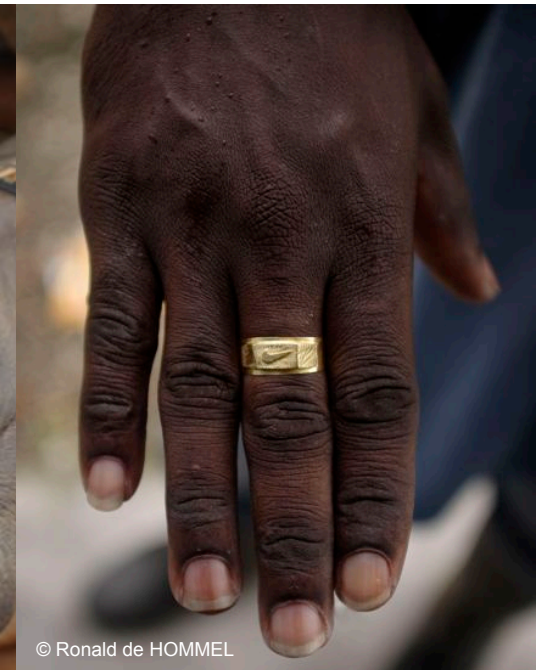


Alliance for Responsible Mining



ARM'S INITIATIVE FOR RESPONSIBLE ASM: STANDARD ZERO FOR FAIRTRADE GOLD



FAIR TRADE JEWELRY CONFERENCE

JCK Las Vegas Jewelry Show 2009– June 1st 2009

Patrick SCHEIN - Board Member

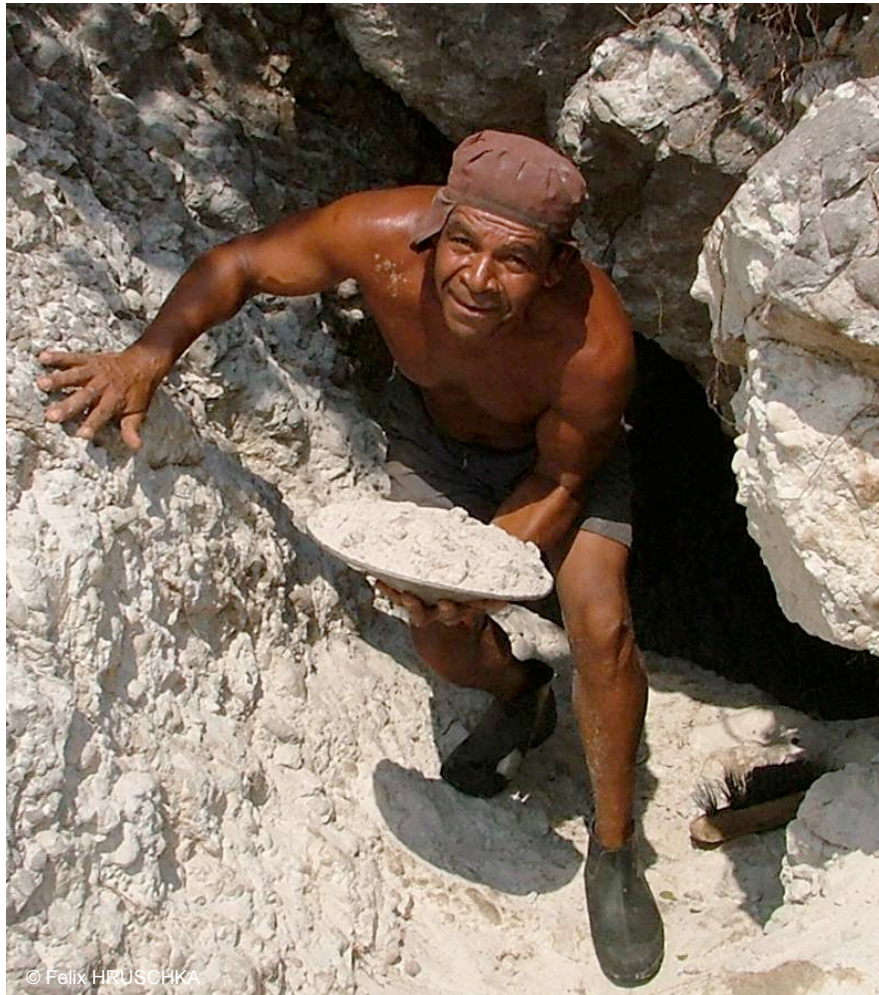


MAIN POINTS



- The Development case
- Artisanal Small-scale Mining (ASM) facts
- Who is ARM?
- Why Fair Trade (FT)?
- Standard Zero for FT ASM Gold
- Ground testing
- Challenges for miners
- Supply
- FLO Alliance
- The miners' mark: FAIRMINED®
- Next steps

Artisanal Small Scale Mining (ASM): Which Minerals?

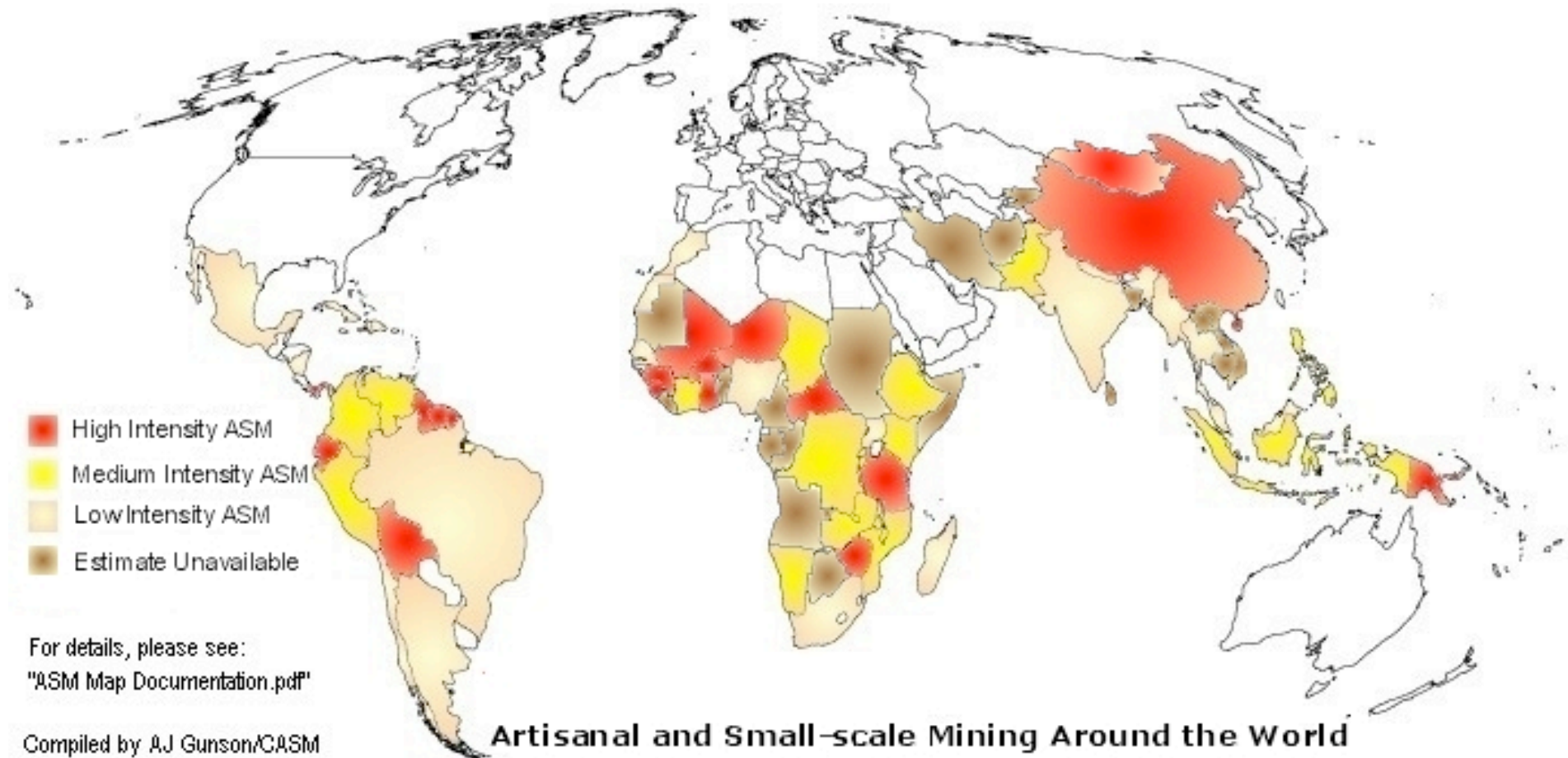


ASM accounts globally for:

- ✓ 12% of metallic minerals (mainly gold)
- ✓ 10% of diamonds
- ✓ 75% of gemstones
- ✓ 31% of industrial minerals,
- ✓ 20% of coal

Source: UNIDO 2002

Artisanal Small Scale Mining (ASM): Where?



Source: CASM / World Bank

... in all developing countries, where poverty persists

ASM Gold : Facts & Figures



- 10-15M miners => +60M people indirectly
- 90/10 ratio (volume to workforce)
- In 50 developing countries
- Generating 200-300 MT of Gold (5-8 BN \$) (8 to 12% world mine supply)
- Low Mechanization => Very High local economic value index compared with LSM => Guinea example:
 - 1 mine produces 8 MT with 2.708 direct workers and high technology
 - 200 000 ASM miners population produces 7MT of Gold with no mechanization

“HAND MADE GOLD”

- Offers an opportunity for growth and an escape from poverty

Development case



- ASM often involves:
 - ✓ Limited rights and illegality
 - ✓ Government or armed groups prosecution
 - ✓ Poor and unsafe working conditions
 - ✓ Unfair supply chains
 - ✓ Misuse of mercury and other toxic substances
 - ✓ Deforestation
 - ✓ Water pollution
 - ✓ Child labour
 - ✓ Gender discrimination
 - ✓ Exposure to harsh working and living conditions
- But it is also a unique opportunity to escape poverty
- Easy and open access resource
- Many people arrive with nothing and evolve towards small scale mining and decent living standards
- ASM is a founder of localities
- Offers better income than other activities
- More farmers are turning to mining for better income or because of climatic phenomenon E.g. Droughts in Peru and Mongolia

Why did we become miners?



- By necessity. To WORK and generate an INCOME
- To feed and educate our children (especially women miners)
- Easy access and learning
- Lack of opportunities in other sectors (environmental degradation and poor soils make agriculture unproductive)
- Closure of large mining companies - we retrenched into ASM since mining is what we do best
- We were displaced by conflict
- We retrenched from illegal activities looking for a better life (coca cultivation, ex-combatants, etc.)

Why did we organize ourselves?



- ✓ For mutual help
- ✓ To form work teams
- ✓ For Technology access - To buy better tools and equipment
- ✓ To become legalized and obtain mining permits or access to explosives
- ✓ To get supplies at better prices
- ✓ To improve our working conditions
- ✓ To lobby for better laws
- ✓ To get training and capacity building
- ✓ To obtain public services for mining communities (schools, health centers, recognition as a village)
- ✓ To eliminate child labour and domestic violence
- ✓ To improve trading conditions

Who is ARM?



- ✓ A MINERS' INITIATIVE (miners based)
- ✓ Inspired from "Oro Verde" in 2004
- ✓ As an international organization operating from the South
- ✓ With a supply chain approach – Bottom-up approach
- ✓ Multiple players: BoD comprised of 3 civil society organizations, 2 miners, 1 trader and 1 jeweler
- ✓ To take advantage of emerging Fair markets as incentives for improved social and environmental performance of ASM and contribute to poverty reduction
- ✓ ARM has led a process through which key stakeholders have reached agreements on universal standards and criteria for the certification of responsible and environmentally friendly ASM practices, later medium scale operations.



Alliance for Responsible Mining



OUR MISSION

...to work towards the transformation of artisanal and small scale mining into a socially and environmentally responsible activity, facilitate an economically just supply chain and educate the consumers as to their power to directly improve the quality of life of artisanal miners by purchasing fair trade jewellery and minerals.

OUR STRATEGY

To create an international certification system for responsible sourced minerals coming from artisanal and small scale mining and to develop differentiated markets for these products.

STRATEGIC OBJECTIVES

- Standard Setting
- Producer support
- Advocacy for improved public policy and consumer awareness



Why Fair Trade?



- ✓ It directly raises awareness of consumers and campaigns for changes in the rules and practices of conventional international trade.
- ✓ Economic incentive for positive transformation: TRADE NOT AID – It's a Business Model
- ✓ Allows access to differentiated markets
- ✓ Recognizes change is a process: minimum and progressive requirements
- ✓ Long term vision
- ✓ Pays a fair price
- ✓ Pays a FT premium to producers
- ✓ Ensures traceability
- ✓ Ensures community development & environmental sustainability
- ✓ Bottom up, democratic & transparent processes

FT in 2007 : Facts & Figures



- 2,300 M€ turnover (+47%)
- 1,5M certified producers & workers
- 2,000 brands selling FT
- 52% of the bananas in Switzerland
- 704 M€ in UK (+72% #2)
- 210 M€ in France (+27% #3)
- 1 Bn\$ in USA (+46% #1)
- Market Share in UK (2006) : Cocoa:25%
 - Coffee:8% - Tea:3%

Source: FLO-FTF 2007

WHICH MINERS?

COMMUNITY MINERS AND SMALL ENTREPRENEURS



- ✓ This Fair Trade initiative is directed at all forms of COMMUNITY based ASM organizations.
- ✓ A community based mining organization is comprised of a majority of active miners contributing to their community social and economic development.
- ✓ Small entrepreneurs with contracted labour are included
- ✓ *No silver bullet.....* Informal, Gold rush type mining is not included, but improved public policies, peer pressure and demonstrating feasible alternatives will move the sector towards improvement overall.

STANDARD ZERO FOR FAIR TRADE GOLD



- ✓ Process began in 2005.
- ✓ Multi-stakeholder consultation process.
- ✓ First Certified FT Gold in 2010
- ✓ Pilot test of standards began in Nov 07 in 9 communities.
- ✓ With support organizations in each country
- ✓ Testing a traceable supply chain
- ✓ Standards technical committee in place with recognize professionals
- ✓ Produced STANDARD ZERO with minimum and progressive criteria

CRITERIA FOR PILOT SELECTION



- ✓ A variety of national contexts and laws for ASM
- ✓ Different types, sizes and levels of organization of ASM
- ✓ Different types of gold mining, i.e. Alluvial and hard rock.
- ✓ Different ecosystems: tropical rainforest, Andean mountain, Andean coffee region, and Desert (Atacama).
- ✓ Different processing techniques, i.e. amalgamation, cyanidation, mercury-free gravimetric methods, etc.
- ✓ Legislation that offers transparent mechanisms for private entities to export metal

NETWORK OF PILOTS



- ✓ **2,500 Miners impacting 30,000 people**
- ✓ Bolivia: *Cumbre del Sajama* with COTAPATA Cooperative
- ✓ Colombia: *Oro Verde* at TADO and CONDOTO, Chocó
- ✓ Colombia: *University of Nariño and Corponariño* with COODMILLA and ASOCIACION CUMBITARA, Nariño.
- ✓ Perú: *Red Social and AMASUC* with AURELSA, MACDESA, SOTRAMI, Women miners from CUATRO HORAS and FILOMENA, Central-South Peru
- ✓ Ecuador: *Escuela Superior Politecnica (ESPOL)* with the BELLARICA COOP., South Ecuador

SOCIAL DEVELOPMENT CHALLENGES



- ✓ The right to be legal (Extra Legal)
- ✓ Developing democratic governance
- ✓ Improving literacy and numeracy
- ✓ Getting women miners in the picture
- ✓ Introducing and enhancing transparency and accountability in organizations
- ✓ Political incidence on governments

ECONOMIC DEVELOPMENT CHALLENGES



- ✓ Strengthening administrative capabilities
- ✓ Developing economies of scale and direct exports => better price
- ✓ Access to credit and pre-financing for purchase of Gold and cleaner technology
- ✓ Getting banks, governments, professionals, Large Scale Mining (LSM) work with ASM
- ✓ Access to more efficient technologies

LABOUR DEVELOPMENT CHALLENGES



- ✓ Informal work arrangements
- ✓ Women's and disadvantaged groups' rights
- ✓ Child labour - AIDS orphans dilemma specially in Africa
- ✓ Perception of risk - health and safety issues
- ✓ Mining rescue plans and equipment
- ✓ Social security protection

ENVIRONMENTAL DEVELOPMENT CHALLENGES



- ✓ Access to cleaner technologies
- ✓ Responsible use of mercury & cyanide by trained operators only
- ✓ Technological solutions not to mix Hg and Cyanide
- ✓ Tailings management
- ✓ Top soil management for rehab
- ✓ Access to the appropriate retorts for Hg recovery

CHALLENGES FOR TRADING STANDARDS



- ✓ Formalization of commercial operations
- ✓ Excessive taxes and tradition in some countries postpone the formalization of the market and all related accounting
- ✓ Get the critical size for export
- ✓ Setting Pre-financing conditions
- ✓ Building trust with importers and clients in the developed world
- ✓ In the future - value added transfers in the producing countries

MAIN ACHIEVEMENTS



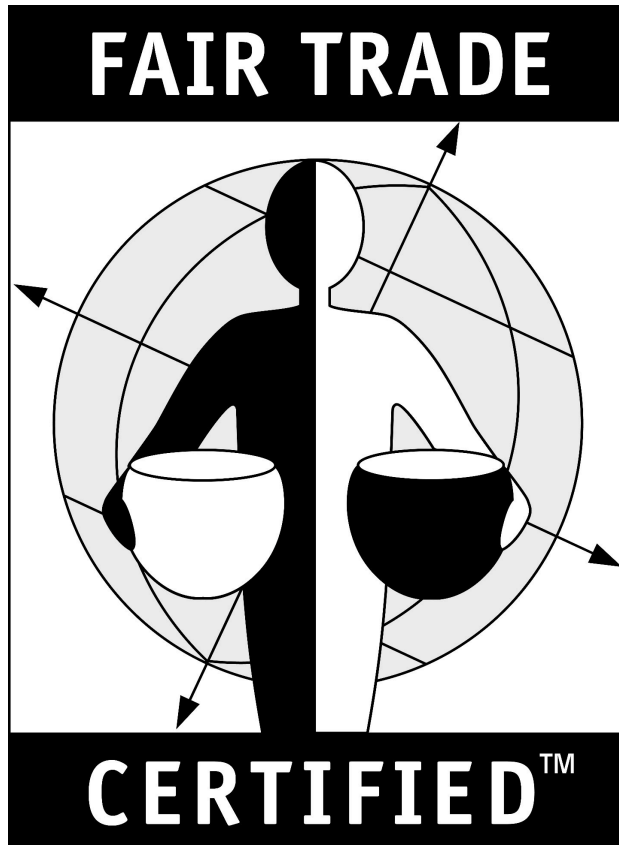
- ✓ The first independently certified fair trade artisanal gold for the ethical jewelry market is produced
- ✓ The requirements set by Standard Zero Ground are tested with producer and support organizations in 4 countries
- ✓ 9 producer organizations trained through learning by doing
- ✓ Toolkits are being set to be later used by new organizations entering the FT scheme
- ✓ ASM producer organizations strengthened in their capacity to have incidence in public policy and trading experience

POTENTIAL SUPPLY OF FT CERTIFIED GOLD



- ✓ Of the total estimated annual ASM gold supply of 200-300 tonnes (12% of world mine supply), ARM certification could reach some 30%
- ✓ => 60 tonnes could be eligible for FT certification over the next two decades.
- ✓ Production capacity at pilot sites to is 297kg annually, an average of 33kg/ annum/ site.
- ✓ Market demand in Europe and North America - 5 FLO national initiatives want to launch it next year.

ARM-FLO ALLIANCE FOR ASM GOLD



- ✓ MOU in 2007 to Explore FT labeling of Gold
- ✓ In December 2008 Fairtrade Labeling Organization (FLO) and ARM agreed to continue working on development of FT standards for ASM Gold in a partnership approach:
 - ARM bringing its ASM expertise
 - FLO (FAIRTRADE) bringing its market recognition and promoting market access
- ✓ Adapt ARM's existing Standard Zero to fit the FAIRTRADE standards.
- ✓ Final joint standards to be approved by both Q3-2009
- ✓ First FLO + ARM marked Gold available in 2010.



fairmined[®]



NEXT STEPS



- ✓ Q309:
 - certification of first producers organizations
 - License contracts for first businesses in the UK
- ✓ H209:
 - Register supply chain
 - Certify products
 - Communication messages and media engagement
 - First Fair Trade product on sale
- ✓ Ongoing:
 - Expansion to new mines around existing pilot projects
- ✓ 2009 - onwards:
 - Market development in the US and other European countries
- ✓ 2009-2010:
 - Implementation of Pilot projects in Africa (Ghana, Sierra Leone, Tanzania, Uganda)
- ✓ 2011-2012:
 - Implementation of Pilot projects in Asia (Mongolia)

THANK YOU



www.communitymining.org



fairmined®