

# CRAFT

## Code of Risk-mitigation for ASM engaging in Formal Trade

### Version 1.0

*Draft for 1st public consultation round*

Official version: English<sup>1</sup>  
February 26th, 2018

***Period for stakeholders' comments and enquiries:  
February 26<sup>th</sup> – April 26<sup>th</sup>, 2018***

This document was developed by the ARM Standards Team as part of the CAPAZ Project (funded by EPRM and implemented by ARM and RESOLVE) and the CRAFT Standard Committee convened by ARM, with support by the CRAFT Advisory Group convened by RESOLVE.

The Standard/Code maintainer is the Alliance for Responsible Mining (ARM).

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#### **Contact for comments:**

[standards@responsiblemines.org](mailto:standards@responsiblemines.org)

#### **For further information of the consultation process and the Code development process:**

<http://www.responsiblemines.org/en/public-consultation-of-the-craft-code/>

<http://www.responsiblemines.org/en/our-work/standards-and-certification/craft/>

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<sup>1</sup> In the case of inconsistency between versions, reference defaults to the official language version: English, version number 1.0, which will be approved at the close of the consultation period.

## **Objective for Consultation**

The draft version of the CRAFT Code has been developed with guidance from [representatives](#) of standards and responsible sourcing schemes, artisanal miners and the NGOs working with them, and companies seeking due diligence tools to enable expanded artisanal sourcing. We are now seeking broader feedback from global stakeholders to understand any concerns and possible revisions to maximize the accessibility and impact of this tool.

## **Stakeholder participation**

All interested parties can become a part of building and refining the CRAFT, as it is an open and public process. Everyone from miners to BUYERS and points in between in the gold supply chain, as well as government officials, civil servants, civil society, standard-setting organizations, Artisanal and Small Scale Mining support networks, and others may partake in the various forms of this consultation process.

We welcome your comments at any time during the consultation process from **February 26 to April 26, 2018**.



## **How to Comment on the CRAFT Code**

### **Step 1) Review Background and Draft**

- The code is available for review on [the project website](#).
- For further background, including the objectives of the CRAFT code, you may wish to review a two-page synopsis; tailored versions are available for miners ([EN](#), [FR](#), [ESP](#)), BUYERS ([EN](#), [FR](#), [ESP](#)), or government and civil society stakeholders ([EN](#), [FR](#), [ESP](#)).
- An introductory, narrated presentation [is also available](#); this reviews the essential content of the CRAFT code and offers an overview of the code's structure.

### **Step 2) Comment**

There are three possibilities to provide your inputs on the CRAFT:

- Incorporate your comments and suggested revisions directly into this draft document (please use track changes), and send it back to us at [standards@responsiblemines.org](mailto:standards@responsiblemines.org) along with the submission form below.
- A second option is to complete the relevant online form outlining priority questions for feedback from [miners](#), [national/international buyers](#), or for [governments / civil society](#) actors.
- Additionally, you are always welcome to offer further comments in [email form](#).

**Comment Submission Form**

Please, fill out the following form before commenting on the draft document or sending comments by email:

<b>Name:</b>	
<b>Email address:</b>	
<b>Name of the Organization that you represent:</b>	
<b>Country:</b>	
Please tick here if you would like your comments to be kept anonymous? <input type="checkbox"/>	
Please tick here if you would like to receive information about the development of the CRAFT Code? <input type="checkbox"/>	

Additionally, if you need more information before commenting on this document do not hesitate to contact [standards@responsiblemines.org](mailto:standards@responsiblemines.org)

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## INTRODUCTION

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The years since 2008 have seen the emergence of a strong body of frameworks applicable to tin, tungsten, tantalum, and gold originating from Conflict-Affected and High-Risk Areas. The OECD Due Diligence Guidance (DDG), the US Dodd-Frank Act, and the recent EU Conflict Minerals Regulation 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.

The supply chain of gold, particularly from Artisanal and Small-scale Mining (ASM), is very complex, without clear “choke points” determined by technology. 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 gold from ASM or otherwise accept it in their supply chain. However, the rational response of many companies to avoid sourcing ASM gold 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**<sup>2</sup> (this document) is intended to serve as an instrument for ASM and the industry to demonstrate its eligibility to sell and source gold in compliance with the OECD DDG and legislations derived from DDG. The CRAFT is further intended to be responsive to reputational challenges of responsible supply chains.

The CRAFT aims at facilitating engagement of the downstream gold industry with upstream ASM gold 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 gold 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 compliance with due diligence requirements as an instrument for generating a positive development impact for ASM gold 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.<sup>3</sup> As an open-source standard, the CRAFT may be used by any ASM gold 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 gold from ASM or for supporting ASM development are referred to as a **CRAFT Scheme**.

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*

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<sup>2</sup> 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”.

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

expected to support ASM producers in their efforts to comply with the requirements of the CRAFT and improve their operations.

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 gold 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, constitute a supply-chain based group. The organizational scope is denominated the “ASM Mineral Producer” (AMP).

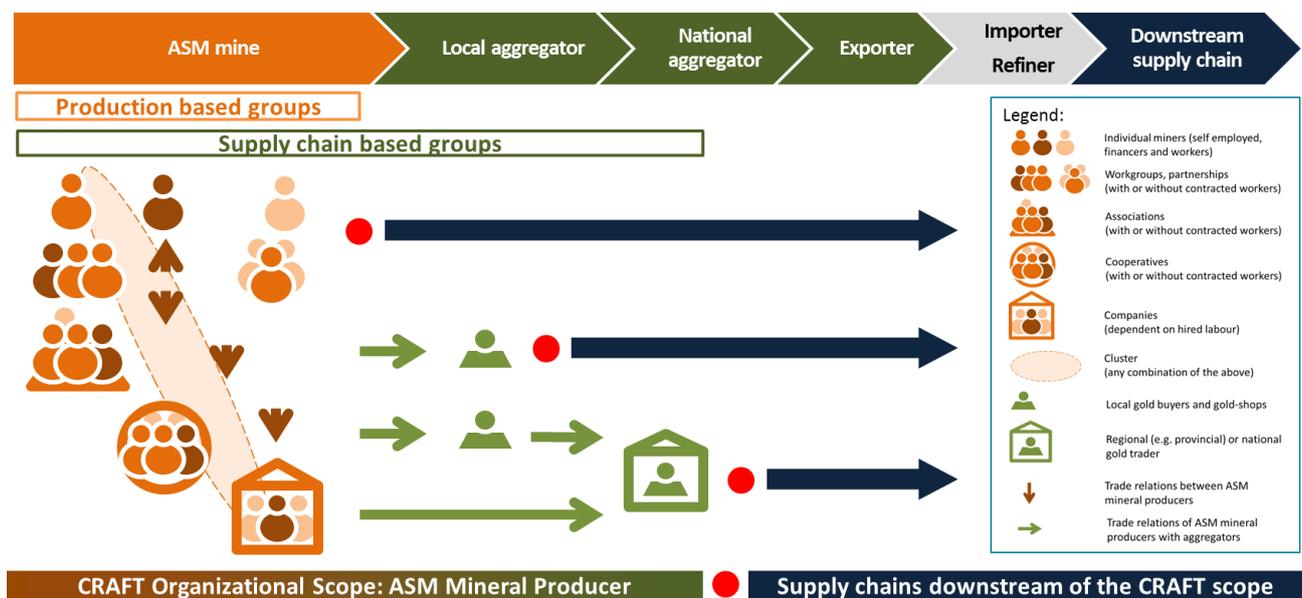


Figure 1: The organizational scope of CRAFT covers miners and optionally aggregators at the upstream end of the supply chain, down to the point (i.e. red dot, point of assurance) where the gold enters the supply chain downstream of the CRAFT scope.

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 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:** 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 no Annex II risks are present that would require immediate disengagement of BUYERS (MODULE 3), and that have assessed the Annex II risks requiring disengagement after unsuccessful mitigation (MODULE 4) will be granted candidate status.

With candidate status, AMPs can begin 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 conditionally with the AMP.

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.

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 definitely with the AMP.

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.

See Annex 1 for 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, limiting efforts 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*”.

## Definitions and layout conventions

### Text layout of the CRAFT

All **binding text** of CRAFT is printed in black text.

[text colour of CRAFT Code text]

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

[text colour of explanatory and guidance text]

### Terms with a specific meaning in the context of the CRAFT

**CRAFT:** Code of Risk-mitigation for ASM engaging in Formal Trade

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, and who per definition of the OECD DDG is an “*Upstream Company*”, is located downstream of the ASM producer and therefore - from the perspective of the CRAFT - is referred to as a “downstream” operator.

i.e. The CRAFT uses the terms “upstream” and “downstream” differently than how they are used by the OECD DDG.

**Supply chain scheme:** 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 (NGOs or service providers) by projects or programs, or similar.

Often, these rules for engagement consist of adopted standards and codes.

**CRAFT scheme:** A supply chain scheme that uses, incorporates, or builds upon the CRAFT.

**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.

**AMP:** The ASM Mineral Producer in the organizational scope of the CRAFT.

**Internal supply chain of the AMP:** All transactions of gold and mineral, between miners and aggregators of the AMP, upstream from the point where the AMP sells to the next downstream supply chain actor (BUYER).

**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.

### 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
ICS	Internal Control System
ILO	International Labour Organization
LSM	Large-scale Mining (used as a term covering all industrial, i.e. not ASM, mining)
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

## MODULE 1: SCOPE AND AFFILIATION

### Introduction

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

**CRAFT scheme:** 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 (NGOs or service providers), by projects or programs, or similar. A CRAFT scheme is a supply chain scheme based on the rules of the CRAFT Code.

#### Differences between the CRAFT Code and a CRAFT Scheme:

CRAFT Code	CRAFT Scheme
<p>The CRAFT Code is open source under the Creative Commons license CC BY-SA 4.0.</p> <p>It is based on the OECD DDG, in particular, the MODULES 2 to 4 of the Code addressing Annex II risks of the DDG.</p>	<p>CRAFT Schemes are implementations of the CRAFT Code by supply chain schemes for compliance with the OECD DDG and engagement with ASM gold producers.</p> <p>CRAFT Schemes (i.e. the way the CRAFT is implemented) may be proprietary.</p>
<p>ARM, as the standard/code maintainer of CRAFT, 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.</p>	<p>CRAFT Schemes may be established by BUYERS (e.g. by incorporating the CRAFT into their due diligence protocols), by independent third parties (NGOs or service providers), by projects or programs, or similar.</p> <p>CRAFT scheme owners have full control over their scheme.</p>
<p>The CRAFT is a generic standard-setting document that establishes the requirements and provides guidance.</p>	<p>Each CRAFT scheme defines the templates and processes as seen necessary for the implementation of CRAFT.</p>
<p>Does not specify how a CRAFT report (see below) should be prepared.</p>	<p>Supports AMPs with “Applicant” status or higher (see below) in their task of preparing CRAFT reports.</p>
<p>The CRAFT does not define a certification scheme.</p>	<p>CRAFT Schemes have no obligation to carry out any due diligence or verification of the content of CRAFT reports. However:</p> <p>CRAFT Schemes may carry out due diligence or third party verification as seen appropriate.</p>
<p>May define basic rules and recommendations for CRAFT Schemes, to ensure compatibility between CRAFT Schemes (see right column).</p>	<p>Example: 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.</p>

## Geographic Scope

<p>The CRAFT Code has a global scope, without any excluded areas.</p>	<p><b>Guidance:</b> 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”<sup>4</sup> requirements of the core version as needed into localized national versions.</p>
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## Organizational Scope

<p>The organizational scope of the CRAFT is the <b>ASM Mineral Producer (AMP)</b><sup>5</sup>, which may comprise any de facto or formally established organizational structure of producers and optionally aggregators of ASM products (gold) operating in one single country.</p> <p><b>Members</b> of the AMP are all persons and entities working within the organizational scope.</p>	<p><b>Guidance:</b> 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 (see definition below) to establish multinational organizational structures.</p> <p>Membership to the AMP is functional and not administrative, i.e. if an individual miner 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>The <b>main organizational scope</b> comprises production-based groups of <i>Members of an AMP</i>, engaged in the AMP’s ASM operation (“miners”, e.g., individual, family, associative, cooperative, or corporate, as well as heterogeneous groups thereof, and including all men and women directly<sup>6</sup> or indirectly<sup>7</sup> involved in mineral production).</p> <p>For simplicity, three organizational types can be distinguished:</p>	<p><b>Guidance:</b> The CRAFT uses the OECD definition of ASM.</p> <p><i>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</i></p>

<sup>4</sup> “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.

<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> Extracting or processing mineral.

<sup>7</sup> Providing logistic services such as transportation, water supply, food supply at mine site, and similar.

<ul style="list-style-type: none"> <li>• Individuals</li> <li>• Groups (family groups, partnerships, associations, cooperatives, companies, etc.)<sup>8</sup></li> <li>• Clusters (any combination of individuals and/or groups)</li> </ul>	<p><i>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. (OECD 2016b)</i></p>
<p>The <b>extended organizational scope</b> may include “<b>aggregators</b>” in the case of supply-chain based groups.</p> <p>The term AMP then refers to miners and linked aggregators.</p>	<p><b>Guidance:</b> Aggregators buy gold from ASM miners with the purpose to aggregate – and sometimes process (e.g. smelting to doré) – the purchases into batches suitable in quality and quantity for onward sale to BUYERS.</p> <p>The difference between main scope and extended scope is:</p> <ul style="list-style-type: none"> <li>• an organizational structure without aggregators (i.e. a production based group) may apply to a CRAFT Scheme;</li> <li>• 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;</li> <li>• 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.</li> </ul> <p>It is anticipated that in most cases local (e.g. gold shops) or regional BUYERS will participate as aggregators in AMPs. However, valid AMP scenarios of supply-chain based groups also exist, where LSM mines aggregate gold 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>

## **Product Scope**

<p>The CRAFT is intended to be applicable for all ASM mines that produce <b>gold in any tradable form</b> (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><b>Guidance:</b> 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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<sup>8</sup> This encompasses all types of “ASM Enterprises”, per the definition of this term in OECD (2016b).

## Internal Supply Chain

<p>The <b>internal supply chain</b> describes the flow of gold in any form (as metal, doré, concentrate, or mineral) from the individual miner who extracts it, down to the member(s) of the AMP who sells it to BUYERS.</p>	<p><b>Guidance:</b> The internal supply chain is determined by the de facto organizational structure of the AMP. (See example above, in guidance to “membership”).</p> <p>The internal supply chain is comparable to what other ASM standards describe as a “system of production”.<sup>9</sup> The difference is:</p> <ul style="list-style-type: none"> <li>• <i>Systems of production</i> are usually sub-structures of formal organizations (e.g. a sub-group within a cooperative).</li> <li>• The <i>internal supply chain</i> of an AMP is eventually a supra-structure (cluster) of individuals, formal and informal entities with internal commercial relations, but determined by the flow of the mined product down to the Member of the AMP (e.g. an aggregator) that interacts with BUYERS.</li> </ul>
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## 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><b>Guidance:</b> The CRAFT assurance mechanism consists of the AMP making first-party claims (by miners/main organizational scope) or second-party 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.<sup>10</sup></p>
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## Joining a CRAFT Scheme

The process of 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. It is expected that AMPs progressively strengthen their organizational aspects, operate in line with the CRAFT, and improve their ability to collect data. This is aligned with the fundamental concept of Due Diligence, which understands it as

<sup>9</sup> E.g. Fairtrade Standard, Fairmined Standard

<sup>10</sup> This also applies if an aggregator, as the “*Member of the AMP that interacts commercially with BUYERS*”, is linked to a foreign entity.

an ongoing, proactive, and reactive process, not a one-shot exercise. There are three levels of adherence: Applicant, Candidate, and Affiliate.

### 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 owner to expand its supply chain sources by supporting applicant AMPs to reach 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. Be able to</p> <ul style="list-style-type: none"> <li>i commit to making verifiable first or second party claims in the form of a “<b>CRAFT report</b>” about the circumstances under which the product (gold at any processing stage) is produced (mined, processed and internally traded), and</li> <li>ii make commitments regarding risk mitigation.</li> </ul>	<p><b>Guidance:</b> The CRAFT instrument through which the AMP makes verifiable first or second party claims is the “CRAFT report”.</p> <p>It is a “first-party claim” if the AMP is only composed of miners (miners declare how they operate i.e. produce the gold), and a “second-party claim” if the AMP is composed of miners and aggregators and the aggregator determines how to operate 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.</p> <p>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 conformity assessment requests (verification, monitoring, assurance, certification, due diligence, etc.).</p>	<p><b>Guidance:</b> 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.

### 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. Affiliation is conditional to subsequent conformance with the Code MODULE 4: ANNEX II RISKS REQUIRING DISENGAGEMENT AFTER UNSUCCESSFUL MITIGATION.

<p>To adhere to the CRAFT Code and apply to a CRAFT scheme, the AMP must prepare information providing a general description of their characteristics and must declare 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><b>Guidance:</b> It is expected that CRAFT Schemes provide templates of data sheets and forms to collect this information in a consistent manner.</p> <p>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.</p> <p>Formally established entities (associations, cooperatives, companies, etc.), as well as aggregators (if applicable) must be identified with their names.</p>	<p><b>Guidance:</b> 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 individual miners.</p>
<p>4. Map indicating the location of the mines, the most important facilities, and the surrounding areas.</p>	<p><b>Guidance:</b> 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><b>Guidance:</b> See CRAFT MODULE 2: LEGITIMACY OF THE AMP</p>
<p>6. Verifiable first- or second-party claim, contained in a 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><b>Guidance:</b> See CRAFT MODULE 3: ANNEX II RISKS REQUIRING IMMEDIATE DISENGAGEMENT.</p> <p>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"> <li>• adopt the CRAFT as a management system to identify and mitigate supply chain risks and as a planning instrument for its own development (i.e. application statement);</li> <li>• 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</li> </ul>	<p><b>Guidance:</b> These commitments have a dual purpose:</p> <p>They assemble as close as possible for AMPs the Five-step Framework of the OECD DDG, facilitating 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.</p>

<p>efforts;</p> <ul style="list-style-type: none"> <li>• establish and implement within no longer than six months after 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);</li> <li>• prepare a CRAFT report on the above risk assessment and risk mitigation (i.e. covering MODULE 4); and</li> <li>• accept at any moment a third-party verification, validating the statements of the CRAFT report(s).</li> </ul>	<p>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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Note: At this stage, and based on the AMP’s commitments, AMPs become eligible to engage in formal trade and BUYERS may start commercial relationships with the AMP.

### 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. It is therefore reasonable to believe that all Annex II risks that would require BUYERS to disengage or suspend engagement have been either successfully mitigated or controlled by satisfactory mitigation progress. The AMP can definitively join a CRAFT Scheme (as long as no Annex II risks reappear).

<p>Within no longer than one year after adhering to the CRAFT and applying to a CRAFT scheme, and as a requirement to continue in CRAFT scheme, the AMP must add to its application the following:</p>	<p><b>Guidance:</b> 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, 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><b>Guidance:</b> 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</p>	<p><b>Guidance:</b> At definitive affiliation level, it is expected that BUYERS engage with the AMP, sourcing regularly. For that purpose the AMP must be able to</p>

<p>and/or mineral commercialized by the AMP and/or its entities originates exclusively from the mine site(s) of the AMP.</p>	<p>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><b>Guidance:</b> 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"> <li>• ensuring the continued absence of “Annex II risks” which would require BUYERS to disengage immediately, and</li> <li>• ensuring that “Annex II risks” which would require BUYERS to disengage after unsuccessful mitigation efforts are currently being mitigated and remedied.</li> </ul>	<p><b>Guidance:</b> It is expected that CRAFT Schemes provide templates to prepare the CRAFT reports in a consistent manner.</p> <p>See CRAFT MODULE 3 on Requirements related to “Annex II risks” that require immediate disengagement.</p> <p>See CRAFT MODULE 4 on Requirements related to risks that require disengagement after unsuccessful mitigation efforts.</p>
<p>8. Declarations of <b>commitment</b> of the AMP to</p> <ul style="list-style-type: none"> <li>• continue adopting the CRAFT as a management system (i.e. application statement);</li> <li>• perform a risk assessment of issues beyond the “Annex II risks” (“non-Annex II risks”) and to establish and implement an “improvement plan” to mitigate and remediate identified “non-Annex II risks”;</li> <li>• prepare annually CRAFT reports on risk assessment and risk mitigation/remediation; and</li> <li>• continue to accept at any moment a third-party verification, validating the statements of the CRAFT report(s).</li> </ul>	<p><b>Guidance:</b> 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><b>Editorial note:</b> 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>

### 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><b>Guidance:</b> 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"> <li>Describe and evaluate the risk mitigation/remediation results achieved during the past year (i.e. achievements of the improvement plan).</li> </ul>	<p><b>Guidance:</b> 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"> <li>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).</li> </ul>	<p><b>Guidance:</b> 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 programmes. This is an opportunity for CRAFT Schemes to raise awareness among miners on priorities of their scheme or programme.</p>

## 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.<sup>11</sup> 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.

<sup>11</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. 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.

- 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.
  - 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.

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 publish (and promote) their CRAFT reports on their own, auto-declaring their status with the prefix “Independent” (i.e. “Independent Applicant”, “Independent Candidate”, or “Independent Affiliate”).

### **Performance Indicators for AMPs**

MODULE 1 and MODULE 2 of the CRAFT refer to affiliation requirements. 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.

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.

#### **Performance Indicator 1: Commitment**

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**

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)

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). Auditors 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 audit 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.

<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><b>“Legitimate artisanal and small-scale mining:</b> <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: <i>“...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.”</i></p>
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In determining legitimacy, the CRAFT distinguishes different contexts that may exist in the country where the AMP operates.

For each context, the CRAFT has established the below criteria for determining whether or not the requirement of legitimacy is fulfilled:

<u>Fulfilled Requirement</u>	<u>Progress towards Fulfillment of the Requirement</u>	<u>Fail Criteria</u>
<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 formalized/legalized and may be admitted into a CRAFT scheme that provides support for formalization.</p>	<p>Under its current circumstances, the AMP cannot be considered legitimate and can not be admitted into a CRAFT scheme.</p>

### Country Context Case 1:

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

- “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 proportion<sup>12</sup> 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

<sup>12</sup> See guidance at the end of the module

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"> <li>○ The AMP can prove with legally valid documents that it is making progress towards the legalization of its operation.</li> <li>○ 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.</li> </ul> <p><u>Incipient Progress towards Fulfillment of the Requirement:</u></p> <ul style="list-style-type: none"> <li>○ The AMP can prove with documents that it made efforts towards the legalization of its operation.</li> <li>○ 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.</li> </ul>	<ul style="list-style-type: none"> <li>○ 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.</li> <li>○ The AMP’s operation is not based on good faith: Its operation continues despite actions taken by the competent authorities against the AMP.</li> </ul>

**Country Context Case 2:**

**A legal framework for ASM exists, but it is neither actively implemented nor enforced.**

- “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 proportion<sup>13</sup> 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> <p><u>Alternative Fulfilled Requirement:</u></p> <ul style="list-style-type: none"> <li>○ The AMP can prove with documents its willingness to legalize its operation under national law.</li> <li>○ The AMP operates with authorizations under customary law</li> </ul>	<ul style="list-style-type: none"> <li>○ The AMP declares its willingness to legalize its operation under national law.</li> <li>○ 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</li> </ul>	<ul style="list-style-type: none"> <li>○ The AMP cannot provide any evidence of efforts towards the legalization of its operation.</li> <li>○ The AMP continues to operate despite clearly expressed and sustained opposition of traditional authorities, or of public or private stakeholders in the community.</li> </ul>

<sup>13</sup> See Guidance at the end of Module 2: Legitimacy of the AMP.

or operates with implicit local consent. No complaints are sustained by potentially affected public, private, or communitarian stakeholders. Conflicts are resolved as soon as they arise.	demonstrate progress in the respective negotiations.	
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**Country Context Case 3:**

**A specific legal framework for ASM does not exist.**

- “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><u>Alternative Fulfilled Requirement:</u></p> <ul style="list-style-type: none"> <li>○ The AMP has analysed the applicable laws and can justify the impossibility of legalization under the existing legal framework for all extractive activities.</li> <li>○ The AMP operates with authorization under customary law or operates with implicit local consent. No complaints are sustained by potentially affected public, private, or communitarian stakeholders. Conflicts are resolved as soon as they arise.</li> </ul>	<ul style="list-style-type: none"> <li>○ The AMP declares its willingness to legalize its operation.</li> <li>○ 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.</li> </ul>	<ul style="list-style-type: none"> <li>○ The AMP continues to operate despite clearly expressed and sustained opposition of traditional authorities, or of public, private, or communitarian stakeholders.</li> </ul>

**Country Context Case 4:**

**State-approved commercialization channels for informally produced ASM commodities are in place.**

- “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
<ul style="list-style-type: none"> <li>○ 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.</li> </ul> <p><u>Alternative Fulfilled Requirement:</u></p> <ul style="list-style-type: none"> <li>○ The AMP sells its production to or through a state-approved</li> </ul>	<ul style="list-style-type: none"> <li>○ 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.</li> <li>○ The AMP sustains a dialogue with traditional authorities, and with</li> </ul>	<ul style="list-style-type: none"> <li>○ The AMP attempts to bypass state-approved commercialization channels.</li> <li>○ The AMP continues to operate despite clearly expressed and sustained opposition of traditional authorities, or of public, private, or communitarian stakeholders.</li> </ul>

<p>commercialization channel, and</p> <ul style="list-style-type: none"> <li>○ The AMP operates with authorization under customary law or operates with implicit local consent. No complaints are sustained by potentially affected public, private, or communitarian stakeholders. Conflicts are resolved as soon as they arise.</li> </ul>	<p>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>	
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**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 to 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.

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 provides a list of serious human rights abuses (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 cannot 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 addressing the Annex II risks are structured according to the issues of the “Consolidated Framework of Sustainability Issues for Mining”<sup>14</sup> presented in Annex 2.

### Requirements

**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 1999) defines the worst forms of child labour as:

- *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*

While the CRAFT aims to eliminate all forms of child labour 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 mineral production.

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*

<sup>14</sup> Kickler & Franken (2017)

*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 production-related worst forms of child labour, such as carrying out any of the above-mentioned activities, while all other, less production-related aspects of worst forms of child labour are extensively covered in MODULE 5.

**Pass Criterion 1:**

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.

**Guidance:** The baseline assessment shall at least indicate:

- 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) and gender groups (boys and girls), and
- 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).

The results of the baseline assessment shall be disclosed in the CRAFT report.

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.

**Pass Criterion 2:**

The AMP can assure 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.

**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.

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.

**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.

**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:**

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.

**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.3/1.1.2/R.1** (addresses OECD 2016b, Annex II, par. 1.ii)

**It is reasonable to believe that the AMP is not linked to any forms of forced or compulsory labour.**

**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 himself voluntarily.

**Pass Criterion 1:**

The AMP can assure that any work or service of any person in its internal supply chain is performed under voluntary terms.

**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 himself voluntarily.

In its CRAFT report, the AMP shall describe the conditions of engagement of miners and confirm compliance with the pass criteria, i.e. that work of any person in the AMP is performed under voluntary terms.

**Pass Criterion 2:**

The AMP can assure 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.

**Guidance:** Clarification of terms:

- “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).

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.

In its CRAFT report, the AMP shall make a statement about conditions of disengagement of miners and confirm compliance with the pass criteria.

**Fail Criterion:**

The AMP cannot confirm the absence of any forms of forced or compulsory labour.

**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.

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

**M.3/1.1.3/R.1** (addresses OECD 2016b, Annex II, par. 1.iv)

**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 analyse and comment on the obtained testimonies, 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.

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

**M.3/1.1.5/R1** (addresses OECD 2016b, Annex II, par. 1.i)

**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, neither against miners nor against any other person (i.e. the community). It is not the intent of the requirement to exclude AMPs whose 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 analyse 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.

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

**M.3/2.1.7/R.1** (addresses scope of OECD 2016b)

**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 characterised 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 compliance 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.

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

**M.3/2.1.8/R.1** (addresses OECD 2016b, Annex II, par. 1.v)

**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, 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.

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

**M.3/2.1.8/R.2** (addresses OECD 2016b, Annex II, par. 3.i)

**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)

**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.

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. 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.

**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 analyse 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

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### 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 upstream suppliers 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 period<sup>15</sup> 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”<sup>16</sup> presented in Annex 2.

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.

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<sup>15</sup> 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.

<sup>16</sup> Developed by Kickler & Franken (2017)

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

**M.4/2.1.8/R.1** (addresses OECD 2016b, Annex II, par. 5)

**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.

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

**M.4/2.1.8/R.2** (addresses OECD 2016b, Annex II, par. 6)

**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.**

**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.

**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.

**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.

**Guidance:** In its CRAFT report the AMP shall describe the **“good relation”** with public or private security forces.

The CRAFT report shall provide information regarding all security forces present at the mine site and along the internal supply chain.

**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.

**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.

The CRAFT report shall provide information regarding all security forces present at the mine site and along the internal supply chain.

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 refuses obedience to public or private security forces (where these are acting within the framework of the law).

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

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

**M.4/2.1.8/R.3** (addresses OECD 2016b, Annex II, par. 7)

**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)<sup>17</sup>. 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.

<sup>17</sup> 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.

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

**M.4/2.1.8/R.4** (addresses OECD 2016b, Annex II, par. 8)

**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.**

**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.

**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.

**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.

**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.

**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.

Risk management plans shall consider engaging with central or local authorities, international organisations, and civil society organisations to seek their contribution to workable solutions.

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:**

Payments are made, but neither receipts nor internal records are kept.

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

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

**M.4/2.1.8/R.5** (addresses OECD 2016b, Annex II, par. 9)

**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).**

**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.

**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 on their mine site(s).

**Guidance:** Applies if an ASM support initiative or supply chain scheme has engaged with the AMP.  
 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.).

**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).

**Guidance:** Applies as long as no ASM support initiative or supply chain scheme has engaged with the AMP.  
 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:**  
 None

**Guidance:** See overall guidance above.

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

**M.4/2.2.1/R.1** (addresses OECD 2016b, Annex II, par. 11)

**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 keep 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.  
 --- 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:** 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 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)

**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). 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.

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 from a representative sample of individual persons.

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:** 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.

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

**M.4/2.2.1/R.3** (addresses OECD 2016b, Annex II, par. 13)

**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).**

**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.

**Pass Criterion (“mitigated”):**

The AMP discloses, or declares to be committed to disclose, payments to the national EITI.

**Guidance:** The CRAFT report of the AMP shall contain proof of disclosure, or the commitment to disclose if required.

**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.

**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 refuses to disclose payments to the national EITI.

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

**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).

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.

**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 are excluded or suspended from its supply chain.

**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)

**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)

**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”<sup>18</sup> 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.<sup>19</sup> 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.) occasionally and unknowingly frequented by miners (as by another citizen) 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.

<sup>18</sup> 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. ...”

<sup>19</sup> See FATF (<http://www.fatf-gafi.org/fag/moneylaundering/>): How is money laundered?

**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.

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

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### Preface

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**”.

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 recommend 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).

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). According to their own needs and support opportunities provided by CRAFT Schemes, AMPs may choose in their **improvement plans** (the commitments expressed in their CRAFT reports) to work during the year on one, more, or all improvements.

➔ *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. The CRAFT will only provide suggestions in the form of guidance. 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”<sup>20</sup> presented in Annex 2.

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.

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<sup>20</sup> 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 focuses on production-related worst forms of child labour in the internal supply chain of the AMP.

ILO 182, the Worst Forms of Child Labour Convention (ILO 1999), covers issues beyond workplace-related risks, defining the worst forms of child labour as:

- *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.*

This requirement complements requirement M.3/1.1.1/R.1, focusing on all forms of worst child labour in the perimeter of its operations.

**Controlled:**  
 Worst forms of child labour are eradicated. Having achieved the improvement related to this requirement, the High Risk is controlled.  
 --- and ---  
 The AMP is committed to proceeding with mitigation of Medium and Low Risks (MODULES 6 and 7).

**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.  
 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”.

Relating to all worst forms of child labour beyond those already covered in requirement M.3/1.1.1/R.1

The AMP has established a risk management plan for this risk to reduce and ultimately eradicate all forms of worst 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

**Guidance:** On a year-by-year basis, the AMP shall commit to steps towards mitigation and remediation of the risk and achieving the improvement.

Commitments and achievements shall be documented in the CRAFT report.

**Unaddressed**  
**Guidance:** 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.

**Controlled:**  
 Child labour is eradicated. Having achieved the improvement related to this requirement, the High Risk is controlled.  
 --- and ---  
 The AMP is committed to proceeding with mitigation of Medium and Low Risks (MODULES 6 and 7).

**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
<p>Persons younger than 15 years old are admitted to employment or allowed to work in any occupation.</p>	<p>The AMP has established a risk management plan for this risk to reduce and ultimately eradicate all forms of child labour.</p> <p>The AMP takes steps to demand schools from the government, and it progressively makes attendance to school mandatory for all children at its mine site.</p> <p><b>Guidance:</b> On a year-by-year basis, the AMP shall commit to steps towards mitigation of the risk and achieving the improvement.</p> <p>Recommended activities are:                      ...                      ...                      Commitments and achievements shall be documented in the CRAFT report.</p>

**Unaddressed**

**Guidance:** 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 in the workplace.**

**Guidance:** Verbal 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:**

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

--- and ---

The AMP is committed to proceeding with mitigation of Medium and Low Risks (MODULES 6 and 7).

**Guidance:** In principle, this risk should never be declared as “controlled” (except in the case of closed mining camps with male workers only, which face other risks), because considering the risk controlled may lead to decreased awareness of the issue.

**Progressing:**

Risk	Improvement
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<p>Verbal or physical violence against women is common and widespread in workplaces.</p>	<p>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.</p> <p><b>Guidance:</b> On a year-by-year basis, the AMP shall commit to steps towards mitigation of the risk and achieving the improvement.</p> <p>Recommended activities are:</p> <p>...</p> <p>...</p> <p>Commitments and achievements shall be documented in the CRAFT report.</p>
--	--

**Unaddressed**

**Guidance:** 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. Without limiting access to this mineral 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.  
 --- and ---  
 The AMP is committed to proceeding with mitigation of Medium and Low Risks (MODULES 6 and 7).

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

**Progressing:**

Risk	Improvement
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<p>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.</p>	<p>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.</p> <p><b>Guidance:</b> On a year-by-year basis, the AMP shall commit to steps towards mitigation of the risk and achieving the improvement.</p> <p>Recommended activities are:                      ...                      ...                      Commitments and achievements shall be documented in the CRAFT report.</p>
--	--

**Unaddressed**

**Guidance:** 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 1948) stipulates that “*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.*”

**Controlled:**

The AMP's decisions are not based on discriminatory criteria. Having achieved the improvement related to this requirement, the High Risk is controlled.

--- and ---

The AMP is committed to proceeding with mitigation of Medium and Low Risks (MODULES 6 and 7).

**Guidance:** An anti-discrimination policy is developed, adopted, and put into effect.

**Progressing:**

**Risk**

**Improvement**

Discrimination due to “race, color, sex, language, religion, political or another opinion, national or social origin, property, birth or another status”<sup>21</sup> may be common.

Within its organizational boundaries<sup>22</sup>, 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.<sup>23</sup>

**Guidance:** On a year-by-year basis, the AMP shall commit to steps towards mitigation of the risk and achieving the improvement.

Recommended activities are:

...

...

Commitments and achievements shall be documented in the CRAFT report.

**Unaddressed**

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

<sup>21</sup> Universal Declaration of Human Rights (UN 1948)

<sup>22</sup> E.g. Indigenous miner groups, women miner groups, community mining groups, etc.

<sup>23</sup> 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  
**1.3.3 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.  
 --- and ---  
 The AMP is committed to proceeding with mitigation of Medium and Low Risks (MODULES 6 and 7).

**Guidance:** Simple local mine safety rules are developed, and individual members (miners) know the rules and work according to the rules.

**Progressing:**

Risk	Improvement
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<p>Accidents in the mine are frequent.</p>	<p>The AMP, as part of its formalization progress (see 5.2.1/M.5/R.1), develops and implements mandatory basic safety rules (aligned with national mine safety regulations) for its members, prioritizing mine safety hazards in order of their occurrence.</p> <p><b>Guidance:</b> On a year-by-year basis, the AMP shall commit to steps towards mitigation of the risk and achieving the improvement.</p> <p>Recommended activities are:</p> <p>...</p> <p>...</p> <p>...</p> <p>Commitments and achievements shall be documented in the CRAFT report.</p>
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**Unaddressed**

**Guidance:** 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  
**1.3.4 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.

--- and ---

The AMP is committed to proceeding with mitigation of Medium and Low Risks (MODULES 6 and 7).

**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.

**Guidance:** On a year-by-year basis, the AMP shall commit to steps towards mitigation of the risk and achieving the improvement.

Recommended activities are:

...  
 ...  
 ...

Commitments and achievements shall be documented in the CRAFT report.

**Unaddressed**

**Guidance:** 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.  
 --- and ---  
 The AMP is committed to proceeding with mitigation of Medium and Low Risks (MODULES 6 and 7).

**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
------	-------------

<p>The entire mined ore (alluvial sediments or hard rock mineral) is amalgamated without any pre-concentration (“whole ore amalgamation”).</p>	<p>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.</p> <p><b>Guidance:</b> On a year-by-year basis, the AMP shall commit to steps towards mitigation of the risk and achieving the improvement.</p> <p>Recommended activities are:</p> <p>...</p> <p>...</p> <p>...</p> <p>Commitments and achievements shall be documented in the CRAFT report.</p>
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**Unaddressed**  
**Guidance:** 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.  
 --- and ---  
 The AMP is committed to proceeding with mitigation of Medium and Low Risks (MODULES 6 and 7).

**Guidance:** Amalgam burning is only done in retorts or under fume hoods equipped with mercury capturing filters.

**Progressing:**

Risk	Improvement
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<p>Amalgam burning is done without the use of any kind of mercury recovery device.</p>	<p>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.</p> <p><b>Guidance:</b> On a year-by-year basis, the AMP shall commit to steps towards mitigation of the risk and achieving the improvement.</p> <p>Recommended activities are:</p> <p>...</p> <p>...</p> <p>...</p> <p>Commitments and achievements shall be documented in the CRAFT report.</p>
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**Unaddressed**  
**Guidance:** 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.  
 --- and ---  
 The AMP is committed to proceeding with mitigation of Medium and Low Risks (MODULES 6 and 7).

**Guidance:** Amalgam burning is not done inside homes or near residential areas.

**Progressing:**

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

<p>Amalgam burning takes place in residential areas such as in the homes of miners or typical downtown gold shops.</p>	<p>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.</p> <p><b>Guidance:</b> On a year-by-year basis, the AMP shall commit to steps towards mitigation of the risk and achieving the improvement.</p> <p>Recommended activities are:                      ...                      ...                      ...</p> <p>Commitments and achievements shall be documented in the CRAFT report.</p>
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**Unaddressed**  
**Guidance:** 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 has 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:**

The amalgamated material is not leached, or is only leached after prior removal of mercury. Having achieved the improvement related to this requirement, the High Risk is controlled.

--- and ---

The AMP is committed to proceeding with mitigation of Medium and Low Risks (MODULES 6 and 7).

**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.

By replacing amalgamation with a mercury-free processing method (e.g. gravimetric or whole ore leaching), material that enters the leaching process is free of mercury.

--- or ---

Amalgamation tailings are pre-processed before leaching, in order to remove mercury residues.

**Guidance:** On a year-by-year basis, the AMP shall commit to steps towards mitigation of the risk and achieving the improvement.

Recommended activities are:

...  
 ...  
 ...

Commitments and achievements shall be documented in the CRAFT report.

**Unaddressed**

**Guidance:** 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.  
 --- and ---  
 The AMP is committed to proceeding with mitigation of Medium and Low Risks (MODULES 6 and 7).

**Guidance:** Typical examples of the controlled criterion are former gold rush camps, where after the rush cooled down the miners became residents and part of the community.

**Progressing:**

Risk	Improvement
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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.  
**Guidance:** On a year-by-year basis, the AMP shall commit to steps towards mitigation of the risk and achieving the improvement.  
 Recommended activities are:  
 ...  
 ...  
 ...  
 Commitments and achievements shall be documented in the CRAFT report.

**Unaddressed**  
**Guidance:** 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 be in place.

**Controlled:**

Decision-making structures are in place. Having achieved the improvement related to this requirement, the High Risk is controlled.

--- and ---

The AMP is committed to proceeding with mitigation of Medium and Low Risks (MODULES 6 and 7).

**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 consensus to be reached and accepted by all members.

**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 consensus-based decision making, and these decision-making structures are operational and functional.

**Guidance:** On a year-by-year basis, the AMP shall commit to steps towards mitigation of the risk and achieving the improvement.

Recommended activities are:

...

...

...

Commitments and achievements shall be documented in the CRAFT report.

**Unaddressed**

**Guidance:** 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,<sup>24</sup> 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.  
 --- and ---  
 The AMP is committed to proceeding with mitigation of Medium and Low Risks (MODULES 6 and 7).

**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. <b>Guidance:</b> On a year-by-year basis, the AMP shall commit to steps towards mitigation of the risk and achieving the improvement. Recommended activities are: ... ... ... Commitments and achievements shall be documented in the CRAFT report.

**Unaddressed**

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

<sup>24</sup> (Villegas et al. 2012)

**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:**  
 Any conflict over land use among mining, ranching, and farming has been resolved. Having achieved the improvement related to this requirement, the High Risk is controlled.  
 --- and ---  
 The AMP is committed to proceeding with mitigation of Medium and Low Risks (MODULES 6 and 7).

**Guidance:** The AMP has reached a consensus with farmers and ranchers about land use.

**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 risk and impact management plan for the coexistence of the AMP's mining operation with farming or ranching has been developed, impacts of ASM operations have been assessed, and a participatory process to reach a consensus with farmers and ranchers about land use during the life of the mine and post-mining usage has been implemented.<sup>25</sup>

**Guidance:** On a year-by-year basis, the AMP shall commit to steps towards mitigation of the risk and achieving the improvement.

Recommended activities are:  
 ...  
 ...  
 ...  
 Commitments and achievements shall be documented in the CRAFT report.

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

<sup>25</sup> This refers to the agreement on principles of post-mining usage. Requirements related to mine site rehabilitation will be covered in Module 6. Although “devastated mining land” might be visually very disturbing, natural re-vegetation can often be observed after one or two decades. It is therefore treated as a medium risk.

**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.**

**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.

**Controlled:**  
 Having achieved the improvement related to this requirement, the High Risk is controlled.  
 --- and ---  
 The AMP is committed to proceeding with mitigation of Medium and Low Risks (MODULES 6 and 7).

**Guidance:** Mining activities of the AMP and adjacent LSM operations co-exist and coordinate their activities. CRAFT Schemes may play an important role in facilitating the dialogue between ASM and LSM.

**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.  <b>Guidance:</b> On a year-by-year basis, the AMP shall commit to steps towards mitigation of the risk and achieving the improvement.  Recommended activities are: ... ... ... Commitments and achievements shall be documented in the CRAFT report.
---	--

**Unaddressed**

**Guidance:** 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.**

**Guidance:** Applies mainly to alluvial mining and, in the case of hard rock mining, to processing plants that are part of the AMP.

This requirement is about access to and use of water. Requirements regarding water quality are covered in category 4 (requirements M.5/4.2.2/R.1 and M.5/4.2.2/R.2).

**Controlled:**  
 Having achieved the improvement related to this requirement, the High Risk is controlled.  
 --- and ---  
 The AMP is committed to proceeding with mitigation of Medium and Low Risks (MODULES 6 and 7).

**Guidance:** The AMP has reached a consensus with non-mining stakeholders about an equitable distribution of water resources.

**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 risk and impact management plan for the coexistence of the AMP's mining operations with other water users is developed. Impacts of ASM operations are assessed and a participatory process to reach consensus is established.  <b>Guidance:</b> On a year-by-year basis, the AMP shall commit to steps towards mitigation of the risk and achieving the improvement.  Recommended activities are: ... ... ... Commitments and achievements shall be documented in the CRAFT report.
---	---

**Unaddressed**  
**Guidance:** 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 that put the livelihoods of other water users at risk.**

**Guidance:** Applies mainly to alluvial mining and, in the case of hard rock mining, to processing plants that are part of the AMP.

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

Chemical pollutants are covered in requirement M.5/4.2.2/R.2.

**Controlled:**  
 Having achieved the improvement related to this requirement, the High Risk is controlled.  
 --- and ---  
 The AMP is committed to proceeding with mitigation of Medium and Low Risks (MODULES 6 and 7).

**Guidance:** The level of contamination of water bodies with suspended solids 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.

**Progressing:**

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

Wastewater from mining operations or processing plants directly discharged into water bodies may contain a high content of suspended solids (slurries, slimes, sand, etc.). Elevated contamination with suspended solids puts at risk the health and livelihoods of others who use this water for human consumption, farming, ranching, or fishing.	The AMP has a technical improvement plan in place and implements it. The impact of suspended solids on other water users is evaluated, contamination of waste water with suspended solids is monitored, and technical improvements to reduce emissions of suspended solids are designed and implemented.
---	--

The AMP has a technical improvement plan in place and implements it. The impact of suspended solids on other water users is evaluated, contamination of waste water with suspended solids is monitored, and technical improvements to reduce emissions of suspended solids are designed and implemented.	<p><b>Guidance:</b> On a year-by-year basis, the AMP shall commit to steps towards mitigation of the risk and achieving the improvement.</p> Recommended activities are: ... ... ... Commitments and achievements shall be documented in the CRAFT report.
--	--

**Unaddressed**  
**Guidance:** 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: Waste Water & Water Quality

**M.5/4.2.2/R.2**

**The AMP avoids serious contamination of water bodies with chemicals and fuel residues that put the community health and livelihoods of other water users at risk.**

**Guidance:** 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 chemicals and fuel residues, expressing the need to reduce contamination to moderate levels. Requirements to further reduce contamination with chemicals and fuel residues will be covered in MODULE 6 and elimination of contamination in MODULE 7.

**Controlled:**  
 Having achieved the improvement related to this requirement, the High Risk is controlled.  
 --- and ---  
 The AMP is committed to proceeding with mitigation of Medium and Low Risks (MODULES 6 and 7).

**Guidance:** The level of contamination of water bodies with 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.

**Progressing:**

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

Wastewater from mining operations and processing plants directly discharged into water bodies may contain residues of chemicals (such as cyanide) or fuel oils at concentrations that put at risk the health and livelihoods of others that use this water for human consumption, farming, ranching, or fishing.	The AMP has a technical improvement plan in place and implements it. The impact of chemicals and fuel residues on other water users is evaluated, contamination of waste water with chemicals and fuel residues is monitored, and technical improvements to reduce emissions of chemicals and fuel residues are designed and implemented.
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Wastewater from mining operations and processing plants directly discharged into water bodies may contain residues of chemicals (such as cyanide) or fuel oils at concentrations that put at risk the health and livelihoods of others that use this water for human consumption, farming, ranching, or fishing.	The AMP has a technical improvement plan in place and implements it. The impact of chemicals and fuel residues on other water users is evaluated, contamination of waste water with chemicals and fuel residues is monitored, and technical improvements to reduce emissions of chemicals and fuel residues are designed and implemented.
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**Guidance:** On a year-by-year basis, the AMP shall commit to steps towards mitigation of the risk and achieving the improvement.

Recommended activities are:

...  
 ...  
 ...

Commitments and achievements shall be documented in the CRAFT report.

**Unaddressed**

**Guidance:** 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

<p>environmental aspects of the AMP’s operation. This is to be covered under this CRAFT requirement.</p> <p>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.</p> <p>Aspects related to full employment formalization (dependent on fully formalized employers) and aspects of corporate social responsibility will be covered in MODULE 7.</p>	
<p><b>Controlled:</b></p> <p>Having achieved the improvement related to this requirement, the High Risk is controlled.</p> <p style="text-align: center;">--- and ---</p> <p>The AMP is committed to proceeding with mitigation of Medium and Low Risks (MODULES 6 and 7).</p>	<p><b>Guidance:</b> The AMP has accomplished and completed all required steps for legalizing and formalizing its mining operation, as required by national law.</p>
<p><b>Progressing:</b></p>	
<p><b>Risk</b></p>	<p><b>Improvement</b></p>
<p>Next steps of formalization, fulfilling other requirements than those related to mineral extraction (i.e. apart of elementary legitimacy)<sup>26</sup>, are still pending.</p>	<p>The AMP has undertaken all possible steps of formalization, as required by national law.</p> <p><b>Guidance:</b> On a year-by-year basis, the AMP shall commit to steps towards mitigation of the risk and achieving the improvement.</p> <p>Recommended activities are:</p> <p>...</p> <p>...</p> <p>...</p> <p>Commitments and achievements shall be documented in the CRAFT report.</p>
<p><b>Unaddressed</b></p> <p><b>Guidance:</b> The risk needs to be assessed, and if present, mitigation measures need to be taken.</p>	

<sup>26</sup> Legitimacy is covered in Module 3.

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.  
 --- and ---  
 The AMP is committed to proceeding with mitigation of Medium and Low Risks (MODULES 6 and 7).

**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 entirely internal procedure (carefully avoiding conflicts of interest) or involve independent external stakeholders (e.g. from the community).

**Progressing:**

Risk	Improvement
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<p>Conflicts with other stakeholders affected by mining activities of the AMP tend to escalate frequently.</p>	<p>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 and establishes a basic procedure for how to address complaints.</p> <p><b>Guidance:</b> On a year-by-year basis, the AMP shall commit to steps towards mitigation of the risk and achieving the improvement.</p> <p>Recommended activities are:</p> <p>...</p> <p>...</p> <p>...</p> <p>Commitments and achievements shall be documented in the CRAFT report.</p>
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**Unaddressed**

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

## **MODULE 6: MEDIUM RISKS REQUIRING IMPROVEMENT**

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This chapter is a placeholder.

Requirements will be developed in later versions of the CRAFT.

## **MODULE 7: LOW RISKS REQUIRING IMPROVEMENT**

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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

	Applicant	Candidate	Affiliate	Affiliate (renewal)
<b>ENGAGEMENT LEVEL</b>	<b>Start receiving support</b>	<b>Engagement with formal markets (commercial relationships)</b>	<b>Continued commercial relationship</b>	<b>Continued commercial relationship</b>
<b>MODULE 1: SCOPE AND AFFILIATION</b>	Applied for scheme participation	Updated with increased details	Updated with further increased details	Updated with further increased details
<b>MODULE 2: LEGITIMACY OF THE AMP</b>		Evidence provided	Updated	Updated
<b>MODULE 3: ANNEX II RISKS REQUIRING IMMEDIATE DISENGAGEMENT</b>		Risks assessed and found absent (pass)	Risks assessed and found absent (pass)	Risks assessed and found absent (pass)
<b>MODULE 4: ANNEX II RISKS REQUIRING DISENGAGEMENT AFTER UNSUCCESSFUL MITIGATION</b>		Risks assessed	Risks assessed and found absent (pass) or with satisfactory mitigation progress	Risks assessed and found absent (pass) or with satisfactory mitigation progress
<b>MODULE 5: NON-ANNEX II HIGH RISKS REQUIRING IMPROVEMENT</b>			Risks assessed and improvement plan (commitments) established	Further risks assessed and improvement plan (commitments) under implementation
MODULE 6, MODULE 7 (in future versions of the CRAFT)				

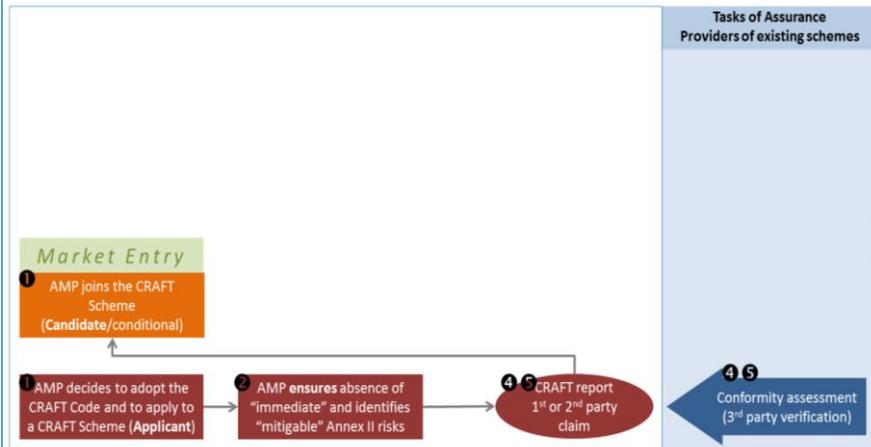
### CRAFT: Tasks of ASM Mineral Producers

- 1 Establish management system    2 Assess risks, 3 Mitigate risks    4 Audit outcomes 5 Report progress



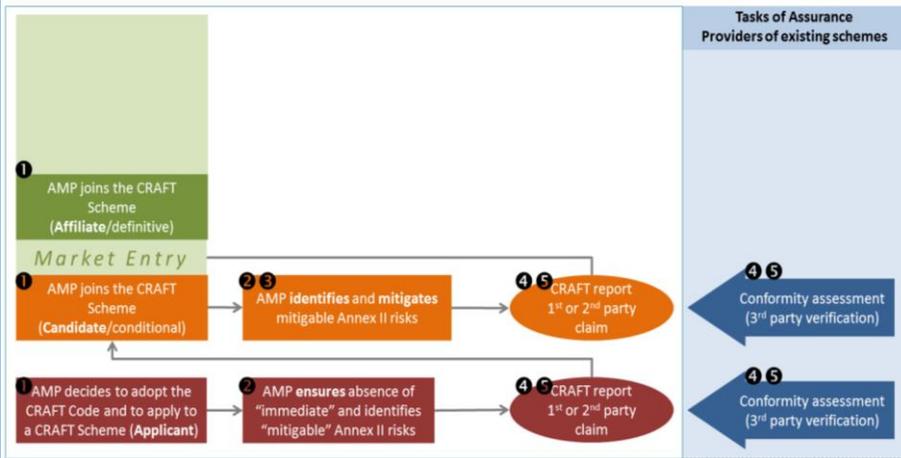
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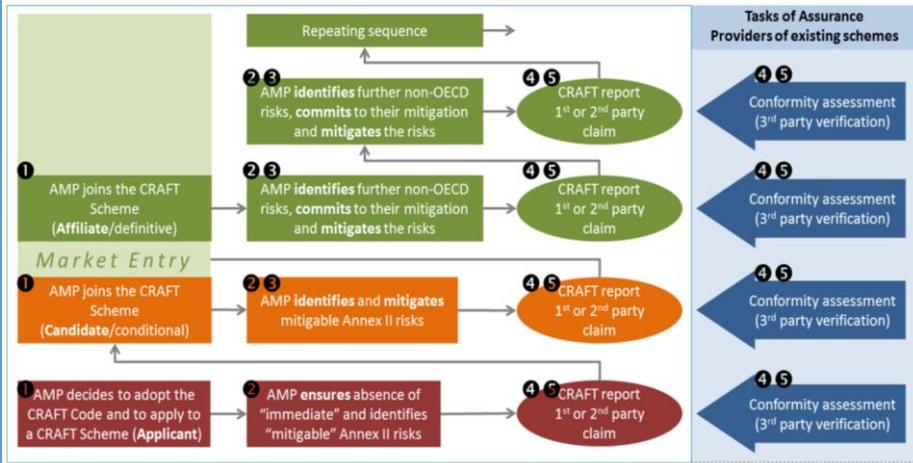
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## Annex 2: Structuring the Code's Requirements

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 2).

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 2 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 the identified 86 sub-issues among all 5 categories (Figure 3). 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 3) 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. But at the levels of non-Annex II risks, all other issues gain 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 need to be addressed in the long term, mitigating medium and low non-Annex II risks. 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.**

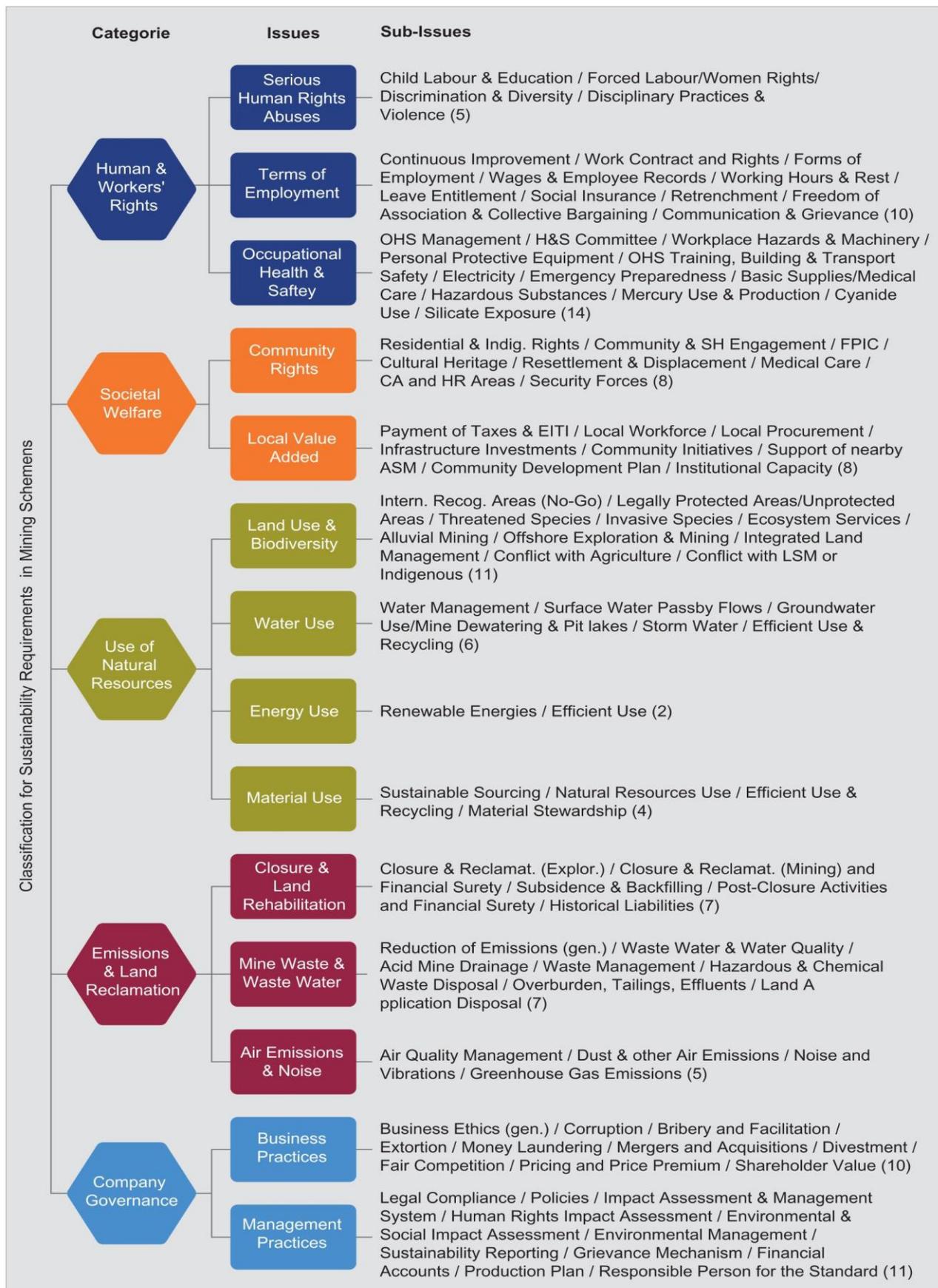


Figure 3: Categories, issues and sub-issues of the Consolidated Framework of Sustainability Issues for Mining. (Kickler & Franken 2017)