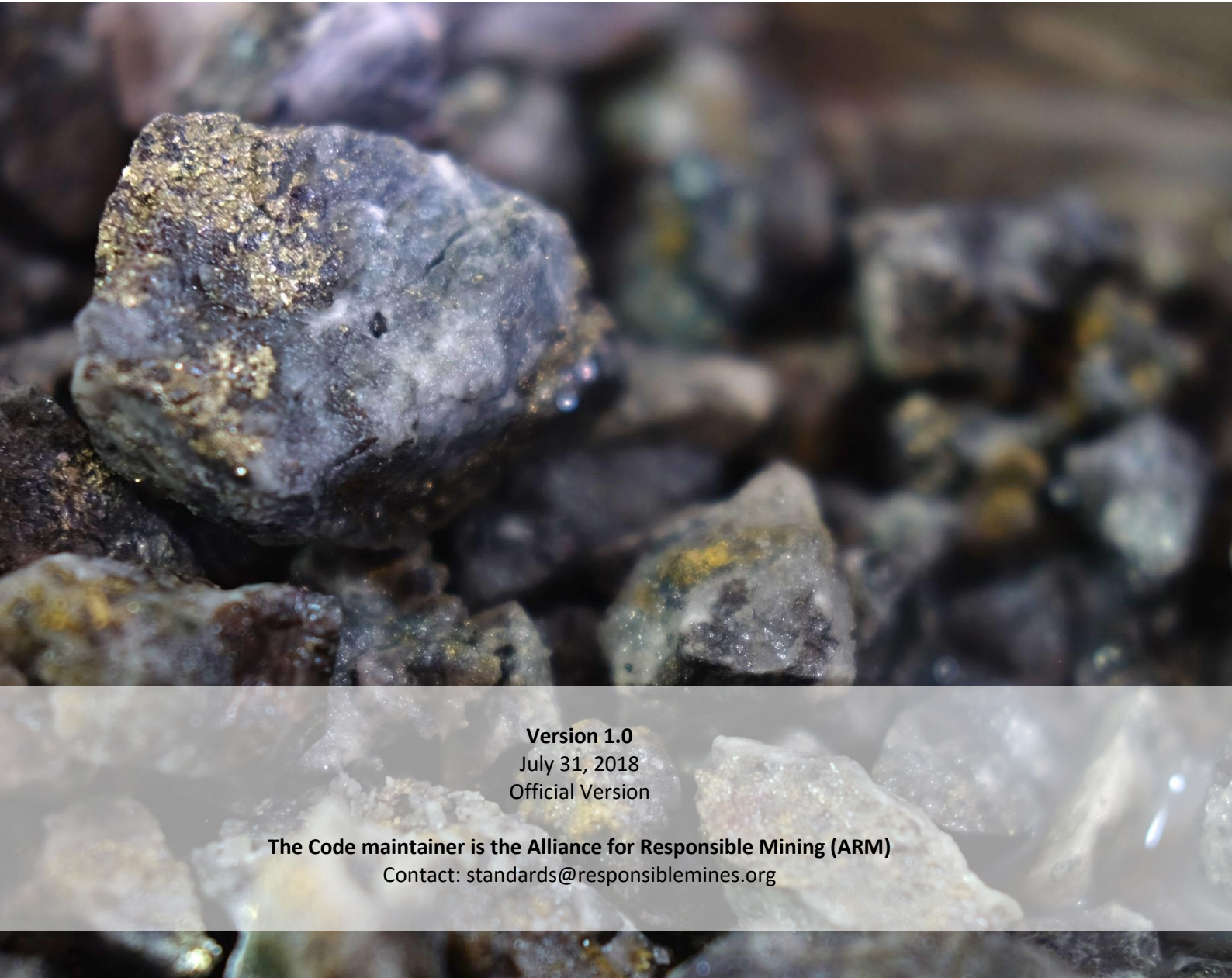


CRAFT

Code of Risk-mitigation for artisanal and small-scale mining engaging in
Formal Trade



Version 1.0
July 31, 2018
Official Version

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Acronyms

ASM	Artisanal and Small-scale Mining
AMP	ASM Mineral Producer
ARM	Alliance for Responsible Mining
CAHRA	Conflict-Affected and High-Risk Area
CC	Creative Commons
CRAFT	Code of Risk-mitigation for ASM engaging in Formal Trade
DDG	Due Diligence Guidance
EITI	Extractive Industry Transparency Initiative
EPRM	European Partnership for Responsible Minerals
GO	Governmental Organization
ICS	Internal Control System
ILO	International Labour Organization
LSM	Large-scale Mining (used as a term covering all industrial, i.e. not ASM, mining)
NGO	Non-Governmental Organization
OECD	Organization for Economic Co-operation and Development
PPE	Personal Protective Equipment
UNEP	United Nations Environment Programme
VP	Voluntary Principles on Security and Human Rights

Definitions and layout conventions

The CRAFT Code is committed to gender equity and especially to the protection of women where typically exposed to gender discrimination. Throughout the document, for language economy, gender neutral language (or masculine in translations) will be used as generic. Inclusive language will be used in those points where it is most necessary to visualize the role of women.

Text layout of the CRAFT Code

All **binding text** of CRAFT is printed in black color, 12 pt.

[text sample of CRAFT Code text]

All further explanatory and **guidance text** is printed in grey color 11 pt.

[text sample of explanatory and **non-binding** guidance text]

Terms with a specific meaning in the context of the CRAFT

The terms “**upstream**” and “**downstream**” are used in relation to the point where ASM gold produced within the scope of the CRAFT is sold to supply chain actors outside the scope of the CRAFT.

e.g., A refiner, who sources from ASM, is located downstream of the ASM producer and is therefore - from the perspective of the CRAFT - referred to as a “downstream” operator.

BUYER: Supply chain actors outside the scope of the CRAFT (i.e. “downstream” in the logic of the CRAFT), which source or have the intention to source ASM gold from a producer within the scope of the CRAFT, are referred to as **BUYERS**.

The catch-all term "buyer" for all downstream actors meeting the above definition is used for the sake of brevity in this document.

INTRODUCTION

The years since 2008 have seen the emergence of a strong body of frameworks initially applicable to 3T metals (tin, tungsten, tantalum) and gold originating from Conflict-Affected and High-Risk Areas. The OECD Due Diligence Guidance (DDG), the US Dodd-Frank Act, the EU Conflict Minerals Regulation and related instruments encourage or require downstream actors to further understand and “de-risk” their supply chains, as well as to develop compliance processes and protocols for implementing risk-based due diligence and chain of custody or traceability systems.

Supply chains sourcing from Artisanal and Small-scale Mining (ASM) are often quite complex, particularly if they lack clear “choke points”¹ determined by technology, as in the case of gold. Complex supply chains require complex due diligence processes that are costly. The situation is exacerbated by legal and reputational risks of sourcing from legitimate but still predominantly informal ASM mines. Consequently, many downstream supply chain actors have become reluctant to source materials (and gold in particular) from ASM sources or otherwise accept them in their supply chain. However, the rational response of many companies to avoid sourcing from ASM altogether further marginalizes the ASM sector and makes it easy prey for illegal supply chain actors.

In response to this critical challenge, the Alliance for Responsible Mining (ARM) and RESOLVE, with initial funding support from the European Partnership for Responsible Minerals (EPRM), decided in 2016 to develop under open-source terms a market entry standard, enabling OECD-conformant ASM gold producers to deliver into legal supply chains at the earliest possible stage in their development.

The resulting **Code of Risk-mitigation for ASM engaging in Formal Trade – CRAFT**² (this document) is intended to serve as an instrument for ASM and the industry to demonstrate its eligibility to sell and source gold in conformance with the OECD DDG and legislations derived from DDG. The product scope on gold may be broadened in future releases, opening the CRAFT for other commodities produced by ASM. The CRAFT is further intended to be responsive to reputational challenges of responsible supply chains.

The CRAFT aims at facilitating engagement of the downstream supply chain actors with upstream ASM producers at the point where the risks listed in the OECD DDG (commonly referred to as “Annex II risks”) are mitigable. The CRAFT is expected to support the efforts of legitimate producers from the ASM sector to sell their product to formal supply chains and, vice versa, help downstream supply chain actors to engage with legitimate ASM producers. The overall intent of the Code is to promote sustainable social, environmental, and economic development of the ASM sector, by leveraging demonstrable conformance with due diligence requirements as an instrument for generating a positive development impact for ASM producers. The CRAFT expects to be a tool principally for the miners, to empower them in understanding and complying with market expectations and due diligence needs.

In order to accommodate the vast variety of upstream producer setups, governing legal frameworks, and possible usage scenarios, the CRAFT is developed from the outset under Creative Commons (CC) **Open Source** license terms.³ As an open-source standard, the CRAFT may be used by any ASM producer, as well as by a wide variety of sourcing models, ASM development programs, or corporate policies of supply chain actors sourcing from ASM, i.e. by any supply chain scheme. Supply chain schemes that incorporate and use the CRAFT for sourcing from ASM or for supporting ASM development are referred to as **CRAFT Schemes**.

According to the CC Open Source license terms of the CRAFT, the standard/code maintainer has no control over who uses the standard/code, for which purpose, and under which conditions. The CRAFT, therefore, is limited in its ability to specify requirements related to CRAFT Schemes, except in how producers adhering to the code interact with CRAFT Schemes to which they are affiliated. Nevertheless, *CRAFT Schemes are expected to support ASM producers in their efforts to comply with the requirements of the CRAFT and improve their operations.*

¹ Clearly defined key points of transformation in the supply chain that generally include relatively few actors that process a majority of the commodity, such as smelters in the case of 3T metals

² The preferred usage of the acronym for “Code of Risk-mitigation ...” in written form is “CRAFT”. Where necessary for improved clarity, particularly in verbal communications, the pleonasm “CRAFT Code” may be used, to distinguish the acronym from the word “craft”.

³ The widely used *Creative Commons Attribution Share-Alike 4.0* license (CC-BY-SA): <https://creativecommons.org/licenses/by-sa/4.0/>

Open Source also implies that the prescription of an exclusive certification scheme is impossible. Many non-exclusive ways to determine conformance with the CRAFT, such as already existing assurance schemes of supply chain initiatives or due diligence procedures of supply chain operators, can co-exist. This eliminates from the outset the risk that the CRAFT creates additional “audit burden”.

The CC Open Source license also permits that other organizations or supply chain initiatives customize CRAFT for their needs and operating context, and that such branches (or successful elements thereof) may at any moment be merged back into the core body of the CRAFT as part of future participatory code development.

Overview of the CRAFT

The CRAFT is a progressive performance standard for ASM mineral producers. Its geographic scope is global, and its organizational scope covers all possible setups of production-based groups of ASM miners (as individuals or entities) and may include local and national aggregators if these, jointly with the miners (women and men), constitute a supply-chain based group. The organizational scope is denominated the “ASM Mineral Producer” (AMP).

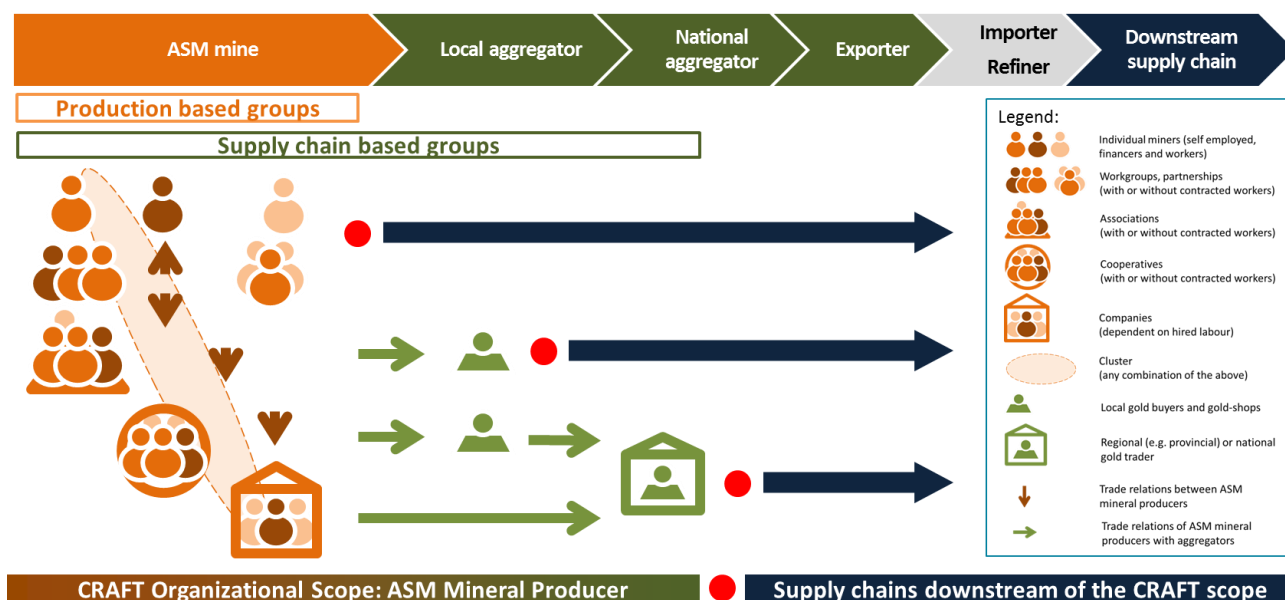


Figure 1: The organizational scope of CRAFT covers miners and optionally aggregators at the upstream end of the supply chain, down to the point (i.e. red dot, point of assurance) where the mined and eventually pre-processed product enters the supply chain downstream of the CRAFT scope.

The CRAFT is structured into Modules, in the sequence that AMPs are expected to follow in order to conform to the requirements. The sequence of requirements within Modules follows the Consolidated Framework of Sustainability Issues for Mining (Kickler&Franken 2017).

The CRAFT is closely aligned with and builds upon the OECD DDG (OECD 2016b), in particular with “Annex II risks” of the DDG:

- **MODULE 1:** Scope and Affiliation
- **MODULE 2:** Legitimacy of the AMP
- **MODULE 3:** “Annex II Risks” Requiring Immediate Disengagement (MODULE 3 has pass/fail criteria)
- **MODULE 4:** “Annex II Risks” Requiring Disengagement after Unsuccessful Mitigation (MODULE 4 has pass/fail and progress criteria)
- **MODULE 5:** “Non-Annex II” High Risks Requiring Improvement (MODULE 5 has only pass or progress criteria, of risks being controlled or mitigation in progress)

Additional MODULES will be developed in future versions of the CRAFT:

- MODULE 6: Medium Risks Requiring Improvement (not covered by version 1.0)
- MODULE 7: Low Risks Requiring Improvement (not covered by version 1.0)

AMPs that wish to join a CRAFT Scheme (which is equivalent to CRAFT Schemes that wish to engage with AMPs) shall do so in a stepwise approach:

- 1. Applicant Status:** AMPs that fit into the scope of the CRAFT may submit an application, providing all information required in MODULE 1, and will be granted applicant status.
At applicant level, AMPs may already start receiving producer support from CRAFT Schemes, guiding them in their process towards the CRAFT conformance.
- 2. Candidate Status:** AMPs that can prove or provide credible evidence of their legitimacy (MODULE 2) and that can make a verifiable claim that none of the Annex II risks covered in MODULE 3 are present, will be granted candidate status.
At candidate level, AMPs shall be supported by CRAFT Schemes to start engagement with formal markets, or vice versa, BUYERS that wish to source from ASM in conformance with the OECD DDG may engage conditionally with the AMP.
- 3. Affiliate Status:** Candidate AMPs that, within 6 months from commercial engagement with a BUYER, can make a verifiable claim that all Annex II risks covered in MODULE 4 are controlled or can demonstrate measurable progress of their mitigation will be granted Affiliate Status.
At affiliate level, AMPs shall receive continued support of CRAFT Schemes to engage with BUYERS, or vice versa, BUYERS that wish to source from ASM in conformance with the OECD DDG may engage definitely with the AMP.
- 4.** At affiliate level, AMPs shall periodically re-assess the conditions of their Affiliate Status. As long as the criteria of MODULEs 2 to 4 are met, AMP s maintain their affiliate status.
Additionally, the AMP shall periodically assess the non-Annex II risks covered in MODULE 5, prioritize those risks and issues which the members of the AMP consider most important to address, and commit to measurable progress in their mitigation during the upcoming reporting period.

Annex 1 provides a graph depicting the interdependence between Modules and Affiliation steps.

Claims of AMPs are based on first-party verification in the case of production-based groups, or first- and second-party verification in the case of supply-chain based groups. These type of claims are affordable for AMPs because they do not need to pay for a third party verification. Independent third-party verification remains the responsibility of the supply chain actors that wish to source from ASM in conformance with the OECD DDG. Consequently, the CRAFT does not add an additional verification (or audit) layer, but aims to simplify due diligence to *verifying verifiable claims*. Independent CRAFT Schemes may provide such verification as a service.

In principle, the CRAFT applies and adapts the logic of the OECD Five-Step Framework (see OECD 2016b) to the ASM context. The decision of an AMP to adhere to the CRAFT and apply to a CRAFT Scheme can be understood as Step 1 of the Framework, establishing a management system. Through its structured approach to identifying and addressing risks, the CRAFT is a management system for ASM. Implementation of the CRAFT consists of the usual subsequent steps of risk assessment, risk mitigation, verification, and reporting. The management instrument for reporting is the “**CRAFT Report**”, periodically issued by the AMP. For AMPs, these CRAFT Reports represent their “*passport to formal markets*”.

MODULE 1: SCOPE AND AFFILIATION

This MODULE 1 specifies the scope of the **CRAFT Code** and the requirements for affiliation to a **CRAFT Scheme**.

1.1 Scope of the CRAFT Code

1.1.1 Geographic Scope

<p>The CRAFT Code has a global scope, without any excluded areas.</p>	<p>Guidance: This version of the CRAFT is intended as a globally applicable core version. For some national contexts, some requirements of this CRAFT (core version of the code) might be seen as too generic, particularly in countries where a detailed legal and regulatory framework for ASM is already in place and fully operational.</p> <p>The open source characteristic of the CRAFT allows other initiatives to “branch” or “fork”⁴ requirements of the core version as needed into localized national versions.</p>
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1.1.2 Organizational Scope

<p>The organizational scope of the CRAFT is the ASM Mineral Producer (AMP)⁵, which may comprise any de facto or formally established organizational structure of producers and optionally aggregators of ASM products operating in one single country.</p> <p>Members of the AMP are all persons and entities working within the organizational scope.</p>	<p>Guidance: The CRAFT is not prescriptive with regards to demanding any specific formally established organizational structure.</p> <p>The scope is limited to one single country, as it is not a typical characteristic of ASM to establish multinational organizational structures.</p> <p>Membership to the AMP is functional and not administrative, i.e. if an individual miner, female or male, is part of a group that sells its mineral to an association affiliated with a processing plant which sells the gold to a local trader, then this individual miner is - as part of the organizational scope - a “Member”, potentially even without knowing it. It does not require a membership application.</p> <p>In transboundary ASM areas, all Members of the AMP must operate under the same jurisdiction. The internal supply chain (see 1.1.4 below) must not include cross-border transaction.</p>
<p>The main organizational scope comprises production-based groups of <i>Members of an AMP</i>, engaged in the AMP’s ASM operation. These members are also referred to as “Miners”, and include all men and women involved in mineral production and processing,</p>	<p>Guidance: The CRAFT uses the OECD definition of ASM.</p> <p>Artisanal and Small-scale Mining (ASM): <i>Formal or informal mining operations with predominantly simplified forms of exploration, extraction,</i></p>

⁴ “Branching” and “forking” are widely used terms in open source development. They refer to developing parallel and sometimes even synchronized versions serving different purposes. It is recommended to maintainers of branched or forked CRAFT versions to adopt or adapt the standard-setting procedures of the maintainers of the core version as seen appropriate for their purpose.

⁵ The term “ASMO” (ASM Organization) is a widely accepted and understood term for all kinds of organizational ASM setups. However, this term is used in other standards and refers mainly to formally established organized groups. This could lead to confusion, as the organizational scope of the CRAFT is broader. Therefore, the CRAFT intentionally uses a different term.

<p>including individual mineral selectors⁶ re-processing rock dumps or tailings. For simplicity, three organizational types can be distinguished:</p> <ul style="list-style-type: none"> • Individuals • Groups (family groups, partnerships, associations, cooperatives, companies, etc.)⁷ • Clusters (any combination of individuals and/or groups) 	<p><i>processing, and transportation. ASM is normally low capital intensive and uses high labour intensive technology. “ASM” can include men and women working on an individual basis as well as those working in family groups, in partnership, or as members of cooperatives or other types of legal associations and enterprises involving hundreds or even thousands of miners. For example, it is common for work groups of 4-10 individuals, sometimes in family units, to share tasks at one single point of mineral extraction (e.g. excavating one tunnel). At the organizational level, groups of 30-300 miners are common, extracting jointly one mineral deposit (e.g. working in different tunnels), and sometimes sharing processing facilities. (OECD 2016b)</i></p>
<p>The extended organizational scope may include “aggregators” in the case of supply-chain based groups. The term AMP then refers to Miners and linked aggregators.</p>	<p>Guidance: Aggregators buy from Miners with the purpose to aggregate – and sometimes process – the purchases into batches suitable in quality and quantity for onward sale to BUYERS. The difference between main scope and extended scope is:</p> <ul style="list-style-type: none"> • an organizational structure without aggregators (i.e. a production based group) may apply to a CRAFT Scheme; • an organizational structure comprised of Miners and aggregators with stable internal commercial relations (i.e. a supply-chain based group) may apply to a CRAFT Scheme; • an organizational structure comprised of aggregators without stable commercial relations with Miners (e.g. buying from random miners) may not apply to a CRAFT Scheme. <p>It is anticipated that in most cases local or regional BUYERS will participate as aggregators in AMPs. However, valid AMP scenarios of supply-chain based groups also exist, where LSM mines aggregate the product of ASM miners operating on their concession, or where refiners source directly from ASM mines. In such cases, and even if such entities are linked to foreign entities, the organizational scope is limited to the nationally operating agents of such entities.</p>

1.1.3 Product Scope

<p>This version 1.0 of the CRAFT is intended to be applicable for all ASM mines that produce gold in any tradable form (as metal, doré, concentrate, or mineral). This includes mines where gold itself may be a by-product (e.g., copper mines, construction gravels, etc.).</p>	<p>Guidance: If the AMP is found to be conformant to the CRAFT (i.e. at least candidate status; see below), the AMP can promote the sale of all its mineral products as “originating from a CRAFT-conformant AMP”.</p>
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⁶ Usually women.

⁷ This encompasses all types of “ASM Enterprises”, per the definition of this term in OECD (2016b).

	<p>Further Explanatory Note: Feedback from the public consultation on version 1.0 strongly suggested broadening the product scope, incorporating other ASM commodities. This will be evaluated for future versions of the CRAFT. In the meantime, supply chain schemes operating other commodities than gold are encouraged to evaluate and test the applicability of the CRAFT within their product scope. Feedback to the standard maintainer is highly welcome.</p>
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1.1.4 Internal Supply Chain

<p>The internal supply chain describes the flow of the mined product in any form (as mineral, concentrate, doré or metal) from the individual miner who extracts it, down to the member(s) of the AMP who sell(s) it to BUYERS.</p> <p>The internal supply chain must not involve any cross-border transactions of mined products or payments.</p>	<p>Guidance: The internal supply chain is determined by the de facto organizational structure of the AMP. (See example above, in guidance to 1.1.2).</p> <p>The internal supply chain is comparable to what other ASM standards describe as a “system of production”.⁸ The difference is:</p> <p><i>Systems of production</i> are usually sub-structures of formally established organizations (e.g. a sub-group within a cooperative).</p> <p>The <i>internal supply chain</i> of an AMP is eventually a supra-structure (cluster) of various individuals and entities with internal commercial relations, determined by the actual (de-facto) flow of the mined product down to the Member of the AMP (e.g. an aggregator) that interacts with BUYERS.</p>
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1.1.5 Point of assurance

<p>The Member(s) of the AMP that interact(s) commercially with BUYERS is ultimately responsible for making all CRAFT-related verifiable claims.</p> <p>This responsibility may be delegated to or assumed by an ASM producer support scheme (e.g., a public, private, or civil society ASM program or project).</p>	<p>Guidance: The CRAFT assurance mechanism consists of the AMP making first-party verification claims (by miners/main organizational scope) or second-party verification claims (by aggregators/extended organizational scope or by ASM producer support schemes on their behalf, based on first-party claims of miners), that shall be verifiable at any moment through independent third-party verification (e.g., audits by BUYERS or other actors that wish to engage with the AMP).</p> <p>The member(s) of the AMP that transacts the gold to BUYERS must ensure that the claims are truthful and verifiable.</p> <p>That “<i>Member of the AMP that interacts commercially with BUYERS</i>” may be any natural or juridical person operating nationally.⁹</p>
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⁸ E.g. Fairtrade Standard, Fairmined Standard.

⁹ This also applies if an aggregator, as the “*Member of the AMP that interacts commercially with BUYERS*”, is linked to a foreign entity.

1.2 Affiliation to CRAFT Schemes

1.2.1 CRAFT Schemes

A CRAFT Scheme is a supply chain scheme that uses, incorporates, or builds upon the rules of the CRAFT Code.

A supply chain scheme, in general, is a set of rules for engagement between upstream and downstream supply chain actors. It may be established by BUYERS (e.g. a due diligence protocol), by independent third parties (GOs, NGOs or service providers), by projects or programs, or similar.

1.2.2 Differences between the CRAFT Code and a CRAFT Scheme:

CRAFT Code	CRAFT Scheme
The CRAFT Code is open source under the Creative Commons license CC BY-SA 4.0. It is based on the OECD DDG, in particular, the MODULES 2 to 4 of the Code addressing Annex II risks of the DDG.	CRAFT Schemes are implementations of the CRAFT Code by supply chain schemes for conformance with the OECD DDG and engagement with ASM mineral producers. CRAFT Schemes (i.e. the way the CRAFT is implemented) may be proprietary.
ARM, as the standard/code maintainer of the CRAFT Code, has no control over who uses the standard/code, for which purpose, and under which conditions, as long as the open source licensing terms of CC BY-SA 4.0 are respected.	CRAFT Schemes may be established by BUYERS (e.g. by incorporating the CRAFT into their due diligence protocols), by independent third parties (GOs, NGOs or service providers), by projects or programs, or similar. CRAFT Scheme owners have full control over their scheme.
The CRAFT Code is a generic standard-setting document that establishes the requirements and provides guidance.	Each CRAFT Scheme defines the templates and processes as seen necessary for the implementation of CRAFT.
The CRAFT Code does not prescribe how a CRAFT Report (see below) should be prepared.	CRAFT Schemes support AMPs with “Applicant” status or higher (see below) in their task of preparing CRAFT Reports.
The CRAFT Code is not a certification scheme.	CRAFT Schemes have no obligation to carry out any due diligence or verification of the content of CRAFT Reports. <u>However:</u> CRAFT Schemes <u>may</u> carry out due diligence or third party verification as seen appropriate, and/or incorporate the CRAFT into their certification schemes if applicable.
The CRAFT Code defines basic rules and recommendations for CRAFT Schemes, to ensure compatibility and interoperability between CRAFT Schemes, (Status levels, CRAFT Reports, etc.)	CRAFT Schemes are expected to maintain a public list of AMPs currently participating in their scheme, disaggregated at least by (i) Applicant, (ii) Candidate, and (iii) Affiliate.

The process of AMPs adhering to the CRAFT Code and/or applying to a CRAFT Scheme (if any such scheme is accepting applications from the country where the AMP operates) is progressive. There are three levels of adherence: Applicant, Candidate, and Affiliate.

In regions where no CRAFT Scheme operates, or if an AMP does not wish to join a CRAFT Scheme operating in its region, AMPs may implement the CRAFT on their own. For that purpose, they may implement the CRAFT on their own, auto-declaring their status (in their CRAFT Reports, see below)

with the prefix “Independent” (i.e. “Independent Applicant”, “Independent Candidate”, or “Independent Affiliate”).

It is expected that AMPs progressively strengthen their organizational aspects, operate in line with the CRAFT, and improve their ability to collect data (i.e. provide more accurate data at every level, e.g. details on members, details of location maps, etc.). This is aligned with the fundamental concept of Due Diligence, which understands it as an ongoing, proactive, and reactive process, not a one-off exercise.

1.2.3 Applicant Status

“Applicant” status is purely aspirational and not related to any verifiable claim.

If a CRAFT Scheme operates in the AMP’s country, applicant status allows AMPs to join a CRAFT Scheme for the purpose of obtaining support from that scheme. Applications of AMPs to a CRAFT Scheme also allow CRAFT Scheme owners to expand their supply chain sources by supporting applicant AMPs in the process of reaching affiliate status.

<p>To qualify as an applicant and for inclusion in a CRAFT Scheme, an AMP must:</p>	
<p>1. Be an individual, group, or cluster that sells the mined product (gold at any processing stage) either individually, collectively, or through aggregators.</p>	
<p>2. Declare to be able to</p> <ul style="list-style-type: none"> i. commit to making verifiable first or second party claims in the form of a “CRAFT Report” (see below) about the circumstances under which the product is produced (mined, processed and internally traded), and ii. identify risks and make commitments regarding risk mitigation. 	<p>Guidance: Through these declarations the AMP demonstrates a basic understanding of the main characteristics of the CRAFT. These declarations are not verifiable claims.</p> <p>The CRAFT instrument through which the AMP will make verifiable first or second party claims is the “CRAFT Report”. The claims in the CRAFT Report are a “first-party claim” if the AMP is only composed of miners (they declare how they operate), and a “second-party claim” if the AMP is composed of miners and aggregators and the aggregator declares how he/she operates and how its providers operate.</p>
<p>3. Be, or be able to nominate, the responsible person to oversee, manage, and communicate all aspects concerning CRAFT. For achieving candidate status and onwards, the responsible person will be in charge of making the verifiable first- or second-party claims, committing to risk mitigation, and responding to eventual conformity assessment requests by third parties (verification, monitoring, assurance, certification, due diligence, etc.).</p>	<p>Guidance: See Point of Assurance above.</p> <p>The responsible person will usually be the member who interacts commercially with BUYERS. If several members interact commercially with BUYERS, they will usually elect a representative.</p> <p>The role of the responsible person may be delegated to or assumed by an ASM producer support scheme (e.g., a public, private, or civil society ASM program or project).</p> <p>The responsible person makes the verifiable first- or second-party claims (prepares and signs the CRAFT Report) as or in representation of the AMP supply chain actor(s) that “sell(s)” the gold to BUYERS.</p>

Note: At this stage, AMPs may become eligible for producer support by CRAFT Schemes that support AMPs in their development towards becoming CRAFT-conformant ASM.

1.2.4 Candidate Status: Conditional Affiliation

At Candidate Status, AMPs are expected to be in conformance with the Code MODULE 3: “Annex II risks requiring immediate disengagement”¹⁰. Affiliation is conditional to subsequent conformance with the Code MODULE 4: “Annex II risks requiring disengagement after unsuccessful mitigation”.

<p>To qualify for Candidate Status, the AMP must prepare a CRAFT Report providing the below outlined general description of their characteristics and declaring the following:</p>	
<p>1. The CRAFT Scheme’s data sheet, indicating at minimum the AMP’s denomination, location(s) (town, municipality, province, country), type of organization, and general description of the mining operation.</p>	<p>Guidance: It is expected that CRAFT Schemes provide templates of data sheets and forms to collect this information in a consistent manner. If the AMP is a single formally established entity (e.g. a cooperative), the denomination is the name of the entity. In the case of a cluster of entities, the AMP shall choose and indicate the name under which it will be referred to.</p>
<p>2. Name and contact details of the person responsible for overseeing, managing, and communicating all aspects related to CRAFT.</p>	
<p>3. List of all internal entities (individuals, family groups, work groups, partnerships, associations, cooperatives, companies, aggregators, etc.) that constitute the AMP, indicating the total number of miners per entity and the grand total, as well as the approximate production capacity. Formally established entities (associations, cooperatives, companies, etc.), as well as aggregators (if applicable) must be identified with their names.</p>	<p>Guidance: The list shall describe the internal organizational setup of the AMP, i.e. the type of internal entities, their size (disaggregated number of members), and their approximate average production. If possible, but not mandatory at candidate status, the list should contain the names of all miners.</p>
<p>4. Map indicating the location of the mines, the most important facilities, and the surrounding areas.</p>	<p>Guidance: For candidate status, at least a sketched map.</p>
<p>5. Declaration and supporting documents proving the legitimacy of the AMP and its Members.</p>	<p>Guidance: See CRAFT MODULE 2: “Legitimacy of the AMP”</p>
<p>6. Verifiable first- or second-party claim, contained in the CRAFT Report covering MODULE 3, ensuring the absence of “Annex II risks” which would – according to the OECD DDG – require BUYERS to disengage immediately, i.e. risks that would inhibit BUYERS at the outset from engaging in commercial relations.</p>	<p>Guidance: See CRAFT MODULE 3: “Annex II risks requiring immediate disengagement”. It is expected that CRAFT Schemes provide templates to prepare the CRAFT Reports in a consistent manner.</p>
<p>7. Declarations of commitment of the AMP to</p> <ul style="list-style-type: none"> • adopt the CRAFT as a management system to identify and mitigate supply chain risks and as a planning instrument 	<p>Guidance: These commitments have a dual purpose: They assemble as close as possible for AMPs the Five-step Framework of the OECD DDG, facilitating</p>

¹⁰ MODULE 3 incorporates compliance with MODULE 2. The reason is explained in MODULE 2.

<p>for its own development (i.e. application statement);</p> <ul style="list-style-type: none"> • regularly update the risk assessment related to Annex II risks covered in MODULE 3; • perform a risk assessment, according to MODULE 4, of “Annex II risks” which would – according to the OECD DDG – require BUYERS to disengage after unsuccessful mitigation efforts; • establish and implement within no longer than six months after commercial engagement with a BUYER a plan to mitigate identified “Annex II risks” which would require BUYERS to disengage after unsuccessful mitigation efforts (according to MODULE 4); • prepare a CRAFT Report on the above risk assessment and risk mitigation (i.e. covering MODULE 4); and • accept at any moment a third-party verification, validating the statements of the CRAFT Report(s). 	<p>a seamless interface with downstream supply chain standards or schemes.</p> <p>They guide the AMP towards establishing a management system for its own development. This requires essentially the same steps of assessing risks (i.e. identifying problems), mitigating risks (i.e. improving conditions and processes), and periodic reporting (i.e. reviewing achievements and planning for next steps). Subsequent levels of the CRAFT requirements (going beyond Annex II risks, in MODULES 5 and higher) will cover the issues to be addressed.</p>
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At this stage, and based on the AMP’s commitments to assess the Annex II risks covered in MODULE 4 and to proceed with their mitigation, AMPs become eligible to engage in formal trade with BUYERS operating in conformance with the OECD DDG, and such BUYERS may start commercial relationships with the AMP.

In alignment with the OECD DDG, within 6 months from commercial engagement with a BUYER, Candidate APMs must progress to Affiliate Status, demonstrating that Annex II risks which would require BUYERS to disengage after unsuccessful mitigation efforts have been assessed and all existing risks are mitigated or addressed by risk mitigation plans. (see also 1.2.7)

1.2.5 Affiliate Status: Initial Definitive Affiliation

At Affiliate Status level, AMPs are expected to be conformant with the Code's MODULE 3: “Annex II risks requiring immediate disengagement” and MODULE 4: “Annex II risks requiring disengagement after unsuccessful mitigation”. All Annex II risks that would require BUYERS to disengage or suspend engagement have been either successfully mitigated or are controlled and monitored by satisfactory mitigation progress. The AMP can definitively join a CRAFT Scheme (as long as no Annex II risks reappear).

<p>To qualify for Affiliate Status, the AMP must prepare a CRAFT Report providing the below outlined general description of their characteristics and declaring the following:</p>	<p>Guidance: Definitive affiliation means that Annex II risks are absent or successfully mitigated. It is recommended that AMPs present their application for initial definitive affiliation as soon as all corresponding requirements are met. In case of absence of all Annex II risks, AMPs may even skip the conditional application.</p>
<p>1. Updated CRAFT Scheme data sheet (AMP entity description)</p>	
<p>2. Reconfirmed or updated contact details of the responsible person</p>	

<p>3. Updated and amended list of the internal entities containing the name, gender, age, work site, and ID number of all miners, and with the respective production capacities of the entities</p>	
<p>4. Updated and at scale location map, with an added mineral flow chart.</p>	<p>Guidance: At initial definitive affiliation level at scale (but not necessarily with full land surveyor’s precision).</p>
<p>5. Additional affiliation requisite: Detailed description of implementation of an internal control system (ICS) to ensure that gold and/or mineral commercialized by the AMP and/or its entities originates exclusively from the mine site(s) of the AMP.</p>	<p>Guidance: At definitive affiliation level, it is expected that BUYERS engage with the AMP, sourcing regularly. For that purpose the AMP must be able to assure traceability of the gold down to the point of sale.</p>
<p>6. Updated (if applicable) documents proving the legitimacy of the AMP and its Members</p>	<p>Guidance: See CRAFT MODULE 2: LEGITIMACY OF THE AMP</p>
<p>7. Verifiable first- or second-party claim, contained in the second CRAFT Report:</p> <ul style="list-style-type: none"> • Covering MODULE 3, affirming the continued absence of “Annex II risks” which would require BUYERS to disengage immediately (i.e. all requirements fulfill pass criteria), and • Covering MODULE 4, affirming that “Annex II risks” which would require BUYERS to disengage after unsuccessful mitigation efforts have been assessed and all existing risks are addressed by risk mitigation plans (i.e. all requirements fulfill pass or progress criteria). 	<p>Guidance: It is expected that CRAFT Schemes provide templates to prepare the CRAFT Reports in a consistent manner. See CRAFT MODULE 3 on Requirements related to “Annex II risks” that require immediate disengagement. See CRAFT MODULE 4 on Requirements related to risks that require disengagement after unsuccessful mitigation efforts.</p>
<p>8. Declarations of commitment of the AMP to</p> <ul style="list-style-type: none"> • continue adopting the CRAFT as a management system (i.e. application statement); • regularly update the risk assessments related to Annex II risks covered in MODULE 3 and MODULE 4; • perform a risk assessment of issues beyond the “Annex II risks” (“non-Annex II risks” covered in MODULE 5) and to establish and implement an “improvement plan” to mitigate and remediate identified “non-Annex II risks”; • prepare annually CRAFT Reports on risk assessment and risk mitigation/-remediation; and • continue to accept at any moment a third-party verification, validating the statements of the CRAFT Report(s). 	<p>Guidance: The CRAFT groups “non-Annex II risks” into high, medium, and low risk categories. AMPs are expected to mitigate risks in this order, i.e. prioritize the mitigation of high risks, then medium risks, and finally low risks. Within each risk group, AMPs are free to prioritize the mitigation of those risks which they perceive as most urgent. Notwithstanding, if an AMP considers a certain risk in a higher category than suggested in the CRAFT, the AMP is free to prioritize the mitigation/remediation of this risk.</p> <p>Editorial note: Version 1 of the Code only covers high risks (MODULE 5). Medium and low risks (MODULES 6 and 7) will be covered in subsequent versions of the CRAFT.</p>

1.2.6 Affiliate Status: Renewal of Definitive Affiliation

<p>For renewed participation in a CRAFT Scheme, all information and all declarations listed for “Initial definitive affiliation” must be updated annually, and where applicable further disaggregated and amended.</p>	<p>Guidance: If the AMP consists of more than one internal entity, particularly if at different technological levels, it might become necessary to disaggregate data, assessment, and improvement plans.</p> <p>CRAFT Schemes may encourage AMPs to amend the list of internal entities by available information on beneficial ownership, to the extent where public disclosure does not represent a security risk (i.e. becoming a target of crime) for the beneficial owners.</p>
<p>In addition to the requisites for initial affiliation, and related to non-Annex II risks, the AMP must in its CRAFT Report:</p>	
<ul style="list-style-type: none"> • Related to risks covered by MODULE 5: Describe the risk mitigation/ remediation results, achieved during the past year (i.e. achievements of the improvement plan). 	<p>Guidance: This part of the CRAFT Report shall provide insight on the conformity of the AMP with its own commitments. (See performance indicators below.)</p>
<ul style="list-style-type: none"> • Related to risks covered by MODULE 5: Describe the findings of an updated risk assessment exercise and update the risk mitigation/remediation plan for the upcoming year (“Commitments” of the improvement plan). 	<p>Guidance: It is the intent of the CRAFT Code that AMPs prioritize the mitigation of those risks which they perceive as most urgent. These priorities may differ between AMPs.</p> <p>It is anticipated that AMPs affiliated to a CRAFT Scheme and implementing their improvement plans will be supported by supply chain scheme owners and ASM development programs. This is an opportunity for CRAFT Schemes to raise awareness among miners on priorities of their scheme or program.</p>

1.2.7 Reassessment of Status Levels in case of re-appearing Annex II risks

In case of re-appearing Annex II risks, Candidate and Affiliate Status levels need to be re-assessed.

For AMPs with Candidate Status:

- If Annex II risks re-appear, which require BUYERS to immediately disengage (fail criteria of MODULE 3 requirements), the AMP shall lose Candidate Status and may continue/reinitiate at Applicant Status.
- If a Candidate AMP fails to achieve Affiliate Status within 6 months after commercial engagements with a BUYER (i.e. the period provided in the OECD DDG after which a BUYER has to suspend engagement after unsuccessful mitigation efforts), the AMP may choose between being assigned a “Temporarily Suspended” Status or abandon their Candidate Status and continue/reinitiate at Applicant Status.

For AMPs with Affiliate Status:

- If Annex II risks re-appear, which require BUYERS to immediately disengage (fail criteria of MODULE 3 requirements), the AMP may choose between being assigned a “Temporarily Suspended” Status or abandon their Affiliate Status and continue/reinitiate at Applicant Status.
- If Annex II risks re-appear, which require BUYERS to disengage after unsuccessful mitigation efforts (fail criteria of MODULE 4 requirements), the AMP may choose between being

assigned a “Temporarily Suspended” Status or abandon their Affiliate Status and continue at Candidate Status.

In any case, AMPs that are “downgraded” to Candidate or even Applicant Status remain eligible for producer support by CRAFT Schemes that support AMPs in their development towards becoming CRAFT-conformant ASM. Depending on the type of Annex II risk that re-appeared and chances that this risk may be mitigated in a reasonable timeframe, AMPs may see it advantageous to either

- accept an eventually stigmatizing status of “Temporarily Suspended”, and quickly resume fully qualified engagement with BUYERS, or to
- start “fresh” with producer support from a lower level.

1.3 The CRAFT Reports

Implicitly, the CRAFT constitutes a management system for AMPs; it is designed to be as aligned with the OECD Five-Step Framework as possible and reasonable for the ASM sector. CRAFT Reports are the main management and communication instrument of this management system.

Implementation of the CRAFT will in most cases be a shared responsibility of AMPs and CRAFT Schemes. While the AMP is always the main entity responsible for making verifiable claims and mitigating risks, it is the responsibility of CRAFT Schemes to support AMPs in their tasks to the extent possible, in the case of BUYERS as CRAFT Scheme owners to source from the AMP, and in all other cases to facilitate engagement of AMPs with BUYERS.

For that purpose:

- Expected support for AMPs from the CRAFT Schemes
 - CRAFT Schemes are expected to support AMPs with “Applicant” status or higher in their task of preparing the CRAFT Reports.
 - CRAFT Schemes may do so by providing advice on how to prepare individualized reports or by preparing and providing templates and additional guidance.
 - CRAFT Schemes are expected to maintain a public list of AMPs currently participating in their scheme, at least disaggregated by (i) Applicant, (ii) Candidate, and (iii) Affiliate status.
 - CRAFT Schemes have no obligation to carry out any due diligence or verification of the content of CRAFT Reports.¹¹ They primarily evaluate the affiliation status according to the CRAFT Reports on file and their coverage (The CRAFT Modules covered) and take care of reviewing information for issues (completeness, fraud, etc.). However,
 - CRAFT Schemes may carry out due diligence or third-party verification as seen appropriate. Where this is the case, CRAFT Scheme will review and verify the information provided by the AMP (the CRAFT Reports) for completeness and reasonableness. As such added value services are beyond the scope of the CRAFT, and usually the responsibility of the BUYER, the cost of such services shall not be charged to the AMP.
- Full-text CRAFT Reports
 - Full-text CRAFT Reports may contain confidential data. Full-text CRAFT Reports that must be submitted by AMPs to CRAFT Schemes are subject to confidentiality agreements.
 - AMPs may disclose their own full-text CRAFT Reports to any party at any moment as they see appropriate.
 - CRAFT Schemes may disclose full-text CRAFT Reports of AMPs with Candidate or Affiliate status only with the written consent of the AMP.

¹¹ If that were the case, AMPs from regions where no CRAFT Scheme is present on the ground would face barriers to finding a CRAFT Scheme that accepts their application. Additionally, one of the purposes of CRAFT is to reduce barriers by making due diligence easier for BUYERS, not to substitute the BUYER’s responsibility for carrying out due diligence.

- For independent third-party verification, for the purpose of verifying the first- and second-party claims made in CRAFT Reports, the full-text CRAFT Report must always be disclosed to the independent verification body.
- For comparability of CRAFT Reports, between CRAFT Schemes and between AMPs, every CRAFT Report shall contain and indicate:
 - Detailed information and supporting evidence (where applicable) about the risk assessment results,
 - Detailed information about the number and type of mitigation or improvement commitments for the next reporting period, and
 - Detailed information about the number and type of mitigation or improvement achievements in the past reporting period.
- Public summary CRAFT Reports
 - Every CRAFT Report shall include a non-confidential, public summary.
 - The summary CRAFT Report shall contain for each requirement at least the status qualifier (e.g. legal, legitimate, mitigated, satisfactory progress, improved, ongoing improvement, etc., as specified for each requirement from MODULE 2 onwards).
 - The summary CRAFT Report shall indicate the aggregated numbers of commitments for the next reporting period and achievements of the past reporting period, disclosing the AMP's performance indicators (see below).
 - The summary CRAFT Report may contain further detailed non-confidential information as considered appropriate by the AMP.

1.4 Performance Indicators for AMPs

MODULE 1 of the CRAFT refer to affiliation requirements, MODULE 2 refers to legitimacy of the AMP. MODULE 3 covers Annex II risks for which the OECD DDG recommends immediate disengagement. Until this level (where AMPs have either Applicant or Candidate status) the Code only distinguishes between pass and fail criteria and does not need performance indicators.

However, once an AMP has reached Affiliate status (no failed requirements of MODULES 3 and 4), the characteristics of a progressive performance standard become prevailing. MODULE 4 still has some fail criteria, but mainly progress and pass criteria, and MODULES 5 and higher have in essence only progress criteria. Robust performance indicators measuring progress are therefore of crucial importance.

For AMPs with Affiliate Status, the CRAFT proposes a set of dynamic performance indicators. The indicators are intended to measure progress and improvement achieved by an AMP year-by-year. These indicators are expected to be more meaningful than the “static” development level an AMP has reached. “Best performing” AMPs under the CRAFT are therefore not necessarily only those that already count on good working conditions (but eventually not keen to further improve), but those which demonstrate the strongest efforts towards improvement.

It is expected that under such a set of indicators based on effort, very incipient AMPs (e.g. groups of women mineral selectors) can compete in equal conditions with quite advanced cooperatives or even ASM enterprises.

As these indicators have not yet been tested/piloted in practice during development of the CRAFT version 1.0, they remain under revision and will be introduced in version 2.0.

Performance Indicator 1: Commitment

Proposed for version 2.0: In their CRAFT Reports, and based on their risk assessment, AMPs are required to indicate their mitigation and improvement commitments for the next reporting period. The number and the type of planned improvements is an indicator of the AMP's commitment to improve. The indicator allows for comparison of the commitment of one AMP against others.

Performance Indicator 2: Conformity

Proposed for version 2.0: In their CRAFT Reports, and based on their first- or second-party self-assessment, AMPs are required to indicate the achieved mitigation or improvement commitments during the past CRAFT reporting period. These achievements can be compared with the corresponding commitments and used as a conformity indicator. Achieving all commitments corresponds to a conformity of 100%.

Performance Indicator 3: Credibility (only applies to AMPs that have undergone independent third-party verification)

Proposed for version 2.0: The verifiable first- and/or second-party claims of the AMP are subject to third-party verification (if any BUYERS or their CRAFT Scheme decides to do so as part of its due diligence obligations). Third parties may evaluate whether the statements of the AMP in its CRAFT Report reasonably reflect the reality on the ground. The number of statements in the CRAFT Report that the third-party verification considers reasonably truthful is an indicator of the AMP's credibility. All claims considered truthful during the third-party verification correspond to a credibility of 100%.

Algorithm for quantification of performance indicators

Rules for quantifying performance indicators, ensuring comparability of AMPs affiliated to different CRAFT Schemes, will be established in future versions of the CRAFT, based on experience with implementation of version 1.

MODULE 2: LEGITIMACY OF THE AMP

This Module specifies the requirements and criteria used to assess the legitimacy of the AMP, in terms of legalization and formalization of its operation.

Due to its global scope, the CRAFT is generic and guided by the definition of legitimacy of the OECD DDG. In consequence “legitimacy” does not necessarily warrant that AMPs fulfilling the CRAFT criteria will obtain free access to formal markets under national legislation. “Legitimacy” denotes that BUYERS seeking to source from a legitimate AMP could do so in conformance with the OECD DDG if Annex II risks are found absent or with satisfactory mitigation progress (see MODULES 3 and 4).

Applying adequate national standard setting procedures (involvement and consultation with relevant stakeholder groups), the Open Source characteristic of the CRAFT allows – if needed – to develop localized CRAFT versions that may warrant that CRAFT conformant mines will gain free access to formal markets under national legislation.

<p>An AMP can apply to join a CRAFT Scheme if it is legitimate, in the understanding of the definition of “Legitimate ASM” given by the OECD DDG.</p>	<p>“Legitimate artisanal and small-scale mining: <i>The legitimacy of artisanal and small-scale mining is a difficult concept to define because it involves a number of situation-specific factors. For the purposes of the OECD Guidance, legitimate refers, among others, to artisanal and small-scale mining that is consistent with applicable laws. When the applicable legal framework is not enforced, or in the absence of such a framework, the assessment of the legitimacy of artisanal and small-scale mining will take into account the good faith efforts of artisanal and small-scale miners and enterprises to operate within the applicable legal framework (where it exists) as well as their engagement in opportunities for formalisation as they become available (bearing in mind that in most cases, artisanal and small-scale miners have very limited or no capacity, technical ability or sufficient financial resources to do so)...”</i> (OECD 2016b)</p> <p>MODULE 3 addresses the final part of the legitimacy definition: “...In either case, artisanal and small-scale mining, as with all mining, cannot be considered legitimate when it contributes to conflict and serious abuses associated with the extraction, transport or trade of minerals as defined in Annex II of the Guidance.”</p>
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For determining legitimacy, the CRAFT distinguishes different contexts that may exist in the country where the AMP operates. For each context, the CRAFT establishes the below criteria for determining whether or not the requirement of legitimacy is fulfilled:

Fulfilled Requirement	Progress towards Fulfillment of the Requirement	Fail Criteria
<p>The AMP is legitimate and formal/legal and can be admitted into a CRAFT Scheme.</p>	<p>The AMP is legitimate and in the process of becoming formal/legal and may be admitted into a CRAFT Scheme that provides support for formalization/legalization.</p>	<p>Under its current circumstances, the AMP cannot be considered legitimate and cannot be admitted into a CRAFT Scheme.</p>

2.1 Country Context Case 1:

A legal framework for ASM exists, is actively implemented, and is enforced by the competent authorities.

<ul style="list-style-type: none"> • “Exists” means that ASM is addressed by national laws, and the requirements to legalize ASM operations are established in the corresponding regulations. • “Actively implemented” means that formalization procedures are clearly established, and a significant proportion¹² of ASM operation has obtained formalized status or is in the formalization process. • “Enforced” means that the competent authorities offer formalization procedures for ASM operators who are willing to formalize and take action against those operators who reject to follow the formalization procedures. 		
Fulfilled Requirement	Advanced Progress towards Fulfillment of the Requirement	Fail Criteria
<p>The AMP’s operation is legal. The AMP holds the legally valid public or private documents that authorize its operation.</p>	<ul style="list-style-type: none"> ○ The AMP can prove with legally valid documents that it is making progress towards the legalization of its operation. ○ The AMP’s operation is based on good faith: No evidence exists that the competent authorities have taken action against the AMP since the AMP entered the formalization process. 	<ul style="list-style-type: none"> ○ The AMP cannot provide any evidence of efforts towards the legalization of its operation, e.g. the AMP doesn’t have any documents proving its application or initiation of the formalization procedure. ○ The AMP’s operation is not based on good faith: Its operation continues despite actions taken by the competent authorities against the AMP.
	<p><u>Incipient Progress towards Fulfillment of the Requirement:</u></p> <ul style="list-style-type: none"> ○ The AMP can prove with documents that it made efforts towards the legalization of its operation. ○ The AMP’s operation is based on good faith: No evidence exists that the competent authorities have taken action against the AMP since the AMP initiated the formalization process. 	

2.2 Country Context Case 2:

<p>A legal framework for ASM exists, but it is neither actively implemented nor enforced.</p> <ul style="list-style-type: none"> • “Exists” means that ASM is addressed by national laws, and the requirements to legalize ASM operations are established in the corresponding regulations. • “Neither actively implemented...” means that formalization procedures are not clearly established or are beyond the capacity of ASM operators, and formalization is not actively promoted by the state. In consequence a significant proportion¹³ of the ASM sector operates in the informal sector. • “...Nor enforced” means that competent authorities either take no action or engage occasionally or repeatedly in local or regional crackdowns with short-term impact, after which ASM operations typically return to “(informal) business as usual”. 		
Fulfilled Requirement	Progress towards Fulfillment of the Requirement:	Fail Criteria
<p>The AMP’s operation is legal. The AMP holds the legally valid public or private documents that authorize its operation(s).</p>	<ul style="list-style-type: none"> ○ The AMP declares its willingness to legalize its operation under national law. 	<ul style="list-style-type: none"> ○ The AMP cannot provide any evidence of efforts towards the legalization of its operation.

¹² See Guidance at the end of Module 2: Legitimacy of the AMP.

¹³ Idem.

<p>Alternative Fulfilled Requirement:</p> <ul style="list-style-type: none"> ○ The AMP can prove with documents its willingness to legalize its operation under national law. ○ The AMP operates with authorizations under customary law or operates with implicit local consent¹⁴. No complaints are sustained by potentially affected public or private stakeholders in the community. Conflicts are resolved as soon as they arise. 	<ul style="list-style-type: none"> ○ The AMP sustains a dialogue with traditional authorities, and with public, private, and community stakeholders as applicable, in order to reach consent and resolve conflicts. The AMP can demonstrate progress in the respective negotiations. 	<p>The AMP continues to operate despite clearly expressed and sustained opposition of traditional authorities, or of public or private stakeholders in the community.</p>
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2.3 Country Context Case 3:

<p>A specific legal framework for ASM does not exist.</p> <ul style="list-style-type: none"> • “Not exist” means that laws and regulations do not distinguish between ASM and industrial large- or medium-scale mining (LSM). For legalization of extractive activities, all interested parties have to follow the same legal requirements and procedures. 		
Fulfilled Requirement	Progress towards Fulfillment of the Requirement:	Fail Criteria
<p>The AMP’s operation is legal. The AMP holds the legally valid public or private documents that authorize its operation.</p> <p>Alternative Fulfilled Requirement:</p> <ul style="list-style-type: none"> ○ The AMP has analysed the applicable laws and can justify the impossibility of legalization under the existing legal framework for all extractive activities. ○ The AMP operates with authorization under customary law or operates with implicit local consent¹⁵. No complaints are sustained by potentially affected public or private stakeholders in the community. Conflicts are resolved as soon as they arise. 	<ul style="list-style-type: none"> ○ The AMP declares its willingness to legalize its operation. ○ The AMP sustains a dialogue with traditional authorities, and with public, private, and community stakeholders as applicable, in order to reach consensus and resolve conflicts. The AMP can demonstrate progress in the respective negotiations. 	<ul style="list-style-type: none"> ○ The AMP continues to operate despite clearly expressed and sustained opposition of traditional authorities, or of public or private stakeholders in the community.

2.4 Country Context Case 4:

Case 4 may apply as stand-alone country context or in addition to cases 1 to 3.

¹⁴ E.g. active participation of community members in the AMP.

¹⁵ See footnote 14

State-approved commercialization channels for informally produced ASM commodities are in place.		
<ul style="list-style-type: none"> “State-approved commercialization channels for informally produced ASM commodities” means public or private entities authorized by the state to purchase commodities from tolerated informal ASM operations. Usually these entities buy ASM products from AMPs, deduct the applicable royalties and taxes, and sell the commodities to downstream operators. 		
Fulfilled Requirement	Progress towards Fulfillment of the Requirement:	Fail Criteria
<p>The AMP’s operation is legal and the AMP is authorized to sell to the free market. The AMP holds the legally valid public or private documents that authorize its operation.</p> <p><u>Alternative Fulfilled Requirement:</u></p> <ul style="list-style-type: none"> The AMP sells its production to or through a state-approved commercialization channel, and The AMP operates with authorization under customary law or operates with implicit local consent¹⁶. No complaints are sustained by potentially affected public or private stakeholders in the community. Conflicts are resolved as soon as they arise. 	<ul style="list-style-type: none"> The AMP has attempted to sell its production to or through a state-approved commercialization channel and can justify the impossibility of such commercial operations. The AMP sustains a dialogue with traditional authorities, and with public, private, and community stakeholders as applicable, in order to reach consent and resolve conflicts. The AMP can demonstrate progress in the respective negotiations. 	<ul style="list-style-type: none"> The AMP attempts to bypass state-approved commercialization channels. The AMP continues to operate despite clearly expressed and sustained opposition of traditional authorities, or of public or private stakeholders in the community.

Guidance: The above attempt to outline and classify different scenarios leads to the next question: Which case applies? In countries or regions where a CRAFT Scheme operates, it is expected that scheme operators or potential BUYERS provide guidance to AMPs that wish to join the scheme.

Where no CRAFT Scheme operates (i.e. AMPs seek to convince BUYERS to engage), and as considered appropriate by the AMP through trust relations, the AMP might ask staff of governmental, non-governmental, academic or multilateral institutions, private companies, or experts on how they evaluate the country context, or AMPs may judge according to their own best knowledge. As a rough guidance:

- Several to many ASM operations in the country have managed to legalize their operation: Case 1 is likely.
- Some few ASM operations in the country have managed to legalize their operation: Case 2 or 3 is likely.
 - If it is practically impossible to legalize an ASM operation without extensive support from a lawyer and/or engineer, then it is likely Case 3; otherwise, it is likely Case 2.
- Very few or no ASM operations in the country have managed to legalize their operation: Case 3 is likely.
- ASM miners can sell their gold to a state-authorized agency or to banks (including national banks), regardless of their legal status: Case 4 is likely.

¹⁶ Idem.

From a statistical viewpoint, the threshold of significance between Case 1 and Case 2 is seen at a formalization rate in the range of 5-10%. If more than 90-95% of the ASM sector operates in the informal economy, Case 2 can be assumed. Reliable statistical data are, however, rarely available.

MODULE 3: “ANNEX II RISKS” REQUIRING IMMEDIATE DISENGAGEMENT

Preface

Annex II of the OECD DDG provides a “*Model Supply Chain Policy for a Responsible Global Supply Chain of Minerals from Conflict-Affected and High-Risk Areas*”, intended to provide a common reference for all actors throughout the entire mineral supply chain. OECD DDG Annex II further provides a list of serious human rights abuses that cannot be tolerated in Responsible Supply Chains of Minerals, commonly referred to as “**Annex II risks**”.

This Module addresses Annex II risks for which the OECD DDG recommends that BUYERS immediately suspend or discontinue engagement with AMPs, if a reasonable risk is identified. Consequently, if such risks are present, a BUYER sourcing in conformance with the DDG would not engage. Accordingly, all requirements of this Module are pass/fail requirements.

Every requirement is complied with if:

- all **Pass Criteria** are fulfilled, and
- no **Fail Criteria** applies.

Requirements

Requirements of this MODULE are applicable to the main and (if applicable) extended organizational scope of the AMP, i.e. to issues that are directly controllable (and therefore mitigable) by the AMP. Issues related to the wider community or to economic activities not or indirectly related with mineral production are beyond the scope of this MODULE. Such issues will be addressed in MODULE 5 and higher.

The sequence of requirements is structured according to the issues of the “Consolidated Framework of Sustainability Issues for Mining”¹⁷ presented in Annex 2.

M.3/1.1.1/R.1

(addresses OECD 2016b, Annex II, par. 1.iii)

1. Category: Human and Workers' Rights
1.1 Issue: Serious Human Rights Abuses
1.1.1 Sub-Issue: Child Labour & Education

It is reasonable to believe that the AMP does not tolerate the worst forms of child labour in its production process.

Guidance: ILO 182, the Worst Forms of Child Labour Convention (ILO 1999a) defines the worst forms of child labour. While the CRAFT ultimately aims to eliminate all forms of child labour, including in indirectly related activities, and ensure that all children can enjoy their rights to the fullest extent, at the very entry level of the CRAFT the focus is on eradicating the worst forms of child labour in its main and extended organizational scope and internal supply chain (see MODULE 1).

Based on ILO recommendation R190 (ILO 1999b), the OECD document, “Practical Actions for Companies to Identify and Address the Worst Forms of Child Labour in Mineral Supply Chains” (OECD 2017), provides orientation on the intent of the OECD DDG, indicating: “*Not all work by children is child labour, and not all child labour falls under the internationally recognised legal definition of the “worst forms of child labour”. Many of the activities defined as “hazardous work” under international law occur in mining. These activities include **work underground or underwater, work with dangerous machinery and tools, carrying heavy loads, and work that exposes miners to hazardous substances.***” Consequently, requirement M.3/1.1.1/R.1 focuses on these mineral production-related worst forms of child labour, such as carrying out any of the above-mentioned activities.

All other aspects of worst forms of child labour are extensively covered in MODULE 5 and shall be assigned high priority.

Pass Criterion 1:

Guidance: The baseline assessment shall at least indicate:

¹⁷ Kickler&Franken (2017).

<p>A qualitative (but ideally a semi-quantitative) baseline assessment of child labour has been conducted of the AMP production process and internal supply chain. The outcome of this exercise is documented in the CRAFT Report.</p>	<ul style="list-style-type: none"> • an estimate of the total number of children working; • the type of work usually carried out by age groups (children under 15 and children between 15 and 18), gender groups (boys and girls), and if possible other eventually distinguishing characteristics potentially related to discrimination (e.g. ethnicity, etc.) to be addressed in MODULE 5; • the prevailing terms of engagement of children (compulsory work, employment, self-employed work, work in the family context, hours of work, type of work, place of work, safety and hygiene conditions, other). <p>The results of the baseline assessment shall be disclosed in the CRAFT Report.</p> <p>If any child labour (beyond the worst forms specified in pass criterion 2) is observed, requirements M.5/1.1.1/R.1 and M.5/1.1.1/R.2 shall be assigned high priority in MODULE 5.</p>
<p>Pass Criterion 2: The AMP can credibly affirm that in its internal supply chain no persons under the age of 18 (children) perform any of the following work classified as the worst forms of child labour: underground or underwater work, work with dangerous machinery and tools, carrying heavy loads, and work that exposes them to hazardous substances.</p>	<p>Guidance: In implementing this requirement, the AMP shall be aware that this strict prohibition of production-related worst forms of child labour might create unintended consequences of driving affected children into even worse conditions.</p> <p>If such worst forms of child labour had been an issue prior to the adoption of the CRAFT, a risk mitigation plan to prevent such unintended consequences must be in place.</p>
<p>Fail Criterion 1: Documentation provided by the AMP (the CRAFT Report) makes no reference to efforts carried out by the AMP to assess the extent and the conditions of child labour in its internal supply chain.</p>	<p>Guidance: In the case of this fail criterion, it is reasonable to assume that risk awareness of the AMP is not up to the expectations of potential BUYERS.</p>
<p>Fail Criterion 2: Persons under the age of 18 (children) perform any of the following work classified as a worst forms of child labour in the internal supply chain of the AMP: work underground or underwater, work with dangerous machinery and tools, carrying heavy loads, and work that exposes them to hazardous substances.</p>	<p>Guidance: In the case of this fail criterion, the presence of the Annex II risk limits the possibilities of engagement with BUYERS, because BUYERS would be required to disengage.</p>

M.3/1.1.2/R.1

(addresses OECD 2016b, Annex II, par. 1.ii)

1. Category: Human and Workers' Rights
1.1 Issue: Serious Human Rights Abuses
1.1.2 Sub-Issue: Forced Labour

<p>It is reasonable to believe that the AMP is not linked to any forms of forced or compulsory labour.</p>	
<p>Guidance: As per Annex II of the OECD DDG, “any forms of forced or compulsory labour” means any work or service which is exacted from any person under the menace of penalty and for which said person has not offered herself or himself voluntarily.</p>	
<p>Pass Criterion 1: The AMP can credibly affirm that any work or service of any person in its internal supply chain is performed under voluntary terms.</p>	<p>Guidance: In its CRAFT Report, the AMP shall describe the conditions of engagement of miners, as well as their role in the internal supply chain and confirm conformance with the pass criteria, i.e. that work of any person, particularly of women, in the AMP is performed under voluntary terms.</p>
<p>Pass Criterion 2: The AMP can credibly affirm that all persons related to its internal supply chain are free to resign from their work or service at any moment, according to generally accepted procedures for due notice, respecting existing obligations, and without the menace of penalty.</p>	<p>Guidance: Clarification of terms:</p> <ul style="list-style-type: none"> • “With due notice” refers to a reasonable timeframe which avoids exposing others to risks (e.g. not to abandon a workplace unexpectedly). • “Respecting existing obligations” refers to honouring voluntarily and mutually agreed obligations (e.g. not to default on debts). • “Without the menace of penalty” refers to the absence of disproportionate penalties (i.e. penalties other than usual in common verbal or written agreements). <p>In practice, there might be a fine line between what is considered respecting existing obligations and what may constitute cases of debt bondage. In case of doubt, adjustments of proportionate obligations and penalties shall be subject to risk mitigation as part of achieving the next levels of the CRAFT requirements.</p> <p>In its CRAFT Report, the AMP shall make a statement about conditions of disengagement of miners and confirm conformance with the pass criteria.</p>
<p>Fail Criterion: The AMP cannot confirm the absence of any forms of forced or compulsory labour.</p>	<p>Guidance: In the case of this fail criterion, the presence of the Annex II risk limits the possibilities of engagement with BUYERS, because BUYERS would be required to disengage.</p>

M.3/1.1.5/R1

(addresses OECD 2016b, Annex II, par. 1.i)

1. Category: Human and Workers' Rights
1.1 Issue: Serious Human Rights Abuses
1.1.5 Sub-Issue: Disciplinary Practices and Violence

It is reasonable to believe that the AMP is not linked to committing any forms of torture or cruel, inhuman, and degrading treatment.

Guidance: The emphasis of this requirement is on “committing”. The intent of the requirement is to obtain reasonable certainty that the AMP produces its product without committing any of the abovementioned human rights abuses of women or men, neither against miners nor against any other person (i.e. the community). It is not the intent of the requirement to exclude AMPs whose male and/or female miners are the victims of such human rights abuses by third parties.

Pass Criterion:

Credible testimonies regarding cases of torture or cruel, inhuman, and degrading treatment at the mine site and its surroundings were sought, and if found to exist, the AMP ensured that proven or suspected perpetrators were excluded from its supply chain.

Guidance: In order to obtain testimonies about the existence of such serious human rights abuses, the AMP shall seek support of a locally operating independent human rights body (national human rights commission, national or international NGOs or multilateral agencies working on human rights issues, religious institution, or similar), where such human rights complaints can be filed (anonymously if needed for protection of victims) and collected.

The AMP shall analyze the obtained complaints (if existing) and exclude (if applicable) any actor linked to committing such human rights abuses from its supply chain.

In its CRAFT Report, the AMP shall describe the outcome of the analysis and mitigation/remediation measures undertaken (if applicable) and confirm that suspected perpetrators have been and will continue to be excluded from its supply chain.

Fail Criterion 1:

No independent point for reception of anonymous complaints against serious human rights abuses has been established.

Guidance: In the case of this fail criterion, the claim of the AMP (in the CRAFT Report) is not verifiable.

Fail Criterion 2:

The CRAFT Report of the AMP does not contain an analysis of the obtained testimonies or state the absence of complaints.

Guidance: In the case of this fail criterion, it is reasonable to assume that risk awareness of the AMP is not up to the expectations of potential BUYERS.

Fail Criterion 3:

The AMP cannot confirm (in the CRAFT Report) that suspected perpetrators have been excluded from its supply chain.

Guidance: In the case of this fail criterion, the presence of the Annex II risk limits the possibilities of engagement with BUYERS, because BUYERS would be required to disengage.

M.3/1.1.6/R.1

(addresses OECD 2016b, Annex II, par. 1.iv)

1. Category: Human and Workers' Rights
1.1 Issue: Serious Human Rights Abuses
1.1.6 Sub-Issue: Other Gross Human r Rights Abuses

It is reasonable to believe that the AMP is not linked to any other gross human rights violations and abuses, such as widespread sexual violence.

Guidance: As per Annex II of the OECD DDG (OECD 2016b), gross human rights violations such as “widespread sexual violence” are considered human rights abuses which require downstream supply chain actors to immediately suspend or discontinue engagement with upstream suppliers (AMPs). This topic is of a highly sensitive nature, and, particularly if such risks are present, the results of a self-assessment cannot be considered reliable.

Pass Criterion:
 Credible third-party testimonies are provided regarding the absence of gross human rights violations and abuses such as widespread sexual violence.

Guidance: In order to obtain such third-party testimonies, the AMP shall contact the following sources in the below order:

1. Governmental or non-governmental human rights bodies (national human rights commission, national or international NGOs or multilateral agencies working on human rights issues) are considered the most credible sources of third-party testimonies. The AMP shall request written statements on whether relevant cases of gross human rights violations and abuses are filed, known, or suspected.
2. In the absence of such human rights bodies working in the region of the AMP, the AMP shall attempt to obtain a statement from the court of justice of the corresponding jurisdiction on whether such cases have been filed.
3. If none of the above testimonies can be obtained, the AMP shall contact the local newspaper(s), requesting a summary of recent cases reported.

In its CRAFT Report, the AMP shall analyze and comment on the obtained testimonies (or reasons why no testimonies could be obtained), indicating whether the reported cases reflect isolated criminal cases or whether they must be considered widespread and systematic human rights violations and abuses.

Fail Criterion 1:
 Documentation provided by the AMP (the CRAFT Report) makes no reference to efforts carried out by the AMP to obtain third-party testimonies regarding gross human rights violations and abuses such as widespread sexual violence.

Guidance: In the case of this fail criterion, it is reasonable to assume that risk awareness of the AMP is not up to the expectations of potential BUYERS.

Fail Criterion 2:
 Third-party testimonies indicate gross human rights violations and abuses such as widespread sexual violence related to the AMP.

Guidance: In the case of this fail criterion, the presence of the Annex II risk limits the possibilities of engagement with BUYERS, because BUYERS would be required to disengage.

Fail Criterion 3:
 The CRAFT Report of the AMP does not contain an analysis of the obtained testimonies.

Guidance: In the case of this fail criterion, it is reasonable to assume that risk awareness of the AMP is not up to the expectations of potential BUYERS.

M.3/2.1.7/R.1

(addresses scope of OECD 2016b)

2. Category: Societal Welfare
2.1 Issue: Community Rights
2.1.7 Sub-Issue: Conflict-Affected and High-Risk Areas

The AMP makes efforts to obtain clarity on whether or not its operations are located in a Conflict-Affected and High-Risk Area (CAHRA).

Guidance: AMPs may join to a CRAFT Scheme regardless of whether their operations are located in a CAHRA or not. This requirement has the purpose of assuring that the AMP is aware of the risks related with CAHRAs. Additionally, depending on the result of the analysis, CAHRA-related requirements may or may not apply.

Pass Criterion 1:

The AMP confirms that its responsible person(s) has carried out an exercise to evaluate (at least annually, unless conflict conditions change) whether any of the circumstances of the OECD definition of CAHRA applies. The outcome of this exercise is documented (in the CRAFT Report). If CAHRA-relevant conditions exist, these are also documented.

Guidance: OECD definition of CAHRA: *Conflict-affected and high-risk areas are identified by the presence of armed conflict, widespread violence or other risks of harm to people. Armed conflict may take a variety of forms, such as a conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation, or insurgencies, civil wars, etc. High-risk areas may include areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure, and widespread violence. Such areas are often characterized by widespread human rights abuses and violations of national or international law.*

Documentation of CAHRA-relevant conditions does not need to disclose details which put the AMP or its responsible persons at risk of retaliation. In such cases, only the existence of the condition has to be documented.

Pass Criterion 2:

The AMP can make reference to official sources or at least two institutions or persons that were consulted to obtain clarity on whether the area where the AMP operates is a CAHRA or not.

Guidance: As considered appropriate by the AMP through trust relations, the AMP should ask staff of governmental, non-governmental, or multilateral institutions or private companies on whether they consider the area where the AMP operates to be a CAHRA. Typical institutions to consult are the national human rights commission, multilateral organizations for the protection of human rights, the Red Cross, national or international NGOs working on human rights issues or supporting ASM sector development, private sector companies involved in precious metals mining or trading, government bodies, or other AMPs that have already conducted such exercise and issued their CRAFT Report.

If the AMP obtains the information using official or reliable online resources, maps, etc., these may be used as evidence of its conformance with the requirement.

Fail Criterion:

Documentation provided by the AMP (in the CRAFT Report) makes no reference to efforts carried out by the AMP to obtain clarity on whether its operations are located in a CAHRA. In particular, no mention of any internal exercise to analyse the OECD CAHRA definition and no consultation with external informants are documented.

Guidance: In the case of this fail criterion, it is reasonable to assume that risk awareness of the AMP is not up to the expectations of potential BUYERS.

M.3/2.1.8/R.1

(addresses OECD 2016b, Annex II, par. 1.v)

2. Category: Societal Welfare
2.1 Issue: Community Rights
2.1.8 Sub-Issue: Security Forces

If the AMP is located in a CAHRA:
It is reasonable to believe that the AMP is not linked to committing war crimes or other serious violations of international humanitarian law, crimes against humanity, or genocide.

Guidance: This requirement only applies if the AMP is located in a CAHRA (see requirement M.3/2.1.7/R.1).

As war crime investigations and trials are in most cases lengthy and complex processes (with presumed innocence until proved guilty), the intent of the requirement is to obtain “reasonable certainty” that the AMP is not controlled by any conflict party (state, non-state, military, para-military, insurgent, private, etc.) involved in committing war crimes or other serious violations of international humanitarian law, crimes against humanity, or genocide.

It is not the intent of the requirement to exclude AMPs whose miners are the victims of such armed conflicts. However, if the miners and their mine site are controlled by conflict parties suspected to be involved in war crimes or international humanitarian law violations, even against the will of the miners, it might be impossible to distinguish if the site is affected by conflict or not.

Pass Criterion:
 The AMP can prove that its internal supply chain is not controlled by or benefitting any conflict party suspected of being involved in war crimes or other serious violations of international humanitarian law, crimes against humanity, or genocide.

Guidance: As a self-accusation of internal supply chain actors involved in such crimes and abuses cannot be reasonably expected, the pass criterion can only be met through an independent assessment:

- In geographical regions where credible programs or mechanisms for “green-flagging” conflict-free mine sites are in place, the AMP shall request a site assessment and include the results in the CRAFT Report.
- Where such programs or mechanisms are not in place, the AMP shall approach credible governmental or non-governmental human rights and international human rights bodies (national human rights commission, the Red Cross, national or international NGOs working on conflict or human rights issues) to request their statement or opinion on the subject.

The AMP shall annex all received documents to its CRAFT Report and indicate all institutions contacted, regardless of their responsiveness.

Fail Criterion 1:
 The AMP does not provide the results of the assessment in its CRAFT Report.

Fail Criterion 2:
 Collected evidence does not confirm that it is reasonable to believe that the AMP is not linked to any conflict party suspected of committing war crimes or other serious violations of international humanitarian law, crimes against humanity, or genocide.

Guidance: If both fail criteria apply, no reasonable certainty exists that the AMP is not linked to such crimes and violations of international humanitarian law.

M.3/2.1.8/R.2

(addresses OECD 2016b, Annex II, par. 3.i)

2. Category: Societal Welfare
 2.1 Issue: Community Rights
 2.1.8 Sub-Issue: Security Forces

If the AMP is located in a CAHRA:

It is reasonable to believe that the AMP’s mine site and transportation routes are not illegally controlled by non-state armed groups.

Guidance: This requirement only applies if the AMP is located in a CAHRA (see requirement M.3/2.1.7/R.1).

The main difference from requirement M.3/2.1.8/R.1 on war crimes is that it applies to all security forces (state and non-state), whereas this requirement M.3/2.1.8/R.2 focuses specifically on illegal control by non-state armed groups in CAHRAs.

Control of mine sites and routes by state armed groups (e.g. police or military) or by legally operating non-state armed groups (e.g. security companies) is beyond the scope of requirement M.3/2.1.8/R.2 and will be covered in MODULE 4.

Pass Criterion:

Evidence is provided that the AMP's mine site and internal supply chain is not illegally controlled by any non-state armed group.

Guidance: Similar to requirement M.3/2.1.8/R.1, if the AMP is illegally controlled, illegally controlling non-state groups cannot be reasonably expected to admit their illegal control. Consequently, conformity with the requirement can only be proven through an independent assessment, similar to requirement M.3/2.1.8/R.1:

- In geographical regions where credible programs or mechanisms for “green-flagging” conflict-free mine sites are in place, the AMP shall request a site assessment and include the results in the CRAFT Report.
- Where such programs or mechanisms are not in place, the AMP shall approach credible governmental or non-governmental human rights and international human rights bodies (national human rights commission, Red Cross, national or international NGOs working on conflict or human rights issues) to request their statement or opinion on the subject.

The AMP shall annex all received documents to its CRAFT Report and indicate all institutions contacted, regardless of their responsiveness.

Fail Criterion 1:

The AMP does not provide the results of an external assessment in its CRAFT Report.

Fail Criterion 2:

The external assessment report does not confirm that it is reasonable to believe that the AMP’s mine site and internal supply chain is not illegally controlled by any non-state armed group.

Guidance: If both fail criteria apply, no reasonable certainty exists that the AMP is not linked to such crimes and violations of international humanitarian law.

M.3/5.1.4/R.1

(addresses OECD 2016b, Annex II, par. 3.ii)

5. Category: Company Governance
5.1 Issue: Business Practices
5.1.4 Sub-Issue: Extortion

If the AMP is located in a CAHRA:
It is reasonable to believe that the AMP undertakes all reasonable efforts to avoid production at its mine site and its internal supply chain from being subjected to illegal taxation or extortion of money or minerals by non-state armed groups.

Guidance: This requirement only applies if the AMP is located in a CAHRA (see requirement M.3/2.1.7/R.1). The intent of the requirement is to ensure that mineral production by the AMP does not provide any direct or indirect support to non-state armed groups.
 “All reasonable efforts” means to the extent possible, without putting the physical integrity, safety or freedom of persons at imminent risk. Particularly in CAHRAs, it is a priority to avoid increasing the number of victims of the conflict.
 The requirement can only be met if the AMP is not controlled by any non-state armed group (i.e. if the AMP is in conformance with requirement M.3/2.1.8/R.2 (security forces).
 This topic is of a highly sensitive nature, as nearly all businesses and mining operations, regardless if artisanal/industrial, small/large, formal/informal in CAHRAs face the dilemma of having a choice between either agree to pay "protection money" or refuse to do so and become another party of the conflict by defending their property. Furthermore, it is not uncommon that refusal to pay such bribes exposes the victims to a lack of "protection" and high risk to their physical integrity.
 In case of Applicant AMPs with this risk present, CRAFT Schemes can play an important role, by engaging with governmental authorities and any other relevant stakeholder in support to the AMP.

Pass Criterion:
 The AMP shall establish an internal policy requiring all members to abstain from making any payment considered related to extortion and illegal taxation to non-state armed groups. Members of the AMP shall recognize this policy as binding, and the AMP shall ensure that proven or suspected perpetrators are excluded or suspended from its supply chain.

Guidance: In its CRAFT Report the AMP shall describe the policy and report on its implementation.
 Although targeting a different audience than AMPs and focusing mainly on relations with public officials, guidance on drafting anti-extortion policies can be found in the final chapter of the publication “*Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and Related Documents*” (OECD 2011).

Fail Criterion:
 One or more members of the AMP have been found guilty by a court of being involved in financing or directly or indirectly supporting non-state armed groups, and the AMP has not taken any corrective action to prevent recurrence.

Guidance: In order to obtain relevant information, the following sources shall be contacted in the below order:
 1. The competent law enforcement bodies (police court, etc.)
 2. If no information can be obtained from law enforcement bodies, the AMP shall contact the local newspaper(s), requesting a summary of recent court cases reported.
 3. Other sources considered knowledgeable and credible.
 In the CRAFT Report, the AMP shall analyze and comment on the obtained responses. Cases based on accusations raised by members of the AMP or cases resolved with members of the AMP acting as witnesses shall not be taken into account as fail criteria.

M.3/5.2.1/R.1

5. Category: Company Governance
5.2 Issue: Management Practices
5.2.11 Sub-Issue: Legal Compliance

The AMP must be legitimate.

Guidance: See MODULE 2: Legitimacy of the AMP.

M.3/5.2.3/R.1

5. Category: Company Governance
5.2 Issue: Management Practices
5.2.3 Sub-Issue: Impact Assessment & Management System

The AMP must follow the affiliation requirements for CRAFT Schemes.

Guidance: See MODULE 1: Scope and Affiliation.

M.3/5.2.11/R.1

5. Category: Company Governance
5.2 Issue: Management Practices
5.2.11 Sub-Issue: Responsible Person

The AMP must nominate a Responsible Person for the CRAFT Code.

Guidance: See MODULE 1: Scope and Affiliation.

MODULE 4: “ANNEX II RISKS” REQUIRING DISENGAGEMENT AFTER UNSUCCESSFUL MITIGATION

Preface

Annex II of the OECD DDG provides a “*Model Supply Chain Policy for a Responsible Global Supply Chain of Minerals from Conflict-Affected and High-Risk Areas*”, intended to provide a common reference for all actors throughout the entire mineral supply chain. Supply chain risks explicitly mentioned in the OECD DDG Annex II are commonly referred to as “**Annex II risks**”.

This Module addresses Annex II risks for which the OECD DDG recommends to suspend or discontinue engagement with AMPs after failed attempts at mitigation. Accordingly, all requirements of this Module are pass, progress, or fail requirements.

Every requirement is complied with if:

- The **Pass Criteria “mitigated”** are fulfilled, or
- The **Progress Criteria “mitigation progress satisfactory”** demonstrates measurable progress in the past reporting period¹⁸ and contains a commitment to at least one further mitigation measure for the next reporting period, and
- no **Fail Criteria** applies.

The Module is considered “**passed**” (i.e. the AMP can be assigned **Affiliate** status) if no fail criteria applies to any requirement (i.e. if all requirements can be verifiably claimed as passed or in progress).

Requirements

The requirements addressing Annex II risks are structured according to the issues in the “Consolidated Framework of Sustainability Issues for Mining”¹⁹ presented in Annex 2.

Requirements of this MODULE are applicable to the main and (if applicable) extended organizational scope of the AMP, i.e. to issues that are directly controllable (and therefore mitigable) by the AMP. Issues related to the wider community or to economic activities not or indirectly related with mineral production are beyond the scope of this MODULE. Such issues will be addressed in MODULE 5 and higher.

MODULE 1 and MODULE 2 apply. All requirements from MODULE 3 (Risks requiring immediate disengagement) must be complied with, as well as the following requirements.

¹⁸ In general, the reporting period between CRAFT Reports should be one year. It is upon the CRAFT Scheme to establish shorter or longer periods, as seen appropriate from a risk-based perspective, and, as appropriate, taking into account recommended timelines for risk mitigation in the OECD DDG.

¹⁹ Developed by Kickler&Franken (2017).

M.4/2.1.8/R.1

(addresses OECD 2016b, Annex II, par. 5)

2. Category: Societal Welfare
2.1 Issue: Community Rights
2.1.8 Sub-Issue: Security Forces

It is reasonable to believe that the AMP undertakes best possible efforts to eliminate direct or indirect support to public or private security forces that illegally tax, extort, or control its mine site, internal supply chain, or point(s) of sale.

Guidance: Wording of the requirement is aligned with the Annex II risk, although from an AMP perspective the word “support” may not entirely reflect their perceived situation. In common language, the intent of the requirement is to express that the AMP defends itself as best as they can against illegal taxation, extortion, and control by security forces.

Situations of illegal taxation, extortion, or control by public or private security forces acting on behalf of public forces are particularly difficult for AMPs to manage without external support, as resistance against (even illegally operating) public forces is likely to trigger legal action against the “disobeying” person. It is therefore of vital importance that AMPs seek support on this topic from CRAFT Schemes and BUYERS.

It is not the intent of the CRAFT Code to incentivize disobedience against public or private security forces if an AMP has the subjective perception of being illegally taxed or controlled. Instead, AMPs are expected to seek advice and support from CRAFT Schemes and/or their downstream supply chain actors to implement a **risk management plan** coherent with the rule of law.

Pass Criterion (“mitigated”):

The AMP (its members, mine site, and internal supply chain) is not illegally taxed, extorted, or controlled by public or private security forces.

Guidance: The pass criterion applies if the risk of illegal taxation, extortion, or control is absent from the outset or has been mitigated to the extent of being considered absent.

This shall be expressed in the CRAFT Report.

Progress Criteria (pass: “mitigation progress satisfactory”):

The AMP seeks external advice and support to put a risk management plan in place.

--- or ---

A risk management plan is in place and the AMP demonstrates that it implements and monitors the plan with measurable improvements.

Guidance: Risk mitigation efforts of AMPs against public or private security forces should always be accompanied by legal advice to follow the rule of law. It cannot be assumed that all AMPs can afford legal advice.

While it is possible in exceptional cases that AMPs contract a lawyer on their own, under typical scenarios they receive external support from supply chain schemes or legal downstream BUYERS. CRAFT Schemes may play a role here.

Seeking such support to implement a risk management plan, or implementing such a plan with measurable progress, are considered Pass Criteria for satisfactory progress.

The CRAFT Report shall

- describe measures undertaken during the past reporting period, and
- describe and commit to implementing the measures planned for the next reporting period.

Fail Criterion:

A risk management plan has been agreed upon between the AMP and its BUYERS, but the AMP makes no effort to adhere to the plan.

Guidance: The fail criterion only applies if a downstream supply chain actor (or a CRAFT Scheme) has engaged with the AMP and a risk management plan has been set up.

The fail criterion is intended to reflect situations where the AMP could (without putting themselves at risk of persecution) but does not follow the mutually-agreed risk management plan.

M.4/2.1.8/R.2

(addresses OECD 2016b, Annex II, par. 6)

2. Category: Societal Welfare
 2.1 Issue: Community Rights
 2.1.8 Sub-Issue: Security Forces

<p>It is reasonable to believe that the AMP is supportive or seeks the support of public or private security forces that maintain the rule of law, including safeguarding human rights; providing security to mine workers, equipment, and facilities; and protecting the mine site.</p>	
<p>Guidance: It is the duty of public security forces (police, military, and other enforcement agencies) to maintain public order and the rule of law on behalf of the state. As any civil person, AMPs (as groups comprised by civil persons) have the right to seek the support of public forces and the obligation to collaborate with them in the framework of the law.</p> <p>Private security forces require authorization to operate by the state but are directly contracted by the interested party. As any civil person, AMPs (as groups thereof) have the right to contract private security forces (although in practice this happens only in exceptional cases) and the obligation to follow instructions of others’ security forces, as long as these forces are acting in the framework of the law.</p>	
<p>Pass Criterion (“mitigated”): Relations between the AMP and public or private security forces are not characterized by tensions, and the AMP declares and can prove (if applicable) that it collaborates with or seeks support of public or private security forces as needed and required by law.</p>	<p>Guidance: In its CRAFT Report the AMP shall describe the “good relation” with public or private security forces.</p> <p>The CRAFT Report shall provide information regarding all security forces present at the mine site and along the internal supply chain.</p>
<p>Progress Criteria (pass: “mitigation progress satisfactory”): Relations between the AMP and public or private security forces are characterized by tensions, but the AMP seeks advice and support to put a risk management plan in place. --- or --- A risk management plan is in place for this risk, and the AMP demonstrates that it implements and monitors the plan with measurable improvements.</p>	<p>Guidance: In its CRAFT Report the AMP shall describe the “difficult relation” with public or private security forces, as well as all efforts and steps undertaken to improve the relation.</p> <p>The CRAFT Report shall provide information regarding all security forces present at the mine site and along the internal supply chain.</p> <p>The CRAFT Report shall</p> <ul style="list-style-type: none"> • describe measures undertaken during the past reporting period, and • describe and commit to implementing the measures planned for the next reporting period.
<p>Fail Criterion: The AMP refuses obedience to public or private security forces (where these are acting within the framework of the law).</p>	<p>Guidance: The AMP is at risk that legal BUYERS disengage or suspend purchases. The AMP must establish a risk management plan.</p>

M.4/2.1.8/R.3

(addresses OECD 2016b, Annex II, par. 7)

2. Category: Societal Welfare
 2.1 Issue: Community Rights
 2.1.8 Sub-Issue: Security Forces

It is reasonable to believe that the AMP does not knowingly hire individuals or units of security forces that are known to have been responsible for gross human rights abuses.

Guidance: In rare cases, AMPs hire security services. By hiring such services, the AMP might have limited control over the staff deployed by the security provider, and even less so in countries where such services to private entities are provided by public security forces.

Paragraph 7 of Annex II of the OECD DDG makes reference to the Voluntary Principles on Security and Human Rights (VP 2000)²⁰. In order to avoid hiring a security provider that disrespects human rights, AMPs may hire security providers on the condition that they render their services in alignment with the VPs.

An individual risk management plan needs to be put in place in cases where abidance to the VPs cannot be formally agreed.

Pass Criterion (“mitigated”):
 The AMP does not hire security services.
 --- or ---
 The AMP seeks reasonable certainty to ensure that individuals or units of hired security forces are not linked to gross human rights abuses.

Guidance: In its CRAFT Report the AMP shall indicate whether they hire security services or not.
 If applicable (if security services are hired from public or private security providers):

- The AMP shall insist that the service provider assures that services are rendered under the Voluntary Principles on Security and Human Rights (if possible in writing).
- The CRAFT Report shall provide information regarding hired security providers and contractual conditions.

Progress Criteria (pass: “mitigation progress satisfactory”):
 The AMP seeks advice and support to put a risk management plan in place.
 --- or ---
 A risk management plan is in place for this risk and the AMP demonstrates that it implements and monitors the plan with measurable improvements.

Guidance: If security services are hired from public or private security providers, and where the service provider cannot or is not willing to assure that services are rendered under the Voluntary Principles on Security and Human Rights, the AMP shall:

- Seek support to implement a risk management plan, and implement such a plan with measurable progress.

The CRAFT Report shall

- describe measures undertaken during the past reporting period, and
- describe and commit to implementing the measures planned for the next reporting period.

Fail Criterion:
 The AMP knowingly and purposefully hires security providers that are known for their abusive practices.

Guidance: The AMP is at risk that legal BUYERS disengage or suspend purchases. The AMP must establish a risk management plan.

²⁰ It is unrealistic to expect that AMPs become members of the VP Initiative (<http://www.voluntaryprinciples.org>). However, even in cases where an AMP is not capable of fully understanding all implications of the VPs, it can be assumed that professional security providers know and understand the VPs, and – if the VPs are a contractual part of their assignment – act accordingly.

M.4/2.1.8/R.4

(addresses OECD 2016b, Annex II, par. 8)

2. Category: Societal Welfare
 2.1 Issue: Community Rights
 2.1.8 Sub-Issue: Security Forces

<p>It is reasonable to believe that the AMP supports all efforts or takes all viable steps to ensure that payments to public security forces for the provision of security are as transparent, proportional, and accountable as possible.</p>	
<p>Guidance: This requirement is about legal payments to public security forces as required in some countries (in some cases even mandatory) for the provision of security as a public service. AMPs usually have no bargaining power regarding the proportionality of the payments.</p>	
<p>Pass Criterion (“mitigated”): The AMP is not obligated to pay for services provided by public security forces. --- or --- The AMP makes payments to public security forces as required by law and documented by receipts.</p>	<p>Guidance: If payments for security are required by law, the AMP shall request receipts for all payments. In its CRAFT Report, the AMP shall – as considered appropriate – disclose the amounts paid, or indicate that receipts can be shown upon request.</p>
<p>Progress Criteria (pass: “mitigation progress satisfactory”): The AMP makes payments to public security forces as required by law and records the payments made. --- or --- A risk management plan is in place for this risk and the AMP demonstrates that it implements and monitors the plan with measurable improvements.</p>	<p>Guidance: If the AMP pays but receives no or incomplete receipts for legally required payments recompensing public security services, the AMP shall demonstrate transparency and accountability by internally recording all payments. In its CRAFT Report, the AMP shall – as considered appropriate – disclose the amounts paid, or indicate that internal records can be shown upon request.</p> <p>Risk management plans shall consider engaging with central or local authorities, international organisations, and civil society organisations to seek their contribution to workable solutions.</p> <p>The CRAFT Report shall</p> <ul style="list-style-type: none"> • describe measures undertaken during the past reporting period, and • describe and commit to implementing the measures planned for the next reporting period.
<p>Fail Criterion: Payments are made, but neither receipts nor internal records are kept.</p>	<p>Guidance: The AMP is at risk that legal BUYERS disengage or suspend purchases. The AMP must establish a risk management plan.</p>

M.4/2.1.8/R.5

(addresses OECD 2016b, Annex II, par. 9)

2. Category: Societal Welfare
 2.1 Issue: Community Rights
 2.1.8 Sub-Issue: Security Forces

<p>It is reasonable to believe that the AMP supports all efforts or takes all viable steps to minimize adverse impacts associated with the presence of public or private security forces on their mine site(s).</p>	
<p>Guidance: The requirement, aligned with paragraph 9 of OECD DDG Annex II, is to some extent a “self-fulfilling prophecy”, as it is highly unlikely that ASM miners would not support any effort to minimize adverse impacts on their mine sites. Consequently, the requirement needs no fail criterion.</p>	
<p>Pass Criterion (“mitigated”): The AMP supports all efforts or takes all viable steps to minimize adverse impacts associated with the presence of public or private security forces, to which men and women on their mine site(s) may be exposed.</p>	<p>Guidance: Applies if an ASM support initiative or supply chain scheme has engaged with the AMP and has diagnosed the possible risks. Applies also if the AMP takes steps on its own to minimize adverse impacts from security forces (e.g., negotiating demilitarization, replacing security forces with a community vigilance committee, establishing a local government, etc.).</p>
<p>Progress Criteria (pass: “mitigation progress satisfactory”): The AMP seeks support to minimize adverse impacts associated with the presence of public or private security forces on their mine site(s).</p>	<p>Guidance: Applies as long as no ASM support initiative or supply chain scheme has engaged with the AMP. The CRAFT Report shall</p> <ul style="list-style-type: none"> • identify the different risks that exist for men and women, • describe measures undertaken during the past reporting period, and • describe and commit to implementing the measures planned for the next reporting period.
<p>Fail Criterion: None</p>	<p>Guidance: See overall guidance above.</p>

M.4/2.2.1/R.1

(addresses OECD 2016b, Annex II, par. 11)

2. Category: Societal Welfare
 2.2 Issue: Value Added
 2.2.1 Sub-Issue: Payment of Taxes & EITI

It is reasonable to believe that the AMP undertakes all reasonable efforts to avoid misrepresentation of taxes, fees, and royalties paid to governments for the purposes of mineral extraction, trade, handling, transport, and export.

Guidance: The ability to properly prove payment of taxes, fees, and royalties is closely linked with the legitimacy status of the AMP. There are country cases documented in scientific literature where ASM miners are legally required to pay taxes and fees even without having received a fully “legal” status. Such payments are important supporting evidence to prove legitimacy of the AMP.

Pass Criterion (“mitigated”):
 The AMP and its members keep records and receipts of paid taxes, fees, and royalties as required by law.

Guidance: It might be exaggerated to expect that every individual member of the AMP keeps detailed records of all such payments. Notwithstanding, at least at the point(s) of sale of the AMP (i.e. AMP members that sell gold or minerals to downstream supply chain actors) records and/or receipts of compliance with tax, fee, and royalty payment requirements shall be kept and made available for verification.

Tax, fee, and royalty payments are expected to be consistent with the claimed status of legitimacy.

Progress Criteria (pass: “mitigation progress satisfactory”):
 The AMP and its members make efforts to improve their ability to demonstrate that taxes, fees, and royalties are paid as required by law.

Guidance: The CRAFT Report shall

- describe measures undertaken during the past reporting period, and
- describe and commit to implementing the measures planned for the next reporting period.

--- or ---
 A risk management plan is in place for this risk, and the AMP demonstrates that it implements and monitors the plan with measurable improvements.

Fail Criterion:
 The AMP cannot report on or prove any payment made of taxes, fees, and royalties, nor any willingness or attempt to do so.

Guidance: The AMP is at risk that legal BUYERS disengage or suspend purchases. The AMP must establish a risk management plan.

M.4/2.2.1/R.2

(addresses OECD 2016b, Annex II, par. 12)

2. Category: Societal Welfare
2.2 Issue: Value Added
2.2.1 Sub-Issue: Payment of Taxes & EITI

It is reasonable to believe that the AMP pays to the government all taxes, fees, and royalties related to mineral extraction, trade, and export.

Guidance: Taxes are collected compulsorily by the government from almost all citizens and companies to cover its expenses. Fees are levied for public services and are “voluntary” insofar as they are only due if the service is requested (e.g. issuing a license). Royalties are payments to the government in return for the permission to engage in certain activities or use state property (e.g. to extract minerals).

Consequently, this Code focuses primarily on taxes (as they are compulsory and only related only to mineral extraction, trade and export). Royalty payments, by their nature, apply only if the legitimacy status is “legal”. For fees, it can be roughly assumed that the requested public services will not be rendered if the corresponding fees have not been paid.

Pass Criterion (“mitigated”):

The AMP and its members pay taxes, fees, and royalties as required by law.

Guidance: Tax declarations are considered confidential documents. For privacy, members of the AMP must not be obligated to disclose details of payments to the responsible person of the AMP or any person related with the supply chain group.

To prove that taxes, fees, and royalties have been paid, the AMP should collect self-declarations of its members (e.g. “*I paid my taxes and can prove it upon request to an auditor*”). Such statements should be collected from at least all corporate members (companies, cooperatives) and individual persons representing the AMP (e.g. in minerals sales translations). The documents that the auditor may request that prove the payment should not include details that violate the rights of privacy or any confidential information that can damage the AMP business.

The CRAFT Report shall summarize the findings.

Progress Criteria (pass: “mitigation progress satisfactory”):

At least some members of the AMP pay taxes (and fees and royalties as applicable).

--- and ---

A risk management plan is in place for this risk, and the AMP demonstrates that it implements and monitors the plan with measurable improvements.

Guidance: Risk management plans shall contribute to comprehension of taxes/fees/royalties that may be payable to ensure the members understand those taxes and ensure they are paying them, or will begin paying them (if they were previously unaware).

The CRAFT Report shall

- describe measures undertaken during the past reporting period, and
- describe and commit to implementing the measures planned for the next reporting period.

Fail Criteria:

Nobody pays any taxes, fees, or royalties, despite being required to do so by law.

--- or ---

The AMP cannot provide any information regarding payment of taxes, fees, and royalties by its members.

Guidance: The AMP is at risk that legal BUYERS disengage or suspend purchases. The AMP must establish a risk management plan.

M.4/2.2.1/R.3

(addresses OECD 2016b, Annex II, par. 13)

2. Category: Societal Welfare
 2.2 Issue: Value Added
 2.2.1 Sub-Issue: Payment of Taxes & EITI

<p>It is reasonable to believe that the AMP is committed to disclose – if requested – payments of taxes, fees, and royalties in accordance with the principles set forth under the Extractive Industry Transparency Initiative (EITI).</p>	
<p>Guidance: The requirement only applies if the country is an EITI member country, and if the national EITI has started to collect data from ASM operations.</p>	
<p>Pass Criterion (“mitigated”): The AMP discloses, or declares to be committed to disclose, payments to the national EITI.</p>	<p>Guidance: The CRAFT Report of the AMP shall contain proof of disclosure, or the commitment to disclose if required.</p>
<p>Progress Criteria (pass: “mitigation progress satisfactory”): The AMP is preparing its EITI declaration but has not yet submitted it. --- or --- A risk management plan is in place for this risk, and the AMP demonstrates that it implements and monitors the plan with measurable improvements.</p>	<p>Guidance: The CRAFT Report shall</p> <ul style="list-style-type: none"> • describe measures undertaken during the past reporting period, and • describe and commit to implementing the measures planned for the next reporting period.
<p>Fail Criterion: The AMP refuses to disclose payments to the national EITI.</p>	<p>Guidance: The AMP is at risk that legal BUYERS disengage or suspend purchases. The AMP must establish a risk management plan.</p>

M.4/5.1.3/R.1

(addresses OECD 2016b, Annex II, par. 11)

5. Category: Company Governance
5.1 Issue: Business Practices
5.1.3 Sub-Issue: Bribery and Facilitation

It is reasonable to believe that the AMP undertakes all reasonable efforts to avoid offering, promising, giving, or demanding any bribes.

Guidance: Where bribery is deeply rooted in cultural norms, the line between providing a service and providing a favor and recompensing for either is often blurry. Eliminating bribery is a cultural process, but it needs to be backed up by administrative and legislative measures (e.g., in countries where government officers receive a merely symbolic salary and where their livelihood depends on receiving bribes). The ultimate goal of ending all bribery is aligned with the United Nations Convention against Corruption (UNODC 2004) and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD 2011).

Particularly on the “demand-side” of bribes, any citizen can contribute to eradicating the culture of bribes, by not expecting or demanding and even rejecting offered bribes. Offering, promising, and giving bribes then becomes perceivable as an unacceptable practice of corruption.

The CRAFT expects AMPs to undertake all reasonable efforts to actively contribute to this cultural change.

Pass Criterion (“mitigated”):

The AMP has an internal policy requiring all members to abstain from offering, promising, giving, and particularly expecting or demanding any bribes.

--- and ---

The AMP undertakes all reasonable efforts to achieve that members of the AMP recognize this policy as binding and abide by the policy .

Guidance: In its CRAFT Report the AMP shall describe the policy and report on its implementation.

All reasonable efforts could, for example, mean that proven or suspected perpetrators of the policy will be warned, suspended and ultimately excluded from its supply chain.

Aligned with UNODC (2004) and OECD (2011), the policy shall disallow any kind of undue payment to/from foreign persons or entities. In case of payments to/from national persons or entities (the more likely scenario for AMPs) the policy should be as restrictive as feasible under local norms.

Progress Criteria (pass: “mitigation progress satisfactory”):

The AMP has established a risk management plan for this risk to reduce and ultimately eliminate bribery and takes steps to implement and monitor the plan with measurable improvements.

--- or ---

A risk management plan is in place for this risk, and the AMP demonstrates that it implements and monitors the plan with measurable improvements.

Guidance: In its CRAFT Report the AMP shall refer to the risk management plan and report on its implementation.

The risk management plan needs to clearly differentiate between facilitation payments (where customary and legal) to expedite services which they rightfully deserve, and corruption characterized by bribing for favors and unlawful acts.

The CRAFT Report shall

- describe measures undertaken during the past reporting period, and
- describe and commit to implementing the measures planned for the next reporting period.

Fail Criterion:

The AMP does not address bribing issues at all.

Guidance: The AMP is at risk that legal BUYERS disengage or suspend purchases. The AMP must establish a risk management plan.

M.4/5.1.3/R.2

(addresses OECD 2016b, Annex II, par. 11)

5. Category: Company Governance
5.1 Issue: Business Practices
5.1.3 Sub-Issue: Bribery and Facilitation

It is reasonable to believe that the AMP undertakes all reasonable efforts to resist any solicitation of bribes to conceal or disguise the origin of minerals.

Guidance: A requirement at the affiliation status “Affiliate” is the “implementation of an Internal Control System (ICS) to ensure that gold and/or mineral commercialized by the AMP and/or its entities originates exclusively from the mine site of the AMP”. This affiliation requirement is even stronger than resisting “solicitation of bribes to conceal or disguise the origin of minerals” as per OECD DDG Annex II. It avoids concealing or disguising the origin regardless of whether a bribe might be solicited or not and covers the mineral as well as the final gold product.

Pass Criterion (“mitigated”):
 The AMP has an ICS in place that ensures that gold and/or mineral commercialized by the AMP and/or its entities originates exclusively from the mine site of the AMP.

Guidance: In its CRAFT Report the AMP shall describe the ICS and present aggregated production figures. Production figures must be plausible in relation to the number of people working within the scope of the AMP.
 Detailed records shall be kept and made available for verification.

Progress Criteria (pass: “mitigation progress satisfactory”):
 The AMP is creating or improving an ICS and is piloting its implementation.
 --- or ---
 A risk management plan is in place for this risk, and the AMP demonstrates that it implements and monitors the plan with measurable improvements.

Guidance: In its CRAFT Report the AMP shall

- describe measures undertaken during the past reporting period, and
- describe and commit to implementing the measures planned for the next reporting period.

Fail Criterion:
 The AMP makes no efforts to identify the origin of gold and minerals commercialized by its members.

Guidance: The AMP is at risk that legal BUYERS disengage or suspend purchases. The AMP must establish a risk management plan.

M.4/5.1.5/R.1

(addresses OECD 2016b, Annex II, par. 12)

5. Category: Company Governance
5.1 Issue: Business Practices
5.1.5 Sub-Issue: Money Laundering

It is reasonable to believe that the AMP supports all efforts or takes all viable steps to contribute to the effective elimination of money laundering, where a reasonable risk of such practice from or connected to its operations or products is identified.

Guidance: The risk of “money laundering”²¹ at the level of legitimate AMPs is low. AMPs produce the gold which they sell and do not purchase it with money to be laundered. Purchasing gold from legitimate AMP is therefore seen as one of the best ways for BUYERS to protect themselves from becoming unknowingly involved in money laundering.

Additionally, legitimate AMPs that sell directly to BUYERS through legal channels contribute to reducing the volume of informally traded gold available to money launderers. The organizational scope of the CRAFT, confined to members of the AMP in one single country selling directly to BUYERS, further reduces risks of linkages with money laundering related to cross-border sales.

Within the scope of the CRAFT, the “*placement*” and “*layering*” stages of money laundering represent the most significant risks.²² This consists of buying informal gold and selling it disguised into formal supply chains. The third stage “*integration, in which the funds re-enter the legitimate economy*” is of limited relevance, as the ASM sector is rarely considered a safe haven for the legitimate economy. “*Integration*” into unsuspecting infrastructure (e.g., roads, shopping centres, businesses, etc.) is beyond the scope of the CRAFT and must be addressed by the competent authorities. Risk mitigation efforts by AMPs, therefore, focus on traceability of the origin of traded gold.

Pass Criterion (“mitigated”):

The gold production volumes of the AMP are plausibly aligned with the effective production capacity of the AMP.

Guidance: Productivity (measured in gram/person/day) varies, depending on the characteristics of the mineral deposit and the level of mechanization.

In its CRAFT Report, the AMP shall indicate the key parameters of its operation that allow for verification of the plausibility of the volume of gold it offers for sale.

Where an ICS is already implemented, production volume and production capacity (determined by productivity) should reasonably match (i.e. average production cannot be higher than production capacity).

Progress Criteria (pass: “mitigation progress satisfactory”):

The AMP has established a risk management plan to identify and mitigate risks that gold originating from money laundering is injected into its supply chain.

--- and ---

The AMP demonstrates that it implements and monitors the plan with measurable improvements.

Guidance: The CRAFT Report shall

- describe measures undertaken during the past reporting period, and
- describe and commit to implementing the measures planned for the next reporting period.

Fail Criterion:

The AMP sells more gold than it produces and cannot explain where the excess volumes originate.

Guidance: The AMP is at risk that legal BUYERS disengage or suspend purchases. The AMP must establish a risk management plan.

²¹ FATF (<http://www.fatf-gafi.org/fag/moneylaundering/>) describes money laundering as following: “What is Money Laundering? The goal of a large number of criminal acts is to generate a profit for the individual or group that carries out the act. Money laundering is the processing of these criminal proceeds to disguise their illegal origin. ...”

²² See FATF (<http://www.fatf-gafi.org/fag/moneylaundering/>): How is money laundered?

MODULE 5: “NON-ANNEX II” HIGH RISKS REQUIRING IMPROVEMENT

Preface

Non-Annex II high risks are as important as Annex II risks for the livelihood and wellbeing of miners and their family. The main difference is that the OECD DDG does not require a suspension or disengagement in the case of continued presence of these risks, but rather encourages downstream supply chain actors to engage with ASM and to support their risk mitigation and improvement efforts (OECD 2016a).

This MODULE 5 addresses high risks not specifically covered by the “*Model Supply Chain Policy for a Responsible Global Supply Chain of Minerals from Conflict-Affected and High-Risk Areas*” of the OECD DDG. Such risks are commonly referred to as “**non-Annex II risks**”.

AMPs that have passed (by pass or satisfactory progress criteria) the previous MODULE 4 have acquired “**Affiliate**” status, which means that BUYERS adopting the OECD Model Supply Chain Policy are not required to disengage as long as no new Annex II risks appear.

Correspondingly, requirements of this MODULE 5 have **no Pass/Fail Criteria**.

All requirements of MODULE 5 are “**aspirational**” in principle. Notwithstanding, by failing to assess high risks and failing to improve work practices, AMPs miss out on their own development opportunities. AMPs may also lose business opportunities, as BUYERS may disengage if they consider the lack of commitment of the AMP to address *non-Annex II High Risks* a risk to their own business.

Conformity with requirements is expressed as:

- **Controlled:** The risk has been assessed and mitigation measures for improvement have been taken to an extent that is considered good ASM practice.
- **Progressing:** The risk has been assessed and the AMP is implementing mitigation measures for improvement.
- **Unaddressed:** The risk has not yet been assessed or the AMP has not yet taken steps to implement mitigation measures for improvement.

The CRAFT is intentionally **not prescriptive on sequencing and prioritization** of improvements addressing *non-Annex II High Risks* (requirements of this MODULE 5). Neither is the CRAFT prescriptive on the **number** of improvements pursued simultaneously. According to their own needs and capacity, and to support opportunities provided by CRAFT Schemes, AMPs may decide which risks are priority issues for them and need to be addressed. Additionally, CRAFT Schemes may evaluate which risks are priority issues for their downstream supply chains and offer support to the AMP to address these risks and the priority risks identified by the AMP.

Risk mitigation plans shall be established for these (jointly) identified priority risks. To distinguish these risk mitigation plans from those in MODULE 4 (related to Annex II risks) they are referred to as **Improvement Plans**.

On a year-by-year basis, the AMP shall commit to activities and steps related to the progressive implementation of the Improvement Plans, until the risk is “Controlled”. Commitments and achievements shall be documented in the CRAFT Report.

Note: AMPs are advised to commit in their CRAFT Reports to only as many improvements as they consider **realistically** achievable. In the next year's CRAFT Report they will have to report back on achievements. Overcommitting carries the risk that conformity of the AMP with its own commitments will score low the following year.

The CRAFT is also **not prescriptive with regards to the activities** AMPs need to carry out to improve and mitigate the risks as part of the Improvement Plan. AMPs, ideally backed by the support of CRAFT Schemes, are free to decide which steps to take to achieve the improvement and comply with the requirement.

Future versions of the CRAFT, which will also cover medium and low non-Annex II risks, will provide even greater flexibility for AMPs to address risks according to their severity. Medium or low risks in

the context of global ASM may represent high risks in a local context. Future versions of the CRAFT will, therefore, provide possibilities to prioritize the mitigation of medium and low risks.

Requirements

The requirements are structured according to the issues of the “Consolidated Framework of Sustainability Issues for Mining”²³ presented in Annex 2.

Requirements of this MODULE may be applicable beyond the main and (if applicable) extended organizational scope of the AMP. Some risks refer to responsibilities of the AMP with the community. Where issues relate to the wider community or to economic activities indirectly related with the mineral production, this is indicated in the requirement or its guidance.

MODULE 1 and MODULE 2 apply. All requirements from MODULE 3 (Risks requiring immediate disengagement) and MODULE 4 (Risks requiring disengagement after unsuccessful mitigation) must be complied with.

²³ Kickler&Franken (2017).

1. Category: Human and Workers' Rights
1.1 Issue: Serious Human Rights Abuses
1.1.1 Sub-Issue: Child Labour & Education

M.5/1.1.1/R.1

The AMP takes steps towards eradicating all worst forms of child labour among persons under the age of 18.

Guidance: Requirement M.3/1.1.1/R.1 on worst forms of child labour applies to the main and (if applicable) extended organizational scope of the AMP. It focuses on an internal supply chain free of worst forms of child labour and therefore on production-related tasks that must not be performed by persons under age of 18.

This requirement M.5/1.1.1/R.1 complements requirement M.3/1.1.1/R.1, focusing on forms of worst child labour that may be indirectly related to the mineral production or that may occur in the perimeter of the operations of the AMP.

If the baseline assessment of requirement M.3/1.1.1/R.1 identified (in the perimeter of the operations of the AMP) economic activities classified as worst forms of child labour according to ILO Convention 182, other than those covered by M.3/1.1.1/R.1, requirement M.5/1.1.1/R.1 shall be assigned high priority.

Controlled:
 Worst forms of child labour are eradicated. Having achieved the improvement related to this requirement, the High Risk is controlled.

Guidance: Results of a detailed quantitative survey demonstrate that all persons of age 15 to 18 in the perimeter of the AMP (e.g. the community) have been relocated to workplaces which, by their nature or the circumstances in which work is carried out, do not harm the health, safety, or morals of children (girls and boys). For persons under age of 15, requirement M.5/1.1.1/R.2 applies.
 The results of the survey are annexed to the CRAFT Report.

Progressing:

Risk	Improvement
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Persons below 18 years of age in the perimeter of the AMP (e.g. the community) are engaged in work classified as “worst forms of child labour”.

The AMP makes efforts and takes steps to relocate all working persons of age below 18 to workplaces or tasks appropriate to their age and ultimately eradicate all forms of worst child labour.

Unaddressed: The risk needs to be assessed, and if present, mitigation measures need to be taken.

1. Category: Human and Workers' Rights
1.1 Issue: Serious Human Rights Abuses
1.1.1 Sub-Issue: Child Labour & Education

M.5/1.1.1/R.2

The AMP takes steps towards eradicating child labour of persons under the age of 15.

Guidance: The ILO Convention 138 on Minimum Age (ILO 1973) establishes that the minimum age for admission to employment or work in any occupation shall not be less than the age of completion of compulsory schooling and, in any case, shall not be less than 15 years.

Although this is a fundamental human right, and ILO Convention 138 is ratified by the vast majority of countries, the reality is often different. In extreme cases in some countries, half of the population is under 15 years old, and in other countries it is not uncommon for persons under age of 15 to be considered the head of household (e.g. in the case of AIDS orphans). Furthermore, cases of remote mining communities lacking any educational facility are not uncommon.

Regardless of these practical limitations, it is important that AMPs recognize that children under the age of 15 should not be employed or work in any occupation, as they should instead attend school. AMPs shall, therefore, take steps towards eradicating child labour of persons under age 15 that are indirectly related to the mineral production or occur in the perimeter of the AMP.

Controlled:
 Child labour is eradicated. Having achieved the improvement related to this requirement, the High Risk is controlled.

Guidance: Results of a detailed quantitative survey demonstrate that all persons below 15 years of age in the perimeter of the AMP (e.g. the community) attend school and are neither employed nor allowed to perform any work.

Progressing:

Risk	Improvement
------	-------------

Persons younger than 15 years old are admitted to employment or allowed to work in any occupation.	The AMP has established a risk management plan for this risk to reduce. The AMP takes steps to demand schools from the government, and it progressively makes attendance to school mandatory for all children in the perimeter of its mine site and ultimately eradicate all forms of child labour.
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Unaddressed: The risk needs to be assessed, and if present, mitigation measures need to be taken.

1. Category: Human and Workers' Rights
1.1 Issue: Serious Human Rights Abuses
1.1.3 Sub-Issue: Women's Rights

M.5/1.1.3/R.1

The AMP takes steps to protect women against sexual violence and harassment at the workplace.

Guidance: Verbal, psychological or physical violence against women is common and widespread at most workplaces, and this includes the ASM sector. Risks of sexual violence and harassment are particularly high in contexts of gender inequality and imbalances of power. In any case, sexual violence and harassment are unacceptable.

AMPs participating in CRAFT Schemes shall not accept any such unacceptable behavior from its individual members, and they shall take steps to protect women against sexual violence and harassment in the workplace.

Controlled:

A workplace culture has been established that considers sexual violence and harassment as unacceptable. Having achieved the improvement related to this requirement, the High Risk is controlled.

Guidance: The AMP should be able to prevent, control, detect and penalize sexual violence and harassment cases at work.

In principle, this risk should never be declared as “controlled”, because considering the risk controlled may lead to decreased awareness of the issue.

Progressing:

Risk

Improvement

Sexual violence and harassment against women is common and widespread in workplaces.

The AMP makes efforts and takes steps to raise awareness that sexual violence and harassment is unacceptable and encourages victims to denounce aggressors to the competent authority.

Unaddressed: The risk needs to be assessed, and if present, mitigation measures need to be taken.

1. Category: Human and Workers' Rights
1.1 Issue: Serious Human Rights Abuses
1.1.3 Sub-Issue: Women's Rights

M.5/1.1.3/R.2

The AMP takes steps to respect the rights of women, in particular towards reducing any gender-based restrictions of access to mineral resources.

Guidance: The requirement addresses the issue of gender-based restrictions of access to mineral resources, which limits women at many mine sites to scavenging for “leftovers”, working as mineral selectors on waste rock dumps and excludes them from making decisions about the mining resource. AMPs shall take steps to ensure that women obtain access to and benefit from the mineral resource in equal condition as men.

Controlled:

No gender-based restrictions on access to the mineral resource exist. Having achieved the improvement related to this requirement, the High Risk is controlled.

Guidance: Results of a gender survey and local employment and income statistics demonstrate equal opportunities exist for women and men.

Progressing:

Risk

Improvement

Women’s income opportunities are limited by restricting or prohibiting them from accessing certain mineral resources, from engaging in certain mineral producing activities, or from joining miners’ organizations.

Access to mineral resources, to mineral producing activities, and to miners’ organizations is conditioned to rules and criteria that do not distinguish between men and women.

Unaddressed: The risk needs to be assessed, and if present, mitigation measures need to be taken.

1. Category: Human and Workers' Rights
1.1 Issue: Serious Human Rights Abuses
1.1.4 Sub-Issue: Discrimination & Diversity

M.5/1.1.4/R.1

The AMP does not base its decisions on criteria classified as discriminatory in the Universal Declaration of Human Rights.	
Guidance: Article 2 of the Universal Declaration of Human Rights (UN 1948a) stipulates that <i>“Everyone is entitled to all the rights and freedoms set forth in this Declaration, without distinction of any kind, such as race, colour, sex, language, religion, political or another opinion, national or social origin, property, birth or another status.”</i>	
Controlled: The AMP's decisions are not based on discriminatory criteria. Having achieved the improvement related to this requirement, the High Risk is controlled.	Guidance: An anti-discrimination policy is developed, adopted, and put into effect that allows to prevent and detect situations of discrimination and to take corrective measures. In principle, this risk should never be declared "controlled", since considering the risk controlled may result in reduced of awareness on the subject.
Progressing:	
Risk	Improvement
Discrimination due to “race, color, sex, language, religion, political or another opinion, national or social origin, property, birth or another status” ²⁴ may be common.	Within its organizational boundaries ²⁵ , the AMP's decision-making structures and processes (see 2.2.8/M.5/R.1) are not based on criteria classified as discrimination in the Universal Declaration of Human Rights. ²⁶
Unaddressed: The risk needs to be assessed, and if present, mitigation measures need to be taken.	

1. Category: Human and Workers' Rights
1.3 Issue: Occupational Health & Safety
1.3.3 Sub-Issue: Workplace Hazards & Machinery

M.5/1.3.3/R.1

The AMP makes basic mine safety rules mandatory for its members.	
Guidance: National mine safety regulations are often complex and difficult to understand for many members of an AMP. Mine safety at ASM mines needs a simple set of rules that are easily understood and widely observed.	
Controlled: Basic mine safety rules are followed. Having achieved the improvement related to this requirement, the High Risk is controlled.	Guidance: Simple local mine safety rules are developed and individual members (miners) know the rules and work according to the rules.
Progressing:	
Risk	Improvement
Accidents in the mine are frequent.	The AMP, as part of its formalization progress (see 5.2.1/M.5/R.1), develops and implements a mine safety plan and mandatory basic safety rules for its members, prioritizing mine safety hazards in order of their occurrence.
Unaddressed: The risk needs to be assessed, and if present, mitigation measures need to be taken.	

²⁴ Universal Declaration of Human Rights (UN 1948a).

²⁵ E.g. Indigenous miner groups, women miner groups, community mining groups, etc.

²⁶ With exception of nationality, in countries where by law only national citizens are allowed to engage in ASM.

1. Category: Human and Workers' Rights
1.3 Issue: Occupational Health & Safety
1.3.4 Sub-Issue: Personal Protective Equipment

M.5/1.3.4/R.1

Members of the AMP use personal protective equipment (PPE) at work.	
Guidance: Personal protective equipment is of essential importance for the health and safety of miners.	
Controlled: Personal protective equipment is used. Having achieved the improvement related to this requirement, the High Risk is controlled.	Guidance: It has become habitual for miners to use PPE at work.
Progressing:	
Risk	Improvement
Miners do not use the essential personal protective equipment (PPE) appropriate for the work they perform.	The AMP has a risk management plan in place for increasing the use of PPE; as part of this plan, the AMP facilitates the availability of PPE at local shops and markets, promotes its use, and progressively makes its use and maintenance mandatory for all members.
Unaddressed: The risk needs to be assessed, and if present, mitigation measures need to be taken.	

1. Category: Human and Workers' Rights
1.3 Issue: Occupational Health & Safety
1.3.5 Sub-Issue: Miner Health

M.5/1.3.5/R.1

The AMP procures first aid and basic health services for its members.	
Guidance: Many ASM sites lack preparedness in case of accidents and basic health services in general. AMPs should provide training in health practices for first aid and provide access to the nearest primary care facility or hospital. Information on health care services shall be available for women and men.	
Controlled: Basic first aid and health services are in place and accessible to miners.	Guidance: First aid kits are available with trained workers, if not health staff, prepared to care for minor injuries. For major injuries, emergency, primary and preventative care miners have access to health facilities.
Progressing:	
Risk	Improvement
Miners have a range of emergency and non-emergency health issues that result from working conditions and the social context of work.	The AMP has an action plan in place to cover basic health needs for emergency and primary care. As part of this plan, the AMP develops health guidelines for first aid, identifies health facilities in the area that are accessible to its members, and provides information and/or referrals to these facilities to address key health needs of its women and men members
Unaddressed: The risk needs to be assessed, and if present, mitigation measures need to be taken.	

1. Category: Human and Workers' Rights
1.3 Issue: Occupational Health & Safety
1.3.11 Sub-Issue: Mercury Use & Production

M.5/1.3.11/R.1

The AMP takes steps towards elimination of whole ore amalgamation.	
Guidance: Addresses Minamata Convention (UNEP 2013), Annex C, par.1 (b) (i). Applies to miners and to processing plants that are part of the AMP.	
Controlled: The AMP does not use whole ore amalgamation. Having achieved the improvement related to this requirement, the High Risk is controlled.	Guidance: All mined ore is pre-concentrated (using hand sorting, gravimetric concentration, flotation or other methods) and, if amalgamation is needed, only the concentrate is amalgamated.
Progressing:	
Risk	Improvement
The entire mined ore (alluvial sediments or hard rock mineral) is amalgamated without any pre-concentration (“whole ore amalgamation”).	The AMP has a technical improvement plan in place and implements it, by assessing appropriate mineral concentration methods, implementing these methods in its domestic and industrial mineral processing plant(s), and making them mandatory for all members.
Unaddressed: The risk needs to be assessed, and if present, mitigation measures need to be taken.	

1. Category: Human and Workers' Rights
1.3 Issue: Occupational Health & Safety
1.3.11 Sub-Issue: Mercury Use & Production

M.5/1.3.11/R.2

The AMP takes steps towards elimination of open burning of amalgam or processed amalgam.	
Guidance: Addresses Minamata Convention (UNEP 2013), Annex C, par.1 (b) (ii). Applies to miners as well as for aggregators (gold shops) of the AMP.	
Controlled: Open burning of amalgam does not take place. Having achieved the improvement related to this requirement, the High Risk is controlled.	Guidance: Amalgam burning is only done in retorts or under fume hoods equipped with mercury capturing devices.
Progressing:	
Risk	Improvement
Amalgam burning is done without the use of any kind of mercury recovery device.	The AMP has a technical improvement plan in place and implements it, by raising awareness of mercury-related health hazards, making mercury recovery devices available and accessible to individual members (miners and aggregators), and making their use mandatory.
Unaddressed: The risk needs to be assessed, and if present, mitigation measures need to be taken.	

1. Category: Human and Workers' Rights
1.3 Issue: Occupational Health & Safety
1.3.11 Sub-Issue: Mercury Use & Production

M5/1.3.11/R.3

The AMP takes steps towards elimination of amalgam burning in residential areas.	
Guidance: Addresses Minamata Convention (UNEP 2013), Annex C, 1.b.iii. Applies to miners as well as for aggregators (gold shops) of the AMP.	
Controlled: Amalgam burning is done in dedicated areas only. Having achieved the improvement related to this requirement, the High Risk is controlled.	Guidance: Amalgam burning is not done inside homes or near residential areas.
Progressing:	
Risk	Improvement
Amalgam burning takes place in residential areas such as in the homes of miners or typical downtown gold shops.	The AMP has a technical improvement plan in place and implements it, by making miners and their families aware of the health hazards of mercury and avoiding amalgam burning at home, and relocating aggregators of the AMP (gold shops) to dedicated areas non-adjacent to residential areas, food markets, or restaurants.
Unaddressed: The risk needs to be assessed, and if present, mitigation measures need to be taken.	

1. Category: Human and Workers' Rights
1.3 Issue: Occupational Health & Safety
1.3.11 Sub-Issue: Mercury Use & Production

M.5/1.3.11/R.4

The AMP takes steps towards elimination of the practice of cyanide leaching of sediments, ore, or tailings to which mercury had been added, without first removing the mercury.	
Guidance: Addresses Minamata Convention (UNEP 2013), Annex C, par.1 (b) (iv). Applies mainly to processing plants that are part of the AMP	
Controlled: Materials to leach do not originate from amalgamation processes, or tailings from amalgamation are only leached after prior removal of mercury. Having achieved the improvement related to this requirement, the High Risk is controlled.	Guidance: The below improvements have been implemented.
Progressing:	
Risk	Improvement
Amalgamation tailings (from alluvial sediments or hard rock ore) are, without any pre-treatment to remove mercury, processed in cyanide leaching plants. This also applies for amalgamated pre-concentrates (where whole ore amalgamation has already been eliminated).	By replacing amalgamation with a mercury-free processing method (e.g. direct smelting), tailings that enter the leaching process are free of mercury. --- or --- Amalgamation tailings are pre-processed before leaching, in order to remove mercury residues.
Unaddressed: The risk needs to be assessed, and if present, mitigation measures need to be taken.	

2. Category: Societal Welfare
 2.1 Issue: Community Rights
 2.1.1 Sub-Issue: Residential & Indigenous Rights

M.5/2.1.1/R.1

The AMP takes steps towards integrating into existing communities.	
Guidance: The requirement focuses on scenarios where ASM is not a traditional activity of the community.	
Controlled: The AMP is an integrated part of the community. Having achieved the improvement related to this requirement, the High Risk is controlled.	Guidance: Typical examples of the controlled criterion are former gold rush camps, where after the rush cooled down the women and men miners became residents and part of the community.
Progressing:	
Risk	Improvement
The majority of the members of the AMP consists of migrant population. Residents (including indigenous groups) complain that mining is negatively affecting their livelihoods and traditional social structures.	The AMP makes continuous efforts to integrate or align its coordination mechanisms for consensus-based decision making (see M.5/2.2.8/R.1) into existing societal structures.
Unaddressed: The risk needs to be assessed, and if present, mitigation measures need to be taken.	

2. Category: Societal Welfare
 2.2 Issue: Value Added
 2.2.8 Sub-Issue: Institutional Capacity

M.5/2.2.8/R.1

The AMP has decision-making structures in place.	
Guidance: The CRAFT does not require that AMPs be formally established organizations (associations, cooperatives, companies, etc.). Although AMPs may be such formally established organizations, they also may be de facto established clusters thereof, cooperating at an operational level only. However, for further progress after initially achieving Affiliate Status and to ensure that Affiliate Status can be maintained sustainably, it is considered indispensable that decision-making structures of the AMP are put in place.	
Controlled: Decision-making structures are in place. Having achieved the improvement related to this requirement, the High Risk is controlled.	Guidance: Decision-making structures may be established formally or de facto, as members of the AMP deem appropriate. The important element is that the structure allows a clear process of decision-making that it is accepted by its members (men and women). The decision making structure shall be inclusive with regards to adequate participation of women and other vulnerable groups.
Progressing:	
Risk	Improvement
Lack of coordination between members of the AMP (which may be a cluster of different independent entities) poses limitations to achieving improvements.	The AMP has established formal or informal coordination mechanisms for decision making and these decision-making structures are operational and functional.
Unaddressed: The risk needs to be assessed, and if present, mitigation measures need to be taken.	

3. Category: Use of Natural Resources
3.1 Issue: Land Use & Biodiversity
3.1.2 Sub-Issue: Legally Protected Areas

M.5/3.1.2/R.1

The AMP operates in close coordination with and in support of Protected Area Authorities.	
Guidance: Forceful eviction of ASM from protected areas is rarely successful in the medium and long term. According to findings of ASM-PACE, ²⁷ alternative options exist to balance conservation goals with development opportunities of ASM.	
Controlled: The AMP's operation is aligned with conservation goals. Having achieved the improvement related to this requirement, the High Risk is controlled.	Guidance: Balancing conservation goals with development opportunities is particularly important for ASM areas that were subsequently declared protected areas. The CRAFT does not endorse an “invasion” of protected areas.
Progressing:	
Risk	Improvement
Conflicts between ASM and authorities administrating protected areas exist, i.e. mineral extraction is considered an impediment to the conservation goal of the protected area.	The AMP has reached an agreement with the administration of the protected area, supporting authorities in their task of achieving the conservation goal. --- or --- The AMP is willing to demonstrate at any moment that it seeks to cooperate with the administration of the protected area and to support the conservation goal.
Unaddressed: The risk needs to be assessed, and if present, mitigation measures need to be taken.	

3. Category: Use of Natural Resources
3.1 Issue: Land Use & Biodiversity
3.1.10 Sub-Issue: Conflict with Agriculture

M.5/3.1.10/R.1

The AMP uses mining land in coordination with farmers and ranchers who require the same resource for agriculture or animal husbandry.	
Guidance: Mining is – at any given location – a temporary economic activity, lasting until the mineral deposit is depleted, whereas agricultural land use is in principle not limited in time.	
Controlled: Conflicts over land use among mining, ranching, and farming have been resolved. Having achieved the improvement related to this requirement, the High Risk is controlled.	Guidance: The AMP has reached an agreement about land use with women and men farmers and ranchers.
Progressing:	
Risk	Improvement
Resource conflicts regarding land use exist, i.e. ASM is carried out on land that provides a livelihood for farmers or ranchers.	A participatory process to reach agreements with farmers and ranchers about land use during the life of the mine and post-mining usage has been implemented.
Unaddressed: The risk needs to be assessed, and if present, mitigation measures need to be taken.	

²⁷ (Villegas et al. 2012).

3. Category: Use of Natural Resources
 3.1 Issue: Land Use & Biodiversity
 3.1.11 Sub-Issue: Conflict with Large-Scale Mining

M.5/3.1.11/R.1

Legitimate ASM and LSM operations undertake best efforts to co-exist and cooperate.	
<p>Guidance: Coexistence of artisanal and small-scale (ASM) and large-scale mining (LSM) depends largely on the mutual goodwill of both parties; in general, LSM – usually the party that possesses the mining rights – is in a stronger negotiation position. Published guidance exists on how LSM can engage with ASM (IFC&ICMM 2009); complementary experiences on how ASM (i.e. AMPs in CRAFT Schemes) can engage with LSM are more limited to anecdotal case studies.</p>	
<p>Controlled: Having achieved the improvement related to this requirement, the High Risk is controlled.</p>	<p>Guidance: Mining activities of the AMP and adjacent LSM operations co-exist and coordinate their activities.</p> <p>CRAFT Schemes may play an important role in facilitating the dialogue between ASM and LSM.</p>
Progressing:	
Risk	Improvement
Resource conflicts regarding the use of mineral resources exist, i.e. ASM and LSM compete for extraction of the same mineral deposit.	The AMP is willing to demonstrate at any moment that it is actively seeking an equitable consensus and coordination with adjacent LSM operations and is undertaking corresponding activities to engage with the LSM operation.
Unaddressed: The risk needs to be assessed, and if present, mitigation measures need to be taken.	

3. Category: Use of Natural Resources
 3.2 Issue: Water Use
 3.2.1 Sub-Issue: Water Management

M.5/3.2.1/R.1

The AMP uses water resources in coordination with other water users.	
<p>Guidance: Applies mainly to alluvial mining and, in the case of hard rock mining, to processing plants that are part of the AMP.</p> <p>This requirement is about access to and use of water. Requirements regarding water quality are covered in category 4 of the sustainability framework (requirement M.5/4.2.2/R.1).</p>	
<p>Controlled: A consensus on water usage between the AMP and other water users has been reached. Having achieved the improvement related to this requirement, the High Risk is controlled.</p>	<p>Guidance: The AMP has reached a consensus with non-mining stakeholders about an equitable distribution of water resources.</p>
Progressing:	
Risk	Improvement
Resource conflicts regarding water use exist, i.e. the water required for mineral processing in mining is also demanded by nearby stakeholders for drinking water, raising livestock, or crop irrigation.	A water management plan for the coexistence of the AMP's mining operations with other water users is developed and implemented. Impacts of ASM operations are assessed and a participatory process to reach consensus is established.
Unaddressed: The risk needs to be assessed, and if present, mitigation measures need to be taken.	

4. Category: Emissions and Land Reclamation
 4.2 Issues: Mine Waste and Wastewater
 4.2.2 Sub-Issue: Wastewater & Water Quality

M.5/4.2.2/R.1

The AMP avoids serious contamination of water bodies with suspended solids and/or chemicals and fuel residues that put the livelihoods of other water users at risk.

Guidance: Contamination with suspended solids applies mainly to alluvial mining and, in the case of hard rock mining, to processing plants that are part of the AMP.

Contamination with chemicals and fuel residues applies mainly to (semi-)mechanized operations using combustion engines and processing plants that are part of the AMP.

This requirement is about *serious* contamination with suspended solids, chemicals and fuel residues expressing the need to reduce pollution and ecosystem risks to moderate levels. Requirements to further reduce contamination with suspended solids, chemicals and fuel residues will be covered in MODULE 6 and elimination of contamination in MODULE 7.

Controlled:

Water pollution and ecosystem risks have been reduced to moderate levels. Having achieved the improvement related to this requirement, the High Risk is controlled.

Guidance: The level of contamination of water bodies with suspended solids, chemicals and fuel residues is moderate, to the extent that – with reasonable treatment efforts – water quality does not represent a risk for the health and the livelihoods of other water users or a serious ecosystem risk.

Progressing:

Risk

Improvement

Wastewater from mining operations or processing plants directly discharged into water bodies may contain a high content of suspended solids, high concentrations of chemicals or of fuel oils (as applicable). Elevated contamination of any of the above pollutants puts at risk the health and livelihoods of others who use this water for human consumption, farming, ranching, or fishing.

The impact of suspended solids, chemicals and fuel residues (as applicable) on other water users is evaluated, contamination of waste water with pollutants that represent a high risk is monitored, and technical improvements to reduce emissions are designed and implemented.
 Water quality does not represent an imminent risk for the health and the livelihoods of other water users or a serious ecosystem risk.

Unaddressed: The risk needs to be assessed, and if present, mitigation measures need to be taken.

5. Category: Company Governance
 5.2 Issue: Management Practices
 5.2.1 Sub-Issue: Legal Compliance

M.5/5.2.1/R.1

The AMP takes steps towards formalization of its operations beyond rights related to mineral extraction.

Guidance: ASM Formalization is a process. Legitimacy – in terms of explicit or implicit authorization, consent or no-objection and with legality as highest category of legitimacy – of the extraction of the mineral resource (see MODULE 2) is only the first step.

Further formalization steps are to comply with all accompanying legal requirements related to technical and environmental aspects of the AMP’s operation. This is to be covered under this CRAFT requirement.

Subsequent formalization steps are related to organizational formalization (compliance with all laws and regulation related to corporate entities such as association, cooperatives, companies, etc.) and associated transition from casual labour to contracted labour. This will be covered in MODULE 6. Aspects related to full employment formalization (dependent on fully formalized employers) and aspects of corporate social responsibility will be covered in MODULE 7.

Controlled:

Having achieved the improvement related to this requirement, the High Risk is controlled.

Guidance: The AMP has accomplished and completed all required steps for legalizing and formalizing its mining operation, as required by national law.

Progressing:	
Risk	Improvement
Next steps of formalization, fulfilling requirements other than those related to mineral extraction (i.e. beyond legitimacy), are still pending.	The AMP has undertaken all possible steps of formalization, as required by national law.
Unaddressed: The risk needs to be assessed, and if present, mitigation measures need to be taken.	

5. Category: Company Governance
 5.2 Issue: Management Practices
 5.2.8 Sub-Issue: Grievance Mechanism

M.5/5.2.8/R.1

The AMP has designated a point of contact for complaints and at least a simple procedure to address complaints.	
Guidance: An established process is needed for dealing with a complaint against the AMP, raised by members, workers, or affected third parties (e.g. community) and related to decisions or actions believed to be wrong or unfair.	
Controlled: A grievance procedure is in place. Having achieved the improvement related to this requirement, the High Risk is controlled.	Guidance: The grievance procedure shall be appropriate to the organizational setup of the AMP, depending on whether it is a de facto or a formally established entity. It may be an internal procedure (avoiding conflicts of interest and assuring anonymity where necessary) or involve independent external stakeholders from the community.
Progressing:	
Risk	Improvement
Conflicts with other stakeholders affected by mining activities of the AMP tend to escalate frequently.	To de-escalate conflicts of all kinds, and as part of its efforts to establish coordination mechanisms for consensus-based decision making (see M.5/2.2.8/R.1), the AMP assigns a point of contact for reception of all complaints (anonymously if appropriate) and establishes a basic procedure for how to address them.
Unaddressed: The risk needs to be assessed, and if present, mitigation measures need to be taken.	

MODULE 6: MEDIUM RISKS REQUIRING IMPROVEMENT

This chapter is a placeholder.
 Requirements will be developed in later versions of the CRAFT.

MODULE 7: LOW RISKS REQUIRING IMPROVEMENT

This chapter is a placeholder.
 Requirements will be developed in later versions of the CRAFT.

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ANNEXES

Annex 1: Modules and Affiliation Levels

Table 1 provides an overview of affiliation levels and corresponding compliance with requirements of the CRAFT Code.

Table 1: Matrix of Modules and Applicant status

	Applicant	Candidate	Affiliate	Affiliate (renewal)
ENGAGEMENT LEVEL	Start receiving support	Engagement with formal markets (commercial relationships)	Continued commercial relationship	Continued commercial relationship
MODULE 1: Scope and affiliation	Applied for scheme participation	Updated with increased details	Updated with further increased details	Updated with further increased details
MODULE 2: Legitimacy of the AMP	Commitment	Evidence provided	Updated	Updated
MODULE 3: Annex II risks requiring immediate disengagement	Commitment	Risks assessed and found absent (pass)	Risks assessed and found absent (pass)	Risks assessed and found absent (pass)
MODULE 4: Annex II risks requiring disengagement after unsuccessful mitigation		Commitment	Risks assessed and found absent (pass) or with satisfactory mitigation progress	Risks assessed and found absent (pass) or with satisfactory mitigation progress
MODULE 5: Non-Annex II high risks requiring improvement			Commitment	Further risks assessed and improvement plan (commitments) under implementation
MODULE 6, MODULE 7 (in future versions of the CRAFT)				Commitment

AMPs that wish to join a CRAFT Scheme (which is equivalent to CRAFT Schemes that wish to engage with AMPs) shall do so in a stepwise approach:

1. Applicant Status: AMPs that fit into the scope of the CRAFT may submit an application to a CRAFT Scheme, providing all information required in MODULE 1 (see section 1.2.3), and will be granted applicant status.

Alternatively:

- CRAFT Schemes may identify suitable AMPs and invite them to join their scheme;

- or, in regions where no CRAFT Scheme operates, or if an AMP does not wish to join a CRAFT Scheme operating in its region, AMPs may start to implement the CRAFT on their own and announce this in an appropriate way.

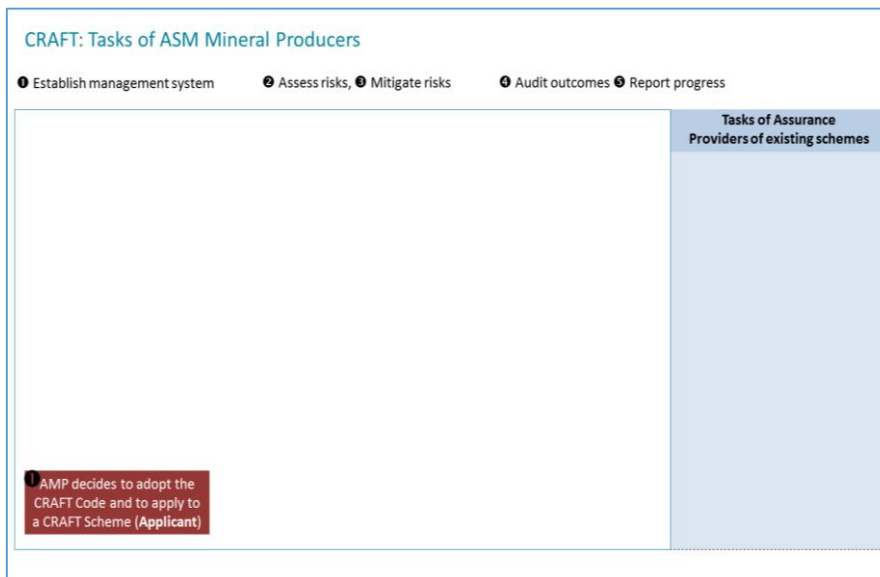


Figure 2: Applicant Status

At applicant level, AMPs may already start receiving producer support from CRAFT Schemes, guiding them in their process towards the CRAFT conformance.

2. Candidate Status: Applicant AMPs

- that can prove or provide credible evidence of their legitimacy (MODULE 2),
- that can make a verifiable claim that it is reasonable to believe that none of the Annex II risks covered in MODULE 3 are present,
- that are committed to mitigate (if existing) the Annex II risks covered in MODULE 4,
- and that document their risk assessment, their verifiable claims and their commitment as required in their CRAFT Report

will be granted candidate status.

- CRAFT Schemes may (or depending on the type of the CRAFT Scheme: are expected to) support AMPs to achieve Candidate Status;

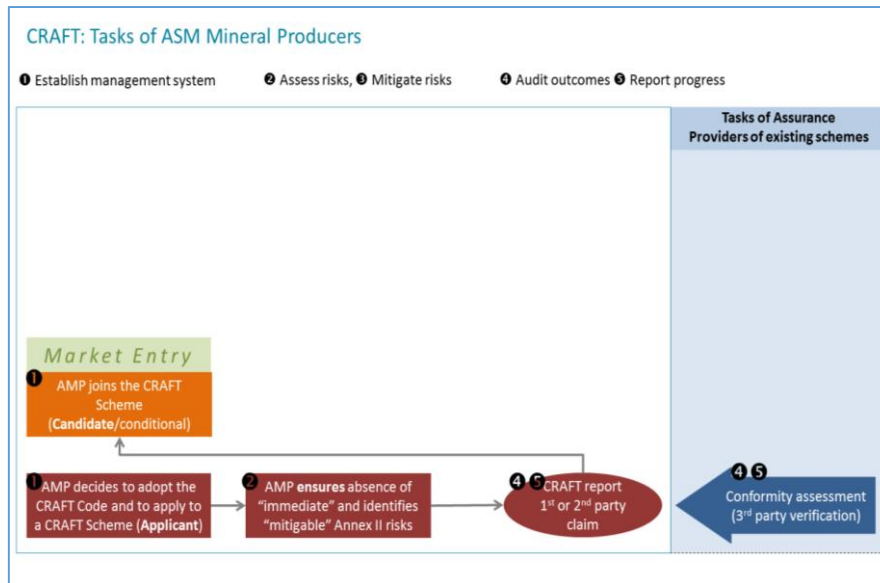


Figure 3: Candidate Status

With candidate status, AMPs become eligible to engage in formal trade with BUYERS operating in conformance with the OECD DDG, and such BUYERS may start commercial relationships with the AMP (i.e. "Market Entry" of the AMP).

The CRAFT Report shall be fully disclosed to the BUYER, who will decide - according to its own due diligence obligations and procedures - upon the need to conduct a conformity assessment on the AMP and its CRAFT Report (i.e. verify the verifiable 1st and 2nd party claims of the AMP in form of an independent 3rd party verification).

- The BUYER may or may not conduct such a conformity assessment, according to his own risk assessment.
- CRAFT Schemes engaged in producer support may or may not conduct such conformity assessments (independent 3rd party verification) as a service to BUYERS.
- All parties (AMPs, CRAFT Schemes and BUYERS) shall be aware that due diligence (including independent 3rd party verification where considered necessary) are the obligation of the BUYER.

3. Affiliate Status: Candidate AMPs that, within 6 months from engagement with a supply chain actor sourcing from them (i.e. a buyer), can make a verifiable claim that all Annex II risks covered in MODULE 4 are controlled or can demonstrate measurable progress of their mitigation will be granted affiliate status.

The instrument for documenting their risk assessment and risk mitigation progress, for making verifiable claims and for committing to further risk mitigation of risks contained in MODULE 4, as well as in MODULE 5 is the CRAFT Report.

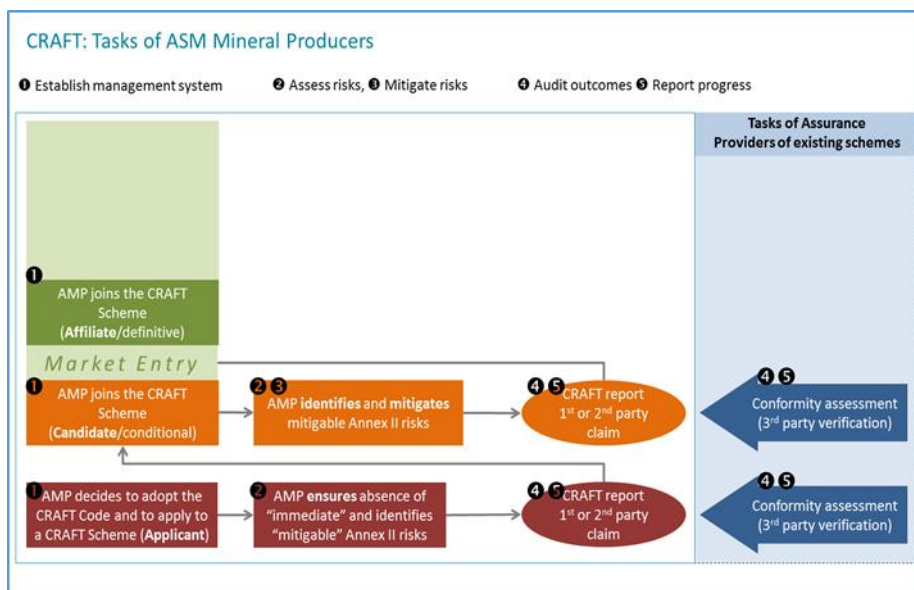


Figure 4: Affiliate Status

At affiliate level, AMPs can continue to engage with formal markets, or vice versa, supply chain actors that wish to source from ASM in conformance with the OECD DDG may engage definitively with the AMP.

Distribution of due diligence related obligations (AMP to prepare the CRAFT Report, CRAFT Scheme or BUYER to evaluate whether a conformity assessment in form of an independent 3rd party verification is offered or required) remains the same as at Candidate Status.

4. Renewal of Affiliate Status: Periodically (at least annually), an affiliate AMP shall re-assess all Annex II risks (MODULES 3 and 4) and make a verifiable claim about the continued absence of risks covered in MODULE 3 and continued absence or measurable progress in the mitigation of risks covered in MODULE 4. As long as this condition is fulfilled, AMPs can maintain (and annually renew) their affiliate status.

Additionally, the AMP shall periodically (at least annually) assess the non-Annex II risks covered in MODULE 5, prioritize those risks and issues which the members of the AMP consider most important to address, and commit to measurable progress in their mitigation during the upcoming annual reporting period.

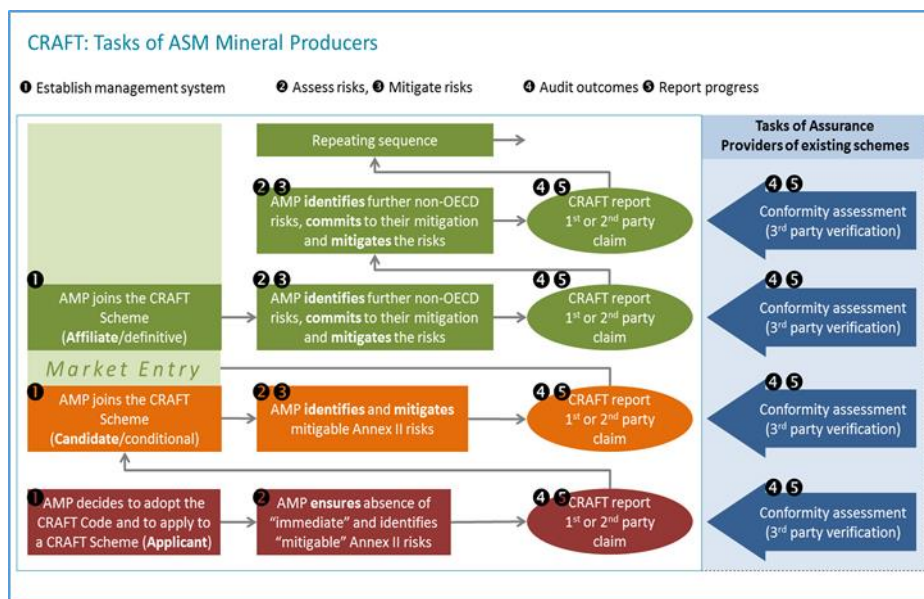


Figure 5: Affiliate Status (renewal)

Additionally, CRAFT Schemes and BUYERS may suggest and support improvements based on their own risk assessments.

Reassessment of Status Levels in case of re-appearing Annex II risks: In case of re-appearing Annex II risks (risks covered in MODULE 3 and 4), reassessment of the Status Level is described in chapter 1.2.7.

Annex 2: Structure of the Code's Requirements

Kickler&Franken (2017) benchmarked all major mining-related standards, identifying a total of 86 sustainability sub-issues addressed in one or more standards. Their findings also conclude that there is not yet a common agreement of what is a good classification of sustainability issues within the mining sector in particular.

In response to this challenge, Kickler&Franken (2017) developed and proposed a **Consolidated Framework of Sustainability Issues for Mining**, aligned with the seven core subjects of social responsibility from the ISO 26000 Standard of the International Organization for Standardization (ISO). This framework consists of five main categories and fourteen main issues (Figure 6).

ISO 26000 Seven Core Subjects of Social Responsibility							
Human rights	Labour practices	Community involvement & development	The environment		Fair operating practices	Organizational governance	Consumer issues
Identified five categories and fourteen subordinate issues							
1. Human and workers' rights	2. Societal welfare	3. Use of natural resources	4. Emissions and land reclamation	5. Company governance		-	
Serious human rights abuses	Community rights	Land use & biodiversity	Closure & land rehabilitation	Business practices		-	
Employment conditions	Value added	Water use	Mine wastes & waste water	Management practices		-	
Occupational Health & Safety		Energy use	Air emissions & noise			-	
		Material use					

Figure 6 Sustainability schemes in mining in relation to the seven core subjects of social responsibility from the ISO 26000 (Kickler&Franken 2017)

Each issue covers between two to fourteen sub-issues, totaling a number of 86 identified sub-issues among all 5 categories (Figure 7). Although – as Kickler&Franken (2017) point out – there is not yet a consensus on the best way to structure sustainability issues for the mining sector, and although such an extensive framework may appear excessively ambitious for an ASM standard aiming at facilitating the engagement of legitimate ASM with legitimate BUYERS, the framework provides an excellent starting point for developing the CRAFT.

At the level of “risks requiring immediate disengagement” (MODULE 3), only very few categories and issues of the consolidated framework (Figure 7) are relevant. At the level of “risks requiring disengagement after unsuccessful mitigation efforts” (MODULE 4) some more categories and issues come into play. Still, at that level, only the issues and sub-issues directly related with OECD Annex II risks are relevant. At the levels of non-Annex II risks, all other issues gain increasing relevance.

At the level of non-Annex II high risks (MODULE 5), scoping work for the CRAFT identified a still limited number of highly relevant issues. But with the aim of the CRAFT to serve – beyond market engagement of AMPs – as a tool for continuous improvement and development of the global ASM sector, all issues and sub-issues identified in the Consolidated Framework of Sustainability Issues need to be addressed in the long term, mitigating medium and low non-Annex II risks (future MODULES 6 and 7). Starting out from an all-encompassing framework ensures that future Code development will not overlook any important risk.

The CRAFT therefore adopts the proposal of Kickler&Franken (2017): **All issues and requirements of the Code are structured according to the Consolidated Framework of Sustainability Issues for Mining.**

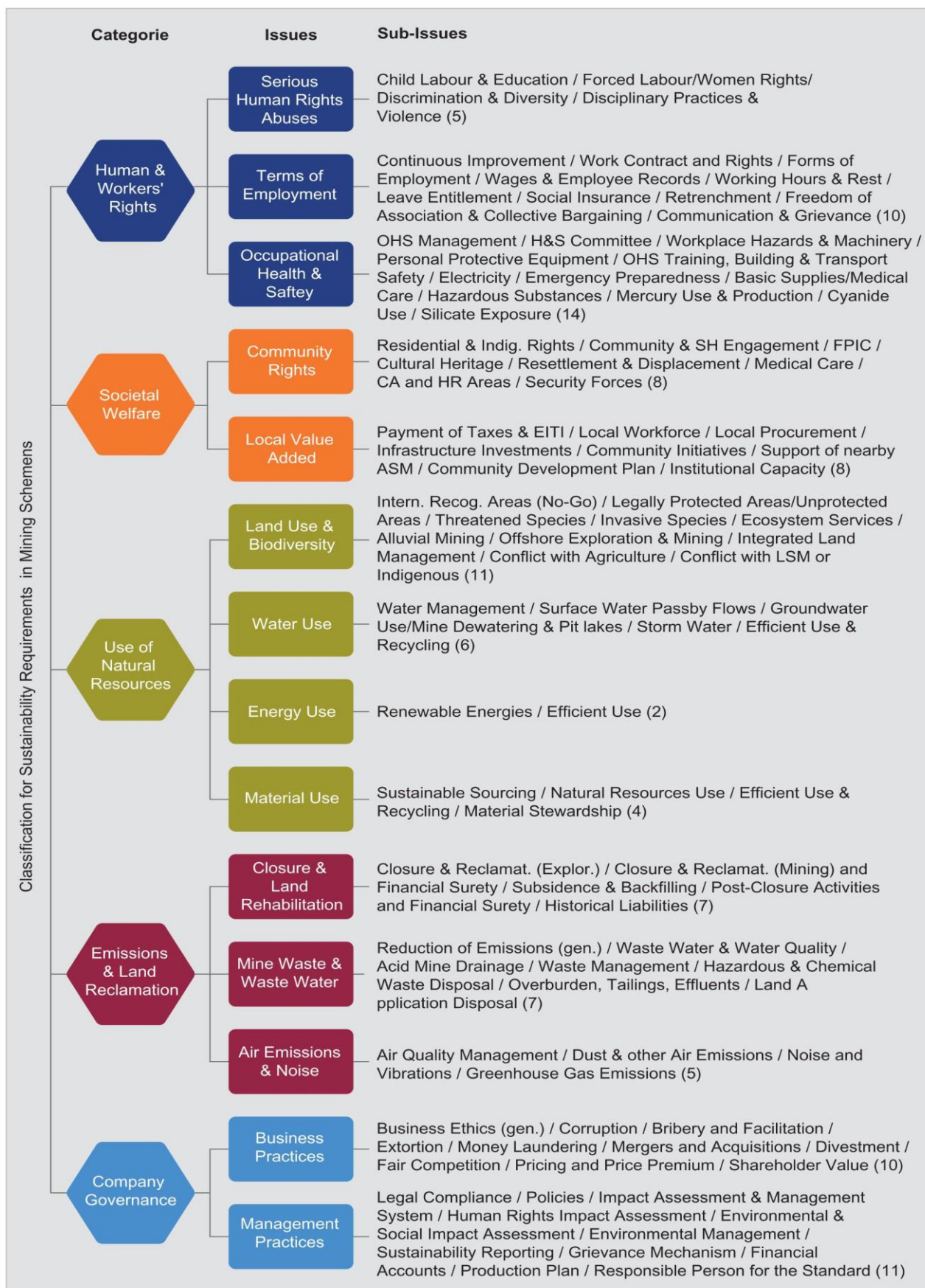


Figure 7: Categories, issues and sub-issues of the Consolidated Framework of Sustainability Issues for Mining. (Kickler&Franken 2017)

Annex 3: Glossary of terms

See Web Links to sources in Bibliography

Artisanal and Small-Scale Mineral Producer (AMP)

AMP is the organizational scope of the CRAFT which may comprise any de facto or formally established organizational structure of producers and optionally aggregators of Artisanal and Small Scale (ASM) products operating in one single country.

Artisanal and Small-scale Mining (ASM)

Formal or informal mining operations with predominantly simplified forms of exploration, extraction, processing, and transportation. ASM is normally low capital intensive and uses high labour intensive technology. "ASM" can include men and women working on an individual basis as well as those working in family groups, in partnership, or as members of cooperatives or other types of legal associations and enterprises involving hundreds or even thousands of miners. For example, it is common for work groups of 4-10 individuals, sometimes in family units, to share tasks at one single point of mineral extraction (e.g. excavating one tunnel). At the organisational level, groups of 30-300 miners are common, extracting jointly one mineral deposit (e.g. working in different tunnels), and sometimes sharing processing facilities.

Source: OECD (2016b). (Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.)

Aggregators

Aggregators buy from miners with the purpose to aggregate – and sometimes process – the purchases into batches suitable in quality and quantity for onward sale to buyers. In the case of supply-chain based groups, local or regional aggregators constitute the extended organizational scope of the CRAFT and can be considered part of the AMP.

Amalgamation

Mineral processing method by which gold particles are alloyed and agglomerated using mercury to create "amalgam" (a gold-mercury alloy or composite), which is then decomposed leaving gold.

Bribery

The OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions defines bribery of national public officials and bribery of foreign public officials and officials of public international organizations.

Bribery of national public officials: the promise, offering or giving, to a public official, directly or indirectly, of an undue advantage, for the official himself or herself or another person or entity, in order that the official act or refrain from acting in the exercise of his or her official duties; the solicitation or acceptance by a public official, directly or indirectly, of an undue advantage, for the official himself or herself or another person or entity, in order that the official act or refrain from acting in the exercise of his or her official duties.

Bribery of foreign public officials and officials of public international organizations is a criminal offence, when committed intentionally, the promise, offering or giving to a foreign public official or an official of a public international organization, directly or indirectly, of an undue advantage, for the official himself or herself or another person or entity, in order that the official act or refrain from acting in the exercise of his or her official duties, in order to obtain or retain business or other undue advantage in relation to the conduct of international business.

Source: UNODC (2004). (United Nations Convention against Corruption.)

Buyer

Supply chain actors outside the scope of the CRAFT (i.e. “downstream” in the logic of the CRAFT), which source or have the intention to source the mineral (gold) produced by an AMP from within the scope of the CRAFT.

Child labour

The term “child labour” is often defined as work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development.

It refers to work that: is mentally, physically, socially or morally dangerous and harmful to children; and interferes with their schooling by: depriving them of the opportunity to attend school; obliging them to leave school prematurely; or requiring them to attempt to combine school attendance with excessively long and heavy work.

In its most extreme forms, child labour involves children being enslaved, separated from their families, exposed to serious hazards and illnesses and/or left to fend for themselves on the streets of large cities – often at a very early age. Whether or not particular forms of “work” can be called “child labour” depends on the child’s age, the type and hours of work performed, the conditions under which it is performed and the objectives pursued by individual countries. The answer varies from country to country, as well as among sectors within countries.

Source: ILO (2013). (What is child labour.)

Concentrate

Intermediate product with a high concentration of valuable content (e.g. gold) obtained from the ore by mineral processing. In case of gold, the concentrate is processed further to obtain the doré.

CRAFT Scheme

Implementations of the CRAFT Code or supply chain schemes that use, incorporate, or build upon the CRAFT for sourcing from ASM or for supporting ASM development. CRAFT Schemes may be established by buyers (e.g. by incorporating the CRAFT into their due diligence protocols), by independent third parties (governments, NGOs or service providers), by projects or programs, or similar. CRAFT Scheme owners have full control over their scheme.

EU Conflict Minerals Regulation

The EU regulation aims to ensure that EU importers of 3TG (tin, tungsten, tantalum and gold) meet international responsible sourcing standards, set by the Organisation for Economic Co-operation and Development (OECD), to ensure that global and EU smelters and refiners of 3TG source responsibly, to help break the link between conflict and the illegal exploitation of minerals and to help put an end to the exploitation and abuse of local communities, including mine workers, and support local development

The regulation covers minerals and metals of: gold, tin, tungsten and tantalum. The regulation requires EU companies in the supply chain to ensure they import these minerals and metals from responsible and conflict-free sources only.

Source: EU (2018).(Conflict Minerals Regulation explained.); see also EU (2017) (Regulation text)

Conflict-Affected and High-Risk Area (CAHRA)

Conflict-affected and high-risk areas are identified by the presence of armed conflict, widespread violence or other risks of harm to people. Armed conflict may take a variety of forms, such as a conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation, or insurgencies, civil wars, etc. High-risk areas may include areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure, and widespread violence. Such areas are often characterized by widespread human rights abuses and violations of national or international law.

Source: OECD (2016b). (Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.)

Direct or indirect support

“Direct or indirect support” to non-state armed groups or public or private security forces through the extraction, transport, trade, handling or export of gold 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 gold is traded and upstream actors in the supply chain;8 and/or ii) illegally tax or extort money or gold at points of access to mine sites, along transportation routes or at points where gold is traded; and/or iii) illegally tax or extort intermediaries, export companies or international traders.

Source: OECD (2016b). (Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.)

Extortion

Extortion consists of obtaining property from another through the wrongful use of actual or threatened force, violence or fear. Such coercive extortion is synonymous with the term blackmail, which is an older term used to indicate extortion. Common law jurisdictions also refer to a second type of extortion, extortion "under colour of office" or "under colour of official right," which is the wrongful taking by a public officer of money or property that is not due to him/her.

The act required for extortion is the threat of future harm. Virtually all extortion statutes require that a threat must be made to the person or property of the victim. The nature of the threatened harm varies by jurisdiction, and it can include bodily harm, damage to property, damage to reputation, criminal accusations, or abuse of a public office. The extortionate threat required must be serious enough to place a reasonable person in fear. The actual obtainment of money or property is not required to commit the offence.

In many jurisdictions, the intent to take money or property to which one is not lawfully entitled must exist at the time of the threat in order to establish extortion. In other words, making the threat is sufficient and the actual obtainment of money or property is not required to commit the offence.

Source: UNODC (2018). (Doha Declaration Webpage: Extortion.)

Due Diligence

Due diligence is an on-going, proactive and reactive process through which companies can identify, prevent, mitigate and account for how they address their actual and potential adverse impacts as an integral part of business decision-making and risk management systems. Due diligence can help companies ensure they observe the principles of international law and comply with domestic laws, including those governing the illicit trade in minerals and United Nations sanctions.

Source: OECD (2016b). (Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.)

Forced or compulsory labour

ILO Convention No. 29 defines forced labor as 'all work or service, which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily'.

Source: ILO (1930). (Forced Labour Convention.)

Grievance procedure

A grievance mechanism is a non-judicial procedure that offers a formalized means through which individuals or groups can raise concerns about the impact an enterprise has on them – including, but not exclusively, on their human rights – and can seek remedy. These mechanisms may use adjudicative, dialogue-based or other processes that are culturally appropriate and rights-compatible. According to the United Nations, for a grievance mechanism to be effective, it should be

legitimate, accessible, predictable, equitable, transparent, rights-compatible, and a source of continuous learning.

Source: Huijstee et al. (2012). (How to use the UN Guiding Principles on Business and Human Rights in company research and advocacy.)

Internal Control System (ICS)

The set of physical and/or documentary processes within the Internal Supply Chain of the AMP that ensure the gold and/or mineral commercialized by the AMP and/or its entities originates exclusively from the mine site(s) of the AMP.

Internal Supply Chain

The internal supply chain describes the flow of the mined product in any form (as mineral, concentrate, doré or metal) from the individual miner who extracts it, down to the member(s) of the AMP who sell(s) it to buyers outside the AMP.

International Humanitarian Law

International humanitarian law is a set of rules which seek, for humanitarian reasons, to limit the effects of armed conflict. It protects persons who are not or are no longer participating in the hostilities and restricts the means and methods of warfare. International humanitarian law is also known as the law of war or the law of armed conflict.

Source: ICRC (2004). (What is International Humanitarian Law?)

Large- or medium-scale mining (LSM)

LSM refers to mining operations that are not considered to be artisanal or small-scale mining.

Legitimate artisanal and small-scale mining:

The legitimacy of artisanal and small-scale mining is a difficult concept to define because it involves a number of situation-specific factors. For the purposes of the OECD Guidance, legitimate refers, among others, to artisanal and small-scale mining that is consistent with applicable laws. When the applicable legal framework is not enforced, or in the absence of such a framework, the assessment of the legitimacy of artisanal and small-scale mining will take into account the good faith efforts of artisanal and small-scale miners and enterprises to operate within the applicable legal framework (where it exists) as well as their engagement in opportunities for formalisation as they become available (bearing in mind that in most cases, artisanal and small-scale miners have very limited or no capacity, technical ability or sufficient financial resources to do so). In either case, Artisanal and small-scale mining, as with all mining, cannot be considered legitimate when it contributes to conflict and serious abuses associated with the extraction, transport or trade of minerals as defined in Annex II of the Guidance.

Source: OECD (2016b). (Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.)

Member of the AMP

Any person or entity operating in the main or extended organizational scope of the CRAFT. Membership may be formal, factual, or circumstantial.

Miner

In general terms “miner” refers to any person (man or woman) involved in artisanal and small-scale activity (mineral production and processing, including individual mineral selectors re-processing rock dumps or tailings).

Mineral, Minerals

All rock or gravel material extracted from the mine. According to its economic value, mineral is classified as ore and waste rock.

Mitigation

To mitigate in this context means to do everything within one’s capabilities to prevent or cease the wrongful practices of a party causing or contributing to a negative human rights risk or impact. There is a difference between mitigation of human rights risks and mitigation of human rights impacts: the mitigation of human rights risks refers to actions taken to reduce the likelihood of a certain adverse impact to occur. Mitigation of adverse human rights impacts refers to actions taken to reduce the extent of an impact by a third party, with any residual impact then requiring remediation. This should not be interpreted as meaning that it is appropriate for a company to reduce a human rights abuse by a third party to some extent and that a little bit of remaining abuse is acceptable. All the company’s efforts should be focused on ceasing the human rights impact by the third party that is causing the harm, but since the company does not have full control over the third party, a full stop cannot be guaranteed by this company.

Source: Huijstee et al. (2012). (How to use the UN Guiding Principles on Business and Human Rights in company research and advocacy.)

Minerals selectors

Mineral selectors are in most cases women dedicated to select minerals from the waste rock. In some cases these groups may also include male mineral selectors, such as elderly people, older children, or disabled persons. They usually work on the surface of the mining area collecting and selling free coarse gold in small amounts or processing minerals domestically (mainly through milling and amalgamation).

Money laundering

The goal of a large number of criminal acts is to generate a profit for the individual or group that carries out the act. Money laundering is the processing of these criminal proceeds to disguise their illegal origin. This process is of critical importance, as it enables the criminal to enjoy these profits without jeopardising their source.

Illegal arms sales, smuggling, and the activities of organised crime, including for example drug trafficking and prostitution rings, can generate huge amounts of proceeds. Embezzlement, insider trading, bribery and computer fraud schemes can also produce large profits and create the incentive to “legitimise” the ill-gotten gains through money laundering.

When a criminal activity generates substantial profits, the individual or group involved must find a way to control the funds without attracting attention to the underlying activity or the persons involved. Criminals do this by disguising the sources, changing the form, or moving the funds to a place where they are less likely to attract attention.

Source: FATF (2018). (Webpage Money Laundering.)

Non-state armed groups

Non-State armed groups defined as groups that have the potential to employ arms in the use of force to achieve political, ideological or economic objectives; are not within the formal military structures of States, State-alliances or intergovernmental organizations; and are not under the control of the State(s) in which they operate and are subject to a chain of command (formal or informal).

Source: UNOCHA (2006). (Human Negotiations with armed groups.)

OECD Due Diligence Guidance (DDG)

The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas is the first example of a collaborative government-backed multi-stakeholder initiative on responsible supply chain management of minerals from conflict-affected areas. Its

objective is to help companies respect human rights and avoid contributing to conflict through their mineral sourcing practices. The Guidance is also intended to cultivate transparent mineral supply chains and sustainable corporate engagement in the mineral sector with a view to enabling countries to benefit from their mineral resources and preventing the extraction and trade of minerals from becoming a source of conflict, human rights abuses, and insecurity. With its Supplements on Tin, Tantalum, Tungsten and Gold, the OECD Guidance provides companies with a complete package to source minerals responsibly in order for trade in those minerals to support peace and development and not conflict.

Source: OECD (2016b). (Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.)

OECD Due Diligence Annex II risks

The list of serious human rights abuses and contribution to conflict that cannot be tolerated in Responsible Supply Chains of Minerals. The risks have significant adverse impacts which may be associated with extracting, trading, handling and exporting minerals from conflict-affected and high-risk areas.

Source: OECD (2016b). (Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.)

OECD Five-Step Due Diligence Framework

Five steps described in the OECD Due Diligence Guidance that the upstream and downstream supply companies should incorporate and integrate into their management systems for responsible supply chains of minerals from conflict-affected and high-risk areas. The steps are 1) Establish strong company management systems, 2) Identify and assess risk in the supply chain 3) Design and implement a strategy to respond to identified risks 4) Carry out independent third-party audit of supply chain due diligence at identified points in the supply chain 5) Report on supply chain due diligence.

Source: OECD (2016b). (Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.)

Open Source

In the context of the CRAFT, “Open Source” refers to the license terms of “Creative Commons Attribution-ShareAlike 4.0 International” License. (<https://creativecommons.org/licenses/by-sa/4.0/>)

Ore

Mineral (rock or gravel) with valuable content (e.g. gold) at an economic concentration (grade) and that is therefore suitable to be processed or sold.

Protected areas

A clearly defined geographical space, recognized, dedicated and managed, through legal or other effective means, to achieve the long-term conservation of nature with associated ecosystem services and cultural values.

Source: IUCN (2018). (What is a protected area?)

Private security forces

A privately employed group/company hired to protect the security of mining facilities, the mining titles/areas of a company or project. Private security forces require authorization to operate by the state but are directly contracted by the interested party.

Public security forces

Police and military units and other enforcement agencies that have the duty to maintain public order and the rule of law on behalf of the state.

Royalties

Mineral royalties are regular payments that mining extraction projects/companies/mining title holders make to national states or other owners of mineral resources for the right to exploit particular mineral resources. The royalties are usually based on the volume or price of minerals extracted,

Gross human rights abuses

The Universal Declaration of Human Rights and International Humanitarian Law lack a clear definition of gross human rights abuses. The concept of gross human rights abuses is most closely linked to crimes over which the International Criminal Court has jurisdiction according to the Statute of Rome . These are “the most serious crimes of concern to the international community as a whole”, such as (a) crime of genocide; (b) crimes against humanity; (c) war crimes; and (d) the crime of aggression.

For practical application of the CRAFT, gross human rights abuses are understood as those human rights violations, which Annex II of the OECD Due Diligence describes as considered unacceptable and recommends immediate disengagement.

Source: ICC (2002) (Statute of Rome.); OECD (2016b). (Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.)

Tailings

Intermediate or final product from mineral processing with a non-economic concentration of the mineral. Tailings are deposited at tailings dumps or in tailings ponds. In some cases tailings can be reprocessed to recover remaining mineral.

Torture

Torture means any act by which severe pain or suffering, whether physical or mental, is intentionally inflicted on a person for such purposes as obtaining from him or a third person information or a confession, punishing him for an act he or a third person has committed or is suspected of having committed, or intimidating or coercing him or a third person, or for any reason based on discrimination of any kind, when such pain or suffering is inflicted by or at the instigation of or with the consent or acquiescence of a public official or other person acting in an official capacity. It does not include pain or suffering arising only from, inherent in or incidental to lawful sanctions.

Source: OHCHR (1984). (UN Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment.)

The US Dodd-Frank Act

The Dodd–Frank Wall Street Reform and Consumer Protection Act is a United States federal law that places regulation of the financial industry in the hands of the government. The Section 1502 on Conflict Minerals of the US Dodd-Frank Act was enacted to address the exploitation and trade of tin, tungsten and tantalum (“the 3T’s”) and gold by armed groups, which is helping to finance conflict in the Democratic Republic of Congo (DRC) and contributing to an emergency humanitarian crisis.

Source: RJC (2012). (RJC Fact Sheet – Implementing Section 1502 on Conflict Minerals – US Dodd-Frank Act.)

Universal Declaration of Human Rights (UN 1948)

The Universal Declaration of Human Rights (UDHR) is a milestone document in the history of human rights. Drafted by representatives with different legal and cultural backgrounds from all regions of the world, the Declaration was proclaimed by the United Nations General Assembly in Paris on 10 December 1948 (General Assembly resolution 217 A) as a common standard of achievements for all

peoples and all nations. It sets out, for the first time, fundamental human rights to be universally protected and it has been translated into over 500 languages.

Source: UN (1948b). (Universal Declaration of Human Rights.)

Voluntary Principles on Security and Human Rights

Established in 2000, the Voluntary Principles on Security and Human Rights are a set of principles designed to guide companies in maintaining the safety and security of their operations within an operating framework that encourages respect for human rights.

Source: VP (2000). (Voluntary Principles on Security and Human Rights.)

Worst forms of child labor

ILO Convention 182 defines it as: labor that jeopardizes the physical, mental or moral well-being of a child, either because of its nature or because of the conditions in which it is carried out, is known as “hazardous work”. It includes: all forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour, including forced or compulsory recruitment of children for use in armed conflict; the use, procuring or offering of a child for prostitution, for the production of pornography or for pornographic performances; the use, procuring or offering of a child for illicit activities, in particular for the production and trafficking of drugs as defined in the relevant international treaties; work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children.

Source: ILO (1999a). (ILO Convention on Worst Forms of Child Labour.)

CRAFT

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