



CRAFT

CRAFT 2.1 – final draft

Code Volume 3

Guiding Principles for CRAFT Schemes

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

This final draft version has been approved by the CRAFT governance bodies (Standard Committee and ARM Board of Directors). It is intended to be enacted and published after passing an independent alignment assessment with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals. Final proof-reading and administrative edits addressing issues identified during the alignment assessment are pending.

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

Contact: standards@responsiblemines.org

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



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

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1. Introduction

For a general introduction to CRAFT, please see Volume 1. For the CRAFT requirements that ASM mineral producers (AMPs) are expected to comply with, please see Volume 2 (2A and 2B).

Several of the requirements for AMPs have implications for CRAFT Schemes. **This Volume 3** intends to reflect these requirements from the viewpoint of CRAFT Schemes and provides clarifications regarding implications of the open-source characteristics as well as on CRAFT related communication.

Background information on each requirement, explanatory notes, examples, and suggested tools are contained in **Volume 4** (Guidance Book).

For clarifying the role of CRAFT Schemes, the following aspects are relevant:

- **The CRAFT expects to be a tool principally for AMPs**, to empower them in understanding and complying with market expectations, in order to provide them with better access to formal markets.
- **The CRAFT also expects to be key for BUYERS**, for managing the risks in their supply chain and improving sourcing opportunities from the ASM supply chain. While the purpose of CRAFT is not to substitute the BUYER's responsibility for carrying out due diligence and even less to shift this responsibility to the AMPs, **CRAFT has a huge potential to simplify due diligence**. With AMPs preparing CRAFT Reports containing verifiable claims on presence, absence and mitigation progress of risks, complexity of due diligence can be significantly reduced to verifying these verifiable claims, instead of conducting extensive risk assessments from scratch.
- **The CRAFT Code is open source** under the Creative Commons license CC-BY-SA. Due to the terms of this open-source license, the code maintainer of the CRAFT Code has very limited control over who uses the code, for which purpose, and under which conditions, as long as the open source licensing terms of CC BY-SA 4.0 are respected.
- **Open source provides clear rules**. As defined in Volume 1, *“supply chain schemes that incorporate and use the CRAFT for sourcing from ASM or for supporting ASM development are referred to as **CRAFT Schemes**”*. This refers to **this** version of the CRAFT Code (also referred to as “Core version”), issued by the Code maintainer, which in this case must be incorporated or used without any modification such as adding, modifying or dropping requirements for AMPs.
- **Open source provides flexibility**. Where supply chain schemes wish to implement and use the CRAFT Code with added, modified, or dropped requirements for AMPs or beyond its scope, the CC-BY-SA license applies. For such cases, the CC-BY-SA license allows to developing an adapted (localized or branched)² version of CRAFT. Such an adapted version shall be published under the same open-source terms (Share-Alike term of the license) and an **adapted CRAFT Scheme** implementing the adapted version may be established, communicating explicitly that it is based on an adapted (localized or branched) version of the CRAFT Code (Attribution term of the license). For further details see chapter 4.

² See chapter 4 on these terms.

Evolution of the CRAFT Code related to CRAFT Schemes

Version 1.0 of CRAFT Code, was developed as a voluntary sustainability standard, intended as a progressive performance standard for ASM mineral producers (AMPs). To facilitate the engagement of AMPs with formal markets, the concept of CRAFT Schemes was introduced. Experience with CRAFT version 1.0 however showed that **AMPs, able to implement the CRAFT on their own, are the exception rather than the rule.**

Version 2.0 maintained the approach to empower and encourage AMPs to implement the CRAFT on their own but recognized that the role of CRAFT Schemes, supporting AMPs in their task to conform with the CRAFT, is pivotal. For greater consistency between CRAFT Schemes, version 2.0 therefore introduced this Volume 3, providing Guiding Principles to which CRAFT Schemes are expected to abide. These principles have the purpose to define **clear rules of engagement of BUYERS with AMPs** to provide AMPs with clarity on what to expect and to ensure a **consistent application of the CRAFT Code that creates confidence in the market** about CRAFT-related claims.

Version 2.1 of CRAFT was then developed as a minor revision, after having identified the potential of the CRAFT Code to serve as a framework for Upstream Assurance Mechanisms (UAM) that could fill the gap between the audit scope of Institutionalized Mechanisms (pinch points such as smelter or refiner according to the OECD Minerals Guidance)³ and the organizational scope of the AMP as defined in the CRAFT Code.

The CRAFT Code defines CRAFT Schemes as *“Supply chain schemes that incorporate and use the CRAFT for sourcing from ASM or for supporting ASM development”*. Supply chain schemes that *source from ASM* may embrace all supply chain actors in the above-mentioned gap, such as traders, processors, consolidators, exporters etc. sourcing from ASM. These actors can be seen as “CRAFT Scheme Members”. By following an optional, clear, binding and OECD-aligned set of rules for the supply chain segment between the AMP and the pinch point of smelters or refiners, a CRAFT Scheme can evolve into an Upstream Assurance Mechanisms (UAM).

To cover this application scenario of CRAFT Schemes that aim for providing upstream assurance (“CRAFT UA-Schemes”), version 2.1 adds an **optional** chapter on *Specific Requirements for CRAFT UA-Schemes* (new chapter 3). Adding such an optional chapter implies no change for use cases of existing CRAFT Schemes that do not have the aspiration to become an UAM. It also implies no modification of intent or scope. This justified the amendment of CRAFT as part of the minor revision 2.1.

³ The conceptual applicability of CRAFT is not limited to minerals which undergo a smelting or refining process. E.g., since version 2.0 coloured gemstones are in the commodity scope. In such cases, the term “pinch point” may not be as clearly defined as in case of metallic commodities. In general, the pinch point is the point in the supply chain where the material from the upstream supply chain enters the downstream supply chain. In general, pinch points are characterized by the confluence of mined material from many upstream sources and the distribution of the mineral product to many downstream users. Typically, Institutionalized Mechanisms require audits at this point in the supply chain (e.g. the “Global workplace responsible sourcing, environmental, health and safety due diligence standard for mica processors” by the Responsible Business Alliance and the Responsible Mica Initiative defines the “processor” as its pinch point). In case of coloured gemstone supply chains it could be the gemstone exporter or the gemstone cutting centre, or a similar type of supply chain actors to be defined by a CRAFT Scheme.

2. General Guiding Principles for CRAFT Schemes

The General Guiding Principles outlined in this chapter are considered good practice. CRAFT Schemes are expected to perform according to these Guiding Principles, **particularly if they make public claims related to the use or implementation of CRAFT.**

2.1 Engagement with AMPs

AMPs usually engage with CRAFT Schemes with the **expectation to obtain support for improving mining practices and for engaging with formal markets.**

As outlined in Volume 1, the process of AMPs affiliating to a CRAFT Scheme is progressive, according to the stepwise approach of CRAFT, with two levels of adherence: Candidate and Affiliate.

In practice, the driving force often comes from the downstream. In most cases CRAFT Schemes reach out to AMPs, to incorporate them into their supply chain or programme.

CRAFT Schemes are expected to support AMPs with whom they engage, by guiding them in their process towards CRAFT conformance.

1. **Candidate status** of an AMP corresponds hereby to the **initial phase of engagement**, where CRAFT Schemes evaluate whether the AMP is legitimate (MODULE 2) and if “Annex II risks” are present that require immediate disengagement, i.e. that impede sourcing from the AMP (MODULE 3).

CRAFT Schemes are expected to support AMPs by starting to facilitate commercial engagement with formal markets as soon as all risks in MODULE 3 are found absent.

2. **Affiliate status** of an AMP corresponds to an **advanced stage of engagement**, where CRAFT Schemes have obtained reasonable certainty that all Annex II risks requiring disengagement after unsuccessful mitigation efforts (MODULE 4) are:
 - a. controlled or
 - b. measurable progress of risk mitigation can be demonstrated within 6 months from the commercial engagement of a BUYER with the AMP.

At affiliate level, AMPs are required to **periodically assess** the non-Annex II risks covered in MODULE 5, prioritize those risks and issues which the Members of the AMP consider most important to address, and commit to measurable progress in their mitigation during the upcoming reporting period.

Risks covered by MODULE 3 and 4 are obligatory to address. Non-OECD risks covered by MODULE 5 however, provide room for guidance on prioritization by the CRAFT Scheme. Risks on which the CRAFT Scheme offers support are likely to become the risks and issues which the members of the AMP consider most important to address.

The use of the terms *Candidate* or *Affiliate* is not binding. CRAFT Schemes may use their own descriptors and may add further status levels as needed; e.g. the applicant status from version 1.0 or higher levels for AMPs that have advanced well into MODULE 5. Notwithstanding, **it is expected that CRAFT Schemes maintain the stepwise approach of CRAFT**, with a breakpoint at MODULE 3, where commercial engagement of AMPs with formal markets aligned with the OECD Minerals Guidance becomes possible.

2.2 Support to AMPs to achieve Risk Mitigation

2.2.1 Expected Support to AMPs to accomplish Module 1

If CRAFT Schemes reach out to AMPs to incorporate them into their supply chain or programme, the CRAFT Scheme shall evaluate if the AMP falls into the scope of CRAFT and if the organizational setup of the AMP is suitable for commercial engagement.

As applicable, CRAFT Schemes might **start supporting AMPs to establish and strengthen their organizational structure** in this very early stage of engagement.

2.2.2 Expected Support to AMPs to accomplish Module 2

Except in probably exceptional cases, where an AMP's **operation is legal, counting on all public or private documents that authorize its operation, determination of legitimacy** based on the four Country Case scenarios of MODULE 2 might be difficult for the AMP.

The initial phase of engagement of CRAFT Schemes with AMPs, evaluating whether the AMP is legitimate, is expected to provide the AMP with guidance to accomplish MODULE 2.

2.2.3 Expected Support to AMPs to accomplish Module 3

For some of the requirements in MODULE 3, it might be difficult for AMPs to obtain evidence to make verifiable claims. In some cases, where the Members of the AMP are victims of human rights abuses by non-state armed groups, the attempt of assessment of these crimes may even put their physical integrity at life-threatening risk.

CRAFT Schemes may count on tools or contacts to access sensitive conflict-related information, which AMPs do not have. CRAFT Schemes are expected to **support AMPs to the extent possible with the collection of evidence** to accomplish MODULE 3.

2.2.4 Expected Support to AMPs to accomplish Module 4

For some of the requirements in MODULE 4, it might also be difficult for AMPs to obtain evidence to make verifiable claims. Where the Members of the AMP are victims of human rights abuses by state armed groups, the attempt of assessment of these crimes may even put their physical integrity at life-threatening risk. Particularly in their relation to public security forces, ASM miners are usually the victims of abuses and extortion and extremely vulnerable. Where risks are identified, risk management plans to mitigate the risks can hardly ever be implemented by AMPs on their own.

Assessments and particularly the implementation of risk management plans, which are requirements for AMPs in Volume 2A, are in practice a shared responsibility of AMPs and CRAFT Schemes. CRAFT Schemes are expected to support AMPs to the extent possible with the collection of evidence and the implementation of risk management plans, as required to accomplish MODULE 4.

2.2.5 Expected Support to AMPs to accomplish Module 5

MODULE 5 is progressive and aspirational and not addressing any of the issues that require conformity of supply chains with the OECD Minerals Guidance to access formal markets. Notwithstanding, by not addressing these risks and not improving work practices, AMPs miss out on their own development opportunities. CRAFT is intentionally not prescriptive on sequencing

and prioritizing improvements of risks in MODULE 5. CRAFT is also not prescriptive on the number of improvements to be pursued simultaneously.

MODULE 5 is an **opportunity for CRAFT Schemes to proactively contribute to responsible ASM mining practices, responsible supply chains and sustainable development (e.g. the indicators of Sustainable Development Goals)**. CRAFT Schemes are encouraged to contribute to their development agenda (economic, environmental and social issues which they intend to be addressed as a priority in their supply chain) but expected to simultaneously respect the development priorities of the AMPs they work with.

2.3 The CRAFT Report and Due Diligence

2.3.1 Expected Support to AMPs to prepare their CRAFT Report

For assurance of conformity, CRAFT only relies on first and second party verification. First-party verification (by Miners) and/or second-party verification (by Processors or Aggregators) is formally the responsibility of the AMP, which is required to document the findings and commitments in its CRAFT Report, as described in Volume 1, chapter 4.1.

As indicated in chapter 2.1, in practice and most cases, CRAFT Schemes reach out to AMPs, to incorporate them into their supply chain or programme. Alongside with providing the expected support, as outlined in chapter 2.2, CRAFT Schemes (mainly those that provide due diligence as an added value service beyond the scope of the CRAFT) may be tempted to “shortcut” the CRAFT Report and produce a third-party due diligence report instead.⁴

While this approach is fit for the purpose of facilitating access to formal markets for AMPs, and therefore aligned with the “market entry” focus of CRAFT, it is not entirely aligned with the overall **intent of CRAFT to empower AMPs in understanding and complying with market expectations and due diligence needs**.

Additionally, by shortcutting the CRAFT Report, the CRAFT Scheme misses the opportunity to train the AMP in the application of the Five-Step Framework⁵, particularly in risk assessment (step 2), risk mitigation (step 3), verification (step 4) and reporting (step 5). As due diligence is not a one-time effort but “*an on-going, proactive and reactive process*”, the main benefit of CRAFT for CRAFT Schemes, which is reducing due diligence efforts to mainly *verifying the claims made in the CRAFT reports*, will never be achieved.

Consequently, CRAFT Schemes should provide advice on **how to prepare the report by providing templates, tools and additional guidance**.

As much as possible of the CRAFT Report should be contributed by the AMP. Even in case of grassroots AMPs that are not able to carry out a self-assessment (e.g. in areas with high illiteracy), the CRAFT Report should reflect a **self-declaration of the AMP**, i.e. the CRAFT Report (if produced by external advisors) should be validated by the AMP and “owned” by the AMP in the sense that it reflects what they say about themselves.

⁴ Observation from CRAFT 1.0 implementation.

⁵ OECD Minerals Guidance – 5-Step Framework for Upstream and Downstream Supply Chain: 1. Strong company management systems 2. Identify & Assess risks in supply chain 3. Manage risks 4. Audit of smelter/refiner due diligence practices 5. Publicity report on Due Diligence.

2.3.2 Use of the CRAFT Report for Due Diligence

As indicated in Volume 1, **CRAFT Schemes have no obligation to carry out due diligence or verification of the content of CRAFT Reports.** Their responsibility is to monitor the affiliation status of AMPs based on completeness of the CRAFT Reports presented by the AMP. As per the **OECD Minerals Guidance, due diligence is the responsibility of the supply chain** actors that source or wish to source from ASM (i.e. BUYERS), not the responsibility of the ASM sector or CRAFT Schemes, unless the Scheme owner is a BUYER or if the CRAFT Scheme aspires to act as Upstream Assurance Mechanisms (UAM). For this usage case of CRAFT see chapter 3.

However, CRAFT Schemes may carry out due diligence or third-party verification as seen **appropriate.**

Due diligence based on CRAFT is expected to consist mainly of the verification of the verifiable claims or findings and commitments in the CRAFT Report; applying additional instruments and means of verification beyond CRAFT as needed.

3. Optional Specific Requirements for CRAFT Upstream Assurance Schemes (UA-Schemes)

Introduction

Some CRAFT Schemes might aspire to act as Upstream Assurance Mechanisms (UAM) and/or even obtain recognition as UAMs through an OECD Alignment Assessment.

For a CRAFT Scheme to act as an UAM (a “**CRAFT UA-Scheme**” or simply “**UA-Scheme**”), the UA-Scheme’s supply chain – originating from the AMP all along the way down to the smelter or refiner (or a similar pinch point in the audit scope of an institutionalized mechanism) – needs to be fully conformant with the OECD Minerals Guidance. This implies that such a Scheme provides assurance that production practices of affiliated AMPs and due diligence or sourcing practices of supply chain actors sourcing from these AMPs conform with the OECD Minerals Guidance.

This chapter, introduced as amendment in version 2.1, is optional and applies only to CRAFT UA-Schemes. Its requirements are binding only for UA-Schemes. For all other CRAFT Schemes, including those already established, this chapter is for informational purpose only and implies or requires no change ... unless a Scheme aspires to evolve into a UAM.

Brief Rationale

The OECD Minerals Guidance “... calls on ... upstream companies to provide the results of risk assessments to their downstream purchasers and have the smelters/refiners’ due diligence practices audited by independent third parties, including through an institutionalized mechanism.” The audit scope of the OECD Minerals Guidance⁶ is therefore the smelter/refiner.

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

⁶ This is also the audit scope of typical institutionalized mechanisms such as RMAP by RMI, RGG by LBMA, CoP and CoC by RJC, etc.

based group". Supply chain actors who source from the AMP are referred to by the catch-all term BUYER.

If the BUYER is a smelter or refiner, then there is no gap between the organizational scope of the AMP as defined in CRAFT and the audit scope of the OECD Minerals Guidance. As due diligence is always the responsibility of the BUYER, the CRAFT concept of simplifying Due Diligence by verifying verifiable claims is fully valid if this verification is done by the smelter/refiner.

However, in many cases the supply chain between the BUYER and the smelter/refiner consists of intermediate traders, consolidators, processors, exporters or similar, who act in a scope gap between OECD's audit scope and the AMP scope of CRAFT. In such cases, the CRAFT Report loses some practical value for the purpose of simplifying smelter/refiner's Due Diligence.

The intent of this optional chapter is to fill this gap for the purpose of enabling CRAFT Schemes to act as CRAFT UA-Schemes. This usage case of CRAFT requires UA-Schemes to assume responsibilities not only with the affiliated AMPs but also with all upstream supply chain actors operating in this gap (intermediate traders, consolidators, processors, exporters or similar). For this purpose, UA-Schemes need to formally engage with these upstream supply chain actors, which the CRAFT Code refers to as "**Scheme Members**".⁷

The intended supply chain coverage of a CRAFT UA-Scheme can be summarized as follows:

- a) It covers the entire upstream supply chain from the AMP along all Scheme Members, down to the pinch point where smelters or refiners (as midstream supply chain actors) or downstream companies source the mined products produced by the AMP.
- b) Midstream or downstream supply chain actors which have – according to Step 4 of the OECD Minerals Guidance – an obligation to prove their conformance through independent third party audits (such as smelters or refiners), are not considered Scheme Members.⁸ They are meant to be the main users of the information and assurance provided by UAMs such as a CRAFT UA-Scheme.
- c) Smelters and refiners, even more so than Scheme Members, must prove their conformance to the OECD Minerals Guidance through a well-designed and audited management system of their own devise, or supported through their participation in an institutionalized mechanism (as per footnote 6). Consequently, to avoid duplication and overlaps, the CRAFT Code does not provide guidance or requirements for audits.
- d) CRAFT UA-Schemes act as a bridge between midstream and downstream supply chain actors and AMPs, often disconnected by various intermediary supply chain actors. They enable smelters or refiners as well as downstream companies to conform with their obligations to design, support, implement and monitor risk management- and improvement plans at the AMPs from which they source. Financial support by mid- and downstream supply chain actors for these purposes can be channeled by the UA-Scheme directly to the AMPs that need this support.

⁷ CRAFT uses this generic term, because not all of them might be companies (e.g. some might be cooperatives) and not all of them might take ownership as buyers of the mineral along the supply chain (e.g. some might be service provider such as toll mills). The term Scheme Member intends to cover all upstream supply chain actors between the AMP and the smelter/refiner. In case of coloured gemstones the endpoint could be the cutter, where the mined gemstone is processed into a product (jewel) that enters the downstream supply chain (jewellery manufacturing).

⁸ Depending on the individual setup of the supply chain of a UA-Scheme, this may also apply to intermediate refiners who voluntarily undergo an independent third party audit under an institutionalized mechanism like RMI, LBMA, RCJ or similar. They may be considered pinch points where the supply chain coverage by the UA-Scheme ends.

In analogy to the OECD Minerals Guidance, which assigns the responsibility for responsible conduct of the upstream supply chain to a pinch point with leverage (i.e. smelter/refiner), CRAFT assigns the responsibility of assuring responsible practices to the UA-Scheme. This avoids the need to inflate CRAFT by an entire additional standard for Scheme Members (such as Vol.2 for AMPs), but allows to address assurance and due diligence needs through three areas of responsibilities of CRAFT UA-Schemes:

- CRAFT UA-Scheme’s responsibilities for its own processes
- CRAFT UA-Scheme’s responsibilities related to AMPs
- CRAFT UA-Scheme’s responsibilities related to Scheme Members

These responsibilities are not intended to substitute responsibilities of Scheme Members. Regardless of the extent of due diligence provided by a UA-Scheme, it ultimately always remains the individual responsibility of the Scheme Members to undertake due diligence as an ongoing proactive process, to react to changes of circumstances and risks in the supply chain, and to progressively improve their due diligence activities and risk management performance over time.⁹

3.1 CRAFT UA-Scheme’s responsibilities for its own processes

- a) CRAFT UA-Schemes are responsible for establishing the necessary organizational structure and communication processes that will ensure critical information about supply chain due diligence, including the Scheme’s policy, reaches relevant employees, AMPs, Scheme Members, final BUYERS such as smelter or refiner sourcing mineral products originating from the AMPs affiliated to the Scheme, as well as any other stakeholder with a legitimate interest such as government agencies.
- b) UA-Schemes are responsible to ensure internal accountability with respect to the implementation of the supply chain due diligence process. Due diligence roles, responsibilities and reporting obligations within the UA-Scheme’s organization as well as between the UA-Scheme’s organization, AMPs and Scheme Member shall be clearly defined and be fit for the purpose.
- c) CRAFT UA-Schemes have a dual role. In their support role they often not only support, but implement risk assessment and risk mitigation- or improvement plans. In such cases, in their assurance role they have to verify their own findings or the measurable progress of their own interventions. Internal accountability is particularly important in such cases of potential conflicts of interest. With a proper organizational structure such multifunctional interventions of UA-Schemes can be very robust, if support roles are clearly separated from verification and assurance roles, for example by being assigned to different teams of the UA-Scheme, ensuring independence.
- d) To provide proof of the reliability of its verification and assurance role, a CRAFT UA-Schemes shall periodically undergo an “OECD Alignment Assessment”, i.e. an independent third-party assessment of alignment with the OECD Minerals Guidance, following OECD’s alignment assessment methodology (OECD 2018). As it is envisaged that the CRAFT Code undergoes an OECD Alignment Assessment for “standard only”, the Alignment Assessment of the UA-Scheme shall put emphasis on the assessment of the Scheme’s policies and implementation.

⁹ OECD Minerals Guidance; “Companies retain individual responsibility for their due diligence, and should ensure that all joint work [e.g. DD services provided by CRAFT Scheme] duly takes into consideration circumstances specific to the individual company”

If the independent third-party assessment (i.e. audit) of the UA-Scheme validates the assurance claims issued by the UA-Scheme (see 3.3.4 below), it eliminates the need to subject each individual affiliated AMP and Scheme Member to an independent third-party audit.¹⁰

- e) CRAFT UA-Schemes shall transparently and publicly communicate the supply chains or supply chain segments for which the UA-Scheme provides assurance. Knowledge of the pinch point down to which the UA-Scheme provides assurance (e.g. trader A, exporter B, refiner C) allows supply chain actors downstream to make informed sourcing decisions.

This also allows UA-Scheme owners to operate Non-UA-Schemes (i.e. ordinary CRAFT Schemes with no assurance) in parallel to UA-Schemes. This may be necessary during the setting-up phase of new supply chains. This may also be desirable if the UA-Scheme owner decides to implement CRAFT-based ASM development projects in contexts with limited possibilities for engaging miners with markets. In such cases, transparent communication is key for credibility.

3.1.1 Engagement with AMPs and Scheme Members

As explained in the introduction of Volume 1 *“The CRAFT aims at facilitating engagement of the downstream supply chain actors¹¹ with upstream ASM producers”*. CRAFT UA-Schemes serve this purpose in the supply chain segment between AMPs and smelters/refiners. Vice versa this enhances the engagement of the supply chain actors with their suppliers up to the AMP and strengthens internal controls along the supply chain. For this purpose, a key characteristic and role of UA-Schemes is to engage as a facilitator not only with AMPs but similarly with Scheme Members.

For **Engagement with AMPs**, the conditions in Module 1 and 2 of Volume 2A have to be met. Schemes are not required to disengage if an AMP is non-conformant with Modules 3 or 4; instead, the Scheme may support the AMP to become conformant.

However, as long as an AMP fails to meet any of the requirements in Module 3 and Module 4, the AMP shall not be granted clearance to sell their product into the supply chain of the UA-Scheme.

For **Engagement with Scheme Members**, a CRAFT UA-Scheme shall

- a) conduct due diligence risk assessments, to ensure that the Scheme Member is legal¹² and that no condition exists that would require others downstream of the Scheme Members to disengage because of supply chain risks related to Annex II of the OECD Minerals Guidance (serious abuses associated with the extraction, transport or trade of minerals, direct or indirect support to non-state armed groups, public or private security forces, bribery and fraudulent misrepresentation of the origin of minerals, money laundering, payment of taxes, fees and royalties due to governments and bribery). Due diligence shall also cover other KYC-

¹⁰ Note that the OECD Minerals Guidance does not require independent third-party audits of ASM mineral producers or intermediate upstream supply chain actors. The audit scope of the OECD Minerals Guidance is the smelter or refiner.

¹¹ Referring to supply chain actors downstream of the AMP.

¹² Note the difference that AMPs (any de facto or formally established organizational structure of ASM producers) are required to be at least legitimate, while Scheme Members (companies) are always required to be legal.

related aspects such as ownership (including beneficial ownership), corporate structure of the Scheme Member and the possible added value provided by the Scheme Member¹³.

If conditions for suspending or discontinuing commercial relations are identified, Schemes are not required to disengage but may continue supporting the Scheme Member to become conformant. However, as long as such nonconformities persist, the Scheme Member shall not be granted clearance to sell products into the supply chain of the UA-Scheme.

b) Relations of the CRAFT UA-Scheme with Scheme Members shall be governed by a written contract which covers at least the following aspects:

- i. The Scheme Member recognizes that participation in the UA-Scheme does not release it from being responsible for the scope and quality of due diligence in their own supply chains and for reporting on the due diligence that is undertaken in their supply chains. The Scheme Member also recognizes that the responsibility for determining the actions that the company undertakes in response to identified risks rests with the company's management.
- ii. The Scheme Member declares that it is committed to responsible sourcing, processing and trade of minerals and metals from AMPs in alignment with the OECD Minerals Guidance. For this purpose, the Scheme Member adopts the CRAFT Code as its Management System for risk identification and mitigation, implements a supply chain policy aligned with Annex II of the OECD Minerals Guidance by declaring that assessment and management of the OECD Minerals Guidance Annex II risks, as well as the conformity with all CRAFT requirements are the core elements of its supply chain policy and commits to progressively fulfil all requirements of the CRAFT Code. Depending on the policy of the UA-Scheme this commitment may also address all or selected progress requirements of MODULE 5.
- iii. The Scheme Member nominates a Responsible Person, who is accountable for the implementation of CRAFT. This person must count on the necessary competence, knowledge and experience and be assigned authority and responsibility to oversee supply chain due diligence. As counterpart, the UA-Scheme nominates its responsible point of contact (e.g. task manager).
- iv. The Scheme Member and the UA-Scheme agree on the extent of due diligence and assurance services to be provided by the CRAFT UA-Scheme. These services shall be carried out using good faith and reasonable efforts and taking into account factors such as the size and activities of the Scheme Members' company, the type of materials and location of premises, the situation of the particular country and sector and nature of the products or services involved.

To ensure that sufficient resources are made available to support the operation and monitoring of supply chain due diligence processes, contributions and responsibilities of the parties need to be clearly defined.

- v. For the purpose of carrying out due diligence services and providing assurance, the Scheme Member grants the UA-Scheme access to company sites, documentation, records and, as appropriate, access to suppliers and other relevant stakeholders, such as on-the-ground assessment teams.

¹³ Assessing money laundering risk by middle men charging money without providing any tangible service

The same access rights shall also be granted to external auditors or assessors in case of smelter or refiner audits as per the OECD Minerals Guidance or for the purpose of an OECD alignment assessment of the CRAFT UA-Scheme.

3.1.2 Mapping the Supply Chain (determination of CAHRA and Red Flag conditions)

The supply chain of a CRAFT UA-Scheme may consist of one or many physically interconnected or closed pipe supply chains, as illustrated in Figure 1.

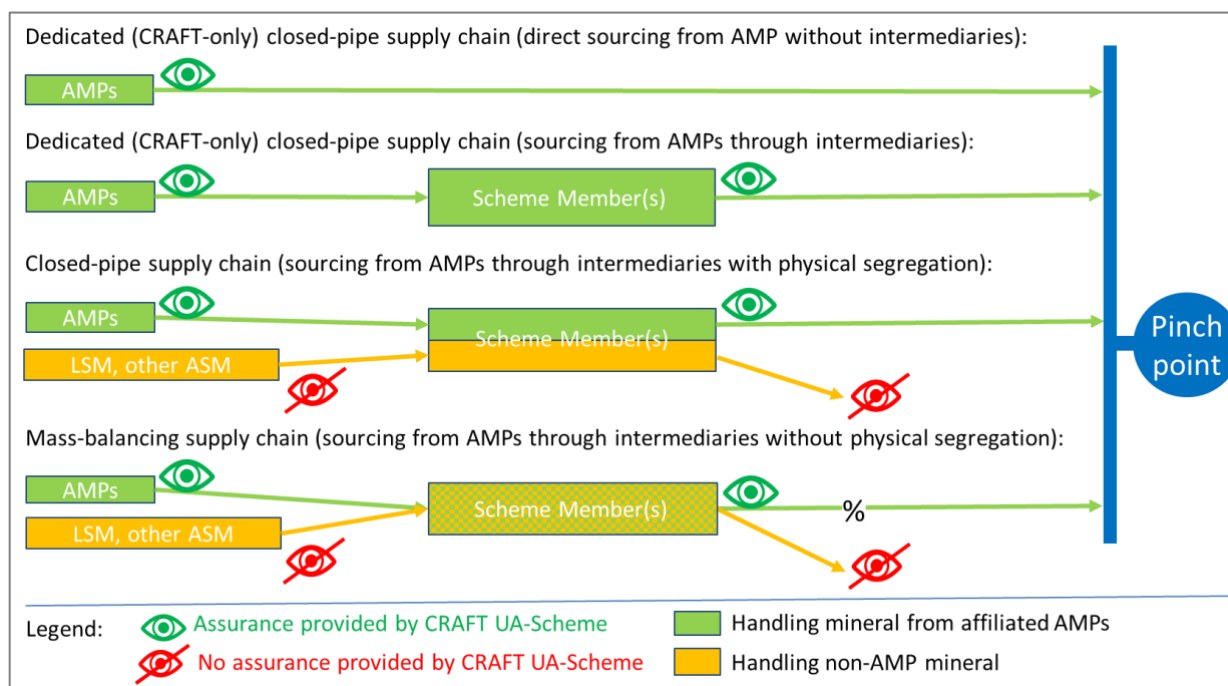


Figure 1: Possible supply chains of a CRAFT UA-Scheme with material flows AMP → Scheme Member, down to a pinch point (e.g. smelter/refiner). Depending on aggregation along the supply chain, assurance can be provided for closed pipe or mass balanced supply chains. Material from other sources or passing through non-members is out of scope.

It is one of the core responsibilities of a CRAFT UA-Scheme to **map** the factual circumstances of the Scheme’s supply chain, including the origin of minerals and the activities/relationships of suppliers (AMPs and Scheme Members).

- a) UA-Schemes shall determine – as Joint Work of affiliated AMPs and Scheme Members – if parts of the supply chain are located in a conflict-affected or high-risk area (CAHRA) or if red flag conditions apply to locations of mineral origin and transit, supplier characteristics and trade-related circumstances.
- b) **To determine CAHRAs**, the CRAFT UA-Schemes shall apply the definition of the OECD Minerals Guidance:

“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.”

The UA-Scheme shall document the sources used to identify CAHRAs, the criteria used to make the determination, and the frequency of updating the determination.

- c) **To determine Red Flag considerations**, the CRAFT UA-Schemes shall apply the definition of the OECD Minerals Guidance¹⁴:

“Red flag locations of mineral origin and transit:

The minerals originate from or have been transported via a conflict-affected or high-risk area.

The minerals are claimed to originate from a country that has limited known reserves, likely resources or expected production levels of the mineral in question (i.e. the declared volumes of mineral from that country are out of keeping with its known reserves or expected production levels).

The minerals are claimed to originate from a country in which minerals from conflict-affected and high-risk areas are known to transit.

Supplier red flags:

The company’s suppliers or other known upstream companies have shareholder or other interests in companies that supply minerals from or operate in one of the above-mentioned red flag locations of mineral origin and transit.

The company’s suppliers’ or other known upstream companies are known to have sourced minerals from a red flag location of mineral origin and transit in the last 12 months.

Red flag circumstances:

Anomalies or unusual circumstances are identified which give rise to a reasonable suspicion that the minerals may contribute to conflict or serious abuses associated with the extraction, transport or trade.”

The assessment of supplier red flags of the UA-Scheme shall cover all affiliated AMPs and all Scheme Members, taking a risk-based approach and using good faith and reasonable efforts¹⁵. In any case, assurance can only be provided for the mineral products originating from within the scope of the UA-Scheme’s supply chain (see Figure 1)

- d) Having mapped and determined CAHRA and Red Flag considerations, UA-Schemes shall, for every AMP and Scheme Member in their supply chain, identify and assess whether their locations of mineral origin and transit, the nature of suppliers or the circumstances within the supply chain may trigger 'red flags' as defined above. The assessment shall also determine whether AMPs also purchase material from other ASM locations and whether this may trigger Red Flags. This forms part of the UA-Scheme’s due diligence, covered in the next chapter 3.1.3.

¹⁴ Combined red flag definitions of the gold and 3T supplement, with exception of the red flag on scrap and mixed sources considered as N/A

¹⁵ For a supply chain actor (e.g. an aggregator) that sources from hundreds of suppliers out of scope but from just a few suppliers in scope it is an unreasonable effort, if not practically impossible, to carry out a complete red flag determination, investigating all the hundreds of suppliers out of scope in order to assess if any of them presents a red flag circumstance.

- e) The Scheme shall inform all Scheme Members about the existence or absence of Red Flags in their supply chain.

3.1.3 Rendering Due Diligence Services

Due diligence services provided by a CRAFT UA-Scheme follow the concept laid out in the OECD Minerals Guidance that Scheme Members retain individual responsibility for their due diligence (see 3.1.1.) but may cooperate through joint initiatives and joint work which duly takes into consideration the circumstances specific to each Scheme Member.

Specific responsibilities related to the joint work with AMPs and Scheme Members are addressed in the chapters 3.2 and 3.3.

General due diligence principles of CRAFT UA-Schemes for their own processes are:

- a) The measures that a CRAFT UA-Scheme takes to conduct due diligence shall always be commensurate to the severity and likelihood of the identified risks.
- b) For minerals mined by AMPs in red-flagged operations or purchased from such AMPs by Scheme Members, risks have to be determined through evidence gathered by desktop research, interviews with stakeholders and site visits, with reference to the criteria set out in the corresponding Supplement of the OECD Minerals Guidance.

These criteria are reflected in the requirements of Volume 2 of the CRAFT Code. To ensure full alignment with the OECD Minerals Guidance, the UA-Scheme shall consult the corresponding Supplement.

- c) Due diligence activities on red-flagged supply chains shall involve an in-depth review of the context of all red-flagged locations and the due diligence practices of any red-flagged suppliers, covering all of the aspects referenced in the corresponding Supplement of the OECD Minerals Guidance.

These aspects are reflected in the requirements of Volume 2 of the CRAFT Code. To ensure full alignment with the OECD Minerals Guidance, the UA-Scheme shall consult the corresponding Supplement.

- d) Due diligence activities on red-flagged supply chains shall always involve on-the-ground assessments. For that purpose the UA-Scheme shall establish on-the-ground assessment teams of suitably qualified and independent assessors with appropriate capabilities and access rights. As Scheme Members retain individual responsibility for their due diligence, they shall always be invited and encouraged to actively participate in the on-the-ground assessment teams. It is their responsibility to ensure that circumstances specific to their operations (of which the Scheme may not be aware) are duly taken into consideration. On-the-ground assessments shall cover all risks referenced in the corresponding Supplement of the OECD Minerals Guidance.

These risks are reflected in the requirements of Volume 2 of the CRAFT Code. To ensure full alignment with the OECD Minerals Guidance, the UA-Scheme shall consult the corresponding Supplement.

- e) Findings of risk assessment always need to be reported to the designated senior management (i.e. the “Responsible Person” of the AMP or the Scheme Member, and senior management of the UA-Scheme), outlining the information gathered and the actual and potential risks identified in the supply chain risk assessment. In case of serious risks that

trigger a suspension of trade or disengagement according to Annex II of the OECD Minerals Guidance, the UA-Scheme shall ensure that suspension or disengagement is applied consistently along the UA-Scheme's supply chain. Regardless of commercial suspension or disengagement, the UA-Scheme (jointly with Scheme Members) shall make reasonable best efforts to support the compromised entity (AMP or Scheme Member) towards becoming conformant with the OECD Minerals Guidance by fulfilling the requirements of the CRAFT Code.

- f) Information about the results of assessments shall be provided to companies downstream in the supply chain with a legitimate interest in the findings, which includes Scheme Members as well as – for the purpose of providing assurance – downstream companies sourcing from the UA-Scheme's supply chain. Summary Reports may be provided without restriction, Full Reports shall only be provided on a need-to-know basis (e.g. if a supply chain actor needs access to the information for its own due diligence), under terms of strict business confidentiality and respecting competitive concerns.
- g) CRAFT UA-Schemes must maintain all due diligence related information for a minimum of five years, preferably on a computerised database.

3.1.4 Capacity building of AMPs and Scheme Members

Experience has shown that most AMPs and Scheme Members such as intermediate traders, consolidators, processors, exporters or similar in producer countries of the Global South (with some remarkable exceptions) have limited knowledge of the OECD Minerals Guidance and its implications for their businesses. Capacity building is therefore a core activity of most CRAFT Schemes. For CRAFT UA-Schemes, it is a responsibility.

CRAFT UA-Schemes shall provide capacity building and training

- to Members of AMPs and Scheme Members, including their owners, managers and employees;
- on understanding the OECD Minerals Guidance and its practical application and building due diligence capacity;
- on understanding the CRAFT Code as a management system and supply chain policy;
- to improve risk management performance and be able to comply with the requirements of the CRAFT Code's supply chain policy based on the OECD Minerals Guidance.

With a training of trainers approach, Scheme Members shall be enabled to train and assist their suppliers.

3.1.5 Grievance mechanism

CRAFT UA-Schemes must have a grievance mechanism in place. This mechanism shall enable any affected stakeholder or whistle-blower to voice concerns regarding the circumstances of extraction, trade, handling and export of minerals.

From the outset of engaging with AMPs, the Scheme shall establish a reporting protocol with the AMP's contact for complaints (see Vol 2A M.1/5.2.8/R.1). The grievance mechanism of a CRAFT UA-Scheme shall reinforce their AMP's own grievance mechanisms (see Vol 2A M.5/5.2.8/R.1).

Access to the grievance mechanism shall be provided or facilitated in a way that allows any impacted stakeholder to voice concerns related to any aspect of the activities of participants in the Scheme (individual AMP Members, AMPs and Scheme Members) as well as of the Scheme itself.

The grievance mechanism may be provided as stand-alone mechanism of the CRAFT UA-Scheme, or in collaboration with other schemes, programs or institutionalised mechanisms.

3.1.6 Reporting

CRAFT UA-Schemes have reporting obligations at two levels:

Reporting on the Scheme's performance

- a) Every CRAFT UA-Scheme shall have an evaluation and impact monitoring process in place, to qualitatively or quantitatively evaluate the social and economic impacts that the requirements may have on the miners and communities, and developing countries where it operates and how the Scheme contributes to existing internationally recognized standards. Results of this evaluation and conclusions for improvements shall be documented periodically (e.g. in Annual Reports).

Reporting on the conformance of AMPs and Scheme Members

Not all AMPs and Scheme Members of CRAFT UA-Schemes, such as local intermediate traders, consolidators, processors, exporters or similar in producer countries of the Global South can be expected to count on staff with reporting skills. UA-Schemes should always encourage AMPs and Scheme Member to report on their own, and provide training to progressively do so.

- Where AMPs and Scheme Members have reporting capacities, the CRAFT UA-Scheme shall verify (for assurance purpose) and consolidate their reports.
 - Where this is not the case, the CRAFT UA-Scheme shall prepare the report as “joint work” as part of its due diligence activities of providing assurance.
- b) CRAFT UA-Schemes shall publish annual reports which describe the Scheme's management systems, supply chain due diligence activities, the methodology and results of the risk assessment and the steps taken to manage risks at the AMPs in their scope as well as along the Scheme Members' supply chain originating from the AMPs.

Note: As it is common, that Scheme Members not only deal with mined products originating from the AMPs participating in the CRAFT UA-Scheme but also from other sources (see Figure 1), reporting obligations are limited to the supply chain originating from the Scheme's AMP scope. Other sources are beyond scope. General due diligence and KYC requirements for engaging with Scheme Members as per 3.1.1. still apply.

Audit readiness

- c) In case of smelter or refiner audits as per the OECD Minerals Guidance or for the purpose of an OECD alignment assessment of the CRAFT UA-Scheme, the Scheme shall provide auditors or assessors access to all its offices and on-the-ground assessment teams, documentation, records and, as appropriate, facilitate access to AMP's and Scheme Members' sites and documentation.

3.2 CRAFT UA-Scheme’s responsibilities related to AMPs

General Guiding Principles for the interaction of all CRAFT Schemes with AMPs are provided in chapter 2.

By acting as a CRAFT UA-Scheme, the Scheme assumes the additional responsibility of assuring that the affiliated AMPs carry out adequate due diligence on their internal supply chain. For providing this assurance, the UA-Scheme itself needs to carry out due diligence.

- a) UA-Schemes need to inform AMPs, and AMPs need to recognize in writing that participation in the Scheme and due diligence carried out by the Scheme does not release them from being responsible for the scope and quality of their own due diligence in their own internal supply chain and for reporting on the due diligence that they undertake in their internal supply chains.

As indicated above in chapter 3.1-d) as a recommendation, provision of assurance might be achieved by distributing the producer support role and the verification and assurance role of the Scheme to different independent teams. Regardless of the extent of involvement of the producer support team in the preparation of the CRAFT Report, verification and assurance can then follow the conceptual design of CRAFT, centered in verifying verifiable claims made by AMPs in their CRAFT Report.

CRAFT UA-Schemes have the following responsibilities related to their affiliated AMPs:

- b) Monitor and verify that – through conformance with Vol.1/Mod.1 – the AMP has adopted CRAFT as its management system and has implemented a supply chain policy aligned with Annex II of the OECD Minerals Guidance by committing to work towards full conformity with all CRAFT requirements.
- c) Support, monitor and verify that the scope of risk identification and assessment extends to all of the risks set out in Annex II and the relevant supplement of the OECD Minerals Guidance, by verifying that no requirement in Modules 1 to 4 of the volumes 2A and 2B of the CRAFT Code meets a fail criterion.
- d) Support, monitor and verify that – additional to conforming with the Modules 1 to 4 of the volumes 2A and 2B of the CRAFT Code as specified above – risks are also assessed against national laws and other relevant legal instruments. Any reasonable inconsistency between these requirements and the information obtained through due diligence should constitute a risk to be mitigated.
- e) Support AMPs – where possible as joint work in cooperation/collaboration with Scheme Members – in the process of designing measurable risk mitigation and improvement plans. Involve external stakeholders such as official and traditional authorities/government or civil society as appropriate.
- f) Support, monitor and verify that risk mitigation plans are consulted with the Members of the AMP and where applicable with affected stakeholders, and agreed upon as strategies for measurable risk mitigation.
- g) Support, monitor and verify that risk management plans are implemented as agreed, and that effectiveness of risk mitigation efforts is evaluated.
- h) Monitor and verify the implementation of risk management plans and maintain ongoing risk monitoring. Undertake additional fact and risk assessments as required. Where feasible this

monitoring shall be done in cooperation or consultation with local and central authorities and other relevant stakeholders and may include supporting community-based networks.

- i) Monitor and verify that all results of risk assessments and performance monitoring of the implementation of risk management plans are reported to the responsible person of the AMP and the senior management of the Scheme.
- j) If risks related to the requirements of Vol.2/Mod.3 were identified or if mitigation attempts of risks related to the requirements of Vol.2/Mod.4 have failed, the senior management of the Scheme shall advise Scheme Members that are BUYERS to suspend or discontinue trade with an AMP.
- k) For clarification: Requirements to suspend or discontinue engagement with suppliers as per the OECD Minerals Guidance apply to Scheme Members and in particular to BUYERS. They do not apply to the Scheme itself, which may continue its engagement to support the AMP on its way to become conformant.
- l) Involve Scheme Members in the processes of risk assessments and implementation of risk management plans, reminding them of their ultimate individual responsibility of undertaking due diligence. Build and/or exercise leverage over the Scheme Members who can most effectively and most directly prevent and mitigate the risks of adverse impacts.
- m) Support AMPs in the process of preparing their CRAFT Reports. Even in case of prevailing low literacy, where reporting might need to be performed by the UA-Scheme, require active participation of the AMP in this task, to ensure that the AMP is fully aware of the verifiable claims made in their CRAFT Report (even if it is written on their behalf).
- n) Support the AMP in publishing the Public CRAFT Report (with due regard to business confidentiality and other competitive or security related concerns), for example at the UA-Scheme's website. Ensure that the full CRAFT Report is accessible to Scheme Members sourcing from the AMP (BUYERS) and for all purposes which require verifying the verifiable claims (such as smelter or refiner audits as per the OECD Minerals Guidance or for the purpose of an OECD alignment assessment of the CRAFT UA-Scheme).
- o) Support, monitor and verify that AMPs maintain all relevant information related to due diligence for a minimum of five years.

3.3 CRAFT UA-Scheme's responsibilities related to Scheme Members

3.3.1 Management of Annex II risks at Scheme Members' premises

The CRAFT Code in Vol.1, chapter 2.2 differentiates between the *main organizational scope* of an AMP and an *extended organizational scope*, defined as “*In the case of supply-chain based groups, the extended organizational scope may additionally include Processors and/or Aggregators as Members of an AMP*”.

If upstream supply chain actors, such as intermediate traders, processors, aggregators, etc. participate in an AMP, Volume 2 (i.e. 2A and 2B) applies to them. If the same upstream supply chain actors do not participate in an AMP, they are considered Scheme Members of a CRAFT UA-Scheme. Being the same type of upstream supply chain actors, it is reasonable to demand that they conform to the same requirements.

Volume 2 of the CRAFT Code, and particularly Modules 1 to 4 addressing the supply chain risks specified in Annex II and the corresponding supplements of the OECD Minerals Guidance, therefore also applies to Scheme Members.

For the purpose of simplicity of the text and to avoid duplication, the requirements are not repeated here. Taking into consideration that the scope for the risk assessment depends on the position in the supply chain, for Scheme Members, Volume 2 of the Code has to be read in analogy, with mainly “AMP and its Members” equivalent to “Scheme Member and its employees”, and “mine site” equivalent to “Scheme Members’ company premises”. Examples of context-specific rewording of the requirements will be provided in Volume 4 (Guidance Book).

Applying the concept of CRAFT – of simplifying due diligence through a process of verifying verifiable claims made in a CRAFT Report which reflects a self-assessment (first party assurance) – Scheme Members shall be expected to prepare a CRAFT Report making the corresponding claims related to their company and operations.

With regards to the above, CRAFT UA-Schemes have the following responsibilities related to their participating Scheme Members:

- a) Monitor and verify that – through conformance with Module 1 of Volume 2 – the Scheme Member has adopted CRAFT as its management system and has implemented a supply chain policy aligned with Annex II of the OECD Minerals Guidance by committing to work towards full conformity with all CRAFT requirements.
- b) Support, monitor and verify that the scope of risk identification and assessment extends to all of the risks set out in Annex II and the relevant supplement of the OECD Minerals Guidance, by verifying that no requirement in Modules 2 to 4 of Volume 2 of the CRAFT Code meets a fail criterion. This includes – inter alia – the Scheme Member’s obligation to support the implementation of the principles and criteria of the Extractive Industry Transparency Initiative (EITI), as specified in requirement M.4/2.2.1/R.2 of Volume 2A.
- c) Support, monitor and verify that – additional to conforming with the Modules 1 to 4 of the volumes 2A and 2B of the CRAFT Code as specified above – risks are also assessed against national laws and other relevant legal instruments. Any reasonable inconsistency between these requirements and the information obtained through due diligence should constitute a risk to be mitigated.
- d) Support, monitor and verify the process of designing and implementing measurable risk mitigation and improvement plans, ensuring that
 - these plans involve external stakeholders such as government or civil society as appropriate and are consulted with suppliers, such as AMPs and Scheme Members further upstream, and agreed upon as strategies for measurable risk mitigation,
 - effectiveness of risk mitigation efforts is monitored and evaluated on an ongoing basis and additional fact and risk assessments are carried out as required,
 - all results of risk assessments and performance monitoring are reported to the responsible person of the Scheme Member and the senior management of the UA-Scheme.
- e) If risks related to the requirements of Module 3 of Vol.2 are identified or if mitigation attempts of risks related to the requirements of Module 4 of Vol.2 have failed, the senior management of the UA-Scheme shall advise Scheme Members further downstream of the compromised Scheme Member to suspend or discontinue trade.

- f) Support Scheme Members in the process of preparing their CRAFT Reports and publishing the Public CRAFT Report (with due regard to business confidentiality and other competitive or security related concerns), for example at the UA-Scheme’s website.
- g) Ensure that the full CRAFT Report is accessible to Scheme Members further downstream the supply chain and for all purposes which require verifying the verifiable claims (such as smelter or refiner audits as per the OECD Minerals Guidance or for the purpose of an OECD alignment assessment of the CRAFT UA-Scheme).

3.3.2 Scheme Members' due diligence capacity

Furthermore, CRAFT UA-Schemes have the following responsibilities related to their participating Scheme Members:

- a) Support Scheme Members to establish long-term relationships with their suppliers (AMPs and/or other Scheme Members upstream their position in the supply chain) in order to build responsible sourcing relationships with them.
- b) Involve Scheme Members in a participatory due diligence process (“joint work”) of verifying verifiable claims made by their upstream suppliers. Scheme Members shall be provided access to the CRAFT Reports of their suppliers (upstream AMPs and Scheme Members), and be required to comment on any potential gap, inconsistency or red flag identified, to strengthen the UA-Scheme’s own due diligence and verification processes and manage their risks according to the risk management processes of the Scheme by either i) continuing trade throughout the course of measurable risk mitigation efforts; ii) temporarily suspending trade while pursuing ongoing measurable risk mitigation; or iii) disengaging with a supplier after failed attempts at mitigation or where a company deems risk mitigation not feasible or unacceptable.
- c) Support Scheme Members to develop a deeper understanding of the OECD Minerals Guidance and to go beyond adopting CRAFT as their supply chain policy and management system. Progressively, Scheme Members shall:
 - Elaborate, adopt, and clearly communicate to suppliers and the public, their own supply chain policy, specific to their business context, applicable to the company and its suppliers, and consistent with the standards provided in Annex II of the OECD Minerals Guidance.
 - The Scheme Member’s own supply chain policy is expected to provide the principles and standards for identifying and managing the risks in their supply chain of minerals, against which the company will assess itself and the activities and relationships of suppliers. It shall set out a clear and coherent management process for risk management and commit to the due diligence steps as described in Annex I and the applicable Supplement of the OECD Minerals Guidance.
 - Apply their company-specific supply chain policy and management system not only to the supply chain in the scope of the UA-Scheme but to all business relations and mineral transaction.
- d) Offer support to Scheme Members to develop capacity to carry out due diligence on their own, always reminding them on their individual responsibility for the scope and quality of the due diligence in their supply chains and for reporting on the due diligence that they

undertake in their supply chains. This may be particularly important for intermediate Scheme Members such as local traders, processors and aggregators that are not in direct contact with international markets¹⁶, and which operate simultaneously supply chains within and beyond the scope of the UA-Scheme.

3.3.3 Control Systems and Chain of Custody

In order to provide assurance that the origin of the mineral products are the AMPs affiliated to the CRAFT UA-Scheme, a strong control- and chain of custody (traceability) system needs to be in place.

If a Scheme Member simultaneously trades, processes, aggregates or exports mineral products in scope and out of scope of the UA-Scheme, the Chain of Custody system may consist of physical segregation for a closed pipe supply chain, or may be based on mass balance without physical segregation (see Figure 1). Both supply chain models are admissible, provided that the factual circumstances of the mined material are communicated transparently and truthfully.

- In a closed pipe supply chain, 100% of the output material must have its physical origin from the AMPs affiliated to the UA-Scheme.
- In a mass balanced supply chain only the percentage of outputs that that is equivalent to the inputs from the AMPs in scope can be claimed to origin from the AMPs affiliated to the UA-Scheme. Mass balance must be reported as a material characteristic to all buyers downstream of the Scheme Member that mixes materials from origins in scope and out of scope of the UA-Scheme.

Responsibilities of CRAFT UA-Schemes – within their joint work with Scheme Members – are:

- a) Support, monitor and verify that Scheme Members have a system of controls and transparency over the mineral supply chain originating from AMPs affiliated to the UA-Scheme in place, including a chain of custody or traceability system.

To the extent that a Scheme Member carries out due diligence additional to the due diligence carried out by the UA-Scheme as “joint work”, documentation of supply chain due diligence processes, findings and resulting decisions shall also be recorded and maintained.

- b) Support, monitor and verify Scheme Members’ efforts to implement a Chain of Custody (CoC) system ensuring physical integrity of the mineral products traded, processed and exported.
 - Every shipment between AMPs and Scheme Members, and between Scheme Members, has to be identifiable, indicating the quantity and quality of the mined product(s) that it contains and its origin(s). For gold, the gold supplement of the OECD Minerals Guidance provides specific requirements.¹⁷
 - Every shipment has to be identifiable, so that the receiving Scheme Member can inspect it for conformity to the information provided by the supplier on type of material, weight and quality. Inconsistencies have to be reported to the management responsible for due

¹⁶ It can be assumed that exporters are more familiar with the requirements of the OECD Minerals Guidance; but they may also be included in trainings.

¹⁷ In case of gold, the control system has to include tamper proof physical security measures, such as assigning a unique reference number to each input and output. Additionally, receiving parties must use reasonable and good faith efforts and steps proportional to risk, to determine whether the gold is really mined gold, and not recycled or grandfathered material.

diligence. Until the inconsistency is resolved, the shipment has to be physically segregated and secured. Inconsistencies have to be resolved before the receiving Scheme Member can proceed with the material.

- Every Scheme Member shall keep an inventory of all mined materials originating from the AMPs affiliated with the UA-Scheme. At any time the Scheme Members shall be able to inform about quantity, characteristics and origin of the materials in existence and be able to link them to the corresponding identifying references for processing, purchases and sales.
 - Records must be kept by the Scheme Member in a way that allows the UA-Scheme to consolidate data for the purpose of verification.
- c) Encourage the Scheme Members to apply the same system of controls and chain of custody also for supply chains that are not in scope of the UA-Scheme.
- d) Support, monitor and verify that all financial transactions are supported by verifiable information in the Scheme Members' accounting system. This applies particularly in case of cash transactions. Support Scheme Members to avoid cash transactions at all, wherever this is feasible and practicable.

For the purpose of verification by the UA-Scheme, smelter/refiner audits or OECD alignment assessments of the UA-Scheme, Scheme Members must be able to disclose (under terms of strict business confidentiality and respecting competitive concerns) at least:

- Invoices or receipts related to all inputs and outputs of mineral products originating from the AMPs affiliated to the UA-Scheme
 - Payments of taxes and fees and details of mineral origin and transportation as set out in the 3T Supplement
 - Other payments made to public or private security forces or other armed groups
- e) Support, monitor and verify that Scheme Members maintain all relevant information related to due diligence for a minimum of five years, preferably on a computerised database.

3.3.4 Assurance claims

By acting as a CRAFT UA-Scheme, the Scheme assumes the responsibility of assuring that participating AMPs and Scheme Members conform with the requirements of the OECD Minerals Guidance and that adequate due diligence is carried out in the UA-Scheme's supply chain.

The UA-Scheme's responsibility for provision of assurance is inherently limited to the supply chain originating from the AMPs affiliated to the Scheme. Mined products originating from elsewhere are explicitly out of scope.

- a) CRAFT UA-Schemes may issue assurance statements, indicating that an AMP or a Scheme Member (with regards to the mined products originating from the Scheme's supply chain) is found to be conformant with the requirements of the CRAFT Code. The duration of validity of this statement shall be determined by the risk level and be clearly indicated.

- b) CRAFT UA-Schemes shall ensure that Scheme Members communicate assurance by the UA-Scheme only in relation to the mined products originating from AMPs affiliated to the Scheme.¹⁸

4. Aspects related to the Open Source Characteristics of CRAFT

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In even more simple terms, Creative Commons explains: “This license lets others remix, tweak, and build upon your work even for commercial purposes, as long as they credit you and license their new creations under the identical terms.”

In practice this means:

¹⁸ This does not preclude the business case that CRAFT UA-Schemes also act as generic Upstream Assurance Mechanisms (UAM) offering due diligence verification and assurance services outside the scope of CRAFT (verification of any ASM, LSM and intermediary upstream company). In this case the CRAFT UA-Scheme must publicly disclose its broader scope. Companies that have undergone verification may then communicate accordingly.

¹⁹ <https://creativecommons.org/licenses/by-sa/4.0/>

- **Anyone is free to use or redistribute the CRAFT Code**, even for commercial purposes (e.g. provision of services or CRAFT Schemes by BUYERS) and without need to request permission.
- **Anyone** (e.g. ASM Programmes or CRAFT Schemes) **may adapt the CRAFT Code** to fit their specific needs (i.e. create a *branch*).
- **Whoever uses or adapts** (branches) **the CRAFT Code, must reference the original document** (the 3 volumes of this “official” version, published by the Code maintainer) and disclose any eventual modification (i.e. indicate that it is not the “official” version).
- **Whoever adapts** (branches) **the CRAFT Code, must release the branched code under the same license**, i.e. may not apply any restriction.

In particular, the freedom to *Adapt* and the requirement of *Share-Alike* have implications on localising or branching CRAFT or for incorporating it into other Standards.

4.2 Localising CRAFT

The geographic scope of CRAFT is **global** and consequently, all requirements for AMPs (Volume 2) are designed and worded to be as globally applicable as possible.

Notwithstanding, for specific national contexts, some requirements of this CRAFT criteria might be too generic, particularly in countries where a detailed legal and regulatory framework for ASM is in place and fully operational. Particularly in such cases, **national legislation prevails**.

For this purpose, the freedom to *Adapt* the CRAFT Code provides CRAFT Schemes with a convenient way of working with a legally valid localised version.

A localised version is usually characterized by:

- modification of one or more requirements for AMPs (in Volume 2A or 2B) to align it with national legislation as required to access formal markets, while maintaining the rest of the Code unmodified,
- indication of its geographic scope,
- copyright notice compliant with the *Attribution* and *Share Alike* terms of the CC-BY-SA 4.0 license
- contact information of the entity that adapted the CRAFT and assumes the responsibility to act as maintainer of the localised version.

Request to CRAFT Schemes:

The maintainer of the CRAFT Code ([Alliance for Responsible Mining](#)– ARM) **solicits submission of a copy of any localized version, to be published on the CRAFT website**, in order to avoid duplication by various CRAFT Schemes creating various localised versions for the same country.

Publication of the localised version on the CRAFT website **does not automatically imply endorsement by the standard maintainer** (ARM). However, localised versions may be endorsed by the standard maintainer (ARM), following its standard-setting procedures.

4.3 Adapting CRAFT for specific purposes (branching)

As indicated in Volume 1: *“the overall intent of the Code is to promote the sustainable social, environmental, and economic development of the ASM sector, by leveraging demonstrable conformance with due diligence requirements as an instrument for generating a positive development impact for ASM producers. The CRAFT expects to be a tool principally for the miners, to empower them in understanding and complying with market expectations and due diligence needs.”*

Supply chain initiatives for ASM commodities might have the need or might wish to adapt CRAFT for their specific purposes or for commodities not covered in the Core Version. Such “branching” is easily possible, as the CC-BY-SA license allows to *Adapt* the Code, but has certain implications:

- The Share-Alike term of CC-BY-SA requires the branched version to be published under the same CC-BY-SA license, i.e. the branched version must remain open source.
- The Attribution term of CC-BY-SA requires to always communicate explicitly that the branched version is a modified²⁰ version of the CRAFT Code published by the licensor, i.e. the Code maintainer ARM.
- The Attribution term also indicates, *“... but not in any way that suggests the licensor endorses you or your use”*, in this case, *ARM* as the Code maintainer. This implies that supply chain schemes that use the branched version shall not use the term “CRAFT Scheme” without an attribute that indicates the modification.²¹

These clear rules provided by the CC-BY-SA 4.0 license aim to ensure transparency among branched versions, avoiding to “call different things with the same name”. This will ultimately strengthen the credibility of CRAFT and its user community of AMPs, supply chain schemes and ASM programmes.

Before branching the CRAFT Code, initiatives are advised to consider the following aspects:

- **The Core Version was developed through an inclusive and participatory multi-stakeholder process**, as aligned with ISEAL best practice for standard-setting as possible and has undergone extensive public consultation. This solid process is the basis for the legitimacy and recognition that CRAFT enjoys.
- It will be the responsibility of the initiative to take appropriate steps to ensure the legitimacy, reputation and recognition of the branched version.

The maintainer of the CRAFT Code (Alliance for Responsible Mining – ARM) welcomes any branching initiative, as the *Share-Alike* requirement allows to merge the branch, or successful elements of it, back into the Core Version. **Any branching initiative is therefore at the same time a valuable contribution to the potential future development of the Core Version of the CRAFT Code.**

Alternatively, the supply chain initiative that sees a need for branching may contact the standard maintainer (ARM)) standards@responsiblemines.org, in order to jointly explore if the desired modification can be achieved by amending the Core Version of the CRAFT Code.

²⁰ The terms "remixed, transformed or built upon" of CC-BY-SA 4.0 cover all kinds of modification such as adding, modifying or dropping requirements, the scope of the Code or other features of the CRAFT Code.

²¹ Such attributes could be the name of the institution responsible for the branched version, the specific focus of the branched version, or any denominator that distinguishes the "Branched CRAFT Scheme" from "CRAFT Schemes" using this version published by the Code maintainer. "Branched CRAFT Scheme" is an example for doing so, whereby the word [Branched] is a placeholder for such attribute.

4.4 Incorporating CRAFT in other Standards

One of the considerations to develop the CRAFT under open source license terms was that, by this approach, CRAFT may not only be adopted by supply chain schemes but also **incorporated into existing supply chain initiatives such as responsible mining standards**. The CC-BY-CA freedom to *Adapt* allows for “remixing and building upon the material”.

When elements of CRAFT are incorporated into other already existing Standards, only the parts based on CRAFT become subject to the *Share-Alike* term and maintain the CC-BY-SA license. The *Attribution* term applies. As CRAFT is not a certification scheme on its own, this will not duplicate or affect the certification mechanism of the Standard that incorporates CRAFT.

5. Claims and Communications

5.1 Claims of CRAFT Schemes

The CRAFT Code is a progressive performance standard for ASM Mineral Producers, providing assurance through first- and second-party verification by the AMP. **CRAFT is a process standard and it is not a product standard nor a certification scheme.**

CRAFT Schemes wishing to make claims, have to consider the following aspects for valid claims:

- The claim may express that the AMPs affiliated to its CRAFT Scheme affirm in their CRAFT Reports to operate in conformity with the CRAFT Code. The claim may describe the support provided by the CRAFT Scheme.
- If applicable, the claim may express that the CRAFT scheme verified (or that it was independently third-party verified) that the AMPs produced the mineral or metal in conformity with the CRAFT Code. If the CRAFT Scheme is a certification scheme, this verification may be certified under the certification terms of that scheme.

Claims other than **the above are not aligned with the CRAFT Code and are/will be considered invalid**. In particular, as CRAFT is not a product standard, product-related claims such as “CRAFT Gold” are invalid.

Please contact ARM as the CRAFT maintainer (standards@responsiblemines.org) in case of doubt or suspected misuse.

5.2 Communications

The *Attribution* term of the CC-BY-SA license encourages and even requires CRAFT Schemes or other users to communicate the use of CRAFT, giving appropriate credit in any reasonable manner, but not in any way that suggests the licensor endorses the user or the use.

According to Volume 1, “a **CRAFT Scheme** is a supply chain scheme that follows, uses, incorporates, or builds upon the rules of the CRAFT Code”. According to this definition, a supply chain scheme can be explicitly or implicitly a CRAFT Scheme.

- A supply chain scheme is **implicitly** a CRAFT Scheme if it uses the CRAFT in its work internally, **without making any public statements about it**.
- A supply chain scheme is **explicitly** a CRAFT Scheme if it **publicly declares or communicates to follow, use, incorporate, or build upon the rules of the CRAFT Code**. If

it builds upon CRAFT using a branched version of CRAFT, then this should be communicated accordingly (see chapter 3.3).

CRAFT Schemes are encouraged **to communicate their use of the CRAFT**. However, communications shall **not suggest that their work or their use of CRAFT is endorsed in any way by the maintainer of the CRAFT Code (ARM)**.

5.3 Usage of the CRAFT logo

For usage with version CRAFT 2.0 onwards, the Code maintainer (ARM), on behalf of the open-source community developing the CRAFT, created this logo:



This **official CRAFT logo** is not derivative work, as it does not *Adapt* (remix, transform, or build upon) the CRAFT Code. The official CRAFT logo is therefore not covered by or subject to the CC-BY-SA license under which the Code is published. The official CRAFT logo is the intellectual property of the open-source community developing the CRAFT, represented by ARM as the Code maintainer, and is correspondingly protected.

The official CRAFT logo is used to identify official documents such as released versions of the CRAFT or CRAFT-related communications by the code maintainer, e.g. the CRAFT website.

Please contact the CRAFT Code maintainer (Alliance for Responsible Mining ARM, standards@responsiblemines.org) in case you wish to use the logo.