April 10th, 2023

CRAFT: Code of Risk mitigation for Artisanal and small-scale mining engaging in Formal Trade

Terms of Reference-interim revision process (CRAFT version 2.1)

Justification of the need for a targeted revision of the Craft Code

The Alliance for Responsible Mining (ARM) and RESOLVE have developed the Code of Risk mitigation for ASM engaging in Formal Trade (CRAFT 2.0), an open-source standard for Artisanal and Small-scale Mining (ASM) that aims to facilitate engagement with this sector. The CRAFT Code is intended to serve as an instrument for ASM and the downstream industry to validate its eligibility to sell and source minerals and metals originating from ASM in conformance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD DDG).

With support from the European Partnership for Responsible Minerals (EPRM), ARM and RESOLVE developed CRAFT through a widely participative process that involved a diverse range of stakeholders from all parts of the supply chain, mining communities, civil society, governments, multilateral organizations, independent experts, among others. Two governance groups were established with the aim to advise and guide the elaboration of this tool: CRAFT Advisory Group and CRAFT Technical Committee. Additional input was solicited through two rounds of public consultations organized in 2018 and 2020. The two global, public stakeholder consultation processes involved over 462 individuals from over 20 countries spanning 6 continents. After addressing all comments and incorporating suggested improvements resulting from two separate public consultations, the final version was compiled within three volumes and the CRAFT Code 2.0 was published on October 5th, 2020.

Since then, various projects and market actors have implemented the CRAFT Code, creating methodologies, developing tools, and designing schemes in different geographies (Colombia, Honduras, Burkina Faso, DRC, Mauritania, Sierra Leone, Kenya, Zambia, Malawi, Liberia, between others) and minerals (gold, gemstones, diamonds, etc.).

Implementers of the EPRM-supported Scaling Trade of Artisanal Gold (STAG) project are now taking several steps to advance the CRAFT Code as a tool to engage and support the ASM sector. The Artisanal Gold Council is developing a CRAFT-STAG scheme to be deployed in Burkina-Faso. The Responsible Minerals Initiative (RMI) has promoted the use the CRAFT Code both as part of its ASM working group, and in connection with its Responsible Minerals Assurance Process (RMAP) assessment program to facilitate linkages between RMAP conformant companies and responsible ASM with the objective to help smelters, processors, and refiners to demonstrate due diligence in sourcing from the ASM. In collaboration with ARM and STAG project partners, RMI has additionally commissioned an independent, third-party OECD alignment assessment of the CRAFT Code between November 2021 - February 2022. STAG partners

1 https://www.oecd.org/corporate/industry-initiatives-alignment-assessment.htm
RESOLVE and Cisco (also an RMI member) are now supporting ARM’s implementation of a number of recommendations emerging from the third-party assessment.

Addressing the recommendations resulting from the assessment provides an opportunity to better align the entire CRAFT Code with the OECD DDG, thus maintaining recognition by RMI as an Upstream Mechanism and giving confidence to other industry initiatives and individual companies to use it as a tool for ASM due diligence and engagement, that formally satisfies the requirements of the OECD Due Diligence Guidance.

Objectives and scope of the CRAFT Code’s targeted revision

The objective of this targeted revision of the CRAFT Code is to fully align it with the OECD Due Diligence Guidance. While the code seeks to align with OECD’s Annex II risks, it was initially written specifically for artisanal miners, and so does not explicitly cover the full suite of upstream actors who must be in scope for upstream assurance mechanisms. This will enable easier integration of CRAFT within industry initiatives’ systems and will facilitate companies engaging with ASM in their compliance with regulations based on OECD DDG. The principal, long-term intention of this targeted revision is to bridge the gap between upstream implementation and downstream due diligence, to mainstream and scale-up the positive impacts for the most vulnerable actor of the minerals supply chains.

Specifically, the revision will include:

1. Minor changes of the form to exactly match the wording of the OECD DDG and to include language clarifying the degree to which certain criteria are an obligation rather than a recommendation, thus making the standard easier to audit.
2. Clarifying the scope of responsibilities in the CRAFT Code, specifying what is expected from the upstream and what is expected from the mid- and downstream.

Intended modifications

The current revision is an interim revision within a full revision cycle, implying non-substantive changes. It will include small technical amendments and clarifications without modification of scope or intent, reflecting the need of full alignment with the OECD Due Diligence Guidance, the EU minerals regulations and other due diligence regulations. Therefore, the new version of the CRAFT Code resulting from this partial revision will be numbered 2.1.

The target public of the OECD DDG are mid- and downstream companies sourcing minerals, who are solely responsible for conducting the due diligence of their supply chains. The CRAFT Code was conceived as a complementary tool empowering the artisanal and small-scale miners (and optionally minerals processors and aggregators) upstream of the supply chain to better understand the requirements of the due diligence and to strengthen their capacity to provide the downstream actors with information that facilitates their due diligence process.

Since the CRAFT Code is not intended to be a self-standing due diligence management system for the industry, in order to satisfactory demonstrate its alignment with the OECD Due Diligence Guidance, it is necessary to specifically state how the standard should be used in conjunction with other existing industry
initiatives and companies’ due diligence systems, to strengthen their capacity to engage with and source from ASM.

The anticipated modifications of the CRAFT Code volume 1 and 2, (scope: the Artisanal and small-scale Mineral Producer (AMP) and optionally, minerals processors and/or aggregators), will include addressing five non-aligned criteria and eleven partially-aligned criteria according to the results of the independent third-party OECD alignment assessment report for CRAFT 2.0.

On the other hand, the modifications of the CRAFT Code volume 3 (scope: stakeholders implementing the CRAFT Code or CRAFT schemes) will address the recommendations of the third-party alignment assessment, considering nineteen non-aligned criteria and thirty-nine partially alignments. Where necessary for coherence, the concept of CRAFT Schemes introduced in volume 1 will be sharpened. The CRAFT Code volume 3 will continue to provide a generic guidance on how the CRAFT Code should be used by stakeholders. However, to ensure its alignment with the OECD DDG, it will include certain requirements for obligatory compliance, and it will specifically signal where and how the CRAFT Code complements downstream management systems, rather than trying to replace them.

These modifications of the CRAFT Code will draw from a practical exercise, in collaboration with RMI and RESOLVE, and other partners in the STAG project – including the Progressive Due Diligence Lab – to analyze how CRAFT can complement systems such as the RMI’s Responsible Minerals Assurance Process (RMAP) to strengthen the capacity of the industry actors to directly engage with AMP or to collaborate with upstream due diligence and ASM support initiatives.

**Risks and unintended consequences**

This limited revision focuses on closing the gaps to ensure the alignment with the OECD DDG. Because of focus of the due diligence guidance on management systems for mid- and downstream actors, the team has identified a risk, that efforts to align the CRAFT Code to the DDG, may shift the scope of the standard from upstream to downstream. The drafting team is well aware of this risk, and will carry out an analysis of the requirements to clearly identify the scope of application. In the case of responsibilities going beyond upstream, the CRAFT Code will signal it, and redirect the reader to appropriate good-practice industry guidance for OECD aligned due diligence management systems.

The Standards team will ensure that updated version of the CRAFT volume 2.1 does not duplicate existing requirements of industry schemes, but instead, brings clarity on how industry schemes can use CRAFT when engaging with ASM, to complement the application of industry schemes’ requirements, thus enhancing their due diligence.

Otherwise, no other risks have been identified for the reputation or applicability of the CRAFT Code itself, its users, or its developers: ARM and RESOLVE. On the contrary, it is envisaged that this targeted revision will offer more clarity to the stakeholders on the practical application of the CRAFT Code and the integration of the tool into their existing due diligence practices, ultimately leading to positive impacts in terms of engagement and support to ASM. Possible other risks and unintended consequences shall be identified and addressed during the CRAFT Code 2.1 interim revision process.
Standard revision process and timeline

The Standard revision process will follow the standard setting procedures of the Alliance for Responsible Mining (version 3.0, published at http://www.responsiblemines.org/en/our-work/standards-and-certification/standard-governance/). These procedures are aligned with ISEAL’s Code of Good Practice for Setting Social and Environmental Standards version 6.0, and the interim revision process of the CRAFT Code will follow the best practice of Voluntary Sustainability Standard Setting, as promoted by ISEAL for standards revisions. Version 2.1 shall not modify the scope and intention of the standard within its core volumes 1, 2 and 3, therefore, the requirement 5 of clause 5.8 of the ISEAL code is applicable: “In the case of non-substantive changes to the standard (e.g. to clarify language), the standard-setting organisation does not need to conduct a formal revision process, but shall include notification of any changes in the subsequent review and revision process.”

Notwithstanding, ARM and RESOLVE will conduct stakeholder engagement with key actors to ensure changes include practicalities and lessons learned from the CRAFT practitioners or users. Although, ARM’s standards setting procedure v3.0 indicates that an abbreviated process is possible without convening a Standard committee, ARM and RESOLVE consider that in terms of legitimacy of the process it is important that the CRAFT Technical Committee approves the targeted revision, before the standard is subsequently approved and enacted by the Board of ARM in its role of the standard’s maintainer.

After the update of the standard, ARM will promptly notify direct stakeholders about the transition period by which the partial revision of the standard will come into effect.

The interim revision is planned along the following timeline:

<table>
<thead>
<tr>
<th>Start of Revision</th>
<th>Comply with the RMI assessment (Vol1 and 2)</th>
<th>Analysis and working groups</th>
<th>Committee work</th>
<th>Launch of CRAFT V2.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>March-April 2023</td>
<td>April 2023</td>
<td>April-September 2023</td>
<td>August-November 2023</td>
<td>December 2023-January 2024</td>
</tr>
</tbody>
</table>

The specific details of these Terms of Reference, particularly the scope and characteristics of the standard are subject to changes as deemed appropriate by the CRAFT Code Standard Committee.

Any modification of the CRAFT Code will remain Open Source under the chosen Creative Commons license CC BY-SA 4.0.

More information about the current interim revision of the CRAFT Code will be published at www.craftmines.org
Contact

Comments or suggestions regarding these Terms of Reference may be sent by email to ARM (standards@responsiblemines.org) or RESOLVE (tkennedy@resolv.org). Stakeholders are invited to submit feedback of the proposals listed in “Intended Modifications” above.

The Standards team appreciate your comments before May 15th, 2023.

To sign up to receive updates on the CRAFT, including notifications about activities related with the revision, please register here.