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ARGOR-HERAEUS SA  
Dr Robin Kolvenbach, Co-CEO  
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Luzern, 02 February 2023

### Due diligence exerted by ARGOR-HERAEUS on gold imports from MINEROS, Colombia

Dear Dr Kolvenbach

We are writing to you regarding the above matter.

In Colombia, Fastenaktion supports various partners with a view to furthering food security and human rights. One of our partners, the IPC (*Instituto Popular de Capacitación*), has been closely monitoring the situation of the alluvial gold mine operated by MINEROS in the province of Antioquia, one of the biggest in the world. MINEROS is a business partner of ARGOR-HERAEUS.

The IPC has now written a study on the impact of the mine, of which we are sending you enclosed a summary (in Spanish). The data obtained by the IPC shows that ARGOR-HERAEUS imported the following quantities from MINEROS (i.e. MINEROS S.A. and MINEROS ALUVIAL S.A.S.) in the past years:

Year	Qty imported (kg)	Qty imported (oz)
2014	3'795.220	122'019
2015	3'329.670	107'051
2016	4'495.300	144'527
2017	2'320.910	74'619
2018	1'472.310	47'336
2019	1'947.270	62'606
2020	1'053.200	33'861
2021	1'382.280	44'441
2022 (Jan.-Nov.)	1'579.550	50'784
Total	21'375.710	687'245

The study points out numerous problems in the region of the Bajo Cauca related the production of gold by MINEROS. Communities have been complaining about the impact of gold mining for a long time. Of particular concern to us are the following issues:

- a) Antioquia is a **conflict-affected and high-risk area**<sup>1</sup>, which requires a careful and thorough assessment of the risks by companies importing minerals. According to the corresponding

<sup>1</sup> See EU list of conflict-affected and high-risk areas: [www.cahaslist.net/cahas](http://www.cahaslist.net/cahas)



OECD Guidance<sup>2</sup>, which ARGOR-HERAEUS says it abides to, the identity of the refiner and the local exporter of such "red flags" locations should always be disclosed<sup>3</sup>. A corresponding information was not found on your homepage.

- b) The legitimacy of MINEROS holding a **property title** over the river Nechí is very questionable in view of current laws in Colombia. It is a private property title, extended indefinitely, on the bed and banks of the entire lower basin of this river, yet declared in 2019 as a subject of rights by the Superior Court of Medellín (see Summary, p. 13).
- c) In the past, the river Nechí was **diverted** a number of times, without any compensation being paid to the affected communities (Summary, p. 14-16). The construction of canals by MINEROS has considerably altered the local environment.
- d) **Extraction methods** for gold (with pools and dams) have been questioned several times by the environmental authority in Colombia (Summary, p. 16-18).
- e) Between 2018-2022, 4 **dam breaches** have been registered, with severe consequences for the environment and local population (Summary, p. 18-20). According to one initial assessment of the local environmental authority, MINEROS did not take adequate measures to minimise the consequences of such problems. These dam breaches seem to happen regularly, but MINEROS does not report them in its Sustainability report<sup>4</sup>.
- f) **Water pollution**: Samples taken by our partner in 10 places of the river impacted by the mine show a higher turbidity in general, with 3 places having too low an oxygen level, affecting the local fauna and flora (Summary, p. 27-30). MINEROS affirms that it monitors water quality<sup>5</sup>, but does not publish any data.
- g) **Destruction of wetlands**. According to our partner, local fishermen have identified 26 wetlands which disappeared because of gold mining, and 13 more being in a critical state (Summary, p. 26-27).
- h) **Illegal mining**. There is a notorious and widespread presence of illegal miners in the concession of MINEROS. Illegal mining on the river is associated with environmental pollution (mercury), links to criminal groups, money laundry, prostitution, etc. Available data shows that the quantity of gold exported by MINEROS is actually much higher than the production declared in company reports (Summary, p. 33-38). This raises questions about the possible purchase and sale of gold mined illegally.

As a result of the above-mentioned environmental and social issues, the relationship between local communities and MINEROS has been conflictual for a long time.

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<sup>2</sup> OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

<sup>3</sup> OECD Guidance, Step 5, Report annually on Supply Chain Due Diligence, Paragraph A, Footnote 59: "... the identity of the refiner and the local exporter located in red flag locations should always be disclosed except in cases of disengagement"

<sup>4</sup> For example, the "Informe de Sostenibilidad" 2021 mentions: "Sin incidentes ambientales significativos en 2021", in spite of the fact that a dam breach happened that year

<sup>5</sup> MINEROS, Global Reporting Initiative Index 2020, p. 15

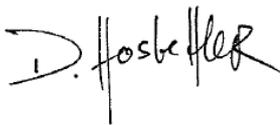
In order for us to have a better understanding of the situation, we kindly ask you to answer the following questions:

- 1) Can ARGOR-HERAEUS confirm that it has been importing and refining the above-mentioned quantities from MINEROS?
- 2) Why is ARGOR-HERAEUS not publishing the name of its business partners in conflict-affected regions as per the OECD Guidance?
- 3) When did ARGOR-HERAEUS start its business relationship with MINEROS, and what exact due diligence has been undertaken by ARGOR-HERAEUS since then?
- 4) What is the view of ARGOR-HERAEUS on the environmental and social problems related to the production of gold by MINEROS mentioned above?
- 5) Does ARGOR-HERAEUS have access to data collected by MINEROS on the water quality at the mining site? If the water pollution is below legal limits, why is this data not published?
- 6) How does ARGOR-HERAEUS explain the difference between official production data and actual export quantities by MINEROS? Can ARGOR-HERAEUS confirm that it knows the exact origin of all the gold it has refined from MINEROS?
- 7) How does ARGOR-HERAEUS explain the quasi acceptance of a large number of illegal miners on the production site?

We intend to finalise our report soon and would appreciate if you could return us your comments until the 3<sup>rd</sup> of March 2023. We would also be pleased to discuss these points in a personal meeting at your earliest convenience, should you prefer to.

With thanks and best regards,

**Fastenaktion**



Daniel Hostettler  
Director  
Policy Department



François Mercier  
Programme Manager  
Mining and Human Rights

Cc: Instituto Popular de Capacitación IPC

Enclosure: Impactos de la minería extractiva aurífera en el Río Nechí, Resumen Estudio de case, Observatorio de Derechos Humanos y Paz, Instituto Popular de Capacitación IPC



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ARGOR-HERAEUS SA

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Luzern, 6 April 2023

### **Due diligence exerted by ARGOR-HERAEUS on gold imports from MINEROS, Colombia**

Dear Dr. Kolvenbach, dear Mr. Deutsch, dear Mrs. Karib,

We thank you again for your openness and our discussion on 8 March 2023 regarding the situation of the alluvial gold mine operated by MINEROS in the province of Antioquia, Colombia. Meanwhile, MINEROS also responded to our last letter. Nevertheless, the information provided by MINEROS did not clarify all inconsistencies in the data.

As agreed, we are sending you a more precise set of questions regarding the exact due diligence exerted by ARGOR-HERAEUS (AH). We are hereby referring to the "LBMA Responsible Gold Guidance, 2021" (RGG) as well as the "OECD Due Diligence Guidance for Responsibly Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, 2016". Both the RGG and the OECD Guidance have been developed to ensure that business contributes to a responsible supply chain management of minerals in high-risk areas.

You will find below our questions. We remain at your disposal for any clarification and would welcome your answers by the 1<sup>st</sup> of May 2023.

With thanks and best regards

#### **Fastenaktion**

Daniel Hostettler  
Director  
Policy Department

François Mercier  
Programme Manager  
Mining and Human Rights

Cc: Instituto Popular de Capacitación IPC

## A. General due diligence exerted by ARGOR-HERAEUS

Antioquia is considered as a conflict-affected and high-risk area, which requires a careful and thorough assessment of the risks by companies importing minerals and an enhanced due diligence (EDD) as per the RGG.

RGG (p. 27, emphasis added)

2.3 Undertake Enhanced Due Diligence measures for high-risk supply chains

[...] The **on-site visit** should be, at a minimum, but not limited to:

[...] • **Consult relevant internal and external stakeholders** (for example, **local or central authorities**, upstream companies, international or **civil society organisations**, or affected third parties), where applicable

OECD (p. 86ff, emphasis added):

SECTION II – RISK ASSESSMENT FOR LOCAL EXPORTERS, RECYCLERS, INTERNATIONAL TRADERS OF MINED/RECYCLABLE GOLD AND **REFINERS**

[...] C. Map the factual circumstances of the company's red flagged supply chain(s), under way and planned.

1. Undertake an **in-depth review of the context** of all red-flagged locations and the due diligence practices of any red flagged suppliers.

a) **Review research reports** including from governments, international organisations, NGOs, and media, maps, UN reports and UN Security Council sanctions, industry literature relating to mineral extraction, and its impact on conflict, human rights or environmental harm in the country of potential origin, or other public statements (e.g. from ethical pension funds).

b) **Consult with** a combination of **local and central governments, local civil society organisations, community networks**, UN peacekeeping units, and local suppliers. Respond to specific questions or requests for clarifications made by cooperating companies.

[...]

2. FOR MINED GOLD, establish **on-the-ground assessment teams**. [...]

b) Ensure that **assessors are independent** from the activity being assessed and free from conflict of interests.

Questions:

1. When did AH start its business relationship with MINEROS S.A.?
2. How often does AH make on-site visits?
3. Which reports and information have been consulted for reviewing the context?
4. Which local government entities, civil society organisations and community networks have been consulted by AH?
5. Does AH also rely on an independent, on-the-ground assessment team?

## B. On-site presence of illegal miners

MINEROS holds a private property title (*Reconocimiento de Propiedad Privada*) on the bed, banks and wetlands of the entire lower basin of the river Nechí, totalling some 37,000 Ha. As such, MINEROS does not have a "concession" (*Contrato de concesión*).

Since long, there has been a notorious and widespread presence of illegal miners on the property of MINEROS. This is not only a concern because of the illegal trade, illegal mining on the property of MINEROS is also causing serious damages to the environment.

RGG (p. 28, emphasis added):

EDD measures for high-risk LSM gold supply chains should include, but are not limited to:

[...] • **Estimating the number of Artisanal and Small-Scale Miners** (if any) on the producer's concession, and:

o confirming their status as legitimate ASM

o considering **risks of gold from third-party sources unknowingly being introduced** into the producer's operations

o considering the relationship between producer and ASM actors to identify instances of conflict or tension.

OECD (p. 89ff, emphasis added):

C. Map the factual circumstances of the company's red flagged supply chain(s), under way and planned.

[...] 3. a) For LSM Gold, cooperate with medium and large-scale gold producers to obtain evidence, where applicable to the position of the company in the supply chain, of the **factual circumstances of gold extraction**, trade, handling and export, which may include:

[...] xviii) If relevant, the **number and name of sites where artisanal and smallscale miners operate** on the gold producers concession, and **an estimate of the number of miners** and an assessment of whether they can be considered to be involved in **Legitimate Artisanal and Small-Scale Mining** (see Definitions).

Questions:

6. Was AH aware of the large-scale presence of illegal miners on the property of MINEROS?
7. Does AH have an estimate of the number of artisanal miners on the property of MINEROS, and the number (or proportion) which is engaged in illegal mining?
8. Which steps did AH take to ensure that no gold from illegal production would be introduced in the operations of MINEROS?

### C. Security contracts

According to publicly available information, MINEROS had at least between 2017 – 2019 contracts with the national military forces for the protection of its assets. Strangely, the army never intervened during this period, in spite of the widespread presence of illegal miners on the property of MINEROS. One could suspect that the non-intervention of the military is linked to advantages derived from the illegal gold trade on the property of MINEROS.

After the last elections and the change of government however, the military recently (Sep. 2022 – March 2023) blew up several illegal mining installations and intervened against increasing violence and opposition from illegal paramilitary groups<sup>1</sup>.

RGG (p. 28, emphasis added)

EDD measures for high-risk LSM gold supply chains should include, but are not limited to:

[...] • Understanding the nature of **public or private security services provided** at the mine sites and through the supply chain (including the screening and training of security personnel in line with the **Voluntary Principles on Security and Human Rights**).

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<sup>1</sup> [www.business-humanrights.org/es/latest-news/colombia-el-gobierno-afirma-que-el-paro-de-mineros-del-bajo-cauca-est%C3%A1-controlado-pese-a-violencia-paramilitar-y-amenazas-de-continuar](http://www.business-humanrights.org/es/latest-news/colombia-el-gobierno-afirma-que-el-paro-de-mineros-del-bajo-cauca-est%C3%A1-controlado-pese-a-violencia-paramilitar-y-amenazas-de-continuar)

OECD (p. 89ff, emphasis added):

C. **Map the factual circumstances** of the company's red flagged supply chain(s), under way and planned.

[...] 3. a) For LSM Gold, cooperate with medium and large-scale gold producers to obtain evidence, where applicable to the position of the company in the supply chain, of the factual circumstances of gold extraction, trade, handling and export, which may include:

[...] xi) **All payments made to public or private security forces** or other armed groups at all points in the supply chain from extraction onwards, unless prohibited under applicable law.

xii) The **security services provided at the mine sites**, transportation routes and all points where gold is handled or processed.

xiii) The **training of security personnel**, and the conformity of that training with the **Voluntary Principles on Security and Human Rights**.

The OECD "Model Supply Chain Policy for a Responsible Global Supply Chain of Minerals from Conflict-Affected and High-Risk Areas" (Annex II) also recommends to eliminate support to public security forces who illegally extort money or minerals at mine sites, and to contribute to improved transparency and accountability in payments made to public security forces.

Questions:

9. Was AH aware of the payments made by MINEROS to the military for security services?
10. If yes, did AH take steps to ensure that MINEROS was not supporting security forces that would derive any benefit from the illegal gold trade?
11. Does AH know if MINEROS still has contracts with national security forces?
12. Did AH ensure that recent interventions by national security forces respected the VPSHR and that the military personnel is trained accordingly?

#### D. Disclosure of due diligence measures in conflict areas

In previous discussions with AH, Christoph WILD, former CEO, acknowledged openly the difficulty of conducting business in Colombia and explained the efforts made by AH. However, neither on your website nor in your sustainability report could we find any information regarding your due diligence in Colombia or other conflict areas.

OECD (p. 111ff, emphasis added):

STEP 5: REPORT ANNUALLY ON SUPPLY CHAIN DUE DILIGENCE

OBJECTIVE: 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.

A. **Annually report or integrate into annual sustainability or corporate responsibility reports, additional information on due diligence for responsible supply chains of gold from conflict-affected and high-risk areas**, with due regard taken of business confidentiality and other competitive or security concerns<sup>59</sup>.

[... Footnote <sup>59</sup>] 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); transportation routes; and the identity of information sources and whistle-blowers located in conflict-affected and high-risk areas, where revealing the identity of such sources would threaten their safety. All information will be disclosed to any institutionalised mechanism, regional or global, once in place with the mandate to collect and process information on minerals from conflict-affected and high-risk areas.

A.1. For all upstream companies

[...] 2. Company risk assessment in the supply chain: **Report on steps taken to implement Step 2.** Included in such reporting, companies should explain how the company identified red flag operations or red flags in their supply chain, including the verifications of supplier representations proportional to risk; **describe the red flags identified in the gold supply chain; describe the steps taken to map the factual circumstances of those red flag operations and red flagged supply chains; outline the methodology, practices and information yielded by the on-the-ground assessment team,** including whether and how the company collaborated with other upstream companies, and how the company ensured that all joint work duly takes into consideration circumstances specific to the individual company; disclose the actual or potential risks identified. For the sake of clarity, companies should not report risks identified for potential suppliers with whom they have not done any business.

A.2. For **refiners: In addition to the above**, refiners should also: [...]

Questions:

13. Why is AH not reporting publicly on its due diligence efforts in conflict-affected areas, including all the steps mentioned above, as per the OECD Guidance?
14. Why is AH not disclosing the identity of exporters located in red-flag locations as per Footnote 59 of the Guidance?

## E. General ESG concerns regarding gold production

RGG (p. 23, emphasis added)

**Risk identification for Mined Gold** from LSM should include, but is not limited to:

Using the KYC Questionnaire for Mined Material in the Refiners Toolkit, identification of risks by obtaining, assessing and, where possible, verifying against publicly available information:

[...] • **Mining practice, including processing** and transportation method

[...] • **Environmental policies and practices**

[...] • **Community engagement programmes**

The legitimacy of MINEROS holding a property title over the river Nechí is questionable in view of the 1991 Constitution and current jurisprudence in Colombia on rivers as subjects of rights. MINEROS holds a private property title, extended indefinitely, on the bed, banks and wetlands of the entire lower basin of this river. Yet, fishers and farmers families have been living in this region for generations. In 2019, the Superior Court of Medellín declared the river as a subject of rights, thus protecting the right to a decent life, to food and to a healthy environment for the communities.

Question:

15. How did AH address the risk of conflicts with local communities?

Holding a property title over the river, MINEROS is not required to have a concession nor an environmental license (*licencia ambiental*). In 2017, environmental authorities questioned the production methods of MINEROS, clearly outlining likely damages to the flora and fauna and the absence of corresponding authorisations. Eventually, the environmental management plan of MINEROS was approved, although no change had been made to it.

AH has been importing gold from MINEROS since at least 2014.

Questions:

16. Which steps did AH take to ensure that there was no environmental harm caused by the pools and dams used by MINEROS?

17. Is AH reviewing the data collected by MINEROS and the environmental authorities on the water quality, the fish population and the ecosystem near mining operations?

According to our partner, local fishermen have identified 26 wetlands which disappeared because of gold mining, and 13 more being in a critical state. Both illegal as well as industrial mining might be responsible for the damage caused. Yet, MINEROS promised to restore wetlands when exploitation ends.

Question:

18. Did AH review restoration and compensation plans by MINEROS?
19. How did AH evaluate the measures taken by MINEROS to support fishers who had lost their fishing grounds?

Regarding the discrepancy between export and gold production volumes, MINEROS explains that silver is being exported with gold. The proportion of silver exported seems to be not negligible (according to MINEROS, roughly 10-40% of the total weight exported). In spite of this, silver is hardly mentioned in company reports (no quantity listed, no information regarding production). It is unclear where this silver is produced and why it is mixed with gold. The figures from MINEROS also do not match exactly with official export data.

Question:

20. Can AH confirm that gold imported from MINEROS contains silver?
21. Where does this silver come from?
22. What is the reason for which silver is being mixed with gold?

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Dear Mr. Hostettler, dear Mr. Mercier,

Thank you very much for your letter dated April 6<sup>th</sup>, 2023.

We appreciate your interest in ARGOR-HERAEUS. As one of the leading refiners of gold and silver in Switzerland, it is our intention to develop a better public understanding of our work and processes. In the following letter, we would like to answer your questions on our Due Diligence Process.

ARGOR-HERAEUS only cooperates with partners that are duly identified and subject to continuous monitoring. Prior to establishing any business relationship, ARGOR-HERAEUS carries out comprehensive due diligence (DD) and KYC procedures in accordance with the relevant international organizations, authorities and legal obligations.

All our potential and actual business partners, as well as the respective origins of the precious metals, are subject to scrutiny, thus giving ARGOR-HERAEUS the ability to process materials from responsible primary and secondary sources. For example, before entering in the business relationship with a new customer, we perform our DD process which includes the duly identification of the business partner and the origin of the material in compliance with applicable legislation, industry standards and internal regulations. The control process does not end once a relationship has been established but is continued as long as the business connection continues. Our comprehensive system is subject to extensive annual audits by internal and independent external experts. Regular contact with relevant stakeholders, is ensured where appropriate. We strive to include many other sources in our assessments e.g. discussions with NGOs or public authorities (e.g. Ministry of Mines).

To ensure the flawless origin of the (raw) material, there are a large number of international certifications that are applied at various points along the value chain to ensure compliance with environmental, social and AML standards. The criteria defined in these standards correspond to our philosophy of not tolerating the processing of materials that is by whatever means associated with human rights violations, money laundering or terrorist financing.

The following overview provides a selection of the certifications or standards ARGOR-HERAEUS complies with or closely follows:

- The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, initially published in 2010, is the leading international standard and referenced in a range of international declarations, regulations, and initiatives. It promotes responsible supply chains and handling of minerals that (could) originate from conflict areas. Since 2013, the guidelines included specific recommendations on gold. ARGOR-HERAEUS participated in the revision.

- The LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance which are recognized international standards addressing a wide range of potential issues such as KYC, KYP, environmental risks, human rights, labour rights, AML and financing terrorism.
- The Responsible Jewellery Council's Code of Practice and Chain of Custody are international standards on responsible business practices for diamonds, gold and platinum group metals. The Code of Practices addresses human rights, labour rights, environmental impact, mining practices, product disclosure and many more important topics in the jewellery supply chain. ARGOR-HERAEUS is a member of the RJC since 2005.
- The Conflict-Free Gold Standard of the World Gold Council ensures through extensive voluntary commitments that the mining of gold does not finance illegal, armed conflicts or contribute to human rights violations or violations of international law.

In addition, the work of the Swiss precious metal industry including ARGOR-HERAEUS is based on an extremely strict legal framework. Swiss legislation on the processing and trading of precious metals is the strictest in the world.

Refiners such as ARGOR-HERAEUS – one of five worldwide certified "Referees" of the "London Bullion Market Association" who monitor compliance with the "Good Delivery" standards – are supervised by the Swiss Precious Metals Control Authority (PMCO), which carries out purity sampling to protect consumers and industry. They are also subject to the Federal Act on Combating Money Laundering in the Area of Action of the Precious Metals Control Office.

Our compliance system, in close alignment with the above outlined standards and regulations, is the base of all our customer-related work. We work constantly with our stakeholders to maximise the responsibility of our company and of our industry.

For ARGOR-HERAEUS the respect of human rights, protection of the environment, ethical procedures, and transparency are non-negotiable core values of our company. We summarize our efforts in our annual Sustainability Reports. Please find the latest version [CSR 2021](#).

## **OUR RELATIONSHIP WITH MINEROS**

We are aware that the region of Antioquia, Colombia, is listed as a conflict-affected area ([CAHRA list](#)) Therefore, we regularly evaluate our relationship with Mineros using the above-mentioned processes, among others.

As soon as the "LBMA Independent Assurance Report 2022" is published, you will find details on our due diligence efforts in high-risk countries published. We expect the report to be available in June 2023.

At the same time, as we are bound to our contractual commitment and in view of trade confidentiality, we will not publish or share a full list of our customers. As per OECD guideline, we only disclose the full list of clients to the relevant authorities whenever requested to do so.

Mineros is a publicly listed company. You can find considerable information on their [website](#) and public reports. Their operations are well documented and audited regularly. We especially value Mineros' efforts to formalize informal ASM around the company's operations ([Agromineros.com](#)). Informal and illegal ASM mining is a major challenge for the precious metals industry. In the gold sector, more than 40 million people's livelihoods depend directly on ASM and 100 million people depend indirectly on ASM, although the ASM sector remains largely informal or illegal. Illegal gold

mining is often related to the use of mercury. This causes irreparable damage to the environment, people and biodiversity and can only be avoided by technical support and fair relationship.

We therefore appreciate the work Mineros and local authorities are doing to formalize ASM mining and thus their active engagement in fighting mercury use and support formalization of ASM.

The same applies to Mineros' community work. A gold mining operation is always a magnet for many groups of people. We therefore rate the efforts Mineros has made in building responsible and fair neighbourhood communities as very high.

You can also find information on community relations, ASM mining and other ESG topics in the company's latest sustainability [report](#), which follows GRI standards. This includes a public grievance email ([grupomineros@lineatransparencia.com](mailto:grupomineros@lineatransparencia.com)) and free of charge telephone number 018000117722 for the groups you mentioned in your letter.

If you see problems or blockages to get in contact with Mineros, we can gladly offer you support in establishing a contact with the relevant person(s).

### **GENERAL INFORMATION ABOUT DORÉ BARS FROM MINES**

Please note that the material we receive from mines always contains a mixture of metals. This includes gold, silver and to a smaller degree copper and other metals. These are called doré bars. The amount of different metals in doré bars varies by mine and geographical region.

We separate the precious metals and refine these doré bars into fine gold and silver.

The difference between the weight of doré bars and the amount (weight) of refined fine gold of these doré bars can be significant.

We would like to hereby renew our invitation given during our last phone call and we would be more than happy to transparently present you the process to refine doré bars into fine gold and silver in our refinery in Mendrisio and the processes in place to enable and control a responsible gold supply chain.

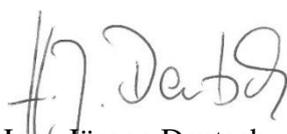
We hope these answers will further support your research and that you would accept our offers for a personal exchange to either better understand our work and processes or to support you in establishing an open relationship with Mineros.

Please do not hesitate to come back to us for further questions.

ARGOR-HEREAUS SA

Regards,  
ARGOR-HERAEUS SA

  
Dr. Robin Kolvenbach  
Co-CEO

  
Hans-Jürgen Deutsch  
Co-CEO



Fastenaktion  
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6002 Luzern

To the attn. of Mr. François Mercier  
and Mr. Daniel Hostettler

Mendrisio, 27<sup>th</sup> July 2023

## **ARGOR-HERAEUS SA's business relationship with Mineros SA**

Dear Sirs,

ARGOR-HERAEUS SA (AH) thanks you for making us aware of concerns regarding one of its customers and welcomes this opportunity to provide feedback on the questions raised.

Following our different exchanges via email and conference call, please find below the answer to your questions.

### **1) Can ARGOR-HERAEUS confirm that it has been importing and refining the above-mentioned quantities from MINEROS?**

We confirm that AH provides refining services to Mineros and Mineros Alluvial.  
We generally do not comment on volumes as we deem this information company confidential.

### **2) Why is ARGOR-HERAEUS not publishing the name of its business partners in conflict-affected regions as per the OECD Guidance?**

We do comply with the OECD Guidance on minerals and disclose the names of our customers to an "*institutionalized mechanism*" as required by the guidance.

As the names of our customers are part of the assets of our company, they are part of business confidentiality and competition advantage. We will not publish this information for the general public.

### **3) When did ARGOR-HERAEUS start its business relationship with MINEROS, and what exact due diligence has been undertaken by ARGOR-HERAEUS since then?**

We started our business relationship with Mineros SA in 2004 and with Mineros Alluvial, which is the entity you are referring to in your questions, in 2020. We are conducting periodical due diligence, in line with the LBMA requirements applicable at each time, including site visits.

#### **4) What is the view of ARGOR-HERAEUS on the environmental and social problems related to the production of gold by MINEROS mentioned above?**

AH is fully committed at engaging with the most vulnerable actors of the gold value chain, with the aim of supporting formalization of ASM, such as implementation of best practices or improvement of working conditions. We understand that this requires engagement with high risk and conflict affected areas where the reality is much more difficult in particular on the social aspect.

When it comes to environmental issues, we are aware of the risks induced by extractive industries. We do however remain committed to those who try and implement good practices as per recognized laws and standards, and will accompany them where needed, in the path to better practices.

On the specific case of Mineros, our due diligence processes, site visits and the openness of our customer when questioned have comforted us with our business relationship with this company. We understand their challenges, being a legal company surrounded by a number of illegal ASM mining operations, which no one seems able to contain. The situation is challenging, but we are proud of accompanying a company that is not only conducting explorations in a lawful manner but is also committed to its surroundings. Indeed, Mineros has engaged in a project with Swiss Better Gold to support the formalization of artisanal and small-scale miners.

Notwithstanding with the above, we encourage any person/entity that is aware of difficulties or potential wrongdoings to alert us and thus, we thank you for reaching out to us with the concerns you submitted. Our investigation did not result in the identification of systemic social strains linked to the activities of Mineros.

We however reiterate our offer to organize a roundtable to open the dialogue between the parties at stake.

#### **5) Does ARGOR-HERAEUS have access to data collected by MINEROS on the water quality at the mining site? If the water pollution is below legal limits, why is this data not published?**

Questions relating to publication of data by the mining company should be addressed directly to the mining company as we are not involved in extraction operations nor in the mining company. As we have arranged direct contact between Mineros and Fastenaktion, we deem that this question was answered directly by Mineros.

#### **6) How does ARGOR-HERAEUS explain the difference between official production data and actual export quantities by MINEROS? Can ARGOR-HERAEUS confirm that it knows the exact origin of all the gold it has refined from MINEROS?**

Questions relating to production data should be addressed directly to the mine as we are not involved in extraction operations nor in the company. As we have arranged direct contact between Mineros and Fastenaktion, we deem that the question of volumes was answered directly by Mineros.

Regarding the origin of gold, we confirm that our due diligence, along with other tools and analyses (e.g. a stringent acceptance process of the material) allow us to confirm the origin of the gold shipped by Mineros for refining services.

## **7) How does ARGOR-HERAEUS explain the quasi acceptance of a large number of illegal miners on the production site?**

We understand from conversations with Mineros that Mineros Alluvial has suffered substantial damage to its site caused by illegal miners. It would thus be a false assumption to consider that they accept or “quasi”-accept the presence of illegal miners.

We believe that Mineros is acting very responsible with the approach of not antagonizing a community and not sparking conflicts.

We also do not wish to participate in stigmatizing all illegal ASM, a number of them being illegal only because they do not have the means (technical or other) of going through a very demanding formalization process. We would rather support the partnership between Mineros SA and Swiss Better Gold.

On the questions contained in your second letter:

### **1) When did AH start its business relationship with MINEROS S.A.?**

We started business relationship with Mineros in November 2004. With Mineros Alluvial, which is the entity you are referring to in your questions, we started in 2020.

### **2) How often does AH make on-site visits?**

After the pandemic we launched a new group wide audit policy, which foresees a visit cycle of three years. Exceptions are foreseen on a risk-based approach.

### **3) Which reports and information have been consulted for reviewing the context?**

The context is reviewed based on KYC documentation, audit reports, on-site visit reports and online monitoring of media publication.

AH also has a grievance process available on its [website](#), but we were never contacted through it with complaints relating to Mineros.

### **4) Which local government entities, civil society organisations and community networks have been consulted by AH?**

Due to confidentiality, we cannot disclose the details of the on-site visit, but there has been exchanges with officials, local communities and representatives of Mineros.

### **5) Does AH also rely on an independent, on-the-ground assessment team?**

AH is basing its assessments on different assessment teams which could be internal/external or as well a mix between internal and external (e.g. for specific topics).

### **6) Was AH aware of the large-scale presence of illegal miners on the property of MINEROS?**

Through its due diligence process and during on-site visits, AHSA was able to observe the presence of illegal and/or informal artisanal miners. We understand that they are usually not on the property of Mineros, except for several occasions of trespassing, but all in the area.

This situation is not specific to Mineros but applies to many areas of different countries around the globe. As you may know, the number of artisanal miners worldwide is estimated at 40 million (and 100 million people indirectly depending on artisanal mining) and only a minimal portion of them is legalized/formalized, hence our efforts to support the formalization of artisanal miners through recognized schemes (e.g., through Swiss Better Gold for the case of Mineros).

**7) Do you have an estimate of the number of artisanal miners on the property of MINEROS and the number (or proportion) which is engaged in illegal mining?**

We understand that as soon as an illegal mining site is located/identified, Mineros reports it to the authorities which, in turn, map the presence of illegal miners, but no specific numbers of illegal miners were communicated to us.

ASM participating in the MINEROS/Swiss Better Gold formalization process cover 164 direct and 482 indirect jobs as per summary of 2021.

**8) Which steps did AH take to ensure that no gold from illegal production would be introduced in the operations of MINEROS?**

Our KYC process on the customer, monitoring of volumes, assays and a stringent acceptance process are main parts of our process. In addition, in view of your question, we deem necessary to emphasize that Mineros is not benefiting from the presence of illegal miners. As mentioned in previous discussions, Mineros reported several trespassing and subsequent damages to their premises caused by acts of vandalism perpetrated by illegal miners.

If you however have serious and trustworthy information, even evidence, which would underline your implicit suspicion in your questions, we would be interest to hear about it.

**9) Was AH aware of the payments made by MINEROS to the military for security services?**

According to our due diligence performed, the presence of the military personnel is to maintain some order in a high-risk and conflict-affected area.

For its security, according to the answers provided by Mineros Alluvial in their KYC forms, they have hired a private company. The employees of this private company which are working on Mineros Alluvial premises do not carry firearms.

Based on the due diligence performed and on interviews of Mineros Alluvial staff performed during our on-site visit, we understand that Mineros has a collaboration agreement which they consider contributing to maintaining a good environment in the region.

**10) If yes, did AH take steps to ensure that MINEROS was not supporting security forces that would derive any benefit from the illegal gold trade?**

All companies, as part of their onboarding, are required to abide by our [Supply chain due diligence policy](#) which covers this point.

**11) Does AH know if MINEROS still has contracts with national security forces?**

We assume that "national security forces" refers to military. If so, please see answer to question 9 hereabove.

**12) Did AH ensure that recent interventions by national security forces respected the VPSHR and that the military personnel are trained accordingly?**

We understand that the presence of military personnel is not for Mineros security.

**13) Why is AH not reporting publicly on its due diligence efforts in conflict-affected areas, including all the steps mentioned above, as per the OECD Guidance?**

Please see the link to [ARGOR-HERAEUS SA's Independent Assurance Report 2022](#). The document describes Compliance management system of ARGOR-HERAEUS SA including enhanced due diligence processes and risk-based approach.

**14) Why is AH not disclosing the identity of exporters located in red-flag locations as per Footnote 59 of the Guidance?**

Please see answer to question 2 on page 1 of the present letter.

**15) How did AH address the risk of conflicts with local communities?**

ARGOR-HERAEUS SA has a grievance mechanism in place. In addition, we have been able to verify that Mineros has programs in place to support communities. Mineros is actively supporting communities to become independent from mining and to offer them an alternative source of income. Projects in the report are for example pisciculture, apiculture, rubber production in addition to support and educate members of community, consider involvement of members of families ex FARC to introduce them in a peaceful social context. Other initiatives are in place such as road pavement, construction of educational centers, scholarships and others. All programs implemented by Mineros are described in their [sustainability reports](#).

We adopt the following approach: identification, understanding, communication and support where appropriate. If you have identified issues that were not addressed, we reiterate our offer to organize a roundtable to open the dialogue between the parties at stake, although you previously mentioned that some fishermen might not be keen to discuss with Mineros. We simply do not see how problems could be solved without dialogue as a prerequisite.

**16) Which steps did AH take to ensure that there was no environmental harm caused by the pools and dams used by MINEROS?**

As part of our due diligence, we verify compliance of Mineros with legal requirements. On-site visits, interviews with the customer and the authorities are among instruments supporting us in our due diligence process.

**17) Is AH reviewing the data collected by MINEROS and the environmental authorities on the water quality, the fish population and the ecosystem near mining operations?**

The idea that the refiner should supplement the authorities in monitoring of water quality goes way beyond any recommendation we are aware of, and we are therefore not doing this.

**18) Did AH review restoration and compensation plans by MINEROS?**

As explained by Mineros and detailed with the [Technical report \(1-21\)](#): Alluvial mine blocks are reclaimed on a progressive basis with the objective of re-establishing pre-mining geomorphic conditions and agreed future land use objectives consistent with local landforms. Mineros' reclamation practices, combined with the setting and climate, allow for successful land reclamation to be achieved within several years of completion of mining. In addition to compensation of landowners/farmers for the use

of the land and for damage caused by the mining operation, Mineros carries out residential building construction and revegetation with plants and crops at agreed locations after completion of reclamation. When farmers return to site after mining, Mineros assists them to obtain proper titles with the ANT.

**19) How did AH evaluate the measures taken by MINEROS to support fishers who had lost their fishing grounds?**

We consider the measures taken by Mineros as positive, in particular considering that due to the fact that the surroundings are overwhelmed with illegal miners, Mineros is compensating for issues that might or might not result from their own operations.

In case of the community of fishers, we still recommend to launch a dialog between Mineros and the affected community.

**20) Can AH confirm that gold imported from MINEROS contains silver?**

Yes, as it is the case for all other doré material.

**21) Where does this silver come from?**

The product extracted by gold mining companies is called doré. Doré is an alloy which contains gold of course, but also – among others – silver which is naturally present in the sediments where gold can be found. The doré is then refined by us to reach a certain level of purity.

**22) What is the reason for which silver is being mixed with gold?**

Please see answer 21 hereabove. It is not mixed; it is naturally present.

We hope that our answers help clarify the situation and give you a better understanding of the involvement of Mineros towards the formalization of artisanal miners.

Again, we welcome this opportunity to provide our feedback. If you have any further questions, please feel free to revert to us.

Finally, we still believe that a meaningful dialogue starts with understanding the reality of a refiner. In order to facilitate such meaningful dialogue, we reiterate our invitation to visit our operations in Ticino.

Best regards,

**ARGOR-HERAEUS SA**

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