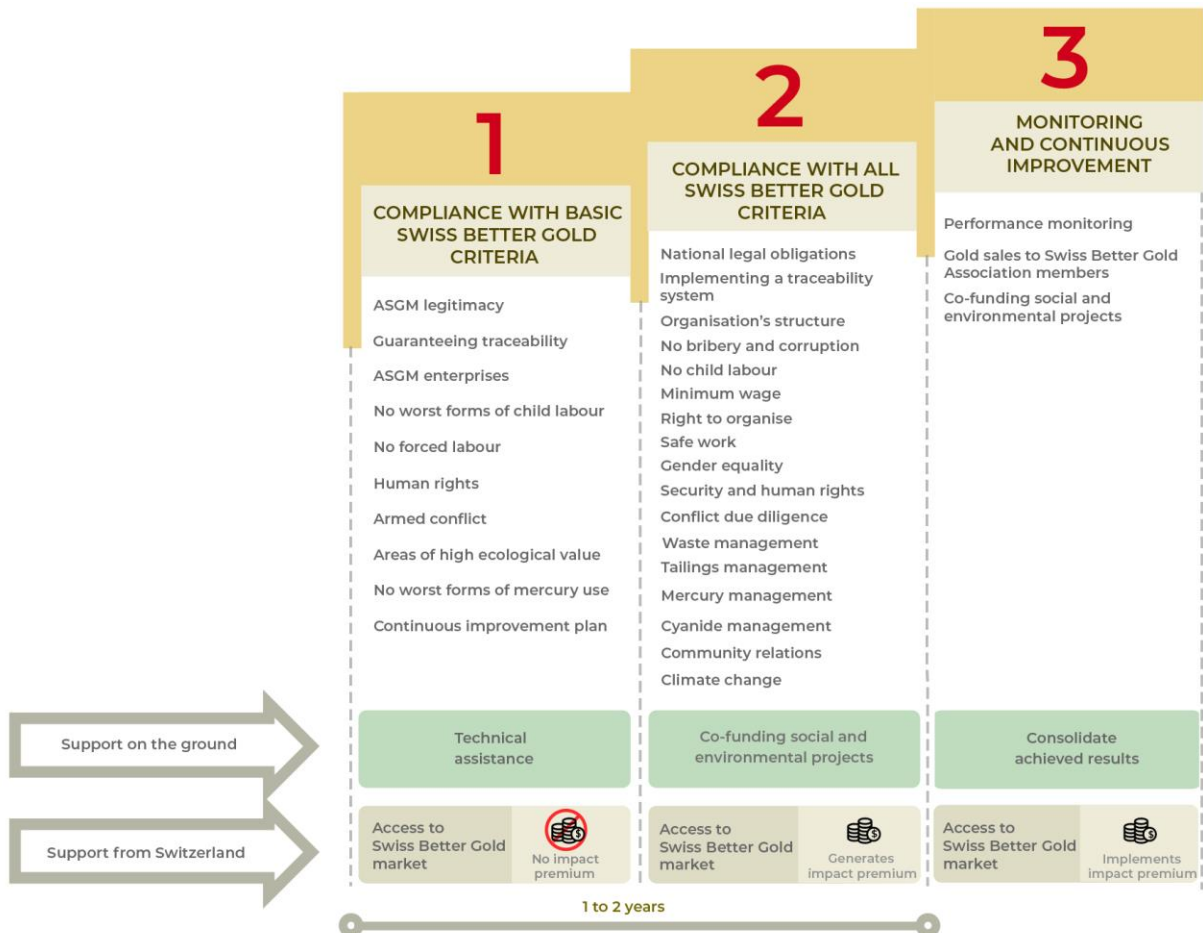


SWISS BETTER GOLD FUND POLICY

OBJECTIVE

The Swiss Better Gold Fund (SBGF) aims at delivering maximum positive impact to artisanal and small-scale gold mining (ASGM) producers¹ that have engaged with Swiss Better Gold (SBG) and have committed to ascend the SBG Continuous Improvement Escalator. The SBGF primarily focusses on supporting the implementation of social and/or environmental projects of ASGM producers that have reached Step 2 of the escalator. Additionally, the SBGF finances all forms of technical assistance that support producers to reach and maintain full compliance with SBG criteria and establish sustainable long-term gold value chains.

Figure 1: Swiss Better Gold Continuous Improvement Escalator



¹ In this document, the term refers to artisanal mining groups and small-scale producers. In cases where considerable social and/or environmental impact can be achieved through the generation of the SBG premium, SBG might also work with medium-scale producers.

PRINCIPLE

Generated by SBG members, the fund's setup is designed to deliver optimal and tangible benefits on the ground, as well as to mitigate two challenges: sustain the motivation of ASGM producers to remain part of the system through co-financing social and/or environmental projects in their mining operations or surrounding communities and enable continuous support of producers through technical assistance.

The ESG criteria stipulated in the SBG sourcing strategy also apply to the projects (co-) funded by the SBGF. All provisions related to these criteria need to be used as a guiding principle by the producers in the design and implementation of each project. Failure to comply with this principle may lead to the disqualification of the project and, ultimately, of the producer, from the SBG programme.

Allowing maximum impact and direct reinvestment of the SBGF into the ASGM sector is a core and immutable principle of SBG. As such, the current structure may be revised in the future in order to generate higher SBGF reach and impact.

STRUCTURE OF THE FUND

The SBGF's collection process is based on volumes of premium generated through the SBG Association's supply members that source gold from fully accredited Step 2 producers, where a premium of 1,35 US\$ per gram for purchased fine gold is applied. The following table depicts the essence of the fund's accumulation and distribution mechanism.

OVERALL IMPACT PREMIUM 1,35 US\$		
0,50 US\$	0,70 US\$	0,15 US\$
Technical Assistance Fund for implementing technical assistance with producers	Social/Environmental Fund for supporting producer and community impact projects	Swiss Better Gold operational costs for producer verification & association costs
TECHNICAL ASSISTANCE FUND for implementing Swiss Better Gold technical assistance		
Step 1	Step 2	Step 3
Technical assistance for the producers to reach and maintain compliance with SBG sourcing criteria (Step 1). Technical assistance projects to support the producers' continuous improvement process ² .	Technical assistance to reach and maintain compliance with SBG sourcing criteria (Step 2).	Continuous accompaniment and monitoring of producers' performance against the SBG sourcing criteria.

² Under particular circumstances, technical assistance funds for project financing may also be used by producers on their way to reach Step 1, or to Step 2 producers (exceptions are considered by the SBG Association).

SOCIAL/ENVIRONMENTAL FUND		
for supporting producer and community impact projects		
Step 1	Step 2	Step 3
Not applicable.	Co-financing social and/or environmental projects that benefit supplying producers and/or community through the generated premium.	Co-financing social and/or environmental projects that benefit supplying producers and/or community through the generated premium.
SWISS BETTER GOLD OPERATIONAL COSTS		
for producer verification & Association costs		
This fund covers the costs for SBG verification as well as the Association's administrative costs.		

FUND ALLOCATION

The **Technical Assistance Fund** covers all forms of technical assistance. This includes continuous monitoring activities conducted by the SBG implementing partners, starting with the identification of interested and potential producers, elaboration of a gap analysis to gain clarity on their performance against the SBG sourcing criteria, on-site technical assistance activities to support the producers in reaching and maintaining compliance with the SBG criteria, as well as continuous monitoring and accompaniment of accredited producers over time.

Through the Technical Assistance Fund, SBG also supports technical assistance projects, which accompany the producers' effort throughout the continuous improvement process to reach Step 2 of the escalator. These projects support the closure of gaps identified in their respective continuous improvement plans (CIPs). SBGF technical assistance projects are based on a participative approach between the SBG Association and the producer. The SBG Association disburses the financial resources for the projects from the fund, whereas the producer contributes to the project's implementation in the form of in-kind contributions proportional to the size of the operation, such as the provision of workforce, equipment or any other.

The **Social/Environmental Fund** is allocated on the basis of project proposals handed in by fully accredited producers with the ultimate goal of proposed initiatives benefitting the producer and/or nearby communities and having a measurable ESG impact.

The use of this share of the SBGF is also based on a supplying producer participative approach, however, in this case, the producer co-invests into social and/or environmental projects along with the SBGF. Co-financing of 50% by the SBG Association and 50% by the producer is the standard rule for projects to benefit from the SBGF*. The premium collected in the Social/Environmental Fund is eligible to the producer for 24 months after starting to generate the fund. It is possible for a producer to accumulate premium over a longer period of time if a planned project requires a larger amount of funding.

The **SBGF allocation procedure** provides details on how producers can access these funds.

* Exceptions will be considered by the SBG Board of Directors for cases with demanding circumstances and/or when the anticipated social and/or environmental impact is below

or above expectations of the SBG programme (ex. for projects which have a clear benefit for the working conditions within the operation while at the same time increasing productivity, the Association may consider a different percentage split of the SBGF contribution).

DISCRETIONARY CONTRIBUTIONS

In order to contribute to the continuous improvement processes of the mining producers and as an additional incentive, SBG Association members can make discretionary contributions to specific producers who participate in the programme, irrespective of their production, sold volumes, or the step of the escalator they may be on. Discretionary contributions can also be intended for the overall Initiative (not earmarked), or the respective member can work out a “tailor-made” contribution together with the Association Secretariat depending on the needs of a/various producer(s) and the member’s motivations. Although open to both member categories, support members are specifically encouraged to make discretionary contributions. These contributions are not tied to any purchases or communications requirements. A willingness to positively contribute to the SBGF and support SBG objectives must be apparent.

SBG Association supply members sourcing from Step 1 mines are encouraged to contribute to technical assistance activities, supporting these mines with a 0,50 US\$ / gr discretionary contribution to close gaps on the SBG escalator and accelerate compliance with the SBG Step 2 sourcing criteria. This Technical Assistance premium can apply to Step 1 purchases (usually a mass balance approach) or can be decided upon other criteria defined by the member and the SBG Association.

A **discretionary contribution** corresponds to the specificities of a contributing member’s CSR philosophy, philanthropic principles, or other motivations compatible with SBG’s needs or recommendations. For more details, please consult the *Conditions of Corporate Membership* (page 2).

COMMUNICATION

SBG provides its members, its partners and civil society at large with regular information on the use of the SBGF on the ground, impacts achieved, beneficiaries reached and other social and/or environmental improvements, which result from the use of these funds.