite being sanctioned by the UN.[43] A study of the Sudanese government from May 2015 mentions Kaloti as the major customer for the gold of the Central Bank of Sudan.[44] Kaloti denies having sourced conflict gold and having purchased gold from Darfur.[45]

## The Rapid Support Forces

The Rapid Support Forces (RSF) were created in mid-2013 to combat rebel armed groups throughout Sudan.[46] They quickly became a powerful paramilitary group aligned to Sudan's security services in a parallel structure to the regular military.[47] The RSF are headed by Mohammed 'Hemedti' Hamdan Daglo, who has become one of the most powerful men in Sudan in the aftermath of the country's political upheaval in April 2019.[48] Like Hilal, Hemedti's track record of human rights violations dates back to his time as a leader of a Janjaweed militia.[49] Hemedti and his RSF have engaged in widespread human rights abuses against civilians, according to Human Rights Watch (HRW).[50] Their alleged crimes include repeatedly attacking villages, burning and looting homes, and beating, raping and executing villagers in Darfur in 2014 and 2015. HRW claims that the RSF's violations of international humanitarian law during this time amount to war crimes.[51]

In November 2017 the tide turned in the Jebel Amer area[52] as the RSF arrested Hilal[53] and took control of the gold mines[54] that until then had been occupied by the AAG. The RSF had been formally integrated into the Sudanese Armed Forces by a January 2017 act of parliament[55] through which then-President Omar al-Bashir effectively gave the group free rein to occupy the Jebel Amer gold mines. RSF leader Hemedti subsequently made a huge fortune by selling gold through Al-Gunade, a company owned by his brother and two of his brother's sons.[56] During 2018 Al-Gunade reportedly exported gold to the Dubai-based company Rozella, while it also sold gold to the Central Bank of Sudan.[57] According to a gold insider Global Witness met in 2018, Kaloti had sourced gold from the Central Bank recently and continued to do so in 2019 according to an interview in 2020.[58] Kaloti denies having sourced conflict gold and having purchased gold from Darfur.[59]

Hemedti's relationship with al-Bashir had seemingly helped him and the RSF capture a large share of the country's gold trade.[60] However, Hemedti then turned against his former protector and helped oust him in the 2019 military coup.[61] He subsequently became Vice-Chair of the Sovereignty Council, now ruling Sudan in a power-sharing agreement between civilians and the Sudanese military.[62]

In the aftermath of the coup, the RSF continued to play a powerful and brutal role. Along with the Sudanese police, the militia reportedly massacred pro-democracy demonstrators at a sit-in in Khartoum on 3 June 2019, with human

Mohammed 'Hemedti' Hamdan Daglo (right), head of the brutal RSF paramilitary group, made huge profits from the Jebel Amir mines in Darfur, Sudan. *YASUYOSHI CHIBA/AFP via Getty Images*

rights groups reporting over 100 people killed.[63] After he became Vice-Chair of the Sovereignty Council, Hemedti and the RSF continued to profit from the gold trade according to media reports,[64] despite the constitution forbidding members of the transitional government from engaging in private business activity.[65]

Recently there have been reports in the media that Hemedti could hand the mines over to the government.[66]

## The Sudan Liberation Army

Gold mining in the Darfur region is likely to continue fuelling conflict and violence. The latest report from the UN Panel of Experts on Sudan suggests that "the discovery of gold in new places [in Darfur] has triggered localised tensions, as rebels, security forces and militias compete for control".[67] The UN experts named a further armed group, the "Sudan Liberation Army/Abdul Wahid" (SLA/AW), which generated revenue from gold mining operations in 2019 and used the profits to strengthen its military capability by acquiring new weapons and ammunition.[68] The militia has routinely engaged in kidnapping, theft, killings, torture and forced labour, and has set up a system of extortion and detention targeting Darfurian civilians in the Jebel Marra area.[69] It is likely that at least some of the SLA/AW's gold has been sold to the Central Bank of Sudan, which was one of Kaloti's gold suppliers in 2019.[70] Kaloti denies having sourced conflict gold and having purchased gold from Darfur.[71]

## What risk is there that Kaloti acquired conflict gold from Sudan?

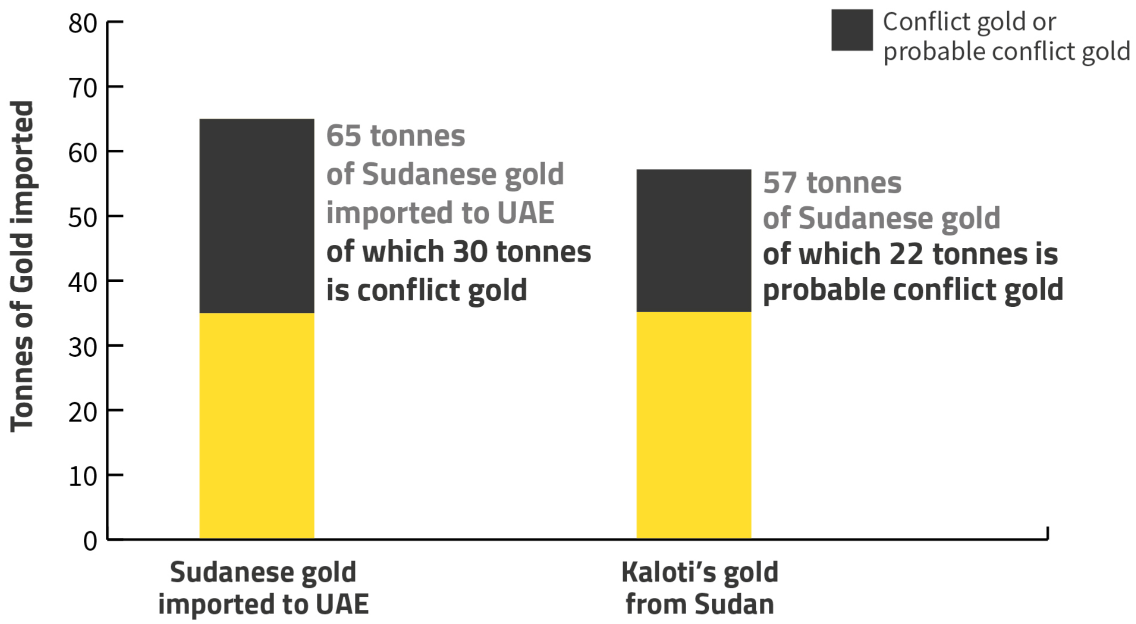
It is clear from the above analysis that Sudan's gold sector, particularly gold from the war-torn Darfur region, is strongly linked to conflict and human rights abuses.

Given that according to our information Kaloti has sourced large amounts of gold from Sudan during 2012[72] and at various times since then,[73] the question arises whether Kaloti may have sourced 'conflict gold' from the country.

Breaking the connection between minerals and conflict and human rights abuses is the central purpose[74] of the OECD Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance hereafter),[75] which is the international standard for responsible mineral sourcing. We define conflict gold, with reference to OECD Guidance and particularly its Annex II,[76] as gold that has been sourced from suppliers connected to armed groups and/or serious human rights abuses.[77]

Due to the gold boom in Darfur, 57% of Sudan's gold exports to the UAE came from Darfur in 2012, according to a UN Panel of Expert on Sudan report.[78] The UN Panel has estimated that at least 30 of the 65 tonnes of gold that the UAE imported from Sudan in 2012 were connected to armed groups in Darfur.[79] According to the UN, 15.6 tonnes of gold related to armed groups came from the Jebel Amer mines and a further 14.5 tonnes from other mines in Darfur.[80] When visiting the Jebel Amer mines in December 2012, Sudan's then-Mining Minister Kamal Abdel-Latif confirmed that 15 tonnes had been produced by these mines during that year, of which five had gone to the Central Bank of Sudan, according to a media article.[81]

## Kaloti's gold from Sudan in 2012




Kaloti sourced over 57 tonnes of gold from Sudan that year, according to an NGO report and a media article edia article.[82] On that basis, a substantial portion (at least 22 tonnes) of the gold that Kaloti sourced from Sudan that year is likely to be connected to armed groups.[83]

The UN Panel considers the difference between the gold which Sudan exported (46 tonnes) and the gold the UAE imported from Sudan (65 tonnes) in 2012 to be accounted for by smuggled gold.[84] Since Kaloti received around 11 tonnes more of gold from Sudan[85] than the amount the country exported officially,[86] it is likely that it sourced gold that according to the UN's estimation was smuggled into the UAE. The UN Panel states that it is "almost certain that more than 10,100 kg of gold was smuggled from the Sudan to an entity in the United Arab Emirates".[87] Based on the data from an NGO and a media outlet which state that Kaloti sourced 57 tonnes of gold from Sudan[88] the unnamed entity in the UAE can only be Kaloti. The UN Panel goes on to write that the "balance of probability means that at least 50 per cent of the smuggled gold would have been mined in Darfur", of which it estimates 82% of the gold being related to armed groups in that same year.[89] This would imply that over 4 tonnes of the at least 10 tonnes of presumably smuggled gold that Kaloti received could have been related to conflict, according to the UN Panel's estimation.

On the basis of the above calculations, it is likely that Kaloti sourced conflict gold from Sudan in 2012.

In response to Global Witness's enquiries, Kaloti stated that it was one of the entities from which the UN had gathered intelligence for the above mentioned report and that it had voluntarily provided all its audit and client due diligence information regarding Sudan to the UN. Kaloti also wrote that as of 2012 there was no evidence that gold originating from Jebel Amer was conflict gold. At the same time it denied having sourced gold originating from Darfur at all. Kaloti wrote that the proportion of Sudan's production that was exported through the Central Bank of Sudan in 2012, and from where in Sudan it came, were matters of speculation and that Global Witness did not present data as to the quantity of Sudan's gold production that was held by the

Central Bank as reserves, or how much of the actual production was accounted for in the export numbers cited. Furthermore, Kaloti stated that the UN figures were inconsistent with numerous other sources, [90] though it did not name these.

Regarding this latter point, Global Witness found other estimates for the total production and exports of Sudanese gold in 2012,[91] but they are lower than the ones from the UN report and also lower than the amount of gold that Kaloti reportedly sourced from Sudan in 2012,[92] shedding no further light on where Kaloti's Sudanese gold came from.

As for the question of whether Central Bank reserves could have accounted for some of 2012's exports, Global Witness finds it highly unlikely that the Central Bank of Sudan would export gold from its reserves instead of the newly mined unrefined gold from a boom developed earlier in the same year. Moreover, it seems unlikely that the Sudanese government stored the newly mined gold instead of exporting it as it was reportedly "desperate to get its hands on gold that it could sell on in Dubai for hard currency" after losing a large share of its oil reserves when South Sudan gained independence from Sudan.[93] Furthermore, the gold Kaloti received was around 87% pure,[94] which is a purity unrefined mined gold can have.[95] In contrast, central banks usually hold gold as refined bullion of over 99% purity.[96] Global Witness concludes that there was still a high risk that in 2012 a significant proportion, 22 tonnes or almost 40% of the gold Kaloti sourced from Sudan was connected to armed groups.

Despite reports of violence in the Jebel Amer mines in 2013,[97] which media related to a North Darfur government and top security command plan "to guarantee that all the gold produced [in Jebel Amer] [would] be directed to the Central Bank of Sudan"[98] and despite the UN's finding that non-state armed groups made huge profits from gold mining in the area in 2015, with part of the output being purchased by the Central Bank of Sudan,[99] Kaloti has continued to source large amounts of gold from the Central Bank of Sudan,[100] its most recent known transactions dating from 2019, according to our information.[101]

Raw gold ingots arrive for refining at the Kaloti's refinery in the Sharjah emirate. *Duncan Chard/Bloomberg via Getty*

Recent reports indicate that Sudanese gold continues to be connected to armed groups and violence. Reports from the media[102] and Global Witness[103] have alleged that the RSF, a paramilitary group profiting from gold mines, killed civilians in 2019, and a UN report stated that the non-state armed group SLA/AW, which has been involved in gross human rights violations, has used proceeds from Sudanese gold mines to buy weapons in 2019.[104]

Although there is no direct evidence that any of the gold Kaloti has sourced from the Central Bank of Sudan or from other Sudanese sources subsequent to 2012 was conflict gold, the risk of this has remained high, particularly when taking into consideration that according to a Sudanese government report from May 2015 Kaloti was in a monopolistic situation[105] and according to information conveyed to Global Witness in 2018 Kaloti was at the time still the majority buyer of Sudanese gold.[106]

Kaloti responded to Global Witness's enquiry that the assumption that Kaloti has sourced conflict gold from the Sudan Central Bank was wrong. It stated that all the gold it sourced from Sudan was from exports approved by the Government of Sudan and that Kaloti had never purchased gold from Darfur. Furthermore, Kaloti stated that it had all the relevant supporting documentation to demonstrate the propriety of its transactions. Kaloti also wrote that no auditor, regulator, statutory or supranational body has ever found Kaloti to have conflict material in any of its supply chains.[107]

## Kaloti's failure to comply with OECD Guidance with regard to its Sudanese gold

The OECD Guidance lays out a framework for companies to responsibly source gold from conflict and high-risk areas. It has been endorsed by eleven heads of state and government of parties to the International Conference on the Great Lakes Region (ICGLR), including Sudan's Omar al-Bashir, in the December 2010 Lusaka Declaration,[108] and was formally adopted by the OECD Council in May 2011.[109] To achieve this, companies that source gold must conduct due diligence to ensure that they do not contribute to conflict or human rights abuses through their sourcing decisions.[110]

### What is supply chain due diligence?

Supply chain due diligence is an ongoing process by which companies can identify whether there is a risk that the commodities they purchase or handle may be linked to human rights abuses, conflict, corruption or environmental destruction, and can put in place strategies to mitigate such risks where they are found to exist.

As a concept, it is based upon the premise that companies have a responsibility to ensure that they do not profit from serious harm to individuals, societies or the environment.[111] Concretely, it comprises the steps that companies must take to identify and address risks in their supply chain where they – inevitably – arise.

The Organisation for Economic Co-operation and Development (OECD) has published Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance hereafter),[112] which is the international standard for responsible mineral sourcing. It builds on and is consistent with the principles and standards contained in the OECD Guidelines for Multinational Enterprises[113] and puts into practice pillar two of the UN Guiding Principles on Business and Human Rights on corporate responsibility to respect human rights.[114] The UN Guiding Principles on Business and Human Rights clearly state that all companies have a responsibility to avoid causing or contributing to adverse human rights impacts through their own activities, and to address such impacts when they occur.[115]

The OECD Guidance lays out a proactive and reactive process to ensure that risks are managed responsibly as part of a company's day-to-day business practices. It aims to help companies decide from which suppliers they can safely source and from which ones they must suspend sourcing, and how to source responsibly from, and contribute to sustainable development in, conflict-affected and high-risk areas.

The OECD Guidance lays out a five-step process that companies can use to ensure that their mineral purchases are not contributing to conflict or human rights abuses. The steps are:

1. Establish strong company management systems. This includes the development of a bespoke, company-specific conflict minerals policy and the creation of internal structures to support supply chain due diligence.

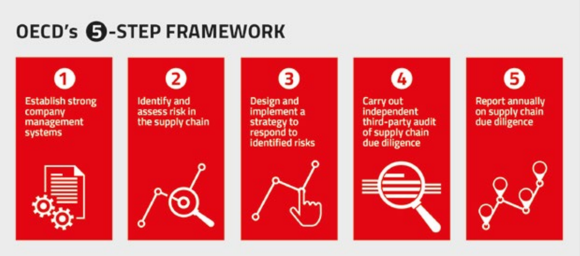
2. Identify and assess risks in the supply chain, for example using 'red flags'.

3. Design and implement a strategy to respond to

identified risks. Once a company has defined and identified risks in its supply chain, it must work to mitigate and manage these risks through a risk management plan.

4. Carry out an independent third party audit of supply chain due diligence at identified points in the supply chain.

5. Publicly report on supply chain due diligence on an annual basis, including company management systems and, risk assessment and management. In addition, refiners should also publish the summary audit reports.[116]




The OECD Guidance is global in scope and all companies buying, selling or handling any minerals should conduct due diligence on their supply chains. However, the appropriate level and scope of due diligence for each company will depend on individual circumstances, such as the size of the company, its sector, location and position in the supply chain.[117] Although individual companies bear the primary responsibility for the implementation of due diligence, industry actors have developed a series of schemes specifically focusing on the smelting and/or refining stage, which has been identified by relevant stakeholders as the most vulnerable stage of supply chains.[118]

The most prominent gold industry programme is organised by the London Bullion Market Association (LBMA), which launched its Responsible Gold Guidance (RGG) in 2012 for all refiners on the LBMA Gold Good Delivery List, which is recognised globally as the benchmark standard for gold bullion bars.[119]

Another industry programme is run by the Dubai Multi Commodities Centre (DMCC): its Practical Guidance for Market Participants in the Gold and Precious Metals Industry (DMCC Guidance) is available for any company that wishes to be accredited to either of the two standards it provides – the Dubai Good Delivery standard and the Market Deliverable Brand standard.[120]

Both programmes were developed to implement the OECD Guidance recommendations.[121]

By sourcing gold from the Central Bank of Sudan, Kaloti dealt with a supplier which it must have known dealt with conflict gold. The UN Panel of Expert on Sudan report from 2016 made it unequivocally clear that the Central Bank of Sudan sourced conflict gold[122] but even before that, media had already reported that the Central Bank sourced from Jebel Amir where heavy fighting over the access to a mine took place in 2013.[123] It seems that Kaloti has ignored such reports and continued sourcing gold from the Central Bank of Sudan, thereby contravening the OECD Guidance, particularly its Annex II, which calls on companies to "immediately suspend or discontinue engagement with upstream suppliers where [they] identify a reasonable risk that they are sourcing from, or linked to, any party providing direct or indirect support to non-state armed groups".[124]

When sourcing gold from Sudan, a country a large proportion of whose gold is produced in a region[125] where civil conflict has gone on for many years and where numerous armed groups are still widely present,[126] it is obvious that companies must be very cautious and carry out the highest level of due diligence.

The OECD Guidance sets out a detailed and specific framework for refiners such as Kaloti to ensure responsible sourcing. Step 5 of the OECD Guidance requires refiners to report publicly each year on their due diligence measures aimed at ensuring responsible supply chains for gold from conflict-affected and high-risk areas (see box "What is supply chain due diligence?").[127] Such public reporting should include details of the company's supply chain due diligence system, its risk assessment of the supply chain in terms of identified red flags and their circumstances, information gathered by on-the-ground assessment teams and steps taken to manage risk, for example through traceability systems.[128] Global Witness has been unable to locate any reporting on these matters by Kaloti. Accordingly, it seems that Kaloti has contravened the reporting requirement of the OECD Guidance. Without such detailed information, it is difficult to assess whether Kaloti has fulfilled any other recommendations of the OECD Guidance, particularly those which are supposed to ensure that Kaloti wouldn't source conflict gold from Sudan.

However, as Global Witness reported in our *City of Gold* report in 2014, the audit team from Ernst & Young (EY) which carried out a due diligence audit on Kaloti's 2012 gold transactions (see also box "Kaloti's failed due diligence and how auditing companies cover it up") against the DMCC Dubai Good Delivery Standard flagged several instances of non-compliance with regard to Kaloti's due diligence, which EY considered as high risks.

> Kaloti did not carry out proper checks on several tonnes of gold from Sudanese suppliers, even though the company's own assessment system categorised the gold as high-risk.[129]

> Kaloti failed to carry out enhanced due diligence on another 2.4 tonnes of gold, supplied by over the counter 'call customers' paid with cash.[130]

The two first points refer to other suppliers than the Central Bank.

These audit findings show that in 2012 Kaloti's due diligence with regard to at least a part of its Sudanese gold supplies was highly inadequate.

The follow-up audit report from November 2013 indicated that Kaloti had stopped accepting gold from some of its high-risk customers and was conducting enhanced due diligence on other high-risk suppliers, including those from Sudan.[131] A further audit carried out by Grant Thornton (GT) which audited Kaloti's gold operations for the period from October 2013 to October 2014 found that Kaloti had identified the Sudan Gold Refinery and another US-sanctioned supplier as high-risk and had performed enhanced due diligence on them.[132] These findings could indicate that Kaloti's due diligence practices had improved over time. However, in a confidential document the DMCC severely criticized GT and its audit on Kaloti for underrating the risk level of non-compliances identified in Kaloti's due diligence, and for not applying the DMCC Guidance correctly.[133] (See also "Kaloti's failed due diligence and how auditing companies cover it up".) There must therefore be considerable doubt as to whether Kaloti was carrying out adequate due diligence at this stage.


A one kilogram gold bar stamped "Kaloti Dubai" with a certificate confirming weight and quality. *Duncan Chard/Bloomberg via Getty Images.*

In response to our enquiries, Kaloti stated that it regarded Sudan as a high-risk area requiring the implementation of enhanced due diligence; that it was not the intention of the OECD and other multilateral bodies to prohibit all trade in minerals from conflict-affected and high-risk areas, but that the OECD Guidance was there to provide protocols intended to limit the risks involved by providing market participants with principles, standards and processes for the employment of a risk-based due diligence framework as set out in detail in Annex II of the Guidance, so as to allow the identification of supply chains free of conflict material and thereby reduce, as far as reasonably possible, the risk of conflict mineral entering supply chains, thereby facilitating legitimate trade; that notwithstanding that the Guidance was only adopted in April 2012 and implemented by the various regulators in June 2012, it had verifiably conducted and would continue to conduct "all appropriate enhanced due diligence protocols, as described in Annex II of the Guidance, in respect of all relevant transactions when sourcing from any 'Conflict Affected or High Risk Area', to a standard that would give assurance to the OECD, the DMCC and the UN that conflict material was not present"; and that it would continue to assess the risks relevant in each and every jurisdiction, taking into account a wide range of information including applied sanctions, checks on individuals (including politically exposed persons), corporations and governments, reports on conflict minerals and corruption and money laundering risk indices.[134]

Kaloti did not provide Global Witness with any evidence of the due diligence protocols it claimed to have carried out, of which it claimed that they would be verifiable; neither did it reply to Global Witness's question as to whether it had identified any risks of sourcing gold from suppliers connected to armed groups and/or human rights abuses and, if it had, what mitigating steps it had taken in light of such findings.

## KALOTI'S FAILED DUE DILIGENCE AND HOW AUDITING COMPANIES COVER IT UP

Despite having likely sourced conflict gold from Sudan in 2012, and being at continued risk of doing so since then, Kaloti presents itself as a responsible group. In an online sustainability policy statement, it claims to "conduct business in a culture of honesty"[135] and to "uphold the highest standards of integrity, excellence and compliance".[136] The reality is very different.


Sign of the Kaloti Jewellery International DMCC offices in the Almas Tower. *Global Witness.*

Our research into the Kaloti Group's links to high-risk Sudanese gold suggests that the group's actions do not meet the standards set out in its own policy. The extent of this failure becomes apparent from an examination of Kaloti's audits, in spite of the group's partial success in persuading its auditors to downplay evidence of its irregular practices – a scandal in its own right.

In 2014, our report *City of Gold* revealed severe compliance failures on Kaloti's part, as detailed in an audit report by EY which reviewed Kaloti's 2012 operations against DMCC and LBMA responsible sourcing standards.[137] The audit report showed that Kaloti knowingly accepted smuggled gold[138] and that over 40% of the group's transactions by value were in cash,[139] among other issues (see box "EY and Kaloti: cover-ups and collusion" below).[140]

A recent London High Court ruling found that Kaloti colluded with its regulator the DMCC and its auditor EY to get rid of the inconvenient findings from 2013 (see box "EY and Kaloti: cover-ups and collusion").[141]

In the same year that Kaloti was engaging in the irresponsible sourcing practices that it would soon try to cover up, the managing director of Kaloti Jewellery delivered a speech at the 2012 Dubai Precious Metals Conference, painting a rosy picture of the company's due diligence: "As a company we are spending 70% of our time and resources on due diligence to ensure we are 100% compliant at all times."[142]

## EY and Kaloti: cover-ups and collusion

In April 2020, London's High Court reached judgment on a case brought by former EY partner Amjad Rihan, who had sued EY for damages claiming that he had been forced to resign from his job when he insisted on doing his work responsibly and refused to support a cover-up of Kaloti's irregular sourcing practices.[143]

The court found that EY had breached its duty of care[144] to Rihan by reason of its failure to perform the Kaloti audit in an ethical and professional manner.[145] The court awarded the laimant a total of US$10,843,941 in damages for past and future loss of earnings and £117,950 for loss of employment benefits.[146]

In 2014, Global Witness had publicly revealed severe compliance failures on Kaloti's part in a report, *City of Gold*, based on documents shared by Rihan. EY had concluded in its initial assessment of Kaloti's 2012 operations for Kaloti and the regulator that the group was non-compliant with more than half of the assessed due diligence criteria.[147] In its internal report, the EY audit team rated Kaloti as "zero tolerance" non-compliant,[148] the most serious category of non-compliance defined by the DMCC standard.[149]

The audit team found that Kaloti had paid out US$5.2 billion in cash-for-gold deals without carrying out adequate checks on the sellers.[150] Kaloti's dealings included buying gold from high-risk countries such as Sudan, the Democratic Republic of the Congo (DRC) and Iran without proper due diligence.[151]

The audit team also found that Kaloti was knowingly dealing in gold bullion that had been smuggled out of Morocco coated in silver, in order to deceive the Moroccan authorities and so circumvent export restrictions.[152] A BBC investigation later alleged that this gold came from a company owned by a member of an organised crime gang that laundered proceeds from drug dealers in several European countries.[153] According to the High Court judgment, [154] EY senior managers tried to avoid reporting the matter to the LBMA, contrary to the requirements of the audit guidance.[155]

According to the judgment, EY further helped Kaloti conceal the fact that it knowingly dealt in smuggled gold[156] by editing the group's compliance report so that it no longer mentioned the silver-coated bars, but instead read: "We acknowledge transactions [...] in which there were certain documentary irregularities [...]."[157] The accountancy firm thereby turned trading in smuggled gold into a "documentary irregularity".

According to the judge, EY also accepted several substantive changes that the regulator the DMCC introduced to its own audit guidance *during* the ongoing audit, including the auditing period,[158] in order to conceal or minimise Kaloti's wrongdoing.[159] As a result, the EY audit team's overall rating of "zero-tolerance" non-compliance[160] became in the final audit report "compliant with low risk deviation",[161] which allowed Kaloti to publicly state that it was "fully compliant" with the DMCC standards.[162] Therefore, the court found that EY had colluded with the Dubai regulator the DMCC and Kaloti in its efforts to conceal the damaging findings of its audit team.[163]

The judge also found that it was a breach of the fundamental principles of integrity and objectivity laid out in the International Federation of Accountants (IFAC) Code, the code of ethics for professional accountants, for EY to agree to these changes in the middle of the audit period, as they would inevitably lead to misleading omission or dilution of the damning audit findings. In his view they demonstrated a failure to stand up to the DMCC, thereby breaching the principle of objectivity.[164] According to his judgment, at the very least, the EY organisation at global level should have made an immediate and very strong representation to Kaloti, the DMCC and, if necessary, the government of Dubai that EY Dubai would either report the audit findings openly, in a published assurance report, or else be instructed to terminate the engagement,[165] which the IFAC Code to which EY was bound expressly permitted.[166]

As noted in the High Court judgment, before the gold audit EY had carried out a financial audit on Kaloti earlier in 2013. That EY did not highlight any risks of involvement in money laundering in view of Kaloti's large cash transactions[167] amounting to $5.2 billion[168] (or about 40% of business done in cash in 2012) and including one transaction as high as $775 million,[169] raises further questions about the integrity of the company's auditing practices.

The judgment states that EY neglected its duty of care towards its former partner Amjad Rihan.[170] Instead of addressing his concerns, the company left Rihan with no choice but to resign and put his findings into the public domain.[171] EY resorted to calling Rihan paranoid[172] and a liar and opportunist in order to undermine his allegations.[173] For Rihan, EY's behaviour meant "almost seven years of agony" in which his life was "turned upside down as [he] was cruelly and harshly punished for insisting on doing [his] job ethically, professionally and lawfully".[174]

In its response to Global Witness's enquiries, Kaloti stated that neither was it a party to the legal action, nor was it called to give any evidence at the trial. Kaloti also stated that the claim related to allegations made by Mr Rihan against various Ernst & Young companies relating to his employment and the case did not require a forensic examination (and no such examination occurred) of whether the parties' positions in respect of the underlying facts relating to the audit were accurate. Kaloti stated that it strongly disputes many of the matters of fact which were presented to the Court by the parties. Kaloti stated that the company had never bought or stored gold bars coated with silver; that Mr. Rihan had not been present himself during the alleged demonstration of a silver coating being scraped from a gold bar in Kaloti's office in the souk during the audit, but instead relied upon minutes by his subordinates which were not correct; that what Osama Kaloti had demonstrated in reality, by means of a hand scanner, was a bar which was a mixture containing 85% gold, and that had it been silver coated, it would have registered on the scanner as 100% silver. Furthermore, Kaloti stated that Mr. Rihan had never received documentary evidence to support the allegation made about gold being exported from Morocco as silver.[175] In an earlier letter to Global Witness relating to Global Witness's presentation of the 2012 audit findings, Kaloti stated that it had never bought gold directly from a Congolese partner, that it kept proper documentation on its suppliers, that none of its cash transactions were in breach of the local regulatory framework and that its transactions were not classified as suspicious by EY in any audit.[176]

In its response to Global Witness's enquiries EY wrote that it was "surprised and disappointed by the judge's decision and disagrees with his characterizations". EY wrote that it was "confident that all legal and reporting obligations have been complied with by the relevant EY entities" and that the judge had "granted leave to appeal against his decision and we [EY] are appealing".[177]

According to EY it was the work of EY Dubai that ultimately resulted in sanctions against the refiner and contributed to significant changes in the sourcing of precious metals and the regulation of refiners in Dubai.[178]

After EY's discredited audit, another international auditing firm, GT was brought in to audit Kaloti's gold operations for the period from October 2013 to October 2014.[179] In April 2015, the DMCC delisted Kaloti's Sharjah refiner from its Dubai Good Delivery List of accredited refiners.[180]

The DMCC did not provide a reason for the delisting.[181] However, Global Witness can now disclose for the first time some of GT's findings and the discussion around them. Global Witness has seen a DMCC report intended for review by the Independent Governance Committee (IGC),[182] a body established to oversee the DMCC's responsible sourcing programme, which discusses Kaloti's GT audit.[183] The report is dated 10 March 2015[184] and refers to GT's audit reports from March 2015.[185] In contrast to its role during the EY audit, on this occasion the DMCC played a much more critical role towards Kaloti and its auditor.

The DMCC report states that GT's audit found that Kaloti's records for its enhanced due diligence on several other risky suppliers were incomplete.[186] GT rated these cases as medium- or high-risk, whereas the DMCC considered them a zero-tolerance issue and sought an opinion from the ICG.[187]

According to the DMCC report for the IGC, GT's audit also confirmed that Kaloti continued to source gold from the US-sanctioned Sudan Gold Refinery.[188] The report states that Kaloti knew (or should reasonably have been aware) that the Sudanese government was implicated in conflict and terrorist financing, presumably referring to U.S. allegations that the Sudanese government supported international terrorism.[189] It noted that an auditee is in breach if it has dealings with suppliers that are directly or indirectly associated with conflict precious metals (implying that the Sudan Gold Refinery is). The DMCC sought an opinion from the IGC on whether Kaloti was in breach of the DMCC Review Protocol, a guidance for auditors of the DMCC due diligence standard, on the basis of the DMCC's zero tolerance policy.[190] Global Witness does not know how the IGC responded to the DMCC's report and if the audit reports were altered after the IGC meeting.

The Almas Tower in the DMCC free zone, where the DMCC and Kaloti Jewellery International have their offices. *Global Witness.*

Furthermore, the DMCC report raised concerns that GT had incorrectly interpreted the DMCC's guidance and Review Protocol, used its own risk benchmark, which created uncertainty, and significantly changed its risk ratings of Kaloti during the audit. The DMCC also found that the risk rating GT gave Kaloti in its (public) assurance report was inconsistent with the findings and recommendations in its (confidential) management report.[191] The DMCC accordingly recommended to the IGC that GT be removed from its list of approved reviewers.[192] However, GT appears on the DMCC Approved Auditors List for 2018.[193] The DMCC and GT did not respond to

Global Witness's request that they clarify whether the DMCC temporarily delisted GT as recommended to the IGC, and subsequently invited it to resume auditing, or whether GT was never in fact delisted.

Similarly to the EY case, it seems that GT, another renowned international auditing company did not properly assess a refiner during a responsible sourcing audit.

It may seem surprising that the DMCC acted so decisively towrds GT, having previously colluded, in the words of the London High Court, with EY and Kaloti to cover up damaging audit findings. Presumably the DMCC was under pressure to present itself as a responsible regulator after the strong public criticism of its role during the EY audit. The DMCC did not reply to Global Witness's request for an explanation.

The downtown area of Dubai, the 'City of Gold. *KARIM SAHIB/AFP via Getty Images.*

Again, how Kaloti presents itself in the public is in stark contrast to the reality. It boasts on its website about the "numerous audits"[194] it has undergone and states that it has published the reports related to its audit from 2013/2014 carried out by GT for transparency reasons and to comply with DMCC Guidelines.[195] However, Kaloti does not make available on its website any reports from the other audits it claims it has undergone, despite this being another requirement of the OECD Guidance.[196] Kaloti's published audit reports cover only half a year (from October 2013 to March 2014) instead of at least a full year, the usual audit period.[197] The audit reports over the full period until October 2014, which Kaloti does not display on its website, would probably have shown Kaloti's failures mentioned above, as subsequent to this audit Kaloti was delisted from the DMCC Dubai Good Delivery list.[198]

In its response to our enquiries, Kaloti stated that the GT audit found it to be compliant with the DMCC's responsible sourcing of gold due diligence requirements and that this finding was accepted by both the DMCC and the OECD as showing Kaloti to be in accordance with the OECD Guidance.[199] However, the OECD has explained to Global Witness that it would not review any audit findings for approval and to perceive its role as accepting the conclusion of an audit, or in general to make comments on independent third-party audits governed by industry initiatives, was a misconception of the organisation's role.[200]

In its response, Kaloti also stated to Global Witness that it is audited each year by an independent auditor for its conformity with OECD Responsible Guidance Protocols and that its audit reports are available to stakeholders and all relevant authorities as required.[201] Kaloti did not share any audit reports with Global Witness as we had requested.

The DMCC replied to Global Witness's letter that refiners that appear on the Dubai Good Delivery

List are continuously monitored and assessed and are removed from the list when its stringent standards are not met, as instanced by the DMCC's delisting of Kaloti's Sharjah refiner.[202]

## Kaloti's gold empire in the UAE

The life story of Kaloti founder, CEO and Chairman Munir Kaloti is remarkable. In 1968, when still a young man, Munir Kaloti was forced to leave his home in Jerusalem and soon ended up in Abu Dhabi, where he spotted a business opportunity collecting scrap metal from oil fields. In 1988, at a time when there was no real gold business in Dubai, he set up a jewellery business there with his son-in-law Monzer Zouher Medakka, who had a degree in jewellery-making from Italy. Kaloti Jewellery International was the first company certified to assay gold in Dubai.[203] The establishment of a Kaloti gold refiner followed in 1991, in a free trade zone in the Sharjah Emirate,[204] and by 2000 Kaloti and Medakka were trading in gold bullion.[205]

The pair's business strategy was well-timed. Dubai was benefitting from rising oil prices, the success of its free trade zones and growing foreign investment.[206] Sheikh Mohammed bin Rashid Al Maktoum, the city's crown prince and since 2006 its ruler and vice-president and prime minister of the UAE,[207] was looking for ways to turn Dubai into a global hub for gold. In 2002 he set up a government authority for this purpose, the DMCC, claiming that the "main objective is to achieve half of the world production in the next few years".[208] The DMCC then set about putting the Sheikh's vision into practice by installing the necessary infrastructure to help up-and-coming traders and refiners such as the Kaloti Group to do business and sell their gold internationally. It set up a new DMCC free trade zone with its own gold vaults, a Good Delivery standard for gold refiners, and the Dubai Gold and Commodities Exchange.[209] The UAE has subsequently advanced to become the world's fourth-largest gold importer after Switzerland, China and India, buying 923 tonnes in 2018.[210] Over 4,000 companies operate in the Emirates gold sector.[211]

Munir Kaloti was quick to take advantage of and promote Dubai's growing reputation as a trading centre for precious metals. Before long the Kaloti Group had set up branches in Hong Kong, Turkey and Singapore,[212] an affiliate company in Miami (shut down in 2018),[213] and a refiner in Suriname.[214] The group was soon funnelling large volumes of mined gold to its refiner in Sharjah, for refining and onward sale into international markets.[215] The group registered its first company in the DMCC free trade zone in 2004[216] and the Sharjah refiner produced its first kilo bar in 2006.[217] By 2013, Munir Kaloti sat at the centre of a global gold-buying operation, reportedly worth US$32 billion.[218]

## THE UAE – A LACK OF OVERSIGHT

Dubai remains a major destination for high-risk gold from Africa. Gold often enters Dubai hand-carried on flights and is then usually sold in the gold souk in the Deira area (which comprises hundreds of gold and jewellery shops).[219] Although they have been the subject of longstanding criticism, checks by customs authorities in Dubai remain very weak,[220] and new procedures established to control gold arriving in hand luggage from the DRC have not been fully implemented.[221] Dubai Customs did not reply to Global Witness's questions regarding its procedures.

Global Witness's and SWISSAID's research suggests that those selling gold linked to armed groups and human rights abuses can still easily find buyers in the gold souk situated in the Deira area of Dubai. Several gold trading companies located inside the souk were willing to buy hand-carried gold with no questions regarding links to conflict finance and human rights abuses asked – including gold imported from countries where there are well-documented risks of links to conflict finance or human rights abuses, such as the DRC, Sudan and Uganda.[222] One company even explicitly said that it did not care if the gold was smuggled, though it would pay a lower price in that case.[223]

One of the many gold jewellery shops in Dubai's Deira souk. *Global Witness.*

In its 2014 *City of Gold* report, Global Witness raised concerns about the possible conflict of interest in DMCC's dual role of promoting Dubai's gold business to "achieve half of the world production",[224] while at the same time regulating the gold sector.[225] These concerns were borne out by the recent judgment of the London High Court in the case of the former EY partner Amjad Rihan against EY (see also box "EY and Kaloti: cover-ups and collusion"). The judge considered the role that the DMCC played in the case and found that it was "obviously not impartial and unbiased", but pressured EY to conceal or minimise Kaloti's wrongdoing.[226] The judge furthermore found that the DMCC was "trying to manipulate the [audit] process and to manipulate EY Dubai for the purpose of promoting Dubai's gold refining industry and cloaking its darker side".[227] In its response to the draft of this report, the DMCC told Global Witness that it was not consulted during the legal case. It stated that it has complied with all of its legal and reporting obligations in relation to the matter and disputes the allegations made against it.[228]

After the DMCC removed Kaloti's Sharjah refiner from its Good Delivery List in 2015, it allowed Kaloti to keep at least three companies registered in the DMCC free zone.[229] Despite confirming in a confidential document of 2015 that "Kaloti knows (or should reasonably be aware) that the Government of Sudan is implicated in conflict and terrorist financing" and that Kaloti was trading with the government-owned Sudan Gold Refinery, which at the time was sanctioned by the U.S.[230] the DMCC allowed Kaloti to register a fourth entity in February 2017 – a US$60 million refiner[231] called the MTM&O Gold Refinery DMCC.[232] Plans for a new Kaloti refiner, set to triple its refining capacity in the UAE to 1,400 tonnes of gold per year and make it one of the world's largest gold refiners, were widely reported in 2013 and 2014.[233] There is no mention of "Kaloti" in the new refiner's name, which instead uses the four co-owners' initials, MTM&O, suggesting that the DMCC has accepted a rebranding exercise in the wake of the Sharjah refiner's delisting.[234] In 2016, Kaloti Precious Metals won the UAE bullion dealer of the year award[235] and continued to sponsor the annual DMCC Dubai Precious Metals Conference in 2018.[236] The DMCC did not comment on these concerns raised by Global Witness.[237]

The question arises whether the authorities in the UAE have conducted any further investigation into the sourcing practices of the new refiner to establish whether the gold it processes is legal and free from conflict associations. As the DMCC does not make OECD due diligence standards compulsory for refiners,[238] MTM&O is not bound by them. Perhaps the weakness of the DMCC's oversight is what led Kaloti to comment in the media that the delisting of the Sharjah refiner from the Good Delivery List would have "no material impact on our ability to operate or trade".[239] In theory, the incentive for a company to be listed on a Good Delivery List is that it helps it to find reputable gold buyers. However, one gold expert explained that the refiner's being delisted could actually have turned out to be an advantage for Kaloti, as it could take gold from anywhere. In fact, this expert believed this was a factor in Kaloti refining more than other leading refiners at the time.[240]

Kaloti's new refinery in the heart of the DMCC free trade zone. Its name 'MTM&O' mentions the 4 co-owners' initials instead of 'Kaloti'. *Global Witness.*

This weak oversight on the part of the DMCC and government authorities in the UAE, combined with Dubai's easy access for traders in high-risk gold, offers perfect conditions for unscrupulous companies to prosper.

The DMCC stated in response to our letter that, like other international accreditation schemes, its accreditation is voluntary and that it assesses all company registrations rigorously through a clear, comprehensive and robust compliance structure and process.[241] The Sharjah government in whose jurisdiction Kaloti's delisted refiner is registered did not reply to Global Witness's question concerning its due diligence requirements for precious metals refiners. In its response to our enquiry, Kaloti stated that the DMCC publicly invited the Sharjah refiner to apply to rejoin the Good Delivery List, but that as the refiner was in the process of being closed down it made no commercial sense for Kaloti to reapply.[242] According to Kaloti's response the new refiner must have undertaken three years' production and meet the relevant DMCC criteria before it can apply to be a DMCC Good Delivery refiner.[243]

The notice from DMCC which announced Kaloti's removal from the Dubai Good Delivery List mentioned that the removal did not preclude Kaloti from reapplying at a future date to be readmitted as a member.[244]

## KALOTI AND THE INTERNATIONAL MARKET

Kaloti's ability to funnel significant volumes of high-risk gold to its refiner from conflict-affected areas such as Sudan is ultimately attributable to its customers. A refiner cannot afford to sit on gold – it needs to turn it into bullion and get it out of the door as quickly as possible.[245] Dubai provides Kaloti with the market access it needs in order to find customers.

Despite the risks associated with Kaloti's gold sourcing problematic gold, the group remains a viable gold supplier for key players in the industry. Global Witness reveals that one of Kaloti's partners is a particularly prominent one: according to four sources Swiss-based Valcambi has sourced gold from Kaloti in 2018 and 2019.[246]

One source said that the volumes Valcambi sourced from Kaloti in Dubai during 2018 amount to around 20% of all Swiss gold imports from the United Arab Emirates (UAE) that year,[247] or over 16 tonnes.[248] Another source told Global Witness that Valcambi sourced over four tonnes of gold from one of Kaloti's UAE-based companies in 2019.[249] Valcambi and Kaloti both stated in their responses to our enquiries that they cannot comment, invoking the need for confidentiality.[250] Kaloti stated that it deals with many refiners around the world.[251]

Valcambi is a member of the LBMA,[252] which is generally viewed as maintaining the highest standards in the gold industry.[253] Valcambi is listed on the LBMA's Good Delivery List,[254] seen as a guarantee of reputable and responsible business.[255] This allows Valcambi to sell its gold to the major bullion banks and commodity exchanges.[256]

Valcambi and Kaloti appear on the face of it to be unlikely partners. What may help to bring the two firms together is a shared appetite for risk. Valcambi's CEO Michael Mesaric has publicly praised Kaloti that "[t]hey were bold enough to identify and pursue market opportunities".[257] He also believes that Valcambi should source gold from everywhere, including high-risk areas, as long as the gold is untainted.[258]


A newly hallmarked 12.5 kilogram gold bullion from Valcambi. Valcambi's gold bars are accepted by all the main precious metals markets and bullion banks. *Stefan Wermuth/Bloomberg via Getty Images*

Sources with whom Global Witness has spoken have also mentioned that Valcambi received almost 20 tonnes of gold from a company called Trust One Financial Services Ltd in 2018 and no less than 44 tonnes of gold in 2019.[259] Trust One Financial Services has been incorporated in the United Kingdom since 2015[260] and states on its website that it provides "investment advice/management, commodity execution, logistics support and hedging".[261] Osama Kaloti, son of the Kaloti Group founder Munir Kaloti,[262] is one of the four company directors.[263] Tarek Zouhair El Mdaka[264] was also a director of the company from his appointment in October 2015 until his resignation in October 2016.[265] Both men are listed as directors of several other Kaloti Group companies and accordingly we consider Trust One to be part of the Kaloti Group (see also box "Kaloti").[266]

It is not clear where Trust One Financial Services sources its gold, but the strong board-level connections between the company and the UAE-based Kaloti companies give rise to the possibility that Valcambi may purchase gold through Trust One Financial Services in order to conceal the fact that it has come from a UAE-based Kaloti company after Kaloti's reputation suffered when the problems related to its due diligence became public. A further indication that the gold was indeed from Kaloti is our finding that the gold Valcambi received in 2018 from Trust One Financial Services was imported from the UAE.[267] In their responses to the draft of this report, neither Valcambi, nor Trust One Financial Services, nor Kaloti commented on the transactions involving the first two companies, invoking the need for confidentiality.[268] However, Kaloti denied concealing the origin of the gold it trades.[269]

Apart from Valcambi, Kaloti has other international partners. Kaloti became a founding member of the Shanghai Gold Exchange (SGE) in 2015[270] and is currently a member of its international board.[271] Kaloti's Turkish branch[272] is still listed as a member of the Turkish stock exchange Borsa Istanbul and is able to sell its gold bars there.[273] According to the Kaloti Precious Metals website, that company is also a member of the New York Mercantile Exchange (NYMEX).[274] Global Witness wrote to the three exchanges about Kaloti's membership asking what requirements they had in place with regard to responsible sourcing, but none of them replied. Kaloti stated that it deals with many counterparties around the world.[275]

Kaloti's gold – through the group's relationships with reputable refiners and traders – circulates freely on the global market, ending up in gold products all over the world. Global Witness reviewed the documents of 270 companies reporting to the US Securities and Exchange Commission that they likely have sourced gold or purchased products containing gold refined by Kaloti in 2018.[276] Among them were well-known brands such as Amazon, Starbucks, Sony, Disney and HP. Of these 270 companies, only 28 report having identified Kaloti as a risk in their supply chain and even fewer report having taken steps to mitigate the associated risks.[277]

In its response to our letter, Disney stated that it was trying to increase its leverage on the gold industry in collaboration with others through industry schemes such as the LBMA, and that Kaloti was not listed as a supplier in its 2019 report. However, it did not refer to any specific actions that it had taken leading to Kaloti's no longer being listed among its suppliers.[278] Sony stated that it encouraged smelters to undergo an assessment under the Responsible Minerals Initiative's Responsible Minerals Assurance Process.[279] HP stated that it shared Global Witness's concerns regarding Kaloti as presenting risks described in the OECD Guidance.[280] Neither HP nor Sony made any comment as to why they had not flagged Kaloti as a risk in their supply chain.[281] Starbucks and Amazon did not reply to Global Witness.

It appears that many corporate buyers of gold are failing to take active steps to ensure that they are not contributing to, or benefiting from, human rights abuses and/or the illegal trade in gold. Many companies have it in their power to do more to ensure a responsible supply chain.

## VALCAMBI'S DUE DILIGENCE SYSTEM

Valcambi's corporate headquarters in Balerna, Switzerland[282] seems a world away from the violent struggles over gold that play out in Sudan's deserts. Nestled between blue lakes and green mountain ranges in the lush canton of Ticino, three of the world's largest gold refiners, Valcambi, Argor-Heraeus and PAMP, operate just a few kilometres from each other. Valcambi is the biggest, with a capacity of around 1,800 tonnes of precious metals per year.[283] Previously owned by the Swiss bank Credit Suisse, and then from 2003 by the US company Newmont Mining (along with other investors), Valcambi has been fully controlled by the Indian company Rajesh Exports since 2015.[284] In addition to its LBMA accreditation, Valcambi is accredited to all precious metals exchanges globally and its gold bars are recognised worldwide and accepted by all main precious metals markets and financial institutions.[285]


Valcambi's corporate headquarters in Balerna, Switzerland. *Global Witness.*

After facing strong criticism in 2015 for sourcing gold from Togo that according to the Swiss NGO Public Eye (then known as Berne Declaration)[286] turned out to be smuggled from Burkina Faso and linked to child labour, Valcambi strengthened its supply chain due diligence system, but denied having received gold from the mines Public Eye mentioned.[287] The company has told Global Witness that the new due diligence system was designed and implemented with the support of consultants from academia and the private sector, and cost the refiner CHF1.2 million.[288] Valcambi now portrays itself as a sector leader in due diligence practices, stating in its 2018 Sustainability Report: "We have been at the forefront of promoting responsibly mined and sourced gold for many years".[289]

However, Valcambi's claim that it has improved its gold supply chain due diligence practices is significantly undermined by its ongoing sourcing of gold from Kaloti, given the latter's continued involvement in highly questionable sourcing.

### Valcambi fails to heed warning signs on Kaloti

Our finding that Kaloti has likely sourced conflict gold from Sudan in 2012 and possibly afterwards will not come as a great surprise for many gold experts.

Several reports have highlighted Kaloti's strong involvement in Sudan. According to an NGO report and a media article, the group sourced over 57 tonnes of gold from Sudan in 2012, of which over 44 tonnes came from the Sudan Financial Services Company,[290] 99% owned by the Central Bank of Sudan at the time.[291] Kaloti's continued engagement in Sudan is no secret in the gold sector. Kaloti Precious Metals was a sponsor of the second and third Sudan International Mining Business Fora in 2017 and 2018.[292] The majority of Sudanese gold exports have continued to go to the UAE, where Kaloti is the largest refiner,[293] with 96% of the value of Sudan's exported gold heading there since 2014, according to UN Comtrade data.[294] At the same time, the severe failures of Kaloti's due diligence system have been publicly reported and are well known in the gold industry.[295]

The fact that much of Sudan's gold is linked to conflict and human rights abuses is also common knowledge among gold experts. The heavy involvement of armed groups in the Jebel Amer mines since 2012 has been well documented and publicly reported.[296] A report from the UN Panel of Experts from 2016 estimated that at least 30 of the 65 tonnes of gold which the UAE imported from Sudan in 2012 was connected to armed groups in Darfur.[297] In the same report, the UN experts made it unequivocally clear that in 2015 the "gold mined at Jebel Amer is conflict affected" and "is part of the gold purchased by the Central Bank of Sudan".[298] Global Witness's 2019 report *Exposing RSF's secret financial network*[299] and an article from Reuters[300] published in the same year both connected Sudanese gold to conflict in the country, while a recent UN report[301] alleged that the non-state armed group SLA/AW involved in gross human rights violations used proceeds from Sudanese gold to buy weapons.

In fact, Valcambi recently told Global Witness that it has itself blacklisted Sudan, suggesting that it is well aware of the serious concerns relating to gold sourced from the country.[302] Furthermore, the company has a long-standing business relationship with Kaloti dating back to 2002,[303] which has included the production of kilo bars bearing the official Kaloti stamp together with Valcambi's certification mark.[304] Given the close ties between the companies, it appears likely that Valcambi must long have been aware of Kaloti's dealings in Sudan.

Taking all the above factors into account, Valcambi's alarm bells should have been ringing over its dealing with Kaloti.

## What risk is there that Valcambi has received conflict gold?

This question relates to the traceability of the gold Valcambi sources and the risks related to its supply chain. The OECD Guidance[305] lists a wide range of requirements which are necessary to ensure traceability.[306]

Like many other refiners, Valcambi shares only minimal information on its due diligence in its Compliance Reports and Sustainability Reports. It claims in its Compliance Report for the year 2018 to have put in place a number of measures such as "Know Your Product" and "Know Your Client" procedures, a risk classification for each supply chain and a continuous monitoring and review process for all transactions.[307]

In response to our enquiries, Valcambi stated that it did not enter into business relationships with organisations or individuals from countries included on international sanctions lists (without specifying which sanctions lists) and that it has never received gold from countries on such lists. Furthermore, it stated that for each shipment sent to Valcambi, the supplier must specify the sources of the precious metals concerned and that this information is thoroughly verified, including by means of regular spot checks to suppliers. Valcambi also wrote that for high-risk supply chains it conducts enhanced due diligence, which includes among other elements an investigation of the supply chain one step beyond the direct supplier, while for mined products it would identify every stage in the supply chain back to the mine.[308] During an interview with Global Witness, Valcambi's CEO mentioned a further element of its traceability system which is the obligation that all suppliers from Dubai have to process Valcambi's gold separately from the gold of other customers (i.e. in a segregated way).[309]

If correctly implemented, these are important elements of a due diligence system ensuring traceability. Valcambi should report such information in its public reports in order to report in line with the standards set out by the OECD Guidance,[310] but as noted above it gives only partial details of its due diligence arrangements. Moreover, as far as Global Witness is aware, Valcambi has not publicly reported on any identified red flags or risks, nor on the results of potential on-the-ground assessments, nor on steps taken to mitigate any risks related to specific high-risk supply chains such as gold from Dubai as required by the OECD Guidance.[311] Furthermore, while the OECD Guidance also states that companies should report the names of refiners and local exporters with which they trade that are located in red flag locations, Valcambi has failed to report Kaloti as a supplier – although failure to report such suppliers unfortunately seems to be very widespread in the industry.[312]

Without such detailed information, it is difficult to assess whether Valcambi has carried out due diligence with regard to traceability of its gold as recommended by the OECD Guidance. However, based on the information that is available, there is reason to doubt that Valcambi can fully guarantee the traceability of its gold supply from Kaloti. First, Valcambi's reliance on statements of conformity from suppliers concerning the origin or conditions of production of gold it purchases has proved to be problematic in the past. Valcambi used this defence in 2015 in response to allegations by Public Eye that the company was sourcing gold linked to child labour.[313] However, in this instance it turned out, unsurprisingly, that the signed statements from suppliers did not provide sufficient guarantees. Second, as we have shown, Kaloti's track record casts serious doubt on the group's trustworthiness as a business partner (see "Kaloti's failure to comply with OECD Guidance with regard to its Sudanese gold" and box "Kaloti's failed due diligence and how auditing companies cover it up"). For example, Valcambi claims to accept only scrap, not mined, gold[314] from Dubai.[315] However, as we have reported in 2014, documentation from auditing firm EY reveals that in 2012 Kaloti classified mined gold as scrap gold, a known method of disguising the origin of high-risk gold.[316] In its response to Global Witness's enquiries, Valcambi stated that it will introduce a new data storage system to hold information on its counterparties' due diligence practices and information to assist in identifying the origin of the recycled gold it receives from them.[317] This and above-mentioned spot checks might help to mitigate the risks related to the statements of conformity but in either case, Valcambi exposes itself to a high risk when dealing with a supplier as tainted as Kaloti.

## Has Valcambi taken steps to ensure that it does not source from a supplier connected with armed groups and/or human rights abuse?

While the question above whether Valcambi has received conflict gold refers specifically to the gold Valcambi itself has sourced, this second question refers to the overall activities of the suppliers Valcambi sources gold from, independently of the gold it actually receives from them. While the traceability of gold along with a thorough risk assessment of that gold (referring to the first question) are central elements of any effective due diligence system, they are not sufficient on their own. Responsible companies should not support actors that are in any way connected to armed groups and/or human rights abuses, regardless of whether the particular gold they themselves source from those actors is so connected.[318]

According to the Annex II of the OECD Guidance, if companies identify a reasonable risk that suppliers are "sourcing from, or linked to any party committing serious abuses […] or providing direct or indirect support to non-state armed groups" they must "immediately suspend or discontinue engagement" with this supplier.[319] This corresponds with the UN Guiding Principles on Business and Human Rights[320] and the OECD Guidelines for Multinational Enterprises[321] which state that all companies have a responsibility to avoid causing or contributing to adverse human rights impacts through their own activities, and to prevent and mitigate such impact directly linked to their business operations when they occur.

Valcambi publicly states that it adheres to the UN Guiding Principles, the OECD Guidance and even goes beyond it,[322] and commits to the Annex II in its Precious Metals Supply Chain Policy.[323]

By sourcing gold from the Central Bank of Sudan, Kaloti becomes a supplier linked to armed groups through the Central Bank's gold purchases from mines occupied by armed groups. It has been sufficiently established that it does not matter if Kaloti sources directly from the armed group or is linked through possibly several other actors in a supply chain.[324] When sourcing gold from Kaloti, Valcambi must long have known that it is dealing with a high-risk supplier. Accordingly, Valcambi should not be content with merely verifying the origin of the gold that it sources itself, but must thoroughly scrutinise Kaloti's entire supply chain for potential connections to gold linked to conflict or human rights abuses. Valcambi should have been able to identify a reasonable risk of such a link and should have immediately suspended or discontinued engagement with Kaloti.

During an interview, Valcambi told Global Witness that its strategy is to seek out supposedly untainted gold, including in high-risk markets such as Dubai.[325] However, this is a risky approach which requires enhanced due diligence. It means that Valcambi may source gold from a supplier connected to armed groups and/or human rights abuses, thereby contravening the OECD Guidance and its Annex II.

When dealing with a high-risk supplier, this approach should be accompanied by measures which effectively ensure that the supplier is not connected to conflict minerals. Despite all the warning signs, it appears that Valcambi has failed adequately to assess Kaloti's gold supply and due diligence system. Valcambi has engaged with a company which, as our investigation shows, is dealing with the Central Bank of Sudan, a supplier, which has demonstrably sourced conflict gold according to the UN[326] and media reports[327] and is itself at risk of profiting from gold linked to non-state armed groups and human rights abuses. Furthermore, Valcambi's purchases have the effect of propping up a problematic actor and helping to keep it in business.

Molten gold in bullion moulds. Valcambi has a precious metals annual refining capacity of 1,800 tonnes. *Stefan Wermuth/Bloomberg via Getty Images.*

Valcambi's CEO told Global Witness in an interview that the company has procedures in place to check all its suppliers, and that such checks have previously led to the exclusion of certain suppliers.[328] It is concerning that, in the eyes of Valcambi, Kaloti would appear to have passed these checks.

Valcambi's risk assessments should have identified red flags and risks, triggering a due diligence assessment of Kaloti as a supplier, in which Valcambi would thoroughly review Kaloti's supply chain and due diligence practices. The OECD Guidance sets out expectations in this respect, including that, as a refiner,[329] Valcambi should:

- assess the Kaloti Group's whole supply chain (particularly if acting as a downstream company)[330] – this includes seeking to identify Kaloti's suppliers[331] and to assess the risks that they are linked to parties providing support to non-state armed groups or parties committing serious abuses;[332]
- assess Kaloti's due diligence practices;[333]
- conduct unannounced spot-checks on Kaloti;[334] and
- check the results of Kaloti's audit reports[335] and other documentation[336]

It is difficult to assess whether Valcambi has fulfilled any of these measures, as the company does not report in enough detail on its due diligence activities. In its response to Global Witness's questions, Valcambi wrote that it systematically conducts enhanced due diligence on "high-risk sources and high-risk provenance" and that it conducts business with high-risk supply chains only on the condition that appropriate measures to reduce the risk are in place, and if Valcambi is able to monitor such measures on an ongoing basis.[337] Valcambi also wrote that it did conduct spot-checks, but did not specify whether these were unannounced or whether it had conducted any on Kaloti. Valcambi did not answer Global Witness's question as to whether it implemented the further measures listed above.[338]

However, if Valcambi had fulfilled its own commitments and fully implemented the OECD Guidance, it should have been able to identify the Central Bank of Sudan as Kaloti's supplier and to detect the various weaknesses in Kaloti's due diligence system. In light of this information, Valcambi should have immediately stopped sourcing gold from Kaloti.[339] In an interview Valcambi stated to Global Witness that it could not know where its suppliers sourced gold other than the gold it actually purchased itself, for reasons of commercial confidentiality.[340] In dealing with a high-risk supplier like Kaloti and in consideration of all the warning signs, Valcambi's lack of knowledge of Kaloti's wider sourcing should have been a reason to suspend the relationship, since Valcambi was at a high risk of purchasing from a supplier that sourced gold connected to armed groups and/or human rights abuses.

In its response to Global Witness's enquiries, Valcambi stated that it will introduce a new data storage system (mentioned above) to hold information on its counterparties' due diligence practices and information to assist in identifying the origin of the recycled gold it receives from them. Valcambi added that the information held in the system will be available to auditors.[341] This could be a step in the right direction, particularly if Valcambi made the information public to the extent recommended by the OECD Guidance.

We conclude that, despite major warning signs, Valcambi has failed to adequately assess either Kaloti's supply chain or its due diligence arrangements, and as a result has not adequately considered the risk of Kaloti sourcing conflict gold and its own consequent obligation, in line with Annex II of the OECD Guidance, to stop sourcing from Kaloti.

It is important that refiners understand and implement due diligence as more than a box-ticking exercise. Due diligence requires real engagement across the supply chain to identify and address risks in order to prevent or mitigate adverse impacts[342] – and, in some cases, hard decisions need to be taken, including decisions to suspend relationships with suppliers that are not willing to do business in a responsible way.

## THE ROLE OF THE LBMA AND THE AUDITOR

Valcambi's due diligence system appears to have failed in the case of its relationship with Kaloti. However, despite this, Valcambi's problematic sourcing practices have been continually endorsed by auditors and the LBMA.

For 2018, when Valcambi sourced gold from Kaloti, KPMG's audit reports declare that Valcambi is compliant with the LBMA's RGG standard.[343] The LBMA approved these reports and in 2018 certified Valcambi as an "Acceptable Refiner" for its Good Delivery List.[344]

In its response to Global Witness's enquiries the LBMA confirmed that in the 2018 audit no non-compliances were raised by the auditor. Since Valcambi reported Dubai as a country of origin of its gold and the LBMA classifies Dubai as a high-risk jurisdiction, the LBMA required a "special audit" to be conducted by an auditor chosen by the LBMA, which came to the same conclusion as KPMG.[345] KPMG itself did not provide any answers to Global Witness's questions invoking confidentiality reasons.[346]

An OECD assessment confirmed that the LBMA RGG is almost fully aligned to the OECD Guidance.[347] However, the LBMA's RGG is ambiguous with regards to the application of Annex II of the OECD Guidance. Regarding company management systems (steps 1) and risk assessment (step 2) the RGG refers directly to Annex II. However, the wording regarding risk management (step 3) seems to cover only those risks which are specifically related to the refiner's gold it sources from its suppliers whereas Annex II implies a risk assessment covering all of their high-risk suppliers' gold.[348] The RGG also creates an exception for the case of indirect support to non-state armed groups carried out by extortion of good faith miners or other supply chain actors, in which case "[r]efiners can continue to refine gold coming from this source provided that it adopts an improvement strategy".[349] The OECD Guidance does not make this exception.

Similarly to the RGG, the LBMA's audit guidance refers to Annex II of the OECD Guidance[350] but when it defines non-compliances, they seem to limit refiners' obligations with regards to their own supply chain. For instance, the LBMA's audit guidance classifies a refiner's failure to identify conflict-affected or high-risk areas *in its supply chain* as a high-risk non-compliance.[351] In contrast, a full implementation of the OECD Guidance would mean that refiners have a responsibility to check if suppliers could be connected to conflict gold beyond the refiner's supply chain. This raises questions with regards to the alignment of the RGG to the OECD Guidance.

The LBMA did not reply to Global Witness's question as to whether it was aware of Valcambi's relationship with Kaloti, but wrote in its response to our letter that generally it does not require refiners to disclose their suppliers. The LBMA also wrote that refiners may not always be able to release counterparty-related information to it, as to do so might breach their internal policies, and Valcambi confirmed that it would indeed breach its non-disclosure agreements.[352] However, this stance contradicts the OECD Guidance, which states that suppliers in high-risk countries must always be disclosed.[353] Not knowing about high-risk suppliers in refiners' supply chains means that the LBMA lacks crucial information which would allow it to assess the quality of the audits it approves.

Global Witness understands that under the current rules of the RGG, non-compliances do not have to be disclosed to stakeholders if they can be resolved through a corrective action plan.[354] This means that stakeholders will simply read in a refiner's audit report that a company is compliant and not know whether issues were identified in its audit. For a refiner there is little incentive to ensure full compliance as problems can be resolved after the audit – if they are identified at all.

These issues point to general weaknesses in the regulation of gold supply chains. It seems that the LBMA's due diligence standard is not fully aligned to the OECD Guidance and tolerates or turns a blind eye to refiners which source from suppliers dealing with conflict gold as long as they don't source the conflict gold.

Audits play a major role in gold industry responsible sourcing schemes such as the LBMA's RGG. Audits are supposed to instil trust in companies along the supply chain, and in the general public, that responsible sourcing standards are being met. However, the LBMA might not receive enough information from the auditors of its standard to assess the quality of their work. Issues, if they are identified at all, are not necessarily communicated to the public. Furthermore, as we have seen, two, possibly three of the six largest global accounting and auditing firms[355] – EY GT and KPMG – seemingly have failed properly to capture serious risks when auditing gold refiners.

As far as Valcambi is concerned, it is also far from reassuring that the company has reportedly been audited by the same auditors, KPMG, for 45 years.[356]

In its response to our enquiries, Valcambi stated that it has always supported transparency but at the same time has to protect confidentiality. It added that stakeholders in the gold sector have to place their trust in the expertise of auditors and regulators and the processes they have set up. It also mentioned the existence of "many debates centred on raising the education, qualification and certification of auditors, in order to continuously raise the overall level of trust of all stakeholders in the rigor and robustness of the auditing system".[357]

In its response to our questions, the LBMA stated that it engages with auditors through capacity building, constantly assesses the quality of the audit reports and often challenges auditors, some of which in the past have been removed from its list of approved auditors for failure to maintain the credibility of its Good Delivery List.[358]

## A NEGLIGENT SWISS GOVERNMENT

A further reason why gold supply chains fail to ensure responsible sourcing is weak regulation and/or lack of enforcement in gold hubs such as Switzerland. Switzerland is home to four of the world's largest gold refiners, which together process two-thirds of the world's gold.[359] Despite the country occupying such a significant position in the gold sector globally, it seems that the Swiss government has largely ignored the international developments of the last decade regarding due diligence in mineral supply chains and has made little effort to address the human rights concerns related to its gold industry.

Some countries approach gold-related due diligence issues by using their anti-money laundering legislation. By contrast, Swiss anti-money laundering law's provisions applicable to gold refiners are ineffective (possibly by design)[360] when it comes to requiring more responsible business conduct, to an almost farcical degree. The obligations on precious metals refiners that are considered as financial intermediaries[361] include the identification of customers, beneficial owners[362] and the nature and purpose of the business relationship;[363] the documentation of the transactions that are carried out;[364] and informing the Money Laundering Reporting Office of suspected money laundering.[365] While experts have praised these provisions,[366] there are serious gaps in their application to gold refiners. On the one hand, the provisions apply if the refiners trade gold of 99.5% purity or more[367] *but only if* refiners buy and sell the gold.[368] In reality, however, refiners often act as service providers, refining gold for banks, for example, without actually buying or selling the gold.[369] This situation is not covered by

Swiss anti-money laundering law.[370] On the other hand, the anti-money laundering provisions apply to refiners trading raw gold (defined as gold with a concentration of under 99.5%) *if* that raw gold is traded at an exchange[371] *or if* it is of "such a high degree of standardisation that it can be liquidated at any time".[372] Since raw gold is usually *not* traded at exchanges and almost by definition is *not* standardised gold as described,[373] this paragraph has no effect. Accordingly, the refining of raw gold, which is the core business of refiners, is beyond the reach of Swiss anti-money laundering law.[374]

The Swiss customs authorities would be in a position to raise concerns over problematic gold entering Switzerland. However, while they are charged with the duty to "supervise and control the movements of goods",[375] they are not mandated by law to carry out security checks on gold imports from high-risk areas in relation to human rights abuses, corruption or money laundering.[376] Importers must declare the country of origin and the country of dispatch, but customs are not mandated to verify the accuracy of these declarations.[377] Senior and long-serving customs officers whom Global Witness interviewed said that they have never seen any gold imports being scrutinised for links to money laundering or human rights abuses during the course of their careers.[378] As a result, Switzerland is at risk of serving as a hub for illegally traded gold.[379]

Swiss Precious Metal Control (SPMC) is legally responsible for ensuring the quality and purity of gold processed in Switzerland and for preventing counterfeiting.[380] It is another body that could have effective oversight of the gold that is processed and traded in Switzerland – in contrast to the customs authorities, arguably SPMC has a legal mandate for this. Under the Precious Metals Control Ordinance, Swiss refiners are obliged to examine the origin of metal to be processed and notify the authorities if there is any suspicion that it has been unlawfully acquired in the country of origin or elsewhere.[381] This could provide an opportunity for SPMC to check on the refiners' due diligence obligations. However, according to a recent audit on the effectiveness of the SPMC carried out by the Swiss Federal Audit Office (SFAO), only from 2019 the SPMC had started carrying out inspections checking refiners' risk management.[382] The SFAO highlighted the lack of clear criteria for SPMC inspections and very limited sanctions such as fines of up to 2000 Swiss Francs.[383] SPMC's enforcement activities must therefore be considered inadequate. For instance, Switzerland is the world's largest importer of gold from Peru, where an estimated 28% of gold is produced illegally, and it is also the third-largest importer of gold from Colombia, where a staggering 80% of production is estimated to be illegal.[384] As a result, there is a high risk that illegally sourced and laundered gold is traded on the Swiss market.

In the last 10 years other jurisdictions have passed specific legislation addressing the issue of minerals fuelling conflict and human rights abuses – for instance the US passed legislation on conflict minerals as early as 2010,[385] while the EU regulation on due diligence in mineral supply chains came into force in 2017 and after a phase-in period giving companies, EU Member States, and EU institutions time to adjust to the new law, will start to apply across the EU on 1 January 2021.[386] However, despite being a major destination for gold, Switzerland has not followed their examples.

When the Swiss authorities commissioned a study on the relationship of the Swiss gold sector to human rights abuses, they didn't select any of these progressive jurisdictions as a benchmark, but instead selected the UAE, India and South Africa with which to compare the relevant Swiss legislation.[387] The UAE and India are well-known hubs for high-risk gold and both have little government oversight,[388] while the South African industry to a large extent refines gold mined within the country and therefore faces very different conditions regarding due diligence.[389]

Even when comparing Switzerland with the UAE, which has faced severe criticism for its weak due diligence legislation,[390] the Swiss study finds that the UAE's requirements are more far-reaching than those in Switzerland, since companies importing gold there are at least required to exercise human rights due diligence.[391] In complete denial of reality, the Swiss government and refiners[392] continue to praise Switzerland's legislation governing the gold trade as "one of the strictest in the world",[393] despite the country not legally requiring gold traders to conduct supply chain due diligence in line with international standards.

Without any noteworthy government oversight of responsible sourcing, the Swiss gold industry is largely self-regulating through voluntary participation in industry-led responsible sourcing programmes[394] such as the LBMA's RGG.[395] However, as our investigation into Kaloti and Valcambi highlights, this approach is highly inadequate.

Despite the significant concerns set out above, it does not seem that the Swiss government is keen to change its approach. A gold industry study produced for the government in 2017 concluded that "all involved stakeholders agree[d]" on "the relevance of potential human rights violations or abuses in the gold trade for Switzerland",[396] but the government has done little to respond to these risks. A "Responsible Business Initiative" (RBI) brought forward by a broad NGO coalition[397] proposed solutions in 2016. The RBI proposal would legally require companies to implement human rights due diligence programmes and hold them liable for human rights abuses and environmental violations committed abroad, including failures by companies under their control, unless they could show that they had taken all practicable steps to prevent the violations.[398] The Swiss government does not support the RBI proposal[399] and the government's diluted counter-proposal strips away any meaningful obligations, leaving only an expectation that companies should report on risks on a voluntary basis.[400] Switzerland is expected to vote on the RBI proposal in November 2020,[401] and according to polls it is supported by over 74% of the Swiss population.[402] The business lobby has launched a CHF8 million campaign against the proposal,[403] and if vested interests get their way, it could mean that the Swiss gold sector remains largely unregulated and that its links to human rights abuses and conflict finance go unchecked.

## CONCLUSION

On the surface, all seems well with Kaloti, Valcambi and the context within which they operate. Kaloti claims to be a responsible company. Valcambi stresses that it has put in place an outstanding due diligence system. The LBMA's Responsible Gold Guidance standard, with which Valcambi is supposedly compliant, has been confirmed as almost fully aligned with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. The DMCC states that it enforces stringent standards which are aligned to the OECD Guidance and Switzerland asserts that it has one of the strictest legislations governing the gold sector.

Yet Global Witness's investigation shows that beneath the gold industry's glittering surface there is a thoroughly dysfunctional system of due diligence. Sadly, the defects of that system come as no surprise to Global Witness, as we and other organisations have been highlighting the industry's systemic failings for over 20 years.

Gold from Sudan and elsewhere linked to conflict and human rights abuses still finds ready buyers in the shape of unscrupulous companies such as Kaloti. An important accreditation body such as the DMCC cannot be relied upon to sanction accredited companies found to be contravening its standards. A respected refiner such as Valcambi can trade with Kaloti and yet still be found compliant with the standards of the key accreditation body, the LBMA, and included in its

Good Delivery List – even though neither company reports on its due diligence activities in such detail as recommended by the OECD Guidance. Auditors that are household names overlook their clients' failure to meet required standards or actively collude with them to conceal it. In both the UAE and Switzerland, the authorities are not prepared to exercise oversight or impose penalties, despite ample evidence that companies under their jurisdiction are accessories to human rights violations. As a direct result of all these actors' failings of scrutiny and enforcement, the insatiable global demand for gold goes on funding armed conflict. And thanks to this negligence at every stage of the supply chain, conflict gold might find its way to reputable markets, possibly implicating some of the world's most prestigious brands in its grim legacy.

The OECD Guidance relies to a large degree on good faith and trust. It is a system built both on companies' honest commitment to source responsibly and to report fully and truthfully on their sourcing and their due diligence actions, and on their efforts to share information and cooperate in order to ensure that human rights are upheld. It requires auditors that can be trusted to identify and report failures, accreditation bodies that can be relied upon to penalise companies that fail to comply with their standards, and governments that actively fulfil their responsibility to protect human rights. Moreover the good faith and trustworthiness of all these actors are key to realising the global goal of responsible minerals sourcing that the Guidance aims to promote.

As far as the gold industry is concerned, however, good faith and trust are in short supply. In order for trust to be rebuilt, governments, refiners, auditors and accreditation bodies need to move beyond rhetoric to action, and from PR to real commitment. The situation will only improve if all these actors start making a serious effort to tackle the systemic problems of gold supply chains.

Governments must ensure that they have due diligence and money-laundering legislation that is fit for purpose, and enforcement authorities with adequate powers and resources to monitor the origin of imported gold and act firmly against companies not carrying out appropriate due diligence. Refiners must accept that due diligence is more than a mere box-ticking exercise, and begin to engage with their suppliers to identify and address risks – not just in their own supply chains but across the suppliers' operations – and so prevent or mitigate adverse impacts. They will need to be prepared to suspend purchasing from suppliers that are unwilling to operate responsibly in a way that does not contribute to conflict or human rights abuses. Auditors must assert their independence of their clients, acknowledging that any attempt to conceal or minimise serious non-compliance is liable to rebound on client, auditor and regulator, causing serious reputational damage to all of them. Finally, accreditation bodies, whose good delivery lists are supposed to guarantee a responsible industry, must ensure that they are free from any suspicion of collusion with the companies they accredit, overhaul their audit requirements to ensure that audits of accredited companies reliably capture wrongdoing, and take firm action against companies that repeatedly contravene their standards.

## RECOMMENDATIONS

Global Witness calls on:

### Kaloti

> to carry out supply chain due diligence in line with the OECD Guidance.

### The Sudanese government

> to take effective control of the country's gold sector; and

> to prohibit armed groups from controlling and/or profiting from gold mining activities.

### The DMCC

> to enforce regulations on responsible gold sourcing applicable to companies registered in its free trade zone; and

> to take a critical attitude to gold due diligence audits and to sanction auditors that downplay companies' non-compliance.

## The government of the UAE

> to put in place and enforce legislation requiring supply chain due diligence; and

> to take legal action when there are indications of money-laundering related to gold trading and refining.

## Valcambi

> to ensure that its due diligence system is in line with the OECD Guidance; and

> to verify by means of that system that it is not supplying gold from companies linked to non-state armed groups and/or human rights abuses, and is therefore in compliance with Annex II of the OECD Guidance.

## Auditing companies

> to maintain their own ethical standards and resist pressure to overlook or downplay non-conformities on the part of their clients.

## The LBMA

> to ensure that its Responsible Gold Guidance and its Third Party Audit Guidance are fully aligned with the OECD Guidance, including its Annex II and that companies thoroughly assess whether suppliers are connected to conflict gold;

> to ensure that it receives enough information about the audits conducted on the companies that it accredits and the supply chains of these companies to be in a position meaningfully to approve audit findings;

> to ensure that companies are properly sanctioned for not complying with its Responsible Gold Guidance standard; and

> to change the RGG rules to the effect that audit non-compliances would henceforth be disclosed to stakeholders.

## The government of Switzerland

> to put in place and enforce legislation requiring supply chain due diligence specifically with regard to links to conflict and human rights abuses; and

> to mandate its customs authorities, the SPMC and/or law enforcement authorities to conduct checks on gold imports from high-risk areas in relation to conflict links, human rights abuses, corruption or money laundering, and to resource them sufficiently to enable them to carry out such checks effectively.

## The European Commission

> to fully scrutinise all industry schemes and only recognise those whose standards are fully aligned with the OECD Guidance; and

> to publicly clarify that companies remain individually responsible for their own due diligence.

## The EU Member States

> to fully scrutinise and hold accountable audited companies, or companies who are members of recognised schemes, to ensure that they meet the full requirements of the Minerals Regulation and not rely on the simple membership of a scheme as meeting the relevant obligations.

# ENDNOTES

[1] Global Financial Integrity (2020): Sudan and Trade Integrity. Page 82.

[2] See "Sudan crisis: The ruthless mercenaries who run the country for gold", BBC, 19 June 2018. Available from https://www.bbc.co.uk/news/world-africa-48987901

Later-on the Central Bank revised this policy and bought gold at a discount, which led to massive smuggling.

See "Sudan opens up gold market in bid to raise revenue", Reuters, 9 January, 2020. Available from https://www.reuters.com/article/us-sudan-gold-idUSKBN1Z81M2

[3] International Criminal Court: Al Bashir Case. Available from https://www.icc-cpi.int/darfur/albashir;

See also "Sudan signals it may send former dictator Omar al-Bashir to ICC", The Guardian, 11 February 2020. Available from https://www.theguardian.com/world/2020/feb/11/sudan-says-it-will-send-former-dictator-omar-al-bashir-to-icc

[4] Executive Order 13067 set out the relevant prohibition (https://www.treasury.gov/resource-center/sanctions/Documents/13067.pdf).

"Effective October 12, 2017, sections 1 and 2 of Executive Order (E.O.) 13067 of November 3, 1997 and all of E.O. 13412 of October 13, 2006 were revoked, pursuant to E.O. 13761 of January 13, 2017, as amended by E.O. 13804 of July 11, 2017." See https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_other.aspx#sudan_whole

[5] See "The UAE Alchemist who turned fields of scrap into a factory of gold", The National, 7 April 2013. Available from https://www.thenational.ae/business/the-uae-alchemist-who-turned-fields-of-scrap-into-a-factory-of-gold-1.305887

[6] Al Kaloti Gold & Silver Testing Laboratory; Al Kaloti Jewellers Factory LLC (now dissolved according to the response to the Opportunity To Comment letter from Kaloti to Global Witness dated 8 June 2020); Kaloti Jewellery International DMCC; Kaloti Jewellery International (Singapore) PTE Ltd.; Kaloti Jewellery LLC; Kaloti Metals & Logistics (now dissolved according to a Miami Herald article dated 21 December 2018); Kaloti Precious Metals Suriname DMCC; Kaloti Trans DMCC; MTM&O Gold Refinery DMCC; Trust One Financial Services.

Based on information from Diligencia Group, Singapore Accounting and Corporate Regulatory Authority, Florida Department of State, Companies House UK.

[7] Global Witness (2014): City of Gold. Page 5; Society For Threatened People (2017): Switzerland – A Hub for Risky Gold? Page 35-36; London High Court of Justice (2020): Approved Judgment, Rihan v. Ernst & Young Global Ltd and others. Paragraph 441; Ministry of Finance and National Economy (2015): A Pilot Study on Role of Mining Sector to Economic Diversification. Available from http://www.gras.gov.sd/files/Mining%20Final.pdf; Global Witness interviews with gold experts from April 2018, February 2019, May and June 2020; SWISSAID interviews with gold expert from February 2020.

[8] Society For Threatened People (2017): Switzerland – A Hub for Risky Gold? Page 35-36.

[9] Global Witness interview with gold expert from April 2018.

[10] Metals Focus (2019): Gold Focus.

Sudan is the country with the third-largest gold production in Africa, after South Africa and Ghana according to Metals Focus. Gold production 2017: 88 tonnes; 2018: 77 tonnes.

[11] Global Witness interview with gold expert from April 2018.

[12] Kaloti: Response to opportunity to comment letter (OTC), 8 June 2020.

[13] Global Witness (2014): City of Gold. DMCC (2015): DMCC's Responsible Sourcing Initiatives Members Reports for Review by DMCC's IGC (2015); Global Witness interview from April 2018 and SWISSAID interview from February 2020; Global Witness interview from February 2019; Global Witness interviews from May 2020 and June 2020.

[14] Ministry of Finance and National Economy (2015): A Pilot Study on Role of Mining Sector to Economic Diversification. Available from http://www.gras.gov.sd/files/Mining%20Final.pdf; Mineral Care (2015): Audit report on sanctions against Iran and Sudan. Page 5-6.

[15] Enough Project (2015): Fool's Gold. The Case for Scrutinizing Sudan's Conflict Gold Trade.

The U.S. Executive Order initiating the sanctions explicitly included the Central Bank of Sudan (Executive Order 13067 of November 3, 1997. Blocking Sudanese Government Property and Prohibiting Transactions With Sudan, Sec. 4d. Available from https://www.treasury.gov/resource-center/sanctions/Documents/13067.pdf), while according to a consultant report quoted by the Dubai Multi Commodity Centre the sanctions also applied to the Sudan Gold Refinery (DMCC (2015): DMCC's Responsible Sourcing Initiatives Members Reports for Review by DMCC's IGC, 2015; Mineral Care (2015): Audit report on sanctions against Iran and Sudan. Page 5-6).

[16] See www.shahama-sd.com/en/content/about-company

[17] Society For Threatened People (2017): Switzerland – A Hub for Risky Gold? Page 35-36.

[18] Global Witness interviews with gold expert from May and June 2020.

[19] The Dubai Multi Commodities Centre organises the Dubai Good Delivery Standard, an industry scheme developed to implement the OECD Guidance recommendations for responsible supply chains of minerals from conflict-affected and high-risk areas (OECD (2018): Alignment Assessment of Industry Programmes with the OECD Minerals Guidance; see also box 'What is supply chain due diligence?'). The DMCC report, which was intended for review by the Independent Governance Committee (a body established to oversee the DMCC's responsible sourcing programme) discussed Kaloti's audit from October 2013 to October 2014. The audit was carried out by the auditing company Grant Thornton, which audited Kaloti's gold transactions against the DMCC Dubai Good Delivery Standard.

[20] DMCC (2015): DMCC's Responsible Sourcing Initiatives Members Reports for Review by DMCC's IGC, 2015. Appendix 1: DMCC summary of key findings as per Comprehensive Management Report.

[21] Ministry of Finance and National Economy (2015): A Pilot Study on Role of Mining Sector to Economic Diversification. Page 26. Available from http://www.gras.gov.sd/files/Mining%20Final.pdf

[22] Global Witness interview with gold expert from April 2018; SWISSAID interview with gold expert from February 2020.

[23] See "Sudan opens up gold market in bid to raise revenue", Reuters, 9 January, 2020, Available from https://www.reuters.com/article/us-sudan-gold-idUSKBN1Z81M2

[24] See "Sudan doubles 2017 gold production targets in 9 months", Middle East Monitor, 20 October 2017. Available from https://www.middleeastmonitor.com/20171020-sudan-doubles-2017-gold-production-targets-in-9-months/

The share companies are allowed to export themselves has increased from 50% in 2017 to 70% in early 2020. The Central Bank then announced in January 2020 that it would eventually end its gold purchases entirely (See https://www.reuters.com/article/us-sudan-gold/sudan-opens-up-gold-market-in-bid-to-raise-revenue-idUSKBN1Z81M2).

[25] See "Sudan opens up gold market in bid to raise revenue", Reuters, 9 January 2020. Available from https://www.reuters.com/article/us-sudan-gold-idUSKBN1Z81M2; Global Witness interview with Reuters, 10 June 2020.

[26] United Nations Security Council (2016): Final report of the Panel of Experts on the Sudan established pursuant to resolution 1591 (2005) (S/2016/805). Page 5.

"The Panel is certain that the artisanal gold mined at Jebel Amir is conflict affected, as defined by the Organization for Economic Cooperation and Development, and is part of the gold purchased by the Central Bank of the Sudan from gold mines in Darfur."

See also "The Darfur conflict's deadly gold rush", Reuters, 8 October 2013. Available from https://www.reuters.com/article/us-sudan-darfur-gold/special-report-the-darfur-conflicts-deadly-gold-rush-idUSBRE99707G20131008;

See also "Sudan militia leader grew rich by selling gold", Reuters, 26 November 2019. Available from https://fr.reuters.com/article/topNews/idAFKBN1Y01J5-OZATP

[27] United Nations Security Council (2016): Final report of the Panel of Experts on the Sudan established pursuant to resolution 1591 (2005) (S/2016/805). Page 160.

[28] United Nations Security Council (2013): Report of the Secretary-General on the African Union-United Nations Hybrid Operation in Darfur. Page 5-6.

[29] Abbala Rezeigat Militiamen of North Darfur, locally referred to as the 'Abbala militia' (See United Nations Security Council (2016): S/2016/1091. Page 37)

[30] United Nations Security Council (2016): Final report of the Panel of Experts on the Sudan established pursuant to resolution 1591 (2005) (S/2016/805). Page 160; Enough Project (2017): Border Control from Hell. Page 18.

[31] See "The Darfur conflict's deadly gold rush", Reuters, 8 October 2013. Available from https://www.reuters.com/article/us-sudan-darfur-gold/special-report-the-darfur-conflicts-deadly-gold-rush-idUSBRE99707G20131008.

The death toll from the 2013 gold mine unrest was more than double that of the fighting between the army, rebels and rival tribes in Darfur in 2012, according to UN Secretary General Ban Ki-moon's quarterly reports to the Security Council, as reported by Reuters in the article cited above. See also "'Gold tax to recompense 839 Abbala-Beni Hussein dead': North Darfur Minister", Dabanga, 22 August 2013. Available from https://www.dabangasudan.org/en/all-news/article/gold-tax-to-recompense-839-abbalabeni-hussein-dead-north-darfur-minister

[32] See "The Darfur conflict's deadly gold rush", Reuters, 8 October 2013. Available from https://www.reuters.com/article/us-sudan-darfur-gold/special-report-the-darfur-conflicts-deadly-gold-rush-idUSBRE99707G20131008

[33] Ibid.

[34] See "Sudan opens up gold market in bid to raise revenue", Reuters, 9 January, 2020, Available from https://www.reuters.com/article/us-sudan-gold-idUSKBN1Z81M2

[35] Global Witness interview with gold expert from May and June 2020.

[36] See "The Darfur conflict's deadly gold rush", Reuters, 8 October 2013. Available from https://www.reuters.com/article/us-sudan-darfur-gold/special-report-the-darfur-conflicts-deadly-gold-rush-idUSBRE99707G20131008

[37] Kaloti: Response to OTC, 8 June 2020.

[38] United Nations Security Council (2016): Final report of the Panel of Experts on the Sudan established pursuant to resolution 1591 (2005) (S/2016/805). Page 39-40, paragraph 134-135.

[39] United Nations Security Council (2016): Final report of the Panel of Experts on the Sudan established pursuant to resolution 1591 (2005) (S/2016/805). Page 5.

[40] United Nations Security Council (2016): Final report of the Panel of Experts on the Sudan established pursuant to resolution 1591 (2005) (S/2016/805). Page 41, paragraph 138.

US$28 million from levies on prospectors and support businesses (paragraph 133), US$17 million from acting as the prospector in at least 400 mines in the Jebel Amir area (annex 32, table 1) and US$9 million from the illegal export of gold produced in the Jebel Amir area (annex 32, table 3).

One of the Jebel Amir mines was so profitable – reportedly earning its owners millions of dollars – that it was nicknamed 'Switzerland'. (Crisis Group (2014): Out for Gold and Blood in Sudan. Available from https://www.crisisgroup.org/africa/horn-africa/sudan/out-goldand-blood-sudan.)

[41] Human Rights Watch (2005): Entrenching Impunity. Available from https://www.hrw.org/legacy/features/darfur/fiveyearson/

report4.html; See also https://www.icc-cpi.int/RelatedRecords/CR2008_04753.PDF; "Q&A: Sudan's Darfur conflict", BBC, 23 February 2010. Available from http://news.bbc.co.uk/1/hi/world/africa/3496731.stm

[42] United Nations Security Council (2016): Final report of the Panel of Experts on the Sudan established pursuant to resolution 1591 (2005) (S/2016/805). Page 5.

[43] United Nations Security Council (2015): UN Sanctions: Natural Resources. Research Report. 20 November 2015. Page 12. Available from https://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/research_report_4_sanctions_2015.pdf

[44] Ministry of Finance and National Economy (2015): A Pilot Study on Role of Mining Sector to Economic Diversification. Page 19. Available from http://www.gras.gov.sd/files/Mining%20Final.pdf

[45] Kaloti: Response to OTC, 8 June 2020.

[46] Human Rights Watch (2015): Men with No Mercy. Page 4. Available from https://www.hrw.org/report/2015/09/09/men-no-mercy/rapid-support-forces-attacks-against-civilians-darfur-sudan

[47] See "Exposing RSF's secret financial network", Global Witness, 9 December 2019. Available from https://www.globalwitness.org/en/campaigns/conflict-minerals/exposing-rsfs-secret-financial-network/

[48] Ibid.

[49] Ibid.

[50] Human Rights Watch (2015): Men with No Mercy. Page 4. Available from https://www.hrw.org/report/2015/09/09/men-no-mercy/rapid-support-forces-attacks-against-civilians-darfur-sudan; See also United Nations Security Council (2016): Final report of the Panel of Experts on the Sudan established pursuant to resolution 1591 (2005) (S/2016/805). Summary of reported RSF operations in Darfur (Annex 5), page 65-67.

[51] Human Rights Watch (2015): Men with No Mercy. Available from https://www.hrw.org/report/2015/09/09/men-no-mercy/rapid-support-forces-attacks-against-civilians-darfur-sudan; See also "Amid silence, atrocities in Darfur restarted", African Arguments, 5 June 2015. Available from https://africanarguments.org/2017/06/05/amid-silence-atrocities-in-darfur-have-restarted/; "HRW: Unamid absent as attacks surge villages in Darfur's Jebel Marra", Dabanga, 13 May 2018. Available from https://www.dabangasudan.org/en/all-news/article/hrw-unamid-absent-as-attacks-surge-villages-in-darfur-s-jebel-marra

[52] See "Exposing RSF's secret financial network", Global Witness, 9 December 2019. Available from https://www.globalwitness.org/en/campaigns/conflict-minerals/exposing-rsfs-secret-financial-network/

[53] See "Sudan says militia leader Musa Hilal arrested", BBC, 27 November 2017. Available from https://www.bbc.co.uk/news/world-africa-42141938

[54] See "Exposing RSF's secret financial network", Global Witness, 9 December 2019. Available from https://www.globalwitness.org/en/campaigns/conflict-minerals/exposing-rsfs-secret-financial-network/

[55] Sudan Transparency Initiative (2017): The politics of mining and trading of gold in Sudan: Challenges of corruption and lack of transparency.

[56] See "Exposing RSF's secret financial network", Global Witness, 9 December 2019. Available from https://www.globalwitness.org/en/campaigns/conflict-minerals/exposing-rsfs-secret-financial-network/

Hemedti's office and the CEO of Al-Gunade, Mohamed Al Bakri, have said that there is no connection between Al-Gunade and the RSF or Hemedti (https://fr.reuters.com/article/topNews/idAFKBN1Y01J5-OZATP)

See also https://www.facebook.com/screenshotssudan/videos/622192814921019/?v=622192814921019

[57] "Sudan militia leader grew rich by selling gold", Reuters, 26 November 2019. Available from https://www.reuters.com/article/us-sudan-gold-exclusive-idUSKBN1Y01DQ

[58] Global Witness interview with gold expert from April 2018; SWISSAID interview with gold expert from February 2020.

[59] Kaloti: Response to OTC, 8 June 2020.

[60] See "Exposing RSF's secret financial network", Global Witness, 9 December 2019. Available from https://www.globalwitness.org/en/campaigns/conflict-minerals/exposing-rsfs-secret-financial-network/

[61] "Sudan militia leader grew rich by selling gold", Reuters, 26 November 2019. Available from https://www.reuters.com/article/us-sudan-gold-exclusive-idUSKBN1Y01DQ

[62] See "Exposing RSF's secret financial network", Global Witness, 9 December 2019. Available from https://www.globalwitness.org/en/campaigns/conflict-minerals/exposing-rsfs-secret-financial-network/

[63] See "In Sudan, Repression of Protests by Another Name", Human Rights Watch, 26 June 2019. Available from https://www.hrw.org/news/2019/06/26/sudan-repression-protests-another-name; See also "Exposing RSF's secret financial network", Global Witness, 9 December 2019. Available from https://www.globalwitness.org/en/campaigns/conflict-minerals/exposing-rsfs-secret-financial-network/.

Hemedti has denied the RSF was involved in the killings. (https://fr.reuters.com/article/topNews/idAFKBN1Y01J5-OZATP; https://www.hrw.org/report/2019/11/17/they-were-shouting-kill-them/sudans-violent-crackdown-protesters-khartoum)

[64] "Militia strike gold to cast a shadow over Sudan's hopes of prosperity", The Guardian, 10 February 2020. Available from https://www.theguardian.com/global-development/2020/feb/10/militia-strike-gold-to-cast-a-shadow-over-sudans-hopes-of-prosperity; "Sudan militia leader grew rich by selling gold", Reuters, 26 November 2019. Available from https://fr.reuters.com/article/topNews/idAFKBN1Y01J5-OZATP; Warlord-Linked Sudanese Firm Hands Over Gold Mines to Government. Bloomberg, 5 May 2020. Available from https://www.bloomberg.com/news/articles/2020-

05-05/warlord-linked-sudanese-firm-hands-over-gold-mines-to-government

[65] "Sudan militia leader grew rich by selling gold", Reuters, 26 November 2019. Available from https://fr.reuters.com/article/topNews/idAFKBN1Y01J5-OZATP; See Draft Constitutional Charter for the 2019 Transitional Period. Paragraph 18 (2). Available from http://constitutionnet.org/sites/default/files/2019-08/Sudan%20Constitutional%20Declaration%20%28English%29.pdf. Paragraph 18 (2): "The chairman and members of the Sovereignty Council and ministers, governor and ministries of provinces or heads of regions undertake to not practice any profession or commercial or financial activity while occupying their positions. They do not receive any financial compensation, gifts, or work of any type from any non-government entity, whatever the case may be."

[66] See "Militia-linked Darfur gold mines handed over to Sudan's government: statement", Sudan Tribune, 19 March 2020. Available from https://www.sudantribune.com/spip.php?article69116; See also https://www.globalwitness.org/en/press-releases/global-witness-response-to-news-that-head-of-sudans-rapid-support-forces-preparing-to-hand-over-gold-mining-areas-to-hamdouk-government/; Warlord-Linked Sudanese Firm Hands Over Gold Mines to Government. Bloomberg, 5 May 2020. Available from https://www.bloomberg.com/news/articles/2020-05-05/warlord-linked-sudanese-firm-hands-over-gold-mines-to-government

[67] United Nations Security Council (2020): Final report of the Panel of Experts on the Sudan (S/2020/36). Page 12 and 39.

[68] United Nations Security Council (2020): Final report of the Panel of Experts on the Sudan (S/2020/36). Page 13-15.

[69] United Nations Security Council (2020): Final report of the Panel of Experts on the Sudan (S/2020/36). Page 26.[70] SWISSAID interview with gold expert from February 2020.

[71] Kaloti: Response to OTC, 8 June 2020.

[72] Society For Threatened People (2017): Switzerland – A Hub for Risky Gold? Page 35-26.

[73] DMCC (2015): DMCC's Responsible Sourcing Initiatives Members Reports for Review by DMCC's IGC, 2015; Ministry of Finance and National Economy (2015): A Pilot Study on Role of Mining Sector to Economic Diversification. Page 26; Global Witness interviews with gold expert from April 2018.

[74] OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (2016), Third Edition. Page 12. Available from https://www.oecd.org/daf/inv/mne/OECD-Due-Diligence-Guidance-Minerals-Edition3.pdf

[75] OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (2016), Third Edition.

[76] OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (2016), Third Edition. Annex II.

"1. While sourcing from, or operating in, conflict-affected and high-risk areas, we will neither tolerate nor by any means profit from, contribute to, assist with or facilitate the commission by any party of: i) any forms of torture, cruel, inhuman and degrading treatment; ii) any forms of forced or compulsory labour, which means work or service which is exacted from any person under the menace of penalty and for which said person has not offered himself voluntarily; iii) the worst forms of child labour; iv) other gross human rights violations and abuses such as widespread sexual violence; v) war crimes or other serious violations of international humanitarian law, crimes against humanity or genocide.

2. We will immediately suspend or discontinue engagement with upstream suppliers where we identify a reasonable risk that they are sourcing from, or linked to, any party committing serious abuses as defined in paragraph 1.

3. We will not tolerate any direct or indirect support to non-state armed groups through the extraction, transport, trade, handling or export of minerals. 'Direct or indirect support' to non-state armed groups through the extraction, transport, trade, handling or export of minerals includes, but is not limited to, procuring minerals from, making payments to or otherwise providing logistical assistance or equipment to, non-state armed groups or their affiliates who: i) illegally control mine sites or otherwise control transportation routes, points where minerals are traded and upstream actors in the supply chain; and/or ii) illegally tax or extort money or minerals at points of access to mine sites, along transportation routes or at points where minerals are traded; and/or iii) illegally tax or extort intermediaries, export companies or international traders.

4. We will immediately suspend or discontinue engagement with upstream suppliers where we identify a reasonable risk that they are sourcing from, or linked to, any party providing direct or indirect support to non-state armed groups as defined in paragraph 3."

[77] There is no generally accepted definition nor a broadly accepted categorization of armed non-state actors and international law has only rarely defined the term (Geneva Academy (2016): Human Rights Obligations of Armed Non-State Actors. Page 7 and 8. See also Shaheed Fatima (2018): Protecting Children in Armed Conflict. Page 52). Furthermore, the UN Security Council does not regularly publish which actors it considers non-state armed groups. This report does not explicitly refer to 'non-state armed groups' but uses the terms 'armed group' and militia.

[78] United Nations Security Council (2016): Final report of the Panel of Experts on the Sudan established pursuant to resolution 1591 (2005) (S/2016/805). Page 43.

[79] Ibid.

[80] United Nations Security Council (2016): Final report of the Panel of Experts on the Sudan established pursuant to resolution 1591 (2005) (S/2016/805). Page 43; The report refers to the AAG as the armed groups which has occupied the Jebel Amir mines in 2012 (page 43) but on page 160 and 161 the report states that in 2012 these mines were administered by the Beni Hussein tribe and only in January 2013 fighting broke out between the Abbala and the Beni Hussein militias. We understand that the report should probably read that the Jebel Amir mines were occupied by the Beni Hussein militia in 2012 (on page 43).

Enough Project reports that Jebel Amir produced 14 tons of gold in 2012. (Enough Project (2013): Darfur's Gold Rush. Page 5.)

[81] See "Special Report: The Darfur conflict's deadly gold rush", Reuters, 8 October 2013, https://www.reuters.com/article/us-sudan-darfur-gold-idUSBRE99707G20131008; See also "Sudan crisis: The ruthless mercenaries who run the country for gold", BBC,

19 June 2018. Available from https://www.bbc.co.uk/news/world-africa-48987901

[82] Society For Threatened People (2017): Switzerland – A Hub for Risky Gold? Page 37; Sudan Transparency Initiative (2017): The politics of mining and trading of gold in Sudan: Challenges of corruption and lack of transparency. Page 59; "Illegal 'blood gold' – from war-torn Sudan to your phone", Mail & Guardian, 11 May 2016. Available from https://mg.co.za/article/2016-05-11-the-missing-paper-trails-of-sudans-gold/

[83] Further calculations may corroborate the risk of sourcing from armed groups. Kaloti received 44 tonnes of its Sudanese gold supply that year from the Central Bank of Sudan's export arm (Sudan Financial Services) and the rest from other suppliers (Society For Threatened People (2017): Switzerland – A Hub for Risky Gold? Page 37). The gold purchased from the Central Bank of Sudan equated to all but 2 tonnes of the country's official gold exports that year (United Nations Security Council (2016): S/2016/805. Page 42). It follows that Kaloti would have sourced at least 3 of the 5 tonnes of gold which, according to the Mining Minister ("Special Report: The Darfur conflict's deadly gold rush", Reuters, 8 October 2013) the Central Bank purchased from the Jebel Amer area, and which according to the UN Panel (United Nations Security Council (2016): S/2016/805. Page 43) were connected to an armed group. Global Witness has no information as to how many of the 14.5 tonnes of gold from other mines, which the UN also connected to armed groups (United Nations Security Council (2016): S/2016/805. Page 43) were received by the Central Bank and subsequently sourced by Kaloti.

[84] United Nations Security Council (2016): Final report of the Panel of Experts on the Sudan established pursuant to resolution 1591 (2005) (S/2016/805). Page 42.

[85] Society For Threatened People (2017): Switzerland – A Hub for Risky Gold? Page 37; Sudan Transparency Initiative (2017): The politics of mining and trading of gold in Sudan: Challenges of corruption and lack of transparency. Page 59; "Illegal 'blood gold' – from war-torn Sudan to your phone", Mail & Guardian, 11 May 2016. Available from: https://mg.co.za/article/2016-05-11-the-missing-paper-trails-of-sudans-gold/

[86] United Nations Security Council (2016): Final report of the Panel of Experts on the Sudan established pursuant to resolution 1591 (2005) (S/2016/805). Page 42.

[87] Ibid.

[88] Society For Threatened People (2017): Switzerland – A Hub for Risky Gold? Page 37; Sudan Transparency Initiative (2017): The politics of mining and trading of gold in Sudan: Challenges of corruption and lack of transparency. Page 59; "Illegal 'blood gold' – from war-torn Sudan to your phone", Mail & Guardian, 11 May 2016. Available from https://mg.co.za/article/2016-05-11-the-missing-paper-trails-of-sudans-gold/

[89] United Nations Security Council (2016): Final report of the Panel of Experts on the Sudan established pursuant to resolution 1591 (2005) (S/2016/805). Page 42.

[90] Kaloti: Response to OTC, 8 June 2020.

[91] 1) Production data: Metals Focus estimates Sudan's gold production for 2012 at 33.9 tonnes (Metals Focus (2019): Gold Focus 2019); GFMS estimates it at 27.9 tonnes (Refinitiv (2019): GFMS Gold Survey 2019); the Central Bank of Sudan reports 44.5 tonnes (according to the Global Financial Integrity (2020): Sudan and Trade Integrity); The UN Panel of Experts on Sudan notes: "The [Sudanese] Government did not accede to the Panel's request for annual gold production data per mine in Darfur. Confidential sources stated that government estimates were based only on gold purchases by merchants in artisanal gold mining areas." (United Nations Security Council (2016): S/2016/805. Footnote 57).

2) Export data: According to UN Comtrade Sudan's gold exports (HS 7108) are 43.7 tonnes (https://comtrade.un.org/data/);

[92] Society For Threatened People (2017): Switzerland – A Hub for Risky Gold? Page 37; Sudan Transparency Initiative (2017): The politics of mining and trading of gold in Sudan: Challenges of corruption and lack of transparency. Page 59; "Illegal 'blood gold' – from war-torn Sudan to your phone", Mail & Guardian, 11 May 2016. Available from https://mg.co.za/article/2016-05-11-the-missing-paper-trails-of-sudans-gold/

[93] See "Sudan crisis: The ruthless mercenaries who run the country for gold", BBC, 19 June 2018. Available from: https://www.bbc.co.uk/news/world-africa-48987901

[94] Confidential document.

[95] OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (2016), Third Edition. Page 67.

[96] UN Department of Economic and Social Affairs (2011): International Merchandise Trade Statistics: Concepts and Definitions 2010 (IMTS 2010). Page 16 and 23.

[97] United Nations Security Council (2013): Report of the Secretary-General on the African Union-United Nations Hybrid Operation in Darfur (S/2013/225). Available from https://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s_2013_225.pdf; See "The Darfur conflict's deadly gold rush", Reuters, 8 October 2013. Available from https://www.reuters.com/article/us-sudan-darfur-gold/special-report-the-darfur-conflicts-deadly-gold-rush-idUSBRE99707G20131008; See also "'Gold tax to recompense 839 Abbala-Beni Hussein dead': North Darfur Minister", Dabanga, 22 August 2013. Available from https://www.dabangasudan.org/en/all-news/article/gold-tax-to-recompense-839-abbalabeni-hussein-dead-north-darfur-minister

[98] See "The Darfur conflict's deadly gold rush", Reuters, 8 October 2013. Available from https://www.reuters.com/article/us-sudan-darfur-gold/special-report-the-darfur-conflicts-deadly-gold-rush-idUSBRE99707G20131008

[99] United Nations Security Council (2016): Final report of the Panel of Experts on the Sudan established pursuant to resolution 1591 (2005) (S/2016/805). Page 5.

[100] Global Witness interview with gold expert from May and June 2020; Global Witness interview with gold expert from April 2018; DMCC (2015): DMCC's Responsible Sourcing Initiatives Members Reports for Review by DMCC's IGC, 2015. Appendix 1: DMCC summary of key findings as per Comprehensive Management Report; Ministry of Finance and National Economy (2015): A Pilot Study on Role of Mining Sector to Economic Diversification. Page 26. Available from http://www.gras.gov.sd/files/Mining%20Final.pdf.

[101] SWISSAID interview with gold expert from February 2020. [102] "Sudan militia leader grew rich by selling gold", Reuters, 26 November 2019. Available from

https://www.reuters.com/article/us-sudan-gold-exclusive-idUSKBN1Y01DQ

[103] See “Exposing RSF’s secret financial network”, Global Witness, 9 December 2019. Available from: https://www.globalwitness.org/en/campaigns/conflict-minerals/exposing-rsfs-secret-financial-network/

[104] United Nations Security Council (2020): Final report of the Panel of Experts on the Sudan (S/2020/36). Page 12 and 39.

[105] Ministry of Finance and National Economy (2015): A Pilot Study on Role of Mining Sector to Economic Diversification. Page 26.

[106] Global Witness interview with gold expert from April 2018.

[107] Kaloti: Response to OTC, 8 June 2020.

[108] International Conference on the Great Lakes Region (2010): Lusaka Declaration of the ICGLR Special Summit to Fight Illegal Exploitation of Natural Resources in the Great Lakes Region. Available from http://library.icglr-lmrc.org/images/documents/Documents/ICGLR%20(2010),%20Lusaka%20Declaration%20of%20the%20ICGLR%20Special%20Summit%20to%20Fight%20Illegal%20Exploitation%20of%20Natural%20Resources%20in%20the%20GRL.%20%2015th%20December%202010.%20Lusaka.pdf

[109] OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (2016), Third Edition. Page 4.

[110] OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (2016), Third Edition. Page 13.

The same idea is also supported by the UN Guiding Principles on Business and Human Rights. These state that “Business enterprises should respect human rights. This means that they should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved. The responsibility to respect human rights requires that business enterprises: (a) Avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts when they occur; (b) Seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts.” Human Rights Council (2011): Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, John Ruggie. Guiding Principles on Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Framework. Page 13.

[111] UN Human Rights Office of the High Commissioner (2011): UN Guiding Principles on Business and Human Rights.

[112] OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (2016), Third Edition. Available from https://www.oecd.org/daf/inv/mne/OECD-Due-Diligence-Guidance-Minerals-Edition3.pdf

[113] OECD (2011): Guidelines for Multinational Enterprises. Available from http://www.oecd.org/daf/inv/mne/48004323.pdf.

[114] UN Human Rights Office of the High Commissioner (2011): UN Guiding Principles on Business and Human Rights.

[115] UN Human Rights Office of the High Commissioner (2011): UN Guiding Principles on Business and Human Rights. Page 14.

[116] OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (2016), Third Edition. Page 111-113.

[117] OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (2016), Third Edition. Page 8. Available from https://www.oecd.org/daf/inv/mne/OECD-Due-Diligence-Guidance-Minerals-Edition3.pdf

[118] See https://www.oecd.org/corporate/mne/mining.htm

[119] OECD (2018): Alignment Assessment of Industry Programmes with the OECD Minerals Guidance. Page 20.

[120] OECD (2018): Alignment Assessment of Industry Programmes with the OECD Minerals Guidance. Page 19.

[121] OECD (2018): Alignment Assessment of Industry Programmes with the OECD Minerals Guidance. Page 19 and 20.

[122] United Nations Security Council (2016): Final report of the Panel of Experts on the Sudan established pursuant to resolution 1591 (2005) (S/2016/805).

[123] United Nations Security Council (2013): Report of the Secretary-General on the African Union-United Nations Hybrid Operation in Darfur. Page 5-6. Available from https://undocs.org/S/2013/225

[124] OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (2016), Third Edition. Annex II. Paragraphs 3-4. See also ‘Gold Supplement’, page 100-105.

[125] United Nations Security Council (2016): Final report of the Panel of Experts on the Sudan established pursuant to resolution 1591 (2005) (S/2016/805). Page 43.

[126] See “The Darfur conflict's deadly gold rush”, Reuters, 8 October 2013. Available from https://www.reuters.com/article/us-sudan-darfur-gold/special-report-the-darfur-conflicts-deadly-gold-rush-idUSBRE99707G20131008

[127] OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (2016), Third Edition. Page 111.

Step 5: “To publicly report on due diligence for responsible supply chains of gold from conflict-affected and high-risk areas in order to generate public confidence in the measures companies are taking.”

[128] OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (2016), Third Edition. Page 111-112.

[129] Global Witness (2014): City of Gold. Page 6.

[130] Ibid.

[131] Global Witness (2014): City of Gold. Page 6.

[132] DMCC (2015): DMCC’s Responsible Sourcing Initiatives Members Reports for Review by DMCC’s IGC. Page 5.

[133] DMCC (2015): DMCC’s Responsible Sourcing Initiatives Members Reports for Review by DMCC’s IGC. Page 3.

[134] Kaloti: Response to OTC, 8 June 2020.

[135] See http://www.kalotipm.com/Sustainability, Our Policy.

[136] See http://www.kalotipm.com/About-Us

[137] Global Witness (2014): City of Gold. Page 2-3.

[138] Global Witness (2014): City of Gold. Page 7.

[139] Global Witness (2014): City of Gold. Page 5.

[140] Global Witness (2014): City of Gold. Page 2 and 3.

[141] London High Court of Justice (2020): Approved Judgment, Rihan v. Ernst & Young Global Ltd and others. Paragraph 749.

[142] See https://docplayer.net/65648232-Dmcc-gold-bulletin-dubai-precious-metals-conference-update-issue-2-4-april-save-the-date.html; A very similar statement is attributed to Munir Kaloti in this interview: http://www.kalotipm.com/Admin/Content/Media-Coverage---Kaloti-Jewellery-Group_MEED_P22-23_12-18.04.13-Downloads1632014141331.pdf

[143] Leigh Day: Press Release "Former EY partner awarded $10.8m in damages in legal case against the global accountancy firm". 17 April 2020.

[144] London High Court of Justice (2020): Approved Judgment, Rihan v. Ernst & Young Global Ltd and others. Paragraph 635, 692, 697, 732, 738, 752, 754, 760.

According to the judgment the "audit duty" of care is a duty to take reasonable steps to prevent the claimant from suffering loss of earnings by reason of the defendants' failure to perform the Kaloti audit in an ethical and professional manner.

[145] London High Court of Justice (2020): Approved Judgment, Rihan v. Ernst & Young Global Ltd and others. Paragraph 521 and 754.

[146] London High Court of Justice (2020): Approved Judgment, Rihan v. Ernst & Young Global Ltd and others. Paragraph 889.

[147] Sudan Transparency Initiative (2017): The politics of mining and trading of gold in Sudan: Challenges of corruption and lack of transparency. Page 59.

[148] London High Court of Justice (2020): Approved Judgement, Rihan v. Ernst & Young Global Ltd and others. Paragraph 259, 269.

[149] DMCC (2014): DMCC's 'Review Protocol' on Responsible Sourcing of Precious Metals. Page 13. Available from https://www.dmcc.ae/application/files/2115/0943/3172/DMCC_Review_Protocol_V3.3.pdf

[150] Global Witness (2014): City of Gold. Page 2.

[151] London High Court of Justice (2020): Approved Judgement, Rihan v. Ernst & Young Global Ltd and others. Paragraph 116.

[152] London High Court of Justice (2020): Approved Judgement, Rihan v. Ernst & Young Global Ltd and others. Paragraph 3.

[153] See "EY: Gold, drug money and a major auditor's 'cover-up'", BBC, 28 October 2019. Available from https://www.bbc.co.uk/news/uk-50194681

[154] London High Court of Justice (2020): Approved Judgement, Rihan v. Ernst & Young Global Ltd and others. Paragraph 700.

[155] London High Court of Justice (2020): Approved Judgement, Rihan v. Ernst & Young Global Ltd and others. Paragraph 87, 702.

[156] London High Court of Justice (2020): Approved Judgement, Rihan v. Ernst & Young Global Ltd and others. Paragraph 3.

[157] London High Court of Justice (2020): Approved Judgement, Rihan v. Ernst & Young Global Ltd and others. Paragraph 298.

[158] Global Witness (2014): City of Gold. Page 8-10. London High Court of Justice (2020): Approved Judgement, Rihan v. Ernst & Young Global Ltd and others. Paragraph 395, 398.

[159] London High Court of Justice (2020): Approved Judgement, Rihan v. Ernst & Young Global Ltd and others. Paragraph 692.

[160] London High Court of Justice (2020): Approved Judgement, Rihan v. Ernst & Young Global Ltd and others. Paragraph 259.

[161] London High Court of Justice (2020): Approved Judgement, Rihan v. Ernst & Young Global Ltd and others. Paragraph 694.

[162] See "Kaloti Jewellery Group Is Fully Compliant With Dubai Good Delivery Gold Audit", Mining Weekly, 2 Deceomber 2013. Available from https://www.miningweekly.com/article/kaloti-jewellery-group-is-fully-compliant-with-dubai-good-delivery-gold-audit-2013-12-02/rep_id:3650; London High Court of Justice (2020): Approved Judgement, Rihan v. Ernst & Young Global Ltd and others. Paragraph 395.

[163] London High Court of Justice (2020): Approved Judgment, Rihan v. Ernst & Young Global Ltd and others. Paragraph 889.

[164] London High Court of Justice (2020): Approved Judgement, Rihan v. Ernst & Young Global Ltd and others. Paragraph 695.

[165] London High Court of Justice (2020): Approved Judgement, Rihan v. Ernst & Young Global Ltd and others. Paragraph 717.

[166] London High Court of Justice (2020): Approved Judgement, Rihan v. Ernst & Young Global Ltd and others. Paragraph 714.

[167] London High Court of Justice (2020): Approved Judgement, Rihan v. Ernst & Young Global Ltd and others. Paragraph 135.

[168] London High Court of Justice (2020): Approved Judgement, Rihan v. Ernst & Young Global Ltd and others. Paragraph 678.

[169] London High Court of Justice (2020): Approved Judgement, Rihan v. Ernst & Young Global Ltd and others. Paragraph 100.

[170] London High Court of Justice (2020): Approved Judgement, Rihan v. Ernst & Young Global Ltd and others. Paragraph 697, 754 and 760.

[171] Leigh Day: Press Release "Former EY partner awarded $10.8m in damages in legal case against the global accountancy firm". 17 April 2020.

[172] London High Court of Justice (2020): Approved Judgement, Rihan v. Ernst & Young Global Ltd and others. Paragraph 18.

[173] London High Court of Justice (2020): Approved Judgement, Rihan v. Ernst & Young Global Ltd and others. Paragraph 17.

[174] Leigh Day: Press Release "Former EY partner awarded $10.8m in damages in legal case against the global accountancy firm". 17 April 2020.

[175] Kaloti: Response to OTC. 8 June 2020.

[176] Kaloti: Letter from 10 December 2014.

[177] EY, Response to OTC, 9 June 2020.

[178] EY, Response to OTC, 9 June 2020.

[179] DMCC (2015): DMCC's Responsible Sourcing Initiatives Members Reports for Review by DMCC's IGC. Page 1.

[180] See "DMCC removes Kaloti from Dubai Good Delivery list over gold sourcing", totaluae, 13 April 2015. Available from http://www.totaluae.com/news/dmcc-removes-kaloti-from-dubai-good-delivery-list-over-gold-sourcing/

[181] See "Notice: Kaloti Gold Factory LLC placement on former list of DMCC's Dubai Good Delivery refineries", DMCC, September 2015; See also "DMCC removes Kaloti from Dubai Good Delivery list over gold sourcing", totaluae, 13 April 2015. Available from http://www.totaluae.com/news/dmcc-removes-kaloti-from-dubai-good-delivery-list-over-gold-sourcing/

[182] DMCC (2015): DMCC's Responsible Sourcing Initiatives Members Reports for Review by DMCC's IGC.

[183] See https://www.dmcc.ae/application/files/9915/3189/5885/Independent_Governance_Committee_.pdf;

[184] DMCC (2015): DMCC's Responsible Sourcing Initiatives Members Reports for Review by DMCC's IGC.

[185] DMCC (2015): DMCC's Responsible Sourcing Initiatives Members Reports for Review by DMCC's IGC. Page 1.

[186] DMCC (2015): DMCC's Responsible Sourcing Initiatives Members Reports for Review by DMCC's IGC, page 2

[187] DMCC (2015): DMCC's Responsible Sourcing Initiatives Members Reports for Review by DMCC's IGC, page 2-3

[188] DMCC (2015): DMCC's Responsible Sourcing Initiatives Members Reports for Review by DMCC's IGC.

[189] U.S. Executive Order 13067—Blocking Sudanese Government Property and Prohibiting Transactions With Sudan. Available from https://www.treasury.gov/resource-center/sanctions/Documents/13067.pdf

[190] DMCC (2015): DMCC's Responsible Sourcing Initiatives Members Reports for Review by DMCC's IGC.

[191] GT (2015): Independent reasonable assurance report (ISAE) to Kaloti Jewellery International DMCC. Page 7.

Kaloti Jewellery International DMCC (2014): KPM Compliance Report April 2014-October 2014.

See also DMCC (2014): DMCC's 'Review Protocol' on Responsible Sourcing of Precious Metals. Version 3.3 – August 2014. Page 15.

[192] DMCC (2015): DMCC's Responsible Sourcing Initiatives Members Reports for Review by DMCC's IGC. Page 3.

See also DMCC (2014): DMCC's 'Review Protocol' on Responsible Sourcing of Precious Metals. Version 3.3 – August 2014. Page 11 and 12.

[193] See "DMCC Approved Auditors List in Accordance to DMCC Approved Auditors Rules, version1.0" Available from https://www.dmcc.ae/application/files/6815/4019/3627/DMCC-APPROVED-AUDITORS-LIST-Oct-2018.pdf

[194] See http://www.kalotipm.com/userfiles/file/KALOTI-STATE.pdf

[195] See http://www.kalotipm.com/Media-Center-PressReleases-Details/5/KALOTI-PRECIOUS-METALS-CONFIRMED-AS-FULLY-COMPLIANT

[196] OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (2016), Third Edition. Page 112.

[197] See http://www.kalotipm.com/Sustainability (Audit Reports), Grant Thornton Assurance Report: DMCC (2014): DMCC's 'Review Protocol' on Responsible Sourcing of Precious Metals. Page 12.

[198] "Notice: Kaloti Gold Factory LLC placement on former list of DMCC's Dubai Good Delivery refineries", DMCC, September 2015; See also "DMCC removes Kaloti from Dubai Good Delivery list over gold sourcing", totaluae, 13 April 2015. Available from http://www.totaluae.com/news/dmcc-removes-kaloti-from-dubai-good-delivery-list-over-gold-sourcing/

[199] Kaloti: Response to OTC, 8 June 2020.

[200] Email OECD secretariat, 12 June 2020.

[201] Kaloti: Response to OTC. 8 June 2020.

[202] DMCC: Response to OTC, 4 June 2020.

[203] See "The UAE Alchemist who turned fields of scrap into a factory of gold", The National, 7 April 2013. Available from https://www.thenational.ae/business/the-uae-alchemist-who-turned-fields-of-scrap-into-a-factory-of-gold-1.305887

[204] Diligencia Group, Al Kaloti Jewellers Factory LLC. Date of registration: 9 March 1991.

[205] http://www.kalotipm.com/About-Us. History.

[206] OECD (2011): Assessing Investment Policies of Member Countries of the Gulf Cooperation Council. Page 14 and 15. Available from http://www.oecd.org/mena/competitiveness/Preliminary%20assessment%20GCC%20invt%20policies.pdf; See also "Free zones, a cornerstone of UAE success", Gulf News, 16 August 2017. Available from https://gulfnews.com/business/property/free-zones-a-cornerstone-of-uae-success-1.2074856

[207] See "Sheikh Mohammed Al Maktoum: Who is Dubai's ruler?" BBC, 5 March 2020. Available from https://www.bbc.co.uk/news/world-middle-east-51762543

[208] See https://www.dmcc.ae/application/files/5915/7951/5345/DMCC_Fact_Sheet_A4_EN_Jan_2020.pdf; See also "Billion dollar gold market in Dubai where not all was as it seemed", The Guardian, 25 February 2015. Available from https://www.theguardian.com/business/2014/feb/25/billion-dollar-gold-market-dubai-kaloti.

As Dubai does not have any significant gold reserves, Sheikh Mohammed must presumably have meant that Dubai was striving to become a hub for gold trade through which half of the world's production of gold passes.

[209] See https://www.dmcc.ae/gateway-to-trade/commodities/gold

[210] See UN Comtrade Database, available from https://comtrade.un.org/data/

The UAE was also the fifth-largest gold exporter in 2018.

[211] See "Over 4,000 companies operate in Dubai's gold sector", Gulf News, 26 May 2019. Available from https://gulfnews.com/business/retail/over-4000-companies-operate-in-dubais-gold-sector-1.64199626

[212] See http://www.kalotipm.com/About-Us History

[213] See "As feds target 'blood gold' and dirty money, this Miami refinery has bigger problems", Miami Herald, 21 December 2018. Available from https://www.miamiherald.com/news/business/article223213905.html

[214] See "Kaloti opens gold refinery in Suriname", The National, 3 March 2015. Available from https://www.thenational.ae/business/kaloti-opens-gold-refinery-in-suriname-1.88806

[215] See "The UAE Alchemist who turned fields of scrap into a factory of gold", The National, 7 April 2013. Available from https://www.thenational.ae/business/the-uae-alchemist-who-turned-fields-of-scrap-into-a-factory-of-gold-1.305887

[216] Diligencia Group: Registry entry for Kaloti Jewellery International DMCC on 14 Jun 2004.

[217] See http://www.kalotipm.com/About-Us

[218] See "The UAE Alchemist who turned fields of scrap into a factory of gold", The National, 7 April 2013. Available from https://www.thenational.ae/business/the-uae-alchemist-who-turned-fields-of-scrap-into-a-factory-of-gold-1.305887

[219] United Nations Security Council (2020): Final report of the Panel of Experts on the Sudan (S/2020/36). Paragraph 64, 87, 88; United Nations Security Council (2019): Final report of the Group of Experts on the Democratic Republic of the Congo (S/2019/469). Paragraph 185; See "Gold worth billions smuggled out of Africa", Reuters, 24 April 2019. Available from https://www.reuters.com/article/us-gold-africa-smuggling-exclusive-idUSKCN1S00IT

[220] United Nations Security Council (2020): Final report of the Panel of Experts on the Sudan (S/2020/36). Paragraph 64; United Nations Security Council (2017): Final report of the Group of Experts on the Democratic Republic of the Congo (S/2017/672). Paragraph 131; See also "Gold worth billions smuggled out of Africa", Reuters, 24 April 2019. Available from https://www.reuters.com/article/us-gold-africa-smuggling-exclusive-idUSKCN1S00IT

[221] United Nations Security Council (2019): Final report of the Group of Experts on the Democratic Republic of the Congo (S/2019/469). Paragraph 186.

[222] Global Witness discussion with gold trader, October 2019; SWISSAID meetings, February 2020.

[223] SWISSAID meetings, February 2020.

[224] See "Billion dollar gold market in Dubai where not all was as it seemed", The Guardian, 25 February 2015. Available from https://www.theguardian.com/business/2014/feb/25/billion-dollar-gold-market-dubai-kaloti

[225] Global Witness (2014): City of Gold. Page 8.

[226] London High Court of Justice (2020): Approved Judgement, Rihan v. Ernst & Young Global Ltd and others. Paragraph 692.

[227] London High Court of Justice (2020): Approved Judgement, Rihan v. Ernst & Young Global Ltd and others. Paragraph 717.

[228] DMCC: Response to OTC. 4 June 2020.

[229] See https://www.dmcc.ae/business-search. Last accessed on 23 April 2020.

[230] DMCC (2015): DMCC's Responsible Sourcing Initiatives Members Reports for Review by DMCC's IGC, 2015.

[231] See http://www.kalotipm.com/Media-Center; New Refinery Update; See also https://www.dmcc.ae/business-search. Last accessed on 23 April 2020.

[232] Diligencia Group Registry entry for MTM&O Gold Refinery DMCC. Date of registration on 01 Feb 2017. See also https://www.dmcc.ae/business-search. Last accessed on 23 April 2020.

MTM&O is owned by Kaloti founder Munir Kaloti, his son Osama Kaloti and Munir Kaloti's sons-in-law Monzer Medakka and Tarek El Mdaka who are co-owners of several other Kaloti companies.

[233] See e.g. "$60m gold refinery being built in Dubai ", Gulf News, 5 May 2014. Available from https://gulfnews.com/business/markets/60m-gold-refinery-being-built-in-dubai-1.1328567; "Kaloti Building New Gold and Precious Metals Refinery in Dubai", Engineering and Mining Journal, May 2013. Available from https://www.e-mj.com/news/asia/kaloti-building-new-gold-and-precious-metals-refinery-in-dubai/

[234] Diligencia Group Registry entry for MTM&O Gold Refinery DMCC. Date of registration on 1 February 2017.

[235] See "2016 Bullion Dealer of the Year – The Results", Bullion Directory. Available from https://bullion.directory/2016-bullion-dealer-of-the-year/

[236] OECD (2018): Alignment Assessment of Industry Programmes with the OECD Minerals Guidance. Page 52.

[237] DMCC: Response to OTC. 4 June 2020.

[238] See https://www.dmcc.ae/gateway-to-trade/commodities/gold/responsible-sourcing; See also https://www.dmcc.ae/application/files/1015/6336/1995/DMCC_Rules_RBD_GPM_-_CL_-_27_Nov_2017.pdf

[239] "Notice: Kaloti Gold Factory LLC placement on former list of DMCC's Dubai Good Delivery refineries", DMCC, September 2015; See also "DMCC removes Kaloti from Dubai Good Delivery list over gold sourcing", totaluae, 13 April 2015. Available from http://www.totaluae.com/news/dmcc-removes-kaloti-from-dubai-good-delivery-list-over-gold-sourcing/

[240] SWISSAID interview with gold expert from February 2020.

[241] DMCC: Response to OTC. 4 June 2020.

[242] Kaloti: Response to OTC. 8 June 2020.

[243] Kaloti: Response to OTC. 8 June 2020.

[244] "Notice: Kaloti Gold Factory LLC placement on former list of DMCC's Dubai Good Delivery refineries", DMCC, September 2015.

[245] Global Witness interview with gold expert from January 2020.

[246] Global Witness interviews with source from June 2020; SWISSAID interviews with sources from February 2020, February 2020, February 2020, March 2020.

[247] Global Witness interview with source from June 2020; SWISSAID interview with source from March 2020.

[248] See Swiss-Impex: Switzerland reports having imported 83,987 tonnes of gold (HS 7108) from the UAE worth $3,397,957,208 in 2018. Available from https://www.gate.ezv.admin.ch/swissimpex

[249] SWISSAID interview with source from February 2020.

[250] Valcambi: Response to OTC, 15 June 2020; Kaloti: Response to OTC, 8 June 2020.

[251] Kaloti: Response to OTC, 8 June 2020.

[252] See http://www.lbma.org.uk/current-membership. Last checked on 14 April 2020.

[253] See www.lbma.org.uk/origins-of-the-london-bullion-market

[254] See http://www.lbma.org.uk/good-delivery-list (last checked on 14 April 2020).

[255] See http://www.lbma.org.uk/governance

[256] See www.lbma.org.uk/origins-of-the-london-bullion-market

[257] See "Kaloti Jewellery International DMCC Obtains Dubai Good Delivery Status And Centralises Its Global Bullion Operations From Almas Tower", UAE Today. Available from https://www.uaetoday.com/news_details.asp?newsid=29411

In 2010, when Kaloti was awarded the DMCC's Good Delivery status, Michael Mesaric, CEO of Valcambi SA, publicly confirmed: "We have a business relationship with Kaloti since 2002; we started with 30 kg scrap deliveries a week from them which gradually increased beyond expectation. Today, it is fair to say that Kaloti is one of the key players in the scrap market. They were bold enough to identify and pursue market opportunities and made a strong effort to understand their competitors and clients. I would like to congratulate the Kaloti Jewellery Group on their achievements and look forward to a long term mutually beneficial relationship."

[258] Global Witness interview with Michael Mesaric and Simone Knobloch (Valcambi), 7 January 2020.

[259] SWISSAID interviews with source from February 2020 and May 2020.

[260] See https://beta.companieshouse.gov.uk/company/09845097

[261] http://t1fs.com/. Last accessed 24 May 2020.

Trust One Financial Services' statement on its homepage that it is a "UK FCA Authorised and Regulated Financial Services Firm **providing investment advice**/management, commodity execution, logistics support and hedging" (our emphasis) is contradicted by a disclaimer on the same homepage: "DISCLAIMER Precious metal prices can be volatile and the value of your metal may go down as well as up. No responsibility can be accepted by Trust One Financial Services Ltd for any loss caused by acting on information we have provided. **We do not offer investment or tax advice** and recommend that you conduct your own independent research before making any investment decisions."

[262] Global Witness interview with gold expert from May 2020; See also "Billion dollar gold market in Dubai where not all was as it seemed", Dominica Vibes, 26 February 2014. Available from https://www.dominicavibes.dm/business-122797/

[263] See https://beta.companieshouse.gov.uk/company/09845097/officers

[264] See https://beta.companieshouse.gov.uk/officers/hI3UVXvRJqLWyiy6Fb2jMxrVXRQ/appointments

[265] See https://beta.companieshouse.gov.uk/company/09845097/officers

[266] For Osama Munir Ragheb Al-Kaloti, see Diligencia Group registry entry for MTM&O Gold Refinery DMCC; Kaloti Precious Metals Suriname DMCC; Kaloti Trans DMCC.

For Tarek Zouhair El Mdaka, see Diligencia Group registry entry for Kaloti Jewellery International DMCC; MTM&O Gold Refinery DMCC; Kaloti Precious Metals Suriname DMCC; Kaloti Trans DMCC.

[267] SWISSAID interview with source from March 2020; Global Witness interview with source from June 2020.

[268] Valcambi: Response to OTC, 15 June 2020; Trust One Financial Services: Response to OTC, 4 June 2020; Kaloti: Response to OTC, 8 June 2020.

[269] Kaloti: Response to OTC, 8 June 2020.

[270] See http://www.kalotipm.com/Media-Center-PressReleases-Details/8/KALOTI-BECOMES-FOUNDER-MEMBER-OF-THE-SHANGHAI-INTERNATIONAL-GOLD-EXCHANGE

[271] See Shanghai Gold Exchange, Membership: http://www.en.sge.com.cn/membership_ListofMembers_internationalboard. Last checked 13 March 2020.

[272] Kaloti Jewellery Int. (Europe) Kiymetli Maden TIC. A.S.

[273] See Borsa Istanbul Stock Exchange: https://www.borsaistanbul.com/en/members/members-list?y=201. Last checked 13 March 2020.

[274] See http://www.kalotipm.com/About-Us. Last accessed 13 March 2020.

[275] Kaloti: Response to OTC, 8 June 2020.

[276] Reports to the US Securities and Exchange Commission are available from here: https://searchwww.sec.gov/EDGARFSClient/jsp/EDGAR_MainAccess.jsp

Global Witness has searched for and subsequently reviewed all reports mentioning Kaloti.

[277] U.S. Securities and Exchange Commission: Reports to comply with Rule 13p-1 under the Securities Exchange Act of 1934 adopted to implement reporting and disclosure requirements related to conflict minerals as directed by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act"). Available from https://searchwww.sec.gov

[278] Disney: Response to OTC, 6 June 2020.

[279] Sony: Response to OTC, 4 June 2020.

[280] HP: Response to OTC, 3 June 2020.

[281] HP: Response to OTC, 3 June 2020; Sony: Response to OTC, 4 June 2020.

[282] See https://www.valcambi.com/about-us/at-a-glance

[283] See https://www.valcambi.com/about-us/at-a-glance

[284] See "Valcambi Refinery", BullionStar. Available from https://www.bullionstar.com/gold-university/valcambi-refinery[285] See https://www.valcambi.com/services/manufacturing/

[286] Berne Declaration (2015): Golden Racket. Page 3.

[287] Valcambi: Press release. Valcambi has not received any gold from the mines mentioned by Berne declaration. 12 September 2015. Available from https://www.valcambi.com/fileadmin/media/valcambi/News/Press_release_-_Bern_Declaration__english_20150912.pdf

[288] Global Witness interview with Michael Mesaric and Simone Knobloch (Valcambi) from 7 January 2020.

[289] Valcambi (2019): Sustainability Report 2018. Page 1.

[290] Society For Threatened People (2017): Switzerland – A Hub for Risky Gold? Page 36 and 37; Sudan Transparency Initiative (2017): The politics of mining and trading of gold in Sudan: Challenges of corruption and lack of transparency. Page 59; see also "Illegal 'blood gold' – from war-torn Sudan to your phone", Mail & Guardian, 11 May 2016. Available from https://mg.co.za/article/2016-05-11-the-missing-paper-trails-of-sudans-gold/

[291] See www.shahama-sd.com/en/content/about-company

[292] See "Sudan International Mining Business Forum & Exhibition. About SIMFE 2018": Kaloti is listed as gold sponsor; "Sudan International Mining Business Forum & Exhibition": Kaloti Precious Metals Group DMCC is welcomed as Summit Gold Sponsor.

[293] http://www.kalotipm.com/Service: Assaying

[294] UN Comtrade Database. Available from https://comtrade.un.org/data/

[295] See chapter "Kaloti's failed due diligence and how auditing companies cover it up"

[296] See "The Darfur conflict's deadly gold rush", Reuters, 8 October 2013. Available from https://www.reuters.com/article/us-sudan-darfur-gold/special-report-the-darfur-conflicts-deadly-gold-rush-idUSBRE99707G20131008; Dabanga, "'Gold tax to recompense 839 Abbala-Beni Hussein dead': North Darfur Minister," August 22, 2013. Available from https://www.dabangasudan.org/en/all-news/article/gold-tax-to-recompense-839-abbala-beni-hussein-dead-north-darfur-minister; United Nations Security Council (2016): Final report of the Panel of Experts on the Sudan established pursuant to resolution 1591 (2005) (S/2016/805). Page 43.

[297] United Nations Security Council (2016): Final report of the Panel of Experts on the Sudan established pursuant to resolution 1591 (2005) (S/2016/805). Page 43.

[298] United Nations Security Council (2016): Final report of the Panel of Experts on the Sudan established pursuant to resolution 1591 (2005) (S/2016/805). Page 5.[299] See "Exposing RSF's secret financial network", Global Witness, 9 December 2019. Available from https://www.globalwitness.org/en/campaigns/conflict-minerals/exposing-rsfs-secret-financial-network/

[300] "Sudan militia leader grew rich by selling gold", Reuters, 26 November 2019. Available from https://www.reuters.com/article/us-sudan-gold-exclusive-idUSKBN1Y01DQ

[301] United Nations Security Council (2020): Final report of the Panel of Experts on the Sudan (S/2020/36). Page 12 and 39.

[302] Global Witness interview with Michael Mesaric and Simone Knobloch (Valcambi) from 7 January 2020.

[303] See "Kaloti Jewellery International DMCC Obtains Dubai Good Delivery Status And Centralises Its Global Bullion Operations From Almas Tower", UAE Today. Available from https://www.uaetoday.com/news_details.asp?newsid=29411

[304] See http://www.kalotipm.com/About-Us, History.

[305] The OECD Guidance distinguishes in its recommendations between upstream and downstream companies. A refinery is typically an upstream company in the OECD terminology. However, when refiners source refined material from suppliers (including other refiners), they are considered as downstream companies and therefore the recommendations for downstream companies should apply instead of those for upstream companies. Since traceability is much more difficult after gold has been refined, as often gold from various origins is mixed, many of the obligations on upstream companies are irrelevant for a refiner sourcing refined gold. Meanwhile, for a refiner sourcing refined gold, the downstream provisions in Steps 2 and 3 on assessing the due diligence practices of the refiners in the supply chain are clearly relevant and applicable.

[306] OECD Guidance (2016). Gold Supplement. See particularly page 76.

[307] Valcambi (2019): Refiner's Compliance Report.

[308] Valcambi: Response to OTC. 15 June 2020.

[309] Global Witness interview with Michael Mesaric and Simone Knobloch (Valcambi) from 7 January 2020.

[310] OECD Guidance (2016). Page 111.

[311] While Valcambi normally published sustainability reports annually; it has not published reports for 2014 or 2016 on its website and the report for 2019 has not yet been published at the time of writing on its website (https://www.valcambi.com/accreditations-compliance/sustainability/; last accessed 7 July 2020).

[312] OECD Guidance (2016). Page 111 (footnote 59).

[313] See https://www.valcambi.com/fileadmin/media/valcambi/News/Attachement_to_the_BHRRC_request_-_BD_response_-_FINAL.pdf

[314] The OECD Guidance (page 67) uses the following definitions of mined and recyclable gold (the term 'scrap gold' is often used instead of 'recyclable gold'):
"MINED GOLD – Gold that originates from mines (medium and large-scale or artisanal and/or small-scale mines) and has never been previously refined.

RECYCLABLE GOLD – Gold that has been previously refined, such as end-user, post-consumer and investment gold and gold-bearing products, and scrap and waste metals and materials arising during refining and product manufacturing, which is returned to a refiner or other downstream intermediate processor to begin a new life cycle as 'recycled gold'."

[315] Global Witness interview with Michael Mesaric and Simone Knobloch (Valcambi) from 7 January 2020.

[316] Global Witness (2014): City of Gold. Page 6.

Gold mined in conflict-affected areas is sometimes concealed in scrap bars in order to conceal its origin.

[317] Valcambi: Response to OTC, 15 June 2020.

[318] OECD Guidance (2016). Annex II. Paragraph 1-4. See also Gold Supplement. Page 100-105.

[319] Ibid.

[320] UN Human Rights Office of the High Commissioner (2011): UN Guiding Principles on Business and Human Rights. Page 14.

[321] OECD (2011): Guidelines for Multinational Enterprises. Page 31.

[322] Valcambi (2019): Sustainability Report 2018. Page 1, 23 and 26.

"We have been at the forefront of promoting responsibly mined and sourced gold for many years, establishing standards that go beyond even those developed by OECD Due Diligence Guidance and the LBMA Responsible Gold Guidance."

"Valcambi frames its commitment to human rights in line with the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-affected and High Risk Areas."

"These [Valcambi's own internal sourcing processes] are aligned and go beyond internationally accepted standards and responsible business practices, including the OECD Due Diligence Guidance"

[323] Valcambi (2012): Precious Metals Supply Chain Policy. Page 4.

[324] See for example Global Forum on Responsible Business Conduct (2014): Due diligence in the financial sector: adverse impacts directly linked to financial sector operations, products or services by a business relationship. Page 6.

"It may be the case that Company B with which Company A has a business relationship is not causing or contributing to the adverse impact itself. However let's imagine that Company B's operations, products and services are directly linked to Company C, an entity that is causing or contributing to an adverse impact within the scope of Company A's supply chain. In that case Company A is still considered to be directly linked to the adverse impact. Hence, even if the adverse impact is caused or contributed to by an entity deeper in the supply chain (Company C), Company A is still expected to seek to prevent or mitigate the adverse impacts arising in its entire supply chain.

The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas underscores this approach. Despite multiple tiers of business relationships between Company A's end product (e.g. a computer) and the mine of origin where the adverse impact arises (e.g. financing armed groups through mineral production and trade), there is nonetheless a direct link between Company A's product (computer) and the adverse impact through the business relationship with its suppliers of products containing those metals. This direct linkage gives rise to the expectation of responsible mineral supply chain management in accordance with the OECD Due Diligence Guidance."

See also OECD (2018): Due Diligence Guidance for Responsible Business Conduct. Page 71.

The Guidance clarifies that ""[l]inkage" is defined by the relationship between the adverse impact and the enterprise's products, services or operations through another entity (i.e. business relationship). "Directly linked" is not defined by direct contractual relationships, for example "direct sourcing"." In order to illustrate this, the Guidance provides an example of a mineral supply chain: "…if an enterprise sources cobalt mined using child labour which is then used in its products the enterprise can be directly linked to the adverse impact (i.e. child labour). In this case, the enterprise did not cause or contribute to the adverse impact itself, but nevertheless there still can be a direct link between the enterprise's products and the adverse impact through its business relationships with the entities involved in its sourcing of the cobalt (i.e. with the smelter, minerals trader, and mining enterprise using child labour)."

[325] Global Witness interview with Michael Mesaric and Simone Knobloch (Valcambi) from 7 January 2020.

[326] United Nations Security Council (2016): Final report of the Panel of Experts on the Sudan established pursuant to resolution 1591 (2005) (S/2016/805). Page 5.

[327] "Sudan militia leader grew rich by selling gold", Reuters, 26 November 2019. Available from https://www.reuters.com/article/us-sudan-gold-exclusive-idUSKBN1Y01DQ

[328] Global Witness interview with Michael Mesaric and Simone Knobloch (Valcambi), 7 January 2020.

[329] The question of whether Valcambi should implement upstream or downstream recommendations depends on whether Valcambi has sourced unrefined gold or refined gold from Kaloti. In the first case, Valcambi should be considered an upstream company, while in the latter case it should be considered a downstream company. (See also footnote [274] above)

[330] OECD Guidance (2016): Step 2, II, D, Step 2, III, B.

Step 2, III, B refers to downstream companies. This recommendation therefore applies if Valcambi has sourced refined gold from Kaloti: "Obtain preliminary evidence of the refiner's due diligence to see whether they have identified, or reasonably should have identified red flags in their supply chains."

Step 2, II, D, a recommendation for upstream companies, is less clear. It seems to apply to the gold the company sources: "Assess risks in the supply chain. Assess the information collected and learned through mapping the factual circumstances of the company's red flagged supply chain(s)."

[331] On the question of business confidentiality, see OECD Guidance (2016), footnote 59 on page 111:

"Business confidentiality and other competitive or security concerns means, without prejudice to subsequent evolving interpretation: price information; supplier identities and relationships (however the identity of the refiner and the local exporter located in red flag locations should always be disclosed except in cases of disengagement)."

[332] OECD Guidance (2016), Annex II, 1.-4. See also Gold Supplement, page 100-105.

[333] OECD Guidance (2016). Step2, II, A; Step 2, II, C, c; Step 2, III, B; Step 2, III, C, 1.

Step 2, II, A, refers to local gold exporters, international gold traders and refiners: "[They] should assess and verify representations of suppliers with steps proportional to risk in order to make reasonable determinations of Gold Origin."

Step 2, II, C, c, refers to upstream companies: "Determine (including through desk research; in-site visits to gold suppliers; random sample verification of purchase records proportional to risk; and a review and assessment of purchase and anti-money laundering and counter terrorist financing (AML-CFT) procedures and directives, if applicable) if upstream suppliers have policies and management systems that are consistent with this Guidance and that such policies and management systems are operative." (Note that this refers to the operation of the management systems in general, and is not limited to the operation of that system in relation to the gold the refiner sources.)

Step 2, III, B, refers to downstream companies: "Obtain preliminary evidence of the refiner's due diligence to see whether they have identified, or reasonably should have identified red flags in their supply chains. All determination of whether refiners have, or reasonably should have, identified red flags in their supply chains should be based on reasonable and good faith efforts of the company relying on evidence generated in Step 1 as well as any additional information (collected through engagement with suppliers and desk research). Companies should verify representations of suppliers with external sources of evidence proportional to risk in order to make reasonable determinations."

Step 2, III C, also refers to downstream companies: "Assess risks by evaluating the supply chain due diligence practices of refiners with red flags in their gold supply chains. In order to carry out risk assessments, companies should assess whether the refiners with red flags in their supply chain have carried out all elements of due diligence for responsible supply chains of gold from conflict-affected and high-risk areas recommended in this Guidance."

[334] OECD Guidance (2016). Step 3, I, B, 4.

Step 3, I, B, 4, refers to upstream companies: "Incorporate the right to conduct unannounced spot-checks on suppliers and have access to their relevant documentation into commercial contracts and/or written agreements with suppliers which can be applied and monitored."

[335] OECD Guidance (2016). Step 2, III, C, 4.

Step 2, III, C, 4 refers to downstream companies: "Determine whether the refiner's due diligence practices have been audited against a standard in conformance with this Guidance, and obtain the results of that audit."

[336] OECD Guidance (2016). Step 3, I, A, 4.

Step 2, III, C, 4, refers to upstream companies: "Incorporate the right to conduct unannounced spot-checks on suppliers and have access to their relevant documentation into commercial contracts and/or written agreements with suppliers which can be applied and monitored."

[337] Valcambi: Response to OTC, 15 June 2020.

[338] Ibid.

[339] OECD Guidance (2016). Annex II, 2 and 4. See also Gold Supplement, page 100-105.

[340] Global Witness interview with Michael Mesaric and Simone Knobloch (Valcambi) from 7 January 2020.

[341] Valcambi: Response to OTC, 15 June 2020.

[342] OECD Guidance (2016). Page 8.

[343] KPMG (2018): Independent Reasonable Assurance Reports to Valcambi.

[344] Valcambi: Responsible Gold Certificate 2018. Available from https://www.valcambi.com/fileadmin/media/valcambi/PDF_files/RGGCertificate_Valcambi2018.pdf

[345] LBMA: Response to OTC, 5 June 2020.

[346] KPMG: Response to OTC, 5 June 2020.

[347] OECD (2018): Alignment Assessment of Industry Programmes with the OECD Minerals Guidance. Page 65.

[348] LBMA (2017 and 2018): Responsible Sourcing Programme. Responsible Gold Guidance, V8, 11.12.2018 (page 6, 9, 14) as well as Version 7 Last updated 1st September 2017 (page 4, 7, 11).

"If the result of the gold supply chain Due Diligence concludes that there is money laundering, terrorist financing, serious human rights abuse, direct or indirect support to illegitimate non-state armed group, or fraudulent misrepresentation of the origin of minerals, or if the possibility of the same is deemed too high, the Refinery should stop immediately to refine gold from this provenance and report it to the appropriate authorities if applicable."

"If the result of the gold supply chain Due Diligence concludes that it is possible that there is money laundering, terrorist financing, serious human rights abuse, direct or indirect support to illegitimate non-state armed group, fraudulent misrepresentation of the origin of minerals, the Refinery should suspend refining gold from this provenance until it can obtain additional information/data confirming or refuting the preliminary assessment."

[349] LBMA (2017 and 2018): Responsible Sourcing Programme. Responsible Gold Guidance, V8, 11.12.2018 (page 14) as well as Version 7 Last updated 1st September 2017 (page 11).

[350] LBMA (2017 and 2018): Responsible Sourcing Programme. Third Party Audit Guidance, V1, 11.12.2018 (page 3, 17) as well as Version 3 01/09/2017 (page 33).

[351] LBMA (2017 and 2018): Responsible Sourcing Programme: Third Party Audit Guidance, V1, 11.12.2018 (Appendix 1) as well as Version 3 01/09/2017 (Appendix 1).

[352] Valcambi: Response to OTC, 15 June 2020.

[353] OECD Guidance (2016), footnote 59 on page 111.

[354] LBMA (2018): Responsible Sourcing Programme. Third Party Audit Guidance, V1, 11.12.2018. Page 19: LBMA: Response to OTC, 5 June 2020.

[355] See https://www.accountancyage.com/rankings/top-5050-accountancy-firms-2019/

[356] See "Rajesh Exports Acquires Valcambi – World's Largest Gold Refinery", News Voir, 27 July 2015. Available from https://www.newsvoir.com/release/rajesh-exports-acquires-valcambi---world-s-largest-gold-refinery-4921.html

[357] Valcambi: Response to OTC, 15 June 2020.

[358] Valcambi: Response to OTC, 15 June 2020.

[359] See "Swiss Gold Market", Bullion Star. Available from https://www.bullionstar.com/gold-university/swiss-gold-market#heading-4

[360] The Swiss Criminal Law professor Marc Pieth wrote in his book Gold Laundering (2019) that he received information as a member of an official Swiss government committee in 2003 which suggested that the narrow scope of the Ordinance on Combating Money Laundering and Terrorist Financing with regard to financial intermediaries could be related to the intervention by some influential commodity traders, especially Marc Rich, who threatened to leave the country (page 201). Marc Rich was an important Swiss-based commodity trader who founded Marc Rich & Co. AG, a pioneering oil trading firm, which eventually became Glencore, one of the largest commodity trading companies (See https://www.forbes.com/sites/bruceupbin/2013/06/26/oil-king-marc-rich-dies-at-78/).

[361] See 955.0 Bundesgesetz über die Bekämpfung der Geldwäscherei und der Terrorismusfinanzierung, (Geldwäschereigesetz, GwG). Article 3c.

Available from https://www.admin.ch/opc/de/classified-compilation/19970427/index.html

The Swiss Anti-Money Laundering Act (AMLA) considers "persons who on a professional basis accept or hold or deposit assets belonging to others or who assist in the investment or transfer of such assets" as financial intermediaries to which the provisions of the AMLA apply. "[T]hey include in particular persons:" "who trade for their own account or for the account of others in […] precious metals […]".

[362] See 955.0 Bundesgesetz über die Bekämpfung der Geldwäscherei und der Terrorismusfinanzierung, (Geldwäschereigesetz, GwG). Art. 3 and 4.

[363] See 955.0 Bundesgesetz über die Bekämpfung der Geldwäscherei und der Terrorismusfinanzierung, (Geldwäschereigesetz, GwG). Art. 6.

[364] See 955.0 Bundesgesetz über die Bekämpfung der Geldwäscherei und der Terrorismusfinanzierung, (Geldwäschereigesetz, GwG). Art. 7.

[365] See 955.0 Bundesgesetz über die Bekämpfung der Geldwäscherei und der Terrorismusfinanzierung, (Geldwäschereigesetz, GwG). Art. 9.

[366] Stefan Mbiyavanga (2019): Applying the Swiss Anti-Money Laundering Act to Refiners. Basel Governance Institute Working Paper 31. Page 7. Available from here: https://www.baselgovernance.org/publications/working-paper-31-applying-swiss-anti-money-laundering-act-gold-refineries

[367] Ordinance on the Control of Trade in Precious Metals and Articles of Precious Metals (941.311). Article 178, paragraph 2a. Available from https://www.admin.ch/opc/en/classified-compilation/19340042/index.html

[368] See Verordnung über die Bekämpfung der Geldwäscherei und der Terrorismusfinanzierung (955.01). Article 5, paragraph 1a. Available from https://www.admin.ch/opc/de/classified-compilation/20152238/index.html in

[369] Stefan Mbiyavanga (2019): Applying the Swiss Anti-Money Laundering Act to Refiners. Basel Governance Institute Working Paper 31. Pages 7-8. Available from here: https://www.baselgovernance.org/publications/working-paper-31-applying-swiss-anti-money-laundering-act-gold-refineries

[370] Verordnung über die Bekämpfung der Geldwäscherei und der Terrorismusfinanzierung (955.01). Article 5, paragraph 1a. Available from https://www.admin.ch/opc/de/classified-compilation/20152238/index.html

[371] Verordnung über die Bekämpfung der Geldwäscherei und der Terrorismusfinanzierung (955.01). Article 5, paragraph 1c.

Available from https://www.admin.ch/opc/de/classified-compilation/20152238/index.html

[372] Verordnung über die Bekämpfung der Geldwäscherei und der Terrorismusfinanzierung (955.01). Article 5, paragraph 1d. Available from https://www.admin.ch/opc/de/classified-compilation/20152238/index.html

[373] Stefan Mbiyavanga (2019): Applying the Swiss Anti-Money Laundering Act to Refiners. Basel Governance Institute Working Paper 31. Pages 7-8. Available from here: https://www.baselgovernance.org/publications/working-paper-31-applying-swiss-anti-money-laundering-act-gold-refineries

[374] See Stefan Mbiyavanga (2019): Applying the Swiss Anti-Money Laundering Act to Refiners. Basel Governance Institute Working Paper 31. Available from https://www.baselgovernance.org/publications/working-paper-31-applying-swiss-anti-money-laundering-act-gold-refineries

[375] Zollgesetz vom 18. März 2005 (Stand am 15. September 2018), Art. 1. https://www.admin.ch/opc/de/classified-compilation/20030370/index.html

[376] Global Witness interview with two senior representatives of the Swiss Federal Customs Administration, 4 September 2019.

[377] EBP (2017): Expert Study on the Swiss Gold Sector and related Risks of Human Rights Abuses. Page 94.

[378] Global Witness interview with two senior representatives of the Swiss Federal Customs Administration, 4 September 2019. Confirmed on 18 May 2020.

[379] For example, in August 2019 British authorities seized a massive 104 kg gold consignment "linked to drug cartels operating out of South America". Had it not been intercepted, it would most likely have entered Switzerland, its ultimate destination, without any

questions being asked. See "Gold seized by NCA at Heathrow as part of international cartel investigation", National Crime Agency, Available from https://www.nationalcrimeagency.gov.uk/news/gold-seized-by-nca-at-heathrow-as-part-of-international-cartel-investigation

380 Le Conseil Fédéral (2018): Goldhandel und Verletzung der Menschenrechte: Bericht des Bundesrates in Erfüllung des Postulats Recordon 15.3877. Page 6. Available from https://www.newsd.admin.ch/newsd/message/attachments/54479.pdf

381 Le Conseil Fédéral (2018): Goldhandel und Verletzung der Menschenrechte: Bericht des Bundesrates in Erfüllung des Postulats Recordon 15.3877. Page 6. Available from https://www.newsd.admin.ch/newsd/message/attachments/54479.pdf; See also: Ordinance on the Control of Trade in Precious Metals and Articles of Precious Metals (941.311), Article 168, III, 3, 1-5. Available from https://www.admin.ch/opc/en/classified-compilation/19340042/index.html

382 Swiss Federal Audit Office (2020): Audit de l'efficacité du contrôle des métaux précieux. Page 32; SPMC: Response to OTC, 4 June 2020.

383 Swiss Federal Audit Office (2020): Audit de l'efficacité du contrôle des métaux précieux. Page 31.

384 Global Initiative Against Transnational Organized Crime (2016): Organized Crime and Illegally Mined Gold in Latin America. Page 8 and 73.

Estimations of illegal production: Bolivia 31%, Peru 28%, Ecuador 77%, Colombia 80% and Venezuela 91%.

UN Comtrade Database: Gold exports (HS 7108) in 2018 for Peru: 155 of 542 tonnes exported to Switzerland; and for Colombia: 7.4 of 45 tonnes exported to Switzerland, 16 tonnes to the U.S. and 8 tonnes to Canada.

385 See "US Conflict Minerals Law", Global Witness, 15 November 2017. Available from https://www.globalwitness.org/en/campaigns/conflict-minerals/dodd-frank-act-section-1502/

In 2017 the U.S. Security and Exchange Commission halted the enforcement of the conflict mineral rule. See

'SEC halts some enforcement of conflict minerals rule amid review', Reuters, 7 April 2017.

386 See "Advice Note to Companies, Member States, and the European Commission", March 2018. Available from https://www.globalwitness.org/en/campaigns/conflict-minerals/conflict-minerals-shaping-eu-policy/

387 EBP (2017): Expert Study on the Swiss Gold Sector and related Risks of Human Rights Abuses. Annexes A2 – A4.

388 See e.g.: Global Witness (2014): City of Gold. Why Dubai's first conflict gold audit never saw the light of day; The Sentry (2018): The Golden Laundromat. The Conflict Gold Trade from Eastern Congo to the United States and Europe; Impact (2019): The Golden Web. How India Became One of the World's Largest Gold Smuggling Hubs.

389 For instance in 2018, South Africa produced 123 tonnes and imported only 13.5 tonnes of gold (according to GFMS (2020): Gold Survey 2019 (page 21)) and the UN Comtrade Database (available from https://comtrade.un.org/data/), respectively.

390 See for example United Nations Security Council (2017): Final report of the Group of Experts on the Democratic Republic of the Congo (S/2017/672). Paragraph 131; United Nations Security Council (2019): Final report of the Group of Experts on the Democratic Republic of the Congo (S/2019/469). Paragraph 186; See also "Gold worth billions smuggled out of Africa", Reuters, 24 April 2019. Available from https://www.reuters.com/article/us-gold-africa-smuggling-exclusive-idUSKCN1S00IT

391 Le Conseil Fédéral (2015): Goldhandel und Verletzung der Menschenrechte: Bericht des Bundesrates in Erfüllung des Postulats Recordon 15.3877. Page 7 and 8. Available from https://www.newsd.admin.ch/newsd/message/attachments/54479.pdf

392 EBP (2017): Expert Study on the Swiss Gold Sector and related Risks of Human Rights Abuses. Page 112.

"Swiss refiners are considering themselves 'top of the class', by arguing that Switzerland is more regulated, also due to its history with strict financial and anti-money laundering regulation and law enforcement. As a result, they think that they are ahead of the game compared with other commodities."

393 Le Conseil fédéral (2018): Goldhandel und Verletzung der Menschenrechte. Bericht des Bundesrates in Erfüllung des Postulats Recordon. Page 6. Available from https://www.newsd.admin.ch/newsd/message/attachments/54473.pdf

"The gold trade in Switzerland is subject to legislation that is among the strictest in the world. This has contributed to the quality and development of Switzerland as a precious metals location." (Translation from German by Global Witness.)

394 Le Conseil fédéral (2018): Goldhandel und Verletzung der Menschenrechte. Bericht des Bundesrates in Erfüllung des Postulats Recordon. Page 11. Available from https://www.newsd.admin.ch/newsd/message/attachments/54473.pdf

395 LBMA (2018) Responsible Sourcing Programme. Responsible Gold Guidance. Version 8 (11.12.2018).

396 EBP (2017): Expert Study on the Swiss Gold Sector and related Risks of Human Rights Abuses. Page 9.

397 See "The Responsible Business Initiative", Swiss Coalition for Corporate Justice. Available from https://corporatejustice.ch/

398 See https://corporatejustice.ch/about-the-initiative/

399 See https://www.admin.ch/gov/de/start/dokumentation/medienmitteilungen.msg-id-68134.html

400 See https://www.admin.ch/gov/de/start/dokumentation/medienmitteilungen.msg-id-76050.html

401 See https://konzern-initiative.ch/

402 See https://konzern-initiative.ch/neuigkeit/konstant-hohe-zustimmung/

403 See "Economiesuisse plant Millionen-Kampagne mit Furrerhugi", Handelszeitung, 24 October 2019. Available from https://www.handelszeitung.ch/unternehmen/economiesuisse-plant-millionen-kampagne-mit-furrerhugi