



## MINUTES of the Meeting of the FAIRMINED Standard Committee 31st October 2013

### Documents circulated:

- Power Point Presentation with proposed changes to the standard

### Duration:

2 hours

**Members present:** *Cristina Echavarría (Chair), Felix Hruschka (Standard Coordinator), Patrick Schein, Federico Gamarra, Fiona Solomon and Manuel Reinoso*

**Members apologies:** *Helcías Ayala, Gommert Mes, Patience Singo*

**ARM team members:** *Lina Villa, Marcin Piersiak, Yves Bertrán and María Villa*

### 1. Introduction and general remarks

- General overview of the purpose of the meetings: review and decisions on key issues raised during the second round of public consultation.
- There was a presentation of the statistics of participation in the second consultation process. It was explained that most of the feedback received during the consultation process came from Latin America, followed by North America, Africa and Asia. In the same manner, most comments came from NGOs; individual experts, Artisanal Mining Organizations, Producer Support organizations supply chain actors and government representatives.

### 2. Scope of the System of Production /Inclusions and Exclusions

During the consultation process it was commented that allowing the existence of a separate FAIRMINED system of production within the broader area of an ASMO represents the risk of double standards. On the other hand, the respondents expressed that if internal controls are well managed, the FAIRMINED system could play a powerful demonstrative role in the transformation of all operations within an ASMO. The committee was solicited to determine if all individuals working in an area registered in a FAIRMINED system of production also had to be registered as part of the System of Production. The main argument behind these considerations was that the FAIRMINED standard should not encourage situations where people working side by side were governed by different rules.

It was pointed out that there is potentially a lot of mobility within ASMOs and therefore it is important to have a detailed and updated register of all individuals within a System of Production. This mobility would also help disseminate good practices within the ASMO. It was concluded that all actors within a FAIRMINED area and a FAIRMINED System of Production need to be registered.

The second question that was brought to the standard committee was: if and under what conditions could external service providers (such as gold shops or processing plants outside the ASMO's mining area) be part of

the System of Production? The committee debated on whether the System of Production was a sub-set of the ASMO or if the concept was more related to the supply chain. It was clarified that the standard looks at the entire process and not just the extractive activities in the supply chain, and in most cases, once the material is processed, the gold returns to the ASMO. It was also mentioned that having separate processes is often too expensive for ASMOs, and in those cases, plants that comply with environmental regulations and with very specific certification criteria should be able to participate, given that physical separation of the production is not possible.

A risk was identified that the use of external service providers may be used to avoid obligations of the standard, and a discussion followed on what the standard should require from external service providers not controlled by the ASMO, so that it is realistic and possible to verify. It was proposed that the definition that should be adopted needed to assure traceability in the process carried out by the ASMO.

It was agreed that only service providers that comply with the totality of the FAIRMIEND standard requirements could be part of the System of Production. The service providers who are outside ASMO's control will not be part of the System of Production, but can be part of the FAIRMINED supply chain as external service providers, provided that they comply with national and local legislation and have all the required permits. ASMOs should, when there is choice, make an effort to choose the service provider that is most aligned with the Standard.

#### DECISIONS:

- All miners within a registered area must be registered in the System of Production.
- External plants that are not owned by the ASMO and are not within the ASMO's area cannot be part of the System of Production and therefore will be considered as external service providers by the standard.
- The standard will reflect that legality and traceability are the first requirements for external service providers.
- A reference to the definition of operators and their role in the supply chain will be included in the standard and the standard glossary.
- Gold shops will be considered part of the FAIRMINED system of production if they are part of the supply chain before the gold is sold to the market. If the gold shops intervene in the supply chain after the sale then they should be considered service providers

### 3. Artisanal and Small Scale Scope

Although many comments received during the consultation process praised having more specific definition criteria, some stakeholders stated that the productivity entry requirement might be punishing efficiency levels, and suggested that a threshold of 2.5g/person/day may leave out of the system many Peruvian ASMOs.

It was clarified that a productivity criterion to determine the eligibility of an ASMO would only be used in the absence of national legislation that defines artisanal and small-scale mining. The entry productivity threshold was established using data from several ASMOs, but it was recognized that for high grade ores, where productivity is disproportionately inflated, ARM's Application Committee would decide which of the definition criteria best apply in each case. .

It was also reminded that once the ASMO is in the FAIRMINED system it has a potential to improve their productivity until 8g/person/day, when they would no longer be considered ASM and would leave the FAIRMINED System.

Another question regarding the productivity criteria was the time span in which the average productivity level was estimated, since productivity levels can vary over time.

The third topic that was discussed during the committee meeting was whether gold shops should be part of the FAIRMINED Systems of Production or should they be considered as external service providers. Consultation comments identified gold shops as strategic points in the supply chain, with a great potential in the reduction of mercury emissions if engaged in responsible processes. It was agreed that gold shops should be considered part of the FAIRMINED system of production and must comply with Standard requirements if they are controlled by the ASMO and are part of its internal supply chain before the gold is sold to the market (consolidating volumes from miners included in FAIRMINED System of Production). If gold shops are part of the FAIRMINED Supply Chain after gold is sold they have the same status as of FAIRMINED operators, just as any refiners and traders within the FAIRMINED system. In most cases gold shops are not part of the mine they are external service providers. Concern was manifested with regards to the risk the standard would have if there were no control measures applied to the supply chain.

#### DECISIONS:

- Improve the edition of the document, so that it is clear that the national legislation prevails to determine the eligibility of an ASMO.
- ARM will convene an Application committee with a prerogative to decide which criteria to apply in case national legislation is not clear or too restrictive and detrimental to the ASMO being evaluated
- The productivity figures of the ASMOs in Perú to be revised and updated.
- A reference will be made to gold shops in the Scope of the standard, in order to encourage engaging local buyers in the FAIRMINED Supply chain, wherever appropriate.

#### **4. Pro-active Responsibilities of the ASMO over the Mining Community and the local environment**

The fourth topic on the agenda focused on the requirement 0.2.6 “Pro-active Responsibilities of the ASMO over the Mining Community and the local environment”. Comments were received suggesting that ASMOs should have 3<sup>rd</sup> level responsibilities regarding water stewardship and forest conservations. The main arguments that supported this proposal were that “Forest conservation” is very specific and it should be broadened to include other ecosystems, and that given the current world situation on climate change and food security, water conservation is a very relevant subject. It was argued that 3<sup>rd</sup> level responsibilities should be linked to indirect impacts of mining activity, and that the intent of the original text of the standard was to address the demand for timber and for firewood in ASM communities that causes deforestation outside the mining area.

Committee members argued that the ASMOs should have a leading role and support community issues in partnership with local authorities. A concern was expressed regarding the possibility of putting too many

responsibilities on the ASMOs. It was also agreed that, although water is a relevant issue for some communities more than for others, in general water quality is considered a major determinant of community well-being and health, and therefore water stewardship should be stressed in the Standard. It was stated that the standard should focus on the possible indirect impacts on these resources caused by the presence of an ASMO in the area.

#### DECISIONS:

- Include water stewardship in the text.
- An explanatory note that states that the ASMO's actions should be complementary to those of local authorities and are not expected to substitute them will be added to the standard text.

## 5. Product Scope

In the last point the members discussed allowing small dredges within the scope of the Standard. Examples and proofs were presented to support the argument that small dredges, when used in fast and abundant water bodies, can have a minimal environmental impact; in many cases heavy rain could cause more sedimentation than the dredges. Additionally, an account of an Afro Colombian leader was quoted, stating that dredges operations were a source of employment and an economic opportunity for distant communities, as long as their use was framed within the community's internal regulations. It was agreed that the standard should consider this reality and should determine clear rules for its integration into the system.

It was affirmed that it is important to be very well informed on the subject and that there is a prestige risk to the FAIRMINED brand attached to the issue. There is a reputational risk and it is key to properly communicate the standards position on the matter.

#### DECISIONS:

- A technical team of ARM staff will review this issue and present a proposal at the following committee meeting.