

**Fair Trade in Gems and Jewelry**  
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## **Criteria of Fair Trade in Gems and Jewelry** **for Gold from Small Scale Mining Operations**

### **Preamble**

The Fair Trade concept for gold aims to help to improve the working and living conditions of small scale miners, who are organised in co-operatives or similar associations. Small scale is defined as the miners preferably not employing hired labour on a casual or permanent basis, instead depending on their own labour and that of members of their family who have passed the minimum age for employment. Where necessary, Fair Trade will give preference to associations which fit this definition more closely than others.

Fair Trade also encourages environmentally sustainable mining practices. In order to have maximum beneficial impact, Fair Trade will focus, at least initially, on existing producer structures, rather than become involved in the establishment of new ventures..

### **1. Suppliers**

#### **1.1. Producer Associations**

Associations of small scale miners have to fulfil the following criteria in order to become partners of the Fair Trade e.V.

Their association

has to be independent and democratically controlled by its members. This means that the members of the organisation participate in the decision making process which determines the general strategy of their organisation, including decisions related to the destiny of the additional resources available through advantageous Fair Trade conditions;

has administrative transparency and effective control by the members and its board over the management, minimising the risk of fraud and offering the members the necessary instruments to be able to act adequately in case of fraud;

has a philosophy based on the concept and practice of solidarity;

does not accept any form of political, racial, religious or sexual discrimination;

is statutorily open to new members.

If the members of the association need to supplement their own and their family's labour

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capacity, the following additional regulations apply:

- No child below the age of 15 is allowed to work in mining;
- The members of the association have to share the benefits of Fair Trade, in particular any increase in income, in a suitable manner with their employees, whether casual or permanent. Such an arrangement needs to be fixed at the outset of a Fair Trade relationship and agreed in writing between the association and the Fair Trade e.V.

Where applicable the association and its members

- recognise the right of all employees to join an independent union or any other genuine worker's representation and the right of collective bargaining

are ready to accept the independent trade union(s) or worker's organisation, where they exist, as an equal partner and guarantee their participation in the decision making of the fair trade programme, in particular regarding the use of the premium.

In cases where the fulfilment of the criteria is not complete at the time of the signing of a partnership agreement, a written commitment to fulfil the missing elements indicating the precise measures and time-limits will be mutually agreed upon.

## **1.2. Refining/Export**

In order to be exportable, the gold needs to be refined. This can be done either in a refining unit owned by the association of the miners, or by a hired refining capacity, provided that it meets the following conditions:

- The five minimum standards of the ILO (International Labour Organisation) have to be observed at the facility involved (right to unionisation, right to collective bargaining, no child labour, nor forced labour, no discrimination; see above).
- Workers at the facility involved in processing for a Fair Trade order are paid at least the relevant minimum wage.
- If no official minimum wage is applicable, or if the existing minimum wage is not enough for two adults to sustain their family, the association which gives the gold for refining should negotiate to share financial benefits with the labourers in the refinery, too, in order to achieve the target of self-sufficiency in income (see § 2.1.2.).

The refining unit assures and proves by documentation that all gold given to it for refining by the association of the miners can be fully accounted for and can be traced to the association.

- The fees for refining should be reasonable and in any case should not be higher than those charged to other customers, unless the higher fee is used to improve the income of the workers in the refining unit.

The same is to be applied in cases where the association needs to make use of the services of an exporting agent.

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## **2. Trade and Payment**

### **2.1. Fair Trade Benefits to the Association**

Fair Trade aims to contribute to the improvement of the working and living conditions of small scale miners in two ways:

1. By establishing as direct a link as possible to Fair Trade buyers, i.e. eliminating unnecessary middlemen.
2. By monitoring the payment by the Fair Trade buyers of a price, which will cover at least the basic needs of the families (including their own labour) as well as provide a 'Fair Trade premium'. In other words: A Fair Trade price must enable two adult workers to provide the needs of an average family with respect to food, shelter, clothing, educational and medical care. On top of this the Fair Trade price must also provide a margin, which will allow the members of the association options and means for projects like improving the structure of the association, building up a fund against emergencies, contributing towards the improvement of the community, lessening the environmental impact of the mining, ...

In order to satisfy the regulations spelled out above, the minimum price for Fairly Traded gold will be

Deductions for impurities will be valued as follows: xyz

On top of the basic minimum price a Fair Trade premium of xyz per xyz standard troy ounce will have to be paid by the importer. This premium is to reach the association directly (i.e. without deductions by intermediaries), which is why if necessary it may have to take the shape of a direct (2<sup>nd</sup>) payment by the buyer.

Under no circumstances may sales of Fairly Traded gold take place at lower than general market prices (minimum price and Fair Trade premium combined).

### **2.2. Fair Trade Benefits to the members of the Association**

The association has to ensure that enough benefits reach the individual members to safeguard their basic needs. To prevent emergency 'on the spot' sales of gold by individual members against cash to commercial intermediaries, to prevent the need to take loans for consumption, and on the other hand to ensure delivery of the gold to the association, the association shall consider paying upon delivery a first basic payment in line with market rates and only later on, once Fair Trade benefits have been realised, discuss the use of the Fair Trade premium and/or disburse a second payment.

### **2.3. Payment Regulations between the Association and the Buyer**

The terms of payment and the currency the gold is paid in will be agreed upon between association (or the exporter working on its behalf), and the buyer. However, unless otherwise mutually agreed upon in writing, payment will be in US\$ against troy ounces.

If at all possible, the buyer will pay the Fair Trade premium as part of one invoice covering the total (Fair Trade) value of a shipment.

Specific regulations on the Fair Trade price for gold are given in Appendix I. The Fair Trade e.V. retains the right to adjust this price unilaterally if conditions so demand, but undertakes to consult prior to any change as extensively as possible with all trading partners, in particular the producer association.

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## **2.4. Use of the Fair Trade premium**

The Fair Trade premium shall be used by the miners' association to ensure that all its members, as well as any employees and any workers engaged in processing, receive at least any legally applicable minimum wage

Should this be insufficient to cover the basic needs of an average family with the income of two full time earning family members, the individual incomes of the members of the association have to be raised.

Following that, the members of the association decide jointly how best to spend the money in line with the principles given in § 2.1.2. However, the Fair Trade premium may not be used in a discriminatory way. It may not be put to any use which may hurt the sentiments of other members of the community or of other communities. However, positive discrimination in favour of women is encouraged.

The Fair Trade premium may also not be used to introduce new mining methods which may be more harmful to the environment than the present methods in use.

Should the total Fair Trade premium substantially exceed of the basic needs of a family as defined above under Fair Trade criteria, the association shall deliberate how it can contribute to the wellbeing of the community/communities, to which its members belong, or if other similar producer groups can be supported. The exact nature of such support should be decided by the sales organisation.

## **3. Environmental Regulations**

All parties involved commit themselves to do everything in their power to prevent the promotion of Fair Trade in gold increasing negative environmental impacts in the mining areas. Instead the aim is that Fair Trade shall help small scale miners and their associations to reduce the negative environmental impact of their mining activities.

Details of environmental regulations are given in Appendix I.

In order to work towards a minimisation of the negative environmental impact of their mining activities, the producer associations and their members undertake to observing the following guidelines:

- No cyanide and mercury may be used.
- If more environmentally safe methods of gold extraction become available and feasible, the association will organise training seminars to promote such usages and phase out methods which cause damage to the environment.

In cases where the fulfilment of the criteria is not complete at the time of the signing of a partnership agreement, a written commitment to fulfil the missing elements indicating the precise measures and time-limits will be mutually agreed upon.

## **4. Reporting and Monitoring**

### **4.1. Reporting**

The producer associations will report in particular on a regular basis on the following

- Report at least once a year on its membership and structures (changes in numbers, elections of office bearers, ...)
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- report at least once a year on and confirm without delay, if asked to do so by the Fair Trade e.V., gold sales under Fair Trade conditions;
- report at least once a year on achievements of social and environmental targets in cases where not all criteria were fulfilled initially;
- report at least once a year on conditions, improvements/changes at refineries, export agencies etc. involved in the Fair Trade of gold;
- report at least once a year on relevant developments like changes in the legal framework,  
...

The importers have to inform the Fair Trade e.V. of all Fair Trade orders of gold (schedule, supplier) at the time of ordering. They also have to report on any relevant changes in the legal framework or otherwise in their market, which may affect Fair Trade in gold.

#### **4.2. Monitoring**

The Fair Trade system shall rely as much as possible on self-monitoring of the democratic miners' association and their sales organisation. However, a minimum level of ongoing outside monitoring, and in particular in cases of doubt, the reporting of irregularities etc., the Fair Trade e.V. has to be able to implement outside monitoring measures itself or through appointed agents..

Written records are to be maintained showing that the relevant majority of those involved in the mining of gold have benefited from its Fair Trade and have been involved in the decision making process on the use of the Fair Trade premium. Furthermore proper separate accounts for the use of all Fair Trade premiums have to be maintained, and these accounts have to be certified by a chartered accountant on an annual basis.

The Fair Trade e.V. undertakes to keep all business secrets of the all involved parties, of which it may gain knowledge, in confidence and not pass them on to third parties.

#### **5. Further Principles**

All parties involved in the Fair Trade of gold share the commitment to stimulate a process of social improvements in the mining areas in constant dialogue with each other resulting in the redefinition of the minimal standards for acceptance and the development of a system of evaluation to judge improvements during the process.

As part of this commitment partners in Fair Trade aim to work towards the establishment of long term trade relations between the sales organisations and the importer. In order to make this viable, both sides are asked to keep their trade relation upright in times of low or high supply in spite of attractive spot market offers. However, both sides are not obliged by Fair Trade to trade with each other.

Sales organisations may sell goods in accord with the Fair Trade system to more than one importer.

Importers may buy goods in accord with the Fair Trade system from more than one sales organisation.

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