



# CRAFT 2.1

## Code Volume 1

### Introduction and General Characteristics

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Official version: English<sup>1</sup>

CRAFT 2.1 supersedes CRAFT 2.0 (October 05, 2020) as a minor revision.

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CRAFT was developed by the Alliance for Responsible Mining (ARM) in collaboration with RESOLVE, counting on valuable inputs from the members of the Standard Committee, the Advisory Group, and all institutions and individuals participating in public consultations.



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<sup>1</sup> In the case of inconsistency between versions, reference defaults to the official language version: English, version number 2.1.

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The CRAFT Code is committed to gender equality, and especially to the protection of women who are typically exposed to gender discrimination. Throughout all volumes of the CRAFT Code, for language economy and lack of a convenient alternative, masculine language will be used by default. Inclusive language will be used at points where it is most necessary to highlight and emphasize the role of women.

# 1 Introduction

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Since 2008, numerous frameworks have emerged to regulate the responsible sourcing of 3T metals (tin, tungsten, tantalum) and gold, particularly from Conflict-Affected and High-Risk Areas (CAHRAs). Key among these frameworks is the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-affected and High-risk Areas (OECD Minerals Guidance), the US Dodd-Frank Act and the European Union Conflict Minerals Regulation. These frameworks encourage or require downstream actors to implement processes for de-risking their supply chains through risk-based due diligence and traceability systems.

Supply chains sourcing from Artisanal and Small-scale Mining (ASM) are often quite complex, particularly if they lack clear “pinch points”<sup>2</sup> determined by technology. Due diligence for these supply chains is often costly. Coupled with legal and reputational risks, this has led many downstream actors to avoid sourcing from legitimate but still predominantly informal ASM mines. This reluctance has further marginalized the ASM sector, leaving it vulnerable to informal and criminal supply chains, including armed groups.

In response to this critical challenge, and as an attempt to mitigate the unintended marginalization of ASM mineral producers by the OECD Minerals Guidance, 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 a market entry standard under open-source terms, enabling OECD-conformant ASM producers to deliver into legal supply chains.

The resulting **Code of Risk-mitigation for ASM engaging in Formal Trade – CRAFT**<sup>3</sup> is an open-source standard aimed at enabling ASM producers to meet the requirements of formal supply chains while conforming to the OECD Minerals Guidance and other standards such as the EU regulation on conflict minerals entering in force in 2021. Initially focused on gold, CRAFT has since expanded its scope to other minerals in response to demand from various supply chain actors and initiatives. CRAFT is also designed to address the reputational challenges of responsible supply chains by serving as a progressive improvement assurance system for ASM products.

The CRAFT aims at facilitating engagement of the downstream supply chain actors with upstream ASM producers (miners, and processors and aggregators as applicable) at the point where the risks listed in the OECD Minerals Guidance (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, as an intended result, help downstream supply chain actors to engage with legitimate ASM producers. By adhering to the CRAFT Code, ASM mineral producers act and operate in accordance with or exceeding the minimum parameters established by the OECD Minerals Guidance for responsible mineral supply chains (i.e. the “Model Supply Chain Policy” provided in Annex II of the OECD Minerals Guidance). It helps ASM producers meet the minimum standards required by their clients, ensuring that their operations are aligned with international, regional, and national regulations. This, in turn, enhances their access to formal markets.

The **overall intent of the Code** is to promote the 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 is a tool designed to be used principally by miners, to empower them in understanding

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<sup>2</sup> 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 mica processors

<sup>3</sup> The preferred usage of the acronym for “Code of Risk-mitigation ...” in written form is “CRAFT”. Where necessary for improved clarity, the pleonasm “CRAFT Code” may be used.

and complying with market expectations and due diligence needs. The CRAFT is also expected to be key for downstream actors to enable trade with the ASM supply-chain. Although the CRAFT Code has been designed in a way to be compatible and aligned with the recommendations of the OECD Minerals Guidance, it is important to note that while the upstream ASM can implement management measures to facilitate the due diligence, the main scope of responsibility and agency covered by the OECD Minerals Guidance lies with the companies that source minerals.

Supply chain schemes that incorporate and use the CRAFT for sourcing from ASM or for supporting ASM development are referred to as **CRAFT Schemes**. To accommodate the great variety of upstream ASM producer setups, governing legal frameworks, and possible usage scenarios, the CRAFT is developed from the outset under Creative Commons (CC) **Open Source** license terms.<sup>4</sup> As an open-source standard, the CRAFT may be freely used by any ASM producer, as well as by a wide variety of sourcing models, ASM development programs, supply chain initiatives or supply chain actors sourcing from ASM, i.e. by any supply chain scheme, provided the CC license terms are respected.

Under the CC Open Source license terms of the CRAFT Code, ARM, as the Code maintainer, has very limited control over who uses the Code, for which purpose, and under which conditions. However, to ensure consistency in the application of the CRAFT, Version 2.0 introduced a new chapter (Volume 3) which outlines guiding principles for CRAFT Schemes. This chapter explains how Schemes are expected to interact with ASM producers and clarifies what claims can be made related to the use of CRAFT. Volume 3 also reinforces the intent of the Code, emphasizing that CRAFT Schemes should support ASM producers in their efforts to comply with CRAFT requirements and improve their operations. Version 2.1 further strengthens this approach.

The open-source nature of CRAFT also means that prescribing an exclusive certification scheme is not possible. CRAFT itself is not a certification scheme. However, many non-exclusive methods of determining conformance with the CRAFT, such as existing assurance schemes from supply chain initiatives or due diligence procedures from supply chain operators, can co-exist. Nonetheless, CRAFT can be incorporated into existing certification schemes, and/or certification schemes may be built on top of CRAFT. This flexibility provided by the Open Source license eliminates from the outset the risk that the CRAFT creates additional “audit burden”.

## 2 Characteristics and Scope of the CRAFT Code

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### 2.1 Type of Standard

CRAFT is a voluntary sustainability standard.

CRAFT is a progressive performance standard for ASM mineral producers.

CRAFT is a process standard. This means it is not a product standard.

### 2.2 Organizational Scope

CRAFT is a standard for artisanal and small-scale mining (ASM), and uses the OECD’s definition of ASM: “**Artisanal and Small-scale Mining (ASM)**: Formal or informal mining operations with predominantly simplified forms of exploration, extraction, processing, and transportation. ASM is

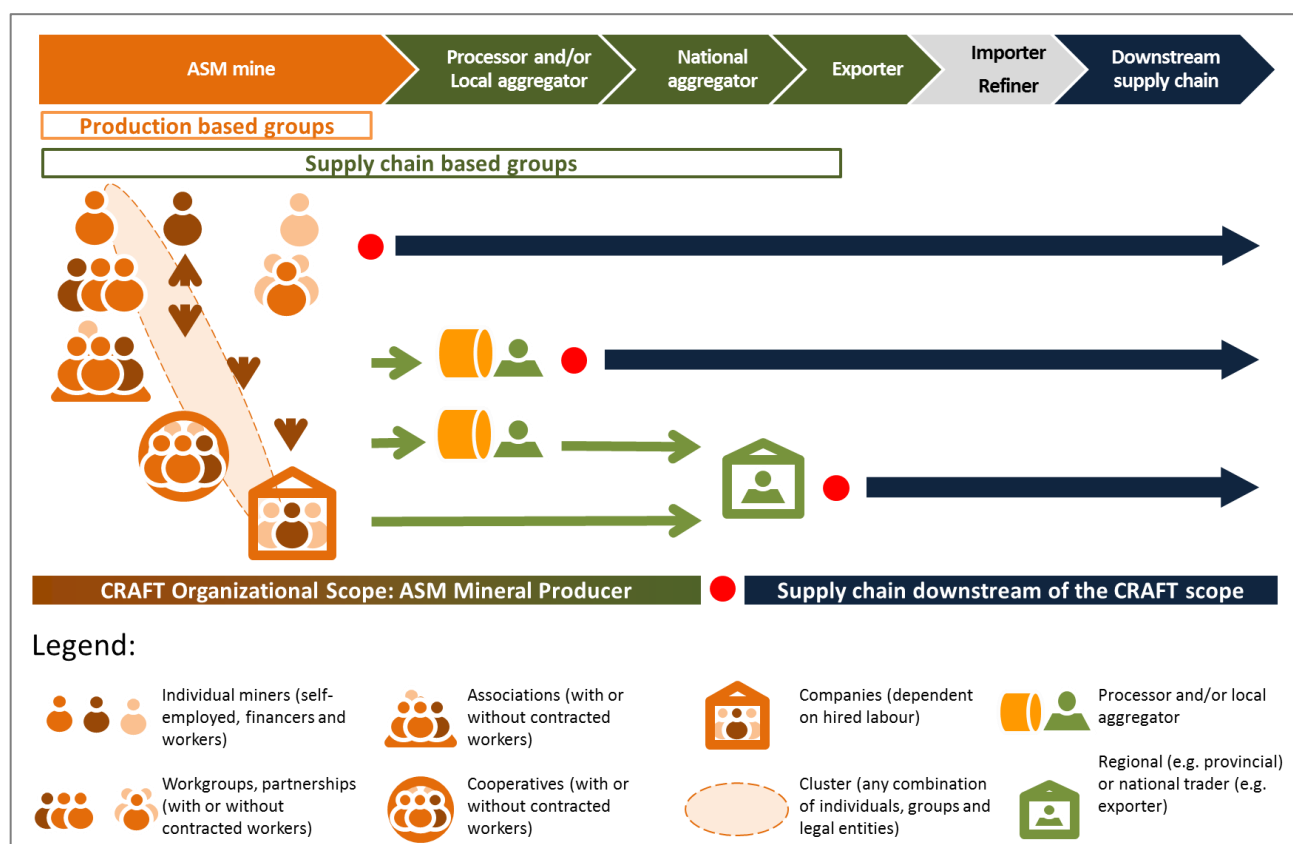
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<sup>4</sup> The widely used *Creative Commons Attribution-Share-Alike 4.0* license (CC-BY-SA): <https://creativecommons.org/licenses/by-sa/4.0/>

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. ....” (OECD 2016b)

The organizational scope of the CRAFT is the **ASM Mineral Producer (AMP)**<sup>5</sup>, which may comprise any de facto or formally established organizational structure of producers (*production-based groups* of ASM miners as individuals or entities) and may optionally include processors as well as local and national aggregators if they, jointly with the miners, constitute a *supply-chain based group*.

The CRAFT is not prescriptive with regards to demanding any specific formally established organizational structure. However, to be operational in practice, a de facto or formally constituted decision-making leadership structure needs to be in place<sup>6</sup>. Membership in the AMP is functional rather than administrative.



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

**Members** of the AMP include all persons and entities working within the organizational scope. This includes natural persons, regardless of whether they are self-employed, employed, employers,

<sup>5</sup> 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.

<sup>6</sup> This could be e.g. an assembly of Members or group leaders as a de-facto structure, or the board of a cooperative or company as a formal structure, or a local aggregator organizing his/her suppliers in case of an extended organizational scope, etc. See below. CRAFT is not prescriptive on how this decision-making leadership structure has to be constituted. It just must be operational in practice.

financiers, or ultimate owners, as well as de facto entities like workgroups or partnerships and legal entities such as associations, cooperatives, or companies. In short, anyone involved in the supply chain of the AMP down to the point where the product is sold and enters the supply chain downstream of the organizational scope is considered a “Member”, and is subject to the responsibilities described in the requirements of the Code.

The **main organizational scope** comprises production-based groups of *Members of an AMP* engaged in the AMP’s ASM operation. These members are also referred to as “**Miners**”, and include all men and women involved in mineral extraction, selection, processing, or transportation of minerals from primary or secondary deposits, dumps and tailings.

For simplicity, three organizational types can be distinguished:

- Individuals
- Groups (family groups, partnerships, associations, cooperatives, companies, etc.)<sup>7</sup>
- Clusters (any combination of individuals and/or groups)

In the case of supply-chain based groups, the **extended organizational scope** may additionally include **Processors** and/or **Aggregators** as *Members of an AMP*. In this case, the term AMP refers to Miners and linked Processors and/or Aggregators.

The difference between the main scope and extended scope is as follows:

- An organizational structure of Miners without Processors and/or Aggregators (i.e. a production-based group or cluster) qualifies as an AMP;
- An organizational structure comprised of Miners with Processors and/or Aggregators, with stable internal commercial relations (i.e. a supply-chain based group) qualifies as an AMP;
- An organizational structure comprised of Processors and/or Aggregators without stable commercial relations with Miners (e.g. buying from random miners) does not qualify as an AMP.

Supply chain actors outside the organizational scope of the AMP (i.e. “downstream” in the logic of the CRAFT<sup>8</sup>), who source or intend to source minerals or metals from an AMP, are referred to, for brevity, with the catch-all term **BUYERS**. Like AMPs, which may or may not be affiliated to a CRAFT Scheme, BUYERS may or may not be part of a CRAFT Scheme. BUYERS who are formally part of a CRAFT Scheme are referred to as **Scheme Members**.

The term **Scheme Member** is used as a generic term that covers all supply chain actors downstream of the AMP but upstream of supply chain actors who source from the supply chain of a CRAFT Scheme, such as smelters or refiners who are in the audit scope of the OECD Minerals Guidance. It also includes service providers such as custom mills, processing plants, or similar entities that do not source (i.e. take possession of) the minerals.

## 2.3 Geographic Scope

CRAFT has a global scope, without any excluded areas.

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<sup>7</sup> This encompasses all types of “ASM Enterprises”, per the definition of this term in the OECD Minerals Guidance.

<sup>8</sup> In CRAFT, the terms “upstream” and “downstream” are used in relation to the point where minerals and metals produced by AMPs are sold to supply chain actors outside the organizational scope of the CRAFT (i.e. the red dot in Figure 1).

CRAFT is intended to be applicable to AMPs located in *Conflict-Affected and High-Risk Areas* (CAHRAs)<sup>9</sup>, as well as those located in low-risk areas not affected by conflict. Some requirements of CRAFT only apply if the AMP operates in a CAHRA.

The AMP must be operating within a single country. In transboundary ASM areas, all Members of the AMP must operate under the same jurisdiction, and the internal supply chain of the AMP must not include cross-border transactions.

There are valid scenarios for supply-chain-based groups where international Large-Scale Mining (LSM) operations aggregate the product of ASM miners working on their concession, or where agents of international buyers aggregate directly from ASM miners. In such cases, the geographic scope limitation to one country means that only the nationally operating agents of such entities can be considered members of the AMP. The internationally operating entity itself cannot be a member of the AMP.

Unlike AMPs, a CRAFT Scheme may consist of globally distributed supply chain actors (Scheme Members), such as local traders, consolidators, processors, intermediate traders, exporters, importers, etc. Its supply chain may (and in most cases does) include cross-border transactions.

## 2.4 Commodity Scope

Version 1 of CRAFT was initially developed for ASM gold mining. However, inspired by the broader commodity scope of the OECD Minerals Guidance and growing demand from ASM supply chains actors of other minerals, Version 2 now covers AMPs producing the following commodities in any tradable form:

- **Gold and associated precious metals** (silver and/or in some cases platinum group metals). Typically sold by AMPs as ore, concentrate or doré.
- **Tin, tantalum and tungsten (3T)**. Typically sold by AMPs as ore or concentrate.
- **Cobalt**. Typically sold by AMPs as ore or concentrate.
- **Coloured gemstones**. Typically sold by AMPs as rough (including mineral specimen) or cut and polished stones.

If an AMP producing any of the above commodities is conformant to the CRAFT (i.e. at least candidate status; see chapter 4.2 below), the AMP can promote the sale of all its mineral products as “originating from a CRAFT-conformant AMP”. For more details on claims, see **volume 3**.

For the commodities listed above, CRAFT has been validated through pilot programs, public consultations, deliberations in the Standard Committee, and enactment by the Code Maintainer (ARM). Nonetheless, this does not exclude the possibility of evaluating and testing the applicability of the CRAFT for other ASM-produced commodities. Based on feedback provided to the code maintainer from pilot testing CRAFT for other commodities, future versions of CRAFT may broaden the Commodity Scope.

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<sup>9</sup> As per the OECD Minerals Guidance for Responsible Supply Chains of Minerals from *Conflict-Affected and High-Risk Areas*.

## 3 Overview of the CRAFT Code

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### 3.1 New Structure of the CRAFT since version 2.0

For improved readability, CRAFT 2.0 was rewritten and restructured into three shorter but more topic- and audience-centred Code Volumes, along with a more comprehensive Guidance Book. Subsequent versions (2.x) maintain this structure:

- Volumes 1 to 3 constitute the **CRAFT Code**, containing all binding text.
- Volume 4 is the **Guidance Book**, which contains all guidance and explanatory notes, as well as further background information and suggested tools where available and applicable. All text in Volume 4 is non-binding.

The structure is as follows:

**Volume 1: CRAFT Code - Introduction and General Characteristics**

**Volume 2: CRAFT Code - Requirements for ASM Mineral Producers**

Volume 2A: Commodity-independent Requirements

Volume 2B: Commodity-specific Requirements

**Volume 3: CRAFT Code - Guiding Principles for CRAFT Schemes**

**Volume 4: CRAFT Guidance Book**

For conformance with CRAFT, AMPs must always meet the commodity-independent requirements of Volume 2A **and** the applicable commodity-specific requirements of Volume 2B.

### 3.2 Structure of Requirements for ASM Mineral Producers

In version 2, CRAFT maintains the modular structure of requirements for AMPs that was established in version 1.0.

The sequence of Modules in Volume 2 reflects the order in which AMPs are expected to follow to conform to the requirements.

The sequence of requirements within each Module is based on the Consolidated Framework of Sustainability Issues for Mining (Kickler&Franken 2017), as explained in the CRAFT Guidance Book (Volume 4). The modules are structured as follows:

- **MODULE 1:** Adopting a Management System
- **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 is aspirational and therefore has only pass or progress criteria of risks being controlled or mitigation in progress)

Modules 1 to 4 cover the requirements that ensure the AMP’s supply chain policy and implementation are consistent with the “Model Supply Chain Policy” provided in Annex II of the OECD



Minerals Guidance. In practice, fulfilling these requirements is “mandatory”<sup>10</sup> for any AMP seeking to engage with formal markets.

It is important to note that the term “Disengagement” in Modules 3 and 4 refers only to commercial sourcing relations between the AMP and BUYERS and does not apply to CRAFT Schemes. As due diligence must be undertaken in good faith, BUYERS may (and are even encouraged to!) continue supporting the AMP’s that demonstrate good faith in progressively mitigating risks and working towards conformance with the requirements of the OECD Minerals Guidance, reflected in the CRAFT Code.

Module 5 contains requirements that go beyond the OECD Minerals Guidance and is, therefore considered “aspirational”. The “High Risks” in Module 5 cover the majority (although not all) of aspects that BUYERS committed to responsible sourcing may expect from their suppliers. By progressively conforming to these aspirational requirements according to their own needs and goals, AMPs can advance in their development and can further improve their access to responsible markets.

Depending on demand, additional MODULES addressing Medium- and Low Risks may be developed in future versions of the CRAFT.

## 4 Instruments of the CRAFT Code

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### 4.1 CRAFT Reports

The CRAFT applies and adapts the logic of the Five-Step Framework outlined in Annex I of the OECD Minerals Guidance (OECD 2016b) to the ASM context:

- The decision of an AMP to adopt the CRAFT Code corresponds to **Step 1** of the Framework, establishing a management system. As a management system and in analogy to Annex I of the OECD Minerals Guidance, CRAFT sets out the principles and standards for:
  - A. a supply chain policy establishing the requirements for identifying and managing the risks in the internal supply chain,
  - B. rules for structuring the internal management,
  - C. establishing controls and transparency in the internal mineral supply chain,
  - D. engagement with Members (internal supply chain actors) and BUYERS (external supply chain actors) and
  - E. establishing a grievance mechanism.
- CRAFT implementation consists of a clear and coherent management process for risk management, designed in analogy to Annex I of the OECD Minerals Guidance and consisting of the subsequent, ongoing and repetitive steps of establishing (and improving) a management system (**Step 1**, accomplished by adopting CRAFT), risk assessment (**Step 2**), risk mitigation (**Step 3**), verification (**Step 4**) and reporting (**Step 5**).

Regarding step 2 (risk assessment) and step 3 (risk mitigation), the ultimate responsibility for risk assessment and determining the actions that an AMP undertakes in response to identified risks rests with the AMP’s management (i.e. its decision-making leadership structure). However, as specified in the *General Guiding Principles for CRAFT Schemes* in Volume 3, AMPs shall be supported in these tasks by the CRAFT Scheme to which they are affiliated.

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<sup>10</sup> The term “mandatory” does not imply exclusivity of CRAFT. It attempts to express that other approaches or tools to assure conformance with the OECD Minerals Guidance (and legislations referring to it) are likely to address the same Annex II risks. It means that to access formal markets, these requirements must be fulfilled, this way or other.

Regarding step 4 (verification), third-party audits are costly and beyond the financial capacity of the vast majority of AMPs. As per the OECD Minerals Guidance, risk-based independent **third-party verification** is the due diligence responsibility of the supply chain actors that source or wish to source from ASM (i.e. BUYERS, and in a stricter sense, smelters or refiners), and not the responsibility of the ASM sector. Therefore, the CRAFT does not require AMPs to contract audits or other types of third-party verification, as this would duplicate third-party verification requirements.

Verification of requirements for AMPs is 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.

The findings of this first- and/or second-party verification must be documented in the **CRAFT Report**, fulfilling the reporting requirement (step 5) of the OECD Minerals Guidance five-step framework. AMPs shall periodically (at least annually) issue CRAFT Reports, documenting the fulfilment of the CRAFT Requirements (see CRAFT Volume 2) in the form of *verifiable claims*.<sup>11</sup> These types of claims are affordable for AMPs because they do not require contracting a service provider for independent third-party verification.

BUYERS (supply chain actors that source or wish to source from ASM) are always responsible for their own individual due diligence and sourcing decisions. However, CRAFT reports, providing information about AMP operations, may support the BUYER's due diligence and site assessments<sup>12</sup>. It is expected that CRAFT Reports will simplify the BUYER's due diligence to mainly *verifying verifiable claims*, as a part of the BUYER's supply chain policy.<sup>13</sup>

For AMPs, CRAFT Reports represent their "*passport to formal markets*"<sup>14</sup>. In their CRAFT Reports, AMPs are also expected to document the risk mitigation measures and improvements planned for the next reporting period.

Characteristics of CRAFT Reports are:

- Full-text CRAFT Reports
  - CRAFT Reports shall contain and indicate:
    - Description of the AMP,
    - Statement of adoption and description of the implementation of CRAFT as the AMP's management system and supply chain policy, consistent with the specific content of the OECD Minerals Guidance,

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<sup>11</sup> To illustrate verifiable first- and second-party claims:

- Example for **first-party claim**: We, the Miners, have assessed the risk X, found that ... and affirm that we are taking the risk mitigation measure Y. Evidence for progress on risk mitigation is Z.
- Example for **first- and second-party claim**: I, the Aggregator, have assessed the risk X in my operation and in the operations of the Miners who are my suppliers, found that ... and affirm that I and my suppliers are taking the risk mitigation measure Y. Evidence for progress on risk mitigation is Z.

Note: wording does not have to follow these examples.

<sup>12</sup> In general, but particularly in case of enhanced due diligence in CAHRAs.

<sup>13</sup> It is here assumed that BUYERS' supply chain policies – even in case that they are intermediate supply chain actors upstream of refiners – are similarly informed by or aligned with the OECD Minerals Guidance as the AMP's supply chain policy committed to fulfill the requirements of the CRAFT Code. Volume 3 of the CRAFT code 2.1 provides additional guidance for such intermediate supply chain actors.

Furthermore: Independent CRAFT Schemes may provide such verification as a service.

<sup>14</sup> The motto "*passport to formal markets*", that accompanied the development of CRAFT since its conceptual phase, is not intended to imply exclusivity; other approaches or tools to assure conformance with the OECD Minerals Guidance may be similarly valid and useful for the purpose to facilitate access to markets for ASM producers.

- Detailed information, methodology and supporting evidence (where applicable) about the risk assessment results,
  - Detailed information about the steps taken to manage risks, such as the number and type of mitigation or improvement achievements during the past reporting period, and
  - Detailed information about the number and type of mitigation or improvement commitments for the next reporting period.
- CRAFT Reports may contain confidential data. In this case, disclosure may be subject to confidentiality agreements.
  - AMPs may disclose their own CRAFT Reports to any party at any moment as they see fit.
  - For due diligence by BUYERS or independent third-party verification on behalf of BUYERS, 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 BUYERS or the independent verification body of the BUYER.
- Public summary CRAFT Reports
    - Every CRAFT Report must include a non-confidential, public summary that communicates the AMP’s supply chain policy of fulfilling the CRAFT requirements against which the AMP assesses itself (and against which it is expected that BUYERS will conduct due diligence) as well as description of risks identified and mitigation efforts, with due consideration to business confidentiality.
    - The public summary CRAFT Report shall contain for each CRAFT Requirements (Volume 2) at least the status qualifier (e.g. legal, legitimate, mitigated, satisfactory progress, improved, ongoing improvement, etc.).
    - The summary CRAFT Report may contain additional non-confidential information as considered appropriate by the AMP.

## 4.2 CRAFT Schemes

A supply chain scheme, in general, is any set of rules for engagement between upstream and downstream<sup>15</sup> supply chain actors, established by BUYERS, governments, civil society organizations, private sector service providers, projects, or programmes. A **CRAFT Scheme** is a supply chain scheme that follows, uses, incorporates, or builds upon the rules of the CRAFT Code.

Experience with CRAFT version 1.0 showed that AMPs able to implement the CRAFT on their own are the exception rather than the rule. Thus, the role of CRAFT Schemes is pivotal.<sup>16</sup> CRAFT Scheme owners usually engage with AMPs to implement the CRAFT in their supply chain or programs, while AMPs generally affiliate with CRAFT Schemes to receive support in improving responsible mining practices and engaging with formal markets. This engagement is referred to as **affiliation of an AMP to a CRAFT Scheme**.

- Affiliation of AMPs to CRAFT Schemes is voluntary and optional. In regions where no CRAFT Scheme operates, or if an AMP does not wish to join a CRAFT Scheme operating in its region,

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<sup>15</sup> See footnote 8 on the usage of the terms “upstream” and “downstream” in CRAFT, which is different from the usage in the OECD Minerals Guidance.

<sup>16</sup> CRAFT version 2 therefore introduced a new section, expanding on guiding principles for CRAFT Schemes (Volume 3).

AMPs may implement the CRAFT independently. To do so, they must follow the CRAFT requirements (Volume 2) and may use their CRAFT Report as a “*passport to formal markets*” to engage with BUYERS.

- In most cases, AMPs are affiliated to CRAFT Schemes, and implementation of the CRAFT is a shared responsibility between the AMPs and the 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 (see Volume 3). CRAFT Schemes are expected to help AMPs in assessing and mitigating risks by providing advice and guidance. In the case of BUYERS as CRAFT Scheme owners, they do so to de-risk their supply chain and source from the AMP, and in other cases CRAFT Schemes facilitate engagement of AMPs with BUYERS.

The process of an AMP affiliating to a CRAFT Scheme (if the AMP decides to do so) is progressive, and follows the stepwise approach of CRAFT. There are two levels of adherence: Candidate and Affiliate.

1. **Candidate:** AMPs that fit the CRAFT scope may apply to affiliate with a CRAFT Scheme by providing all required information (MODULE 1). At the candidate level, AMPs must provide credible evidence of their legitimacy (MODULE 2) and make verifiable claims that none of the Annex II risks covered in MODULE 3 are present.

At the candidate level, AMPs shall be supported by CRAFT Schemes guiding them in their process towards CRAFT conformance and facilitating engagement with formal markets. BUYERS that wish to source from ASM in conformance with the OECD Minerals Guidance may already engage conditionally with the AMPs.

2. **Affiliate:** 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 shall be granted Affiliate Status.

At affiliate level, AMPs shall continue to receive support from CRAFT Schemes to engage with BUYERS, and BUYERS that wish to source from ASM in conformance with the OECD Minerals Guidance may engage definitely with the AMP.

At affiliate level, AMPs must periodically re-assess their Annex II risks. As long as the criteria of MODULEs 1 to 4 are met, AMPs can maintain their affiliate status. If a risk reappears, causing non-conformance with any requirement in MODULEs 1-4, the AMP returns to Candidate status.

Additionally, AMPs must 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.

**Role of CRAFT Schemes with regards to due diligence.** One of the purposes of CRAFT is to reduce barriers to formal markets for AMPs by making due diligence easier for BUYERS. However, it is not the purpose of CRAFT to substitute the BUYER’s responsibility for carrying out due diligence. Unless the CRAFT Scheme owner is a BUYER, CRAFT Schemes have no obligation to carry out any due diligence or verification of the content of CRAFT Reports.<sup>17</sup> Their responsibility is to monitor the

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<sup>17</sup> 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.

affiliation status of AMPs. This shall be based on the completeness of the CRAFT Reports presented by the AMP, i.e. that the Report contains all verifiable claims expected for the level of adherence.

Nevertheless, CRAFT Schemes may carry out due diligence or third-party verification as seen appropriate. If this is the case, the CRAFT Scheme will review and verify the information provided by the AMP in the CRAFT Reports (i.e. verify the verifiable claims) and conduct all complementary assessments as necessary. Due diligence is an added value service beyond the scope of the CRAFT and is always the responsibility of the BUYER. Therefore, the cost of such services shall not be charged to the AMP.

A special case are **CRAFT Schemes that aspire to act as Upstream Assurance Mechanisms (UAM)** and/or obtain recognition as UAMs through independent third-party assessments of alignment with the OECD Minerals Guidance, following OECD’s alignment assessment methodology (OECD 2018). In such “CRAFT Upstream Assurance Schemes” (“**CRAFT UA-Scheme**” or simply “**UA-Scheme**”), the entire supply chain –from the AMP to the smelter or refiner (or a similar “pinch point” in the audit scope of the OECD Minerals Guidance) – must be fully conformant with the OECD Minerals Guidance. This implies that such a Scheme provides assurance that production practices of affiliated AMPs and due diligence or sourcing practices of supply chain actors sourcing from these AMPs conform with the OECD Minerals Guidance.<sup>18</sup>

To address this specific use case of CRAFT, version 2.1 introduces a chapter titled “Optional Specific Requirements for CRAFT Upstream Assurance Schemes (UA-Schemes)” in Volume 3.<sup>19</sup>

**Relation between the open-source CRAFT Code and proprietary CRAFT Schemes.** The CRAFT Code is open source under a Creative Commons license. In contrast, CRAFT Schemes are proprietary. The open-source CRAFT Code can be implemented in proprietary CRAFT Schemes. The table below indicates how the key characteristics of the CRAFT Code and of CRAFT Schemes relate.

CRAFT Code	CRAFT Scheme
<p>The CRAFT Code is open source under the Creative Commons license CC BY-SA 4.0.</p> <p>The Code is based on the OECD Minerals Guidance, in particular the MODULES 2 to 4 of the Code, addressing the “Annex II risks” of the Guidance.</p>	<p>CRAFT Schemes, established by a Scheme owner, may be proprietary.</p> <p>CRAFT Schemes are implementations of the CRAFT Code by supply chain schemes for conformance with the OECD Minerals Guidance and engagement with ASM mineral producers.</p>

<sup>18</sup> The upstream supply chain segment intended to be covered by CRAFT UA-Schemes extends from the AMP down to the supply chain actor that supplies a smelter or refiner, or a similar pinch point for which the OECD Minerals Guidance requires an independent third-party audit. The limitation to this supply chain segment reflects the intent to avoid overlaps and duplications with already existing institutionalized mechanisms such as implemented by RMI, LBMA, RIC etc. which address smelters or refiner as their audit scope.

Notwithstanding, it is assumed that CRAFT UA-Schemes are similarly useful for independent smelters or refiners (not affiliated with any institutionalized mechanism) or for downstream companies sourcing directly from ASM supply chains (e.g. in the case of colored gemstones and other commodities possibly added to the commodity scope in future CRAFT revisions).

<sup>19</sup> This chapter is optional and applies only to CRAFT UA-Schemes. Its requirements are binding only for UA-Schemes. For all other CRAFT Schemes, including those already established, this chapter is for informational purpose only and implies or requires no change ... unless a Scheme aspires to evolve into a UAM.

<p>Due to the terms of the open source license, ARM, as the code maintainer of the CRAFT Code, has very limited control over who uses the code, for which purpose, and under which conditions, as long as the open source licensing terms of CC BY-SA 4.0 are respected.</p>	<p>CRAFT Schemes may be established by BUYERS (e.g. by incorporating the CRAFT into their due diligence protocols), by independent third parties, by projects or programs, or similar.</p> <p>CRAFT Scheme owners have full control over their scheme.</p>
<p>The CRAFT Code is a generic document that establishes requirements, common guiding principles and provides guidance.</p>	<p>CRAFT Schemes follow, use, incorporate, or builds upon all rules of the CRAFT Code (Volumes 1, 2 and 3) but are free to define the tools, templates and processes as seen necessary for supporting AMPs in their tasks of implementing the CRAFT. Volume 4 provides non-binding guidance for this purpose.</p>
<p>The CRAFT Code is not prescriptive on how the supply chain risks covered by the requirements have to be assessed or mitigated, or how a CRAFT Report has to be prepared.</p> <p><u>However:</u> Volume 4 provides guidance and examples.</p>	<p>CRAFT Schemes are expected to support affiliated AMPs in their tasks of risk assessment, risk mitigation and preparing CRAFT Reports; drawing on their own experience and expertise, and taking into account the local context of the AMP.</p>
<p>The CRAFT Code is a progressive performance standard for ASM mineral producers, providing assurance through first- and second-party verification by the AMP.</p> <p>CRAFT is a process standard and not a product standard nor a certification scheme.</p>	<p>CRAFT Schemes have no obligation to carry out due diligence or verification of the content of CRAFT Reports unless they are BUYERS or UA-Schemes.</p> <p><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 certification schemes if applicable.</p>
<p>Volume 3 of the CRAFT Code defines guiding principles for CRAFT Schemes, to ensure compatibility and interoperability.</p>	<p>CRAFT Schemes are required to respect the Creative Commons license terms and are expected to abide by the guiding principles.</p>

## 5 REFERENCES

### 5.1 References to international conventions, standards and laws

The CRAFT Code follows the below mentioned internationally recognized standards and conventions, either by incorporating literal quotes, referring to them, using them as guidance to align the requirements of CRAFT or for supporting rationales explained in the CRAFT Guidance Book:

- Geneva Conventions and protocols.
- FATF (2012): Recommendations.
- IFC Standards.

- ICC (2002): Rome Statute. International Criminal Court.
- ILO (1930): ILO Convention C029 - Forced Labour Convention.
- ILO (1973): ILO Convention 138 on Minimum Age.
- ILO (1999): ILO Convention 182 on Worst Forms of Child Labour.
- ILO (1999): ILO Recommendation R190 - Worst Forms of Child Labour Recommendation.
- ISEAL Standard-Setting Code of Good Practice Version 6.0.
- OECD (2016): OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.
- OECD (2011): Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.
- OHCHR (1984): Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment. Office of the United Nations High Commissioner for Human Rights.
- UNEP (2013): Minamata Convention on Mercury. Text and Annexes.
- UNODC (2004): United Nations Convention against Corruption.
- UNDOC Doha Declaration Global Programme.
- UN Sustainable Development Goals (SDG).
- UN (1948): Universal Declaration of Human Rights. United Nations General Assembly.
- UN Guiding (2011): principles on business and Human Rights.
- VP (2000): Voluntary Principles on Security and Human Rights.

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