Fairtrade and Fairmined Standard for Gold from Artisanal and Small-scale Mining, including associated precious metals


Document 03 of 03: Annex – Detailed Summary of proposed changes and Background Information

This draft version was prepared by ARM and FAIRTRADE staff, and is released for public consultation with the consent of the competent Standard Committees of both organizations. The content of this draft proposal does not necessarily represent the views of ARM and FLO and its Standard Committees. The Standard Committees look forward to the stakeholder’s comments and feedback, to be taken into consideration during discussions and for decisions in the Committees.

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Period for stakeholders’ comments and enquiries on this new version:

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Contact for comments:

gold@fairtrade.org.uk

standards@communitymining.org

For further information and standards downloads:

http://www.fairtrade.net/standards.html

http://communitymining.org

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Explanation and Summary of Amendments

Our long term vision is to capture 5% of the gold jewellery market in key consumer markets (USA and Europe) over a 15-year period to create sustainable development opportunities for 100,000 - 200,000 miners and 1.4 million dependents. The proposed amendments to the trading section of the standard are in line the strategic intent of the partnership. After two years of implementation of the FT/FM Standard feedback shows the need for changes of the structure and the content. Today, 5 mining organizations are certified, product is on sale in North America and European markets, and plans are to expand in the coming years. Work has begun with miners in Africa and Asia to extend the impact of Fairtrade and Fairmined. There are many artisanal and small-scale miners facing difficulties in gaining access to market and in maintaining sustainable development of their livelihoods. We are seeking to review and improve the FT/FM standard to make the system more accessible to them and in line with their realities. We wish to bring more supply to the system and ensure the rising price of gold does not block market expansion. The full details of the review and justification can be seen in the project assignment document on the Fairtrade International and ARM web sites or available from the project managers, but the main amendments with their rationales are expressed in this section of the document.

General Amendments

Some general amendments around terminology are being proposed to reflect that we are using a dual label and therefore consistently referring to “Fairtrade and Fairmined”, as well as simplification in line with the FLO New Standards Framework are included.

Producer Standards (Section A)

Geographic Scope

The Standard proposal extends the geographical scope to the Global South and maintains the already existing exclusion of Areas where conflict between the agricultural activity and artisanal and small-scale mining activity occurs, and Environmentally Protected Areas (and in analogy archeologically protected areas). Additionally, and in order to mitigate risks, it allows, through the same procedure of declaring Temporary Excluded Areas (TEAs), for excluding Environmentally Sensitive Areas and Conflict Zones. The Standard also follows the definition of the OECD Due Diligence Guidelines for Mining in conflict-affected areas.

Background information:

The business plan approved by the FLO and ARM Boards in late 2009 when the partnership was ratified agreed to review the standards and extend the geographical scope in 2012. Since 2008 ARM has been involved in creating a network of potential pilot projects for Fairtrade and Fairmined in English speaking Africa (and Mozambique). Scoping studies and initial gap analysis against the standards have been performed in Tanzania, Uganda, Mozambique and Kenya and a regional workshop took place in Tanzania in November 2010, which has informed proposals in this standards review. Further work in Ghana with Solidaridad and other partners in Burkina Faso, Senegal and Mali is also now in progress, and their experiences will also input to this standards review and proposals. On the other hand ARM has been in close contact with the Mongolian SAM Project, which has also expressed the intention to work towards certification of artisanal miners. ARM is also exploring opportunities with a group in Papua New Guinea. FTA have been working with ARM over the last year and will continue on the development of a network of Fairtrade and Fairmined miners in Africa. More recently introductions have been made to see how ARM and NAPP may work together.

The Main challenges identified for widening up the geographic scope are:

- Many potential project partners in Africa and Asia are small-scale entrepreneurs, either working as individuals or in partnership and requirements specific to this type of institutional structure need to be set up in order to
address the potential for exploitation of hired / nonmember labour by these land-owners. Issues to be covered include terms of employment, payment and dismissal, grievance procedures, provision of adequate accommodation.

- Staged ownership: The ore may be owned by several individuals before it is finally processed into raw gold.
- HIV and particularly HIV related child labour issues are a highly relevant topic in African ASM. The current standard mentions HIV in relation to non-discrimination, but doesn’t address the African-specific problem of “HIV orphans”.
- In some countries like Mongolia, mining rights there are not held by the ASMO, but are based on bi- or tripartite agreements between ASM Workgroups, Local Government and (if applicable) Concession holders. ASMOs in such countries are pure umbrella organizations and the capacity to trade rests with individual miners or groups of them.
- The current standard assumes that the ASMOs would have processing facilities allowing them to sell gold of near commercial purity. In practice, there exist (especially in Africa) a lot of ASM organizations that represent only a part of the production chain and do not have the capacity to process gold to the level of purity required by the traders (in fact some organizations don’t process at all, but sell the ore for processing).

The challenges are addressed in the proposed standard amendments summarized below.

**ASMO Definition and scope as “System of Production” (see A / 0.2)**

The proposed new definition of an ASMO (Artisanal and Small-scale Miners Organization) aims to recognize the diversity of ASM set-ups on all continents and include them within the scope of the certification in the extended geographical scope. The Standard recognizes the miners’ choice for an organizational set-up considered by them as most appropriate and does not prescribe a member-based organization.

Thus, according to the new proposal, an ASMO is an umbrella organization and the certificate holder, which can accommodate many different realities under it (among them members/ owners/ shareholders of the ASMO; self-employed miners, micro enterprises and family economy, small enterprises and all types of workers). All producers (males and females) within the scope of an ASMO are defined as Miners.

The scope of the ASMO is defined by:

- the System of Production of the ASMO
- an Internal Control System registering miners, mining areas and processing units in all detail

The proposed “System of Production” concept will allow the ASMO to define its scope with the highest possible clarity and transparency, through exclusions and inclusions of communities, miners and processing units in its mining area. The System of Production is a written description which maps the mining community, the areas and mines used by the ASMO and its registered miners, as well as the areas and miners which are excluded from the scope of the ASMO and consequently are excluded from the FT/FM chain.

The System of Production defines:

- all economic activity of the entire supply chain of the ASMO and its registered miners;
- the specific part of the Fairtrade and Fairmined supply chain.

The main tool to define the beneficiaries is the Registration and the Internal Control System. The Register is a complete list of miners and processing units (including domestic) involved in the system of production.

The democratic control of an ASMO takes place at the level of the Premium Governance and the decision making on Premium use. All registered miners are beneficiaries and must be represented in the Premium Governance.

With this modification, and particularly with the introduction of the “System of Production” concept, the previously confusing terminology of Production Partners (PP), Production Partner Organizations (PPO) and Small-scale Mining organization (SSMO) becomes obsolete. If the System of Production is adopted, the Major Structure Scheme (at compliance criteria level), which proved to be confusing for producers and auditors alike, will also become irrelevant.

Consequently, the adoption of System of Production would also make Section A Chapter 5 (Supplement for Small-Scale Mining Organizations) obsolete and contribute to a leaner structure of the Standard. ASMO is an umbrella-organization for different social realities of ASM, but can also be a purely hired labour organization, as long as it is community-based ASM. ASM is not about number of workers, it’s about the type of mining alone: Industrial Mining is not labour intensive, operates through exploration and heavy machinery and is not created by an ASM community.

As the “System of Production” is a highly flexible approach to define ASMOs under different realities (Latin America, Africa, Asia), peer or expert recommendation is included as an additional application requirement, to ensure that only “legitimate ASMOs” and not industrial mining can join the Fairtrade and Fairmined scheme.
**Domestic Processing vs. Industrial Processing (see A / 0.5 Definitions)**

Following the introduction of the System of Production concept, further definition is provided for the needs of registration, inclusion/exclusion and compliance.

Domestic Processing Plants are micro-enterprises and part of the Family Economy, which may – due to their size and characteristics – not require formal public registration, operation permits or labour inspection. Nevertheless, the ASMO is obliged to register all Domestic Processing Units and the miners if they belong to the ASMO’s System of Production and deliver into the Fairtrade and Fairmined supply chain. In these cases, they are subject to traceability, premium governance and all respective criteria. All people involved in activities of the domestic processing units (family members above age classified as child labour) are Miners. Specific attention has to be given to welfare of families and children and child protection in these units.

**Pro-active Responsibilities for the Mining Community in the context of the System of Production (see A / 1.3.4)**

The increased flexibility of the System of Production is accompanied by increased responsibilities related to the “community mining” nature of authentic ASMOs. The ASMO should play an active role in planning and promoting local sustainable development. The ASMO must assume responsibility over the surrounding mining community including areas, entities and people that are NOT part of the System of Production but part of the surrounding Mining Community. The ASMO assumes pro-actively this type of “2nd level of responsibilities” in accordance with the Fairtrade and Fairmined core principles. Such activities and measures should be an integral part of the Premium or Development Plan of the ASMO/ the Premium Committee; or they must be demonstrated through other means by the ASMO.

Most sensitive areas of pro-active monitoring:
- The ASMO carries out Environmental Monitoring and Forest Management
- The ASMO makes the strongest possible efforts to monitor the Situation of Women; to monitor Child Protection and the wellbeing of families through community-led Child Labour Monitoring in the mining communities
- The ASMO makes the strongest possible efforts to monitor and campaign for prohibiting amalgam burning within habitat areas of the mining community (where applicable).

**Premium governance (see A / 2)**

The modification recommended aims to simplify the Premium Governance. It proposes to empower the Premium Committee through representation of all social groups of the ASMO and its miners, while maintaining responsibilities at ASMO level. The Fairtrade and Fairmined Premium Plan would be democratically approved by the Premium Committee and proposed for adoption by the ASMO, which would assume the legal responsibility over its implementation.

The Explanatory Document on Premium Use will later (in case the “System of Production” approach is adopted) need to be updated to reflect ASMO reality. To cover all realities, it might evolve towards a hybrid solution between FLO’s Small Producer Organizations Premium Governance and Premium Governance in hired labour setups through Joint Bodies.

**Environmentally Sensitive Areas (see A / 3.2)**

This modification aims to minimize the negative impact of ASM in Environmentally Protected and Environmentally Sensitive Areas. Fairtrade and Fairmined excludes mining operations in Protected Areas and may exclude mining in Environmentally Sensitive Areas on request from the Fairtrade and Fairmined certification scope, according to the procedure for Temporary Excluded Areas (TEA). The Standard neither supports nor endorses newcomer ASM (operating less than 10 years) in such areas.

**Elimination of Child Labour (see A / 4.4)**

The ASMO assumes responsibilities for the surrounding community in the areas of child protection and wellbeing of children and families. The new requirement 4.4.5 addresses the case known as “African AIDS orphans” and similar exceptional humanitarian situations. It is proposed to treat such cases in the best interest of the affected children as exception from the intent of elimination of child labour and link this exception with an educational opportunity.

In case of systemic presence of orphans in mining communities, seeking to survive on their own, a moderate employment of such children in work that does not jeopardize schooling or the social, moral or physical development of the young person is permitted. In such cases requirement 4.4.1 does not apply, but the ASMO must assure that the children attend school regularly.

**Conditions of Employment (see A / 4.6)**

Through introduction of the “System of Production” and the possible elimination of the former Chapter 5 on labour standards for SSMOs, all labour requirements were compiled in chapter 4, applicable to all ASMOs. This strengthens workers’ rights particularly for workers of the more frequent smaller production units within the ASMO. The STANDARD aims for making permanent and stable work more attractive, in mutual benefit of employers (stable workforce) and workers (stable workplace with social benefits).
Trading Standards (Section B)

To increase going on sale across more markets so it is vital that the Standard remains in line with Fairtrade and Fairmined principles, but does not block market development. Below follow the proposed amendments reflecting the feedback received during the first two years of implementation and the long term vision of the partnership.

Payments (see B / Chapter 2)

A new requirement to resolve the challenges with delayed payments has been added to ensure payments are received in line with payment needs. This means that the first-down payment (based on a mutually assumed threshold value of fine gold content before assay) must be made no later than the next business day after confirmed shipment. The final payment must be made not later than the next business day after all elements (price, assay results) have been verified by the parties.

Direct purchasing from miners from the ASMO’s System of Production (see B / Chapter 2)

In order to provide more flexibility in commercialization, it is proposed that both the ASMO and registered miners from the ASMO’s System of Production may sell certified gold to buyers. Buyers must provide the ASMO with a report on all transactions with its miners.

For example self-employed miners and small enterprises can sell on their own into different channels for FT/FM if these channels are registered with the certifying body. The ASMO has an Internal Control System which controls sales volumes, including sales which are done by individual miners directly.

Fairtrade and Fairmined Premium (see B / Chapter 2)

The Fairtrade and Fairmined premium, set at 10% of the LMBA fix price was set at a time when the price of gold was in the range of 1000-1200 USD/ounce. Today, gold trades in the range of 1500-1800 USD/ounce. The premium has increased with the price of gold and traders report it as a barrier to sales. The premium is linked to a percentage to the LBMA price, meaning it grows with the market price increases. The value of the premium per gram magnifies through the supply chain as it consolidates with other processing costs and margins. This combined with other factors, results in an increased cost of FT/FM gold at point of consumer ready finished product. At the same time costs for miners, especially with rises in the price of oil and the devaluation of the Dollar, have increased causing a decrease in their disposable income. Miners and local support organisations have overwhelmingly requested that the premium be kept at 10% to encourage investment at the community level, and incentive for formalization.

A number of proposed alternative calculation methodologies were considered during the pre-consultation, but deemed highly complex, de-incentivising to miners and not providing the investment needed to bring meaningful impact at community level. It is therefore recommended that the premium calculation remain the same, but that the following steps are taken;

• Amendments to the total content in the final certified product, to allow for different claims around products and more balance on final product price, without decreasing the premium to miners (see product composition below).
• Work must continue to ensure that their system is accessible and not too expensive in terms of license fee, audits etc. for traders and jewellers and various sizes, whilst ensuring their own costs are covered through schemes for different sized commercial partners.
• Ensure ASMOs, and all other supply chain players, understand the distribution of costs and values along the supply chain and the impact of levels of premium and license fee, physical traceability, etc. on the end retail price, as well as trends in both the gold and jewellery markets.
• Increased marketing activity to build consumer awareness and understand of the supply chain and true value of the end product.
• Standards requirement to separate invoicing of the premium throughout the supply chain as a new requirement in the standard to prevent inflated costs from being built on to it.

Traceability (see B / Chapter 5)

The Standard currently states that physical traceability of certified gold has to be assured as long as the associated costs do not exceed proportionally the benefits for ASMO through the premium, nor impose disproportional transforming costs further up the supply chain. The perception of consumers and media is that the gold in the piece they are purchasing is metal which has physically come from the certified mines. This feeling is encouraged by labelling/messaging communicated by FLO and the LI’s, and the application of the stamp on to the gold. The fact that physical traceability is not necessarily maintained poses a huge risk to the integrity of the project as knowing the provenance of the actual metal is important to consumers. This risk is low in case of physical traceability at the level of miners in case they need to subcontract processing facilities for their ore, because it is still them who sell their FT/FM raw gold. Integrity of physical traceability in the downstream supply chain is however considered a cornerstone of credibility. To meet the strategic aim of the partnership it is vital that awareness is built with consumers, part of
which is an understanding of traceability, and the complexities of gold supply chains. However awareness is low, so as we build this it is vital that we can be clear on the claims around the certified materials.

Due to the high risks involved and importance of maintaining the desires of consumers and integrity of the dual label, it is recommended that physical traceability of gold is maintained throughout the supply chain. Gold processing and manufacture is already a segmented process with metal moving through machinery in batches. Feedback from traders suggests that, now gold is flowing through the system at a growing volume, the cost of traceability will continue to come down and will not pose significant threat to market development. Making physical traceability a requirement also encourages traders to buy greater volumes to meet economies of scale and ensure they can offer the best prices to their customers.

We therefore propose to remove at the level of operators (traders, manufacturers) the clause which allowed exemption from physical traceability. Instead, and to avoid blocking market access by traceability and premium costs, the total content of the final product which has to be Fairtrade and Fairmined may be reduced in a new range of product categories, allowing FT/FM Gold to be combined with alternative responsibly sourced metal, in order not to block opportunities, but increase market opportunities for ASM.

**Product Composition (see Section B, Chapter 6)**

**Certifiable Product (see B / 6.1.2)**

To scale up the impact for miners and market opportunities with the decline in the jewellery market and based on market feedback the list of final consumer products which are eligible for certification are being extended to include;

- jewellery and semi-finished jewellery components (including findings, chain, sheet, wire etc.)
- coins, ingots and bullion products of commemorative and/ or financial nature,
- medals and trophies,
- religious artefacts,
- gold leaf and gold for artistic/ manual/ mechanical gold plating or electro/ chemical gilding.

The benefits of certifying semi-finished product are that bullion dealers/traders could become licensees selling certified semi-finished components to the large number of individual designer makers, hobbyists, students who would like to work with Fairtrade and Fairmined gold but are not in a position to become a licensee. Dental metal was also considered, however this is a very small and shrinking part of the gold market and therefore not included. Extending the standard to incorporate these items, brings more possibilities for small licensee schemes, making it more accessible for those using small volumes. Additional work around mark manual requirements would be needed.

**Gold Content (see B / 6.1.6 to 6.1.9)**

The current standards are not clear on the product composition statement of the labelled final consumer product and in particular the term ‘significant’ has been open to interpretation. In line with the extension of certifiable product the new requirements around gold content which can then be labelled are as follows;

- **85% FT/FM gold content is maintained for “high end” products. However, the 15% now needs to be “responsibly sourced”. Such products are continued to be labeled as certified “FAIRTRADE and FAIRMINED Gold” (as regular or ecologic FT/FM Gold).**

- A new product category with a lower content of FT/FM gold (minimum 50% pure FT/FM content) is proposed. This is to reduce the price difference between certified and ordinary jewellery products for consumers and lower the existing entry barrier and reduce conflated FFP costs in the final product and to ease challenges around the volumes needed for the production of certain products such as coins or watches, where the majority of the material is recycled gold. The remaining content must be “responsibly sourced”. This product category is proposed to be labeled as “made with FAIRTRADE and FAIRMINED Gold”. This category is not available for ecologic FT/FM Gold.

- In products such as coins, ingots or bullion products, produced in large volume or large batches (above 50 kg) and labelled as “contains FAIRTRADE and FAIRMINED Gold”, the certified gold must constitute at least 10% of the fine gold content. Non-jewellery products or financial products are a huge market opportunity for certified ASMOS. For these products however the retail price (which includes the Premium) is an even stronger entry barrier for consumer. By proposing to allow up to 10% FT/FM and 90% responsibly sourced in such products, these markets can be opened for FT/FM gold. To

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1 Not available for Ecologic Gold

2 The term “large volume” refers to volumes of gold used in such products, either on an annual basis or for a one-time batch production. Volumes exceeding 50 kg gold are considered “large”, which would correspond to at least 5 kg of certified gold. The licensing decision (also for smaller volumes if considered appropriate for the product category) is responsibility of the corresponding licensing body.
distinguish, the claim is “contains” and the content must be indicated. The 10% is proposed as a symbolic threshold value, as this corresponds roughly to the ASM share of global gold production. This category is not available for ecologic FT/FM Gold.

- Gold leaf books/rolls/powder for gold plating or gilding of consumer products labelled as “gold plated/ gilded with FAIRTRADE and FAIRMINED Gold” including Ecological Gold must contain 100% certified gold. This requirement is clarified as existing text was unrealistic. The amount of gold used depends on the size of the object to be gilded and gold volumes on individual objects are usually very small. The STANDARD seeks now a different approach, not focused on the object to be gilded but on the gilding material gold and gold foil. Such materials can reasonably be required to consist of 100% certified gold, without significantly affecting retail prices.

**Manufacturing**

The current standard does not include requirements for the manufacturers of certifiable product, other than those in the trader section around traceability, price etc.

Therefore, at various occasions, it was recommended that the Fairtrade and Fairmined standard for gold recognise other independently audited certifications which include social requirements for manufacturing. This is to bring more opportunities with large production systems whilst minimising risks to the Fairtrade and Fairmined reputation. A different point of view is that the Fairtrade and Fairmined certification scheme certifies the gold in the final product, but not the final product itself.

No standard requirements have been drafted within the suggested amendments to date, as we would like to get your views on this and which other standards/social indicators would be important to you.