

MINUTES of the meetings of Fairmined Standard Committee to discuss the feedback from 1st round of FTFM Standard consultation

Documents circulated:

1. Compilation of feedback from first consultation of Fairtrade and Fairmined Standard v2.0
2. Compilation of comments – possible actions

Meeting sessions:

Session 1: 11 February 2013 on Section B

Session 2: 13 February 2013 on Section A, Chapter 0

Session 3: 15 February 2013 on Section A, Chapter 1 - 4

Session 1: 11 February 2013

Teleconference times

- Bogotá, Lima, Medellín @ 6am
- London @11am
- Paris @12noon
- Ulanbataar @7pm
- Melbourne @10pm

Duration: 2 hours

Members present: Cristina Echavarría (Chair), Federico Gamarra, Felix Hruschka (Standard Coordinator), Fiona Solomon, Gommert Mes, Manuel Reinoso, Patience Singo, Patrick Schein

Members apologies: Helcías Ayala

ARM team members: Elisa Bravo, Lina Villa, Maria Andrea Calle, Siri Teilmann, Yves Bertran

Guests/observers present: Victoria Waugh (Fairtrade)

1. Welcome

- Welcome from Cristina Echavarria, FM Standard Committee Chair and Felix Hruschka, ARM Standard Coordinator.
- Roll-call of participants and introductions

2. Update on the process of revision of FTFM Standard

3. Review and discussion of feedback from 1st consultation round (August-October 2012).

The topic of first session was Section B: Standard for trading and processing.

Session Topic: SECTION B of the FTFM Standard

Part of the Standard	Issue	Discussions and Agreements
	Additional requirements for manufacturers	This issue was not considered a priority and it was suggested to put it on hold in the version of the Standard that is being consulted, due to the lack of capacity in ARM to audit manufacturers at this stage.
Chapter 1/ Intent	Role of operators	Wording: "handles" to be deleted. Operator is "anyone that trades or transforms the gold."
2.1.3	Payments	It was decided that the payment agreements should not prescriptive, leaving an option for alternative arrangements between the ASMO and the buyer, which must be expressly stated in the sales contract between parties. A suggestion was also made that the payment should be required "a day after export" to allow time for the shipment to be cleared through customs.
2.1.5	Premium	Fairtrade stated that where the licensing fee (royalty) has been a problem it is being revised. It was added that from a market perspective, the premium has been a blockage for sales and Fairtrade would recommend a premium per volume (\$/gram). Preference was expressed by Fairmined committee members for the premium to remain at 10%, since the system already has delays that are onerous for the miners. Reducing the premium might make sense if there were large volumes, but at this time it should not be pursued. Opinions were also expressed that best premium would be a fixed value on gram, but operators should not be making a profit on the premium. The need to revise the licensing fee was highlighted, so that it is based on gold content and not the jewellery piece as a whole, which might include a stone for instance. It was also pointed out that associated costs needed to be met (inventories, traceability, etc.), so it is good to separate premium but also to understand other costs which affect the final value of a piece. General tendency of committee members' arguments was to maintain current premium levels, but options should be further discussed.
4.1.3	Pre-financing	The requirement was expanded to clarify what a transparent mechanism for the management of pre-financing funds should consist of.
Chapter 5	Traceability	<p>It was pointed out that physical traceability needed to be seen also in the light of OECD Guidelines.</p> <p>Different market needs were compared, smaller jewellers want to convey the story but larger players need easy ways to incorporate FTFM gold into their supply chains. It was also expressed that the volumes are the ones that will bring sustainability to the system.</p> <p>It was noted that the Standard could focus more on labelling than on type of products (jewellery, finance, etc.) and two models were discussed: one physically traceable with a stamp on the product and another that uses mass balance, dilution, but without labelling the final product. Claims on</p>

		unlabelled products to be made perhaps at CSR level, but not on product. It was also advised that the Section needed more technical input.
6.1.5	Product composition: mixing FTFM gold with gold from other eligible sources.	<p>It was stated that although an option of different labels could be looked into (as in forestry for example), a wide variety of labels and different related claims are difficult to maintain and might become confusing for the consumers.</p> <p>The allowance for dilution is needed, particularly for unlabelled products at CSR level (as discussed above) and straightforward and transparent mechanism should be incorporated into the standard. For labelled products of small jewellers, dilution is not an option that corresponds to market demands.</p> <p>It was agreed that ARM's Standard team should prepare a revised proposal for future product categories.</p>

Session 2: 13 February 2013

Teleconference times

- Bogotá, Lima, Medellín @ 6am
- London @11am
- Paris @12noon
- Ulanbataar @7pm
- Melbourne @10pm

Duration: 2 hours

Members present: Cristina Echavarría (Chair), Federico Gamarra, Felix Hruschka (Standard Coordinator), Fiona Solomon, Gommert Mes, Patrick Schein

Members apologies: Helcías Ayala, Manuel Reinoso, Patience Singo

ARM team members: Elisa Bravo, Kenneth Porter, Lina Villa, Maria Andrea Calle, Siri Teilman, Yves Bertran

1. Welcome

- Welcome from Cristina Echavarria, FM Standard Committee Chair
- Roll-call of participants

2. Continuing discussion of feedback from 1st consultation round (August-October 2012).

Session Topic: SECTION A of the FTFM Standard, Introduction Chapter 0

Part of the Standard	Issue	Discussions and Agreements
Section A/Intent	Including copper in the scope of the Standard	The consultation proposal to include copper was rejected on following grounds: 1) its price its marginal, 2) traceability would be very expensive and 3) refining is complex.
0.1	Standard Scope: ASM only; not for medium or large mining.	It was agreed that the standard is applicable to very artisanal mining, with manual tools, as well as to increasingly mechanized mining. The threshold is determined according to national laws, usually relating to processing volumes and capital investment.
0.2.1	ASMO Description: Landowners in the ASMO scope	After discussing the role of landowners in ASM operations, particularly but not only in Africa, the text was changed making it possible to have landowners in the system but without making it prescriptive.
0.2.1	ASMO Description: Technological Progress and loss of livelihoods.	The Standard should stress the need for long term income diversification in mining communities; it will be explored how appropriate technology /increased income/ premiums could support this. The wording on the rationale of the pyramid was proposed to be rephrased to include ideas on how to compensate loss of livelihoods. It was advised to consider mandatory the inclusion of marginalized community members (e.g. pallaqueras/ women mineral sorters) in governance of the premium (this is to be included in the explanatory document).
0.2.1	ASMO Description	The Standard should account for a situation when a small-scale mine becomes fully mechanized with lower employment generation. The technological levels should be defined upon entry, to ensure it really is ASM, while enabling that once in the system, it can develop to MSM and remain in the system, thereby not punishing successful responsible development. The definition of "mineral dumps" was agreed to be included in the Standard. If the ASMO doesn't have a commercial function, it should be further explained who the "delegated third parties" may be.
0.2.2	"Artisanal and small-scale" scope: Reference scheme	The importance of having some sort of due diligence was confirmed (whether a reference scheme or other), but the applicant should not be obliged to work through ARM or Fairtrade. The potential risk of security to ASM not complying with a request for reference letter by miners who cannot be defined as ASM was discussed for the contexts of conflict zones. With a more focused definition of ASM, and a detailed description of the ASMO System of Production, it is viable for the certifier to check through its own due diligence guidance if the organization applying for certification can be considered as ASM.

0.2.2	ASM definition	A need of a more concrete definition of ASM was ascertained. ARM's team will propose such a definition making sure that it is compatible with the OECD definition and tied to national legislations. The importance of making the Standard OECD compliant was further highlighted.
0.2.3 0.2.4	System Production concept	Explanatory document on the System of Production is to be produced before second round of consultation, incorporating the African experiences.
0.2.5	Pro-active responsibilities for the Mining Community in the context of the System of Production	In terms of the second level of responsibilities, it was deemed unrealistic to make the ASMO responsible for taking action outside its System of Production. Instead, it is proposed that the ASMO needs to "make the strongest possible efforts to collaborate with other community groups and its authorities" and to "actively support" remediation systems.
0.2.6	Product scope: Mining in river beds	After a long discussion the members agreed that opening this option without an exhaustive research may be risky. Focus should not be placed on specific technologies (they can be used responsibly or not), but rather on excluding mechanized mining in open waters, where no responsible technology is available at the moment.
0.2.7 – 0.8	Rest of the Introductory Chapter	The members were invited to comment on the remaining part of the introductory chapter by email after the session, and feedback would be discussed at Session 3.

Session 3: 15 February 2013

Teleconference times

- Bogotá, Lima, Medellín @ 6am
- London @11am
- Paris @12noon
- Ulanbataar @7pm
- Melbourne @10pm

Duration: 3,5 hours

Members present: Cristina Echavarría (Chair), Federico Gamarra, Felix Hruschka (Standard Coordinator), Fiona Solomon, Gommert Mes, Helcías Ayala, Manuel Reinoso, Patrick Schein

Members apologies: Patience Singo

ARM team members: Elisa Bravo, Lina Villa, Maria Andrea Calle, Siri Teilmann, Yves Bertran

Guests/observers: Harbi Guerrero (Miner, Board of ARM)

1. Welcome

- Welcome from Cristina Echavarria, FM Standard Committee Chair

- Roll-call of participants

2. Review and discussion of feedback from 1st consultation round (August-October 2012).

Session Topic: SECTION A of the FTFM Standard, Chapters 1-4

Page	Issue	Discussions and Agreements
0.2.7	Scope: Protected Areas and Critical Ecosystems	<p>Discussion continued from last session. It was proposed to put Protected Areas and Critical Ecosystems in the same thematic area, separate from Conflict Zones and High-Risk Areas.</p> <p>The use of ASM-PACE classification for critical ecosystems was agreed.</p> <p>The OECD red flags areas concept was proposed to be used for conflict areas (armed conflict), letting stakeholders in the region to recommend the excluded areas, rather than having a list of excluded areas. Due diligence following the OECD guidelines must be applied for ASMOs located in conflict zones.</p> <p>The Temporarily Excluded Area (ATE) system was confirmed to be maintained as in Version 1 of the Standard.</p>
0.4	References	In cases of differences in interpretation between the ASMO and the certification body, "Core" level requirements must not exceed the national laws; compliance with international laws should be considered a Development requirement, giving the ASMOs adequate time to adjust.
0.5	Definitions	<p>Definitions were discussed:</p> <ul style="list-style-type: none"> • Amalgamation: definition adjusted to avoid misinterpretation that it might promote whole ore amalgamation. • Associated precious metals definition added, which includes platinum group metals. • Conflict Areas: adjusted in order to align with OECD definition. • Dumps definition included • Domestic Processing vs Industrial Processing: the reference to requirements was removed from the definition and added as explanatory text. • Internal Control System (ICS): the definition made more specific to make sure the ICS refers only to the traceability of the minerals flow within the System of Production (a tool to maintain Chain of Custody). • Miner: definition adjusted to specify that it includes both men and women involved in the ASM. • Registered and non-registered Miners: adjusted for more clarity • System of Production: the criteria of inclusion/exclusion must be well defined, objective and non-discriminatory • Workers: casual workers included <p>It was agreed that an explanatory document will be elaborated for all that refers to System of Production and ICS.</p>

0.6	Implementation	Compliance criteria are subject to approval by the standard setter. It was clarified that in case of disagreements over the interpretation of the standard the certifier must inform and consult ARM as the standard-setting body, to make sure the interpretation corresponds with the intent of the Standard.
1.1.1	System of Reference to confirm that the organization is ASM	It was suggested that once a definition of ASM is agreed there is no need for the requirement of Letter of Recommendation. Point 1.1.1 to be removed from the Standard. ARM's team will work on an ASM definition along the OECD guidelines, which will be circulated among the members for feedback.
1.1.3	Contact person appointed	Contact person will also be in obligation to update ARM/Fairtrade, apart from the certifying body.
1.1.4	System of Production	It was proposed to change the order for this requirement to improve document's logics and coherence (it now becomes 1.1.2)
1.2.8	System of Production admission and exclusion rules	It was made explicit that the rules cannot be discriminatory.
1.3.4	Forest Management	The standard encourages the ASMO to cooperate with the community and authorities in Forest Management outside the mining area (out of the scope of the ASMO). However, it was emphasized that this should not be a first level/direct responsibility for the ASMO.
1.4.1	Rules for registration in the System of Production.	The members agreed that although the context may be very different and particular for each ASMO, and each ASMO can set-up their own rules, there are some general principles to avoid generating a double standard. These principles will be specified in the guidance document on the System of Production, and input from the Committee will be solicited once the draft document is ready, making sure different realities are represented. Questions that need to be addressed: what if national law is discriminatory, what about foreign workers?
Chapter 2	Intent	A reference to "long-term" approach to development was included in the text.
2.2	Economic capacity	Members agreed to omit this part from the standard. The requirements are redundant, since economic development is the objective and the intent of the standard, so it shouldn't be audited.
Chapter 3	Intent	The intent was adjusted to account for the fact that reducing ecological disruption should not be limited to high biodiversity areas.
3.1.1	Mercury Reduction/ High biodiversity Areas	Wording "reasonable effort" was discussed. Cleaner technologies may exist, but be unavailable or inaccessible to miners or are only in the exploratory period and not commercially viable and therefore not suitable for implementation. The wording of the requirement will be revised to make sure it is clearly interpreted. It was also suggested to clarify the meaning of "region", as it could be differently interpreted.
3.1.4	Amalgam burning	The requirement was amplified to encourage the miners to burn amalgam

		in places specifically designated for this activity, where protective measures are taken.
3.1.5	Storage of dangerous substances	Further guidance on dangerous substances storage was added to the requirement.
3.1.6	Use of toxic substances	The definition of harmful effects of toxic chemicals was adjusted.
3.1.12 plus additional requirement	Environmental Impacts and Management.	All types of acids (including nitric acid) should be included as they are used in many regions and have important impacts on the environment. It was proposed to emphasize good practice in the use of mercury, cyanide and nitric acid, leaving borax out for now. A separate requirement was added to regulate the use of acids.
3.2.3	Slopes inclination in open-pit mines	Further clarification of what inclination is "generally considered safe" was proposed.
3.2.9	Good Waste Management practices	It was proposed to move this Development requirement from year 3 to year 6, since it requires complex training and planning.
3.3.1	Ecological Gold – industrial processing of tailings	It was confirmed that due diligence of 3 rd party processing plant, in the case of selling the Ecological gold tailings for further processing, should not be ASMO's responsibility, as in most instances this exceeds the ASMO's expertise. A possibility of an ASMO having two lines of production: one for Eco Gold and one for Regular Gold needs to be further discussed, since it might involve reputational and traceability risks.
3.3.3	Ecological Gold - Rehabilitation of native ecosystems	The requirement was modified, to account for the rights of self-determination of the local community.
Chapter 4	General comments	The members agreed that the evolution and development of the ASMO needs to be more reflected in the standard, as having too high initial requisites might leave many ASMOs out. ARM's team will put together a proposal on which requirements are of priority for the miners and can be realistically achieved for certification, and which should apply once the ASMO has been able to develop further (with the use of the premium). It was highlighted as crucial to have the committee's full alignment on which the basic requirements should be.
Chapter 4	Order of requirements	A new order should be proposed, to start with the requirements that are considered of most importance and greatest priority for the miners.
4.4	Child labour. AIDS orphans in Africa.	It was agreed that the proposal needed reformulating, differentiating between children and adolescents. It may be possible to build on the ILO 138 Convention which allows for light work for children 13-15, as long as this is not harmful to their health or prejudices their attendance at school. This issue will be brought to the committee again.
4.4.7	Decent youth employment	It was proposed that this is a development requirement for year 6.

4.5	Collective Bargaining	A concern was voiced about the issue of trade unions, which is interpreted as making ASMOs (employers) responsible for encouraging their workers to form unions. This was argued as contradicting the spirit of ILO 454 Convention regarding the freedom to form unions. This issue was agreed to be explored further with the miners at the ARM's Regional Workshop in March 2013.
4.6.2	Payment	Discussion was held about different kinds of payments used (e.g. in-kind, ore, perishables, etc.), and their distribution. It was argued that it needs to be a payment that can be freely available to the miner and that can be used according to his/her wish, like cash or mineral. In case of the payments in mineral ore, they need to be registered mentioning the estimated grade of the mineral, to make sure the payees are not in disadvantage. It also needs to be a regular payment, no more than a month. This is to be further discussed at the workshop in March.
4.6.6 and 4.6.7	Overtime hours and working times	An option was included for the worker's organization (but not individual miner) and the employer to agree on other standard working times, if this is in their mutual benefit.
4.6.13	Salaries and increments.	Further analysis is needed.

It was agreed that the standard and the labour chapter in particular would be further discussed with the miners and other stakeholders at the ARM's Latin American Network Regional Meeting in March 2013. The results will be brought to the Fairmined Standard Committee for discussion and approval.