

# PRE-CERTIFICATION PILOT CONDITIONS

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The supply of Fairmined Certified Gold from artisanal and small scale mining is exposed to many variables and external factors which can adversely affect the available volumes. The following is an exception which is being piloted as a measure to protect against unexpected shortage in the supply of Fairmined Certified gold. At the same time, it aims to fast-track the certification of new mines that are already well-advanced by offering them a way to boost the financing of their improvement commitments and Fairmined audit costs.

This pilot is intended for application in situations where a Fairmined Licensee has made a commitment to purchase - through or as a First Authorized Buyer (FAB) - a certain volume of certified gold, and the current supply of gold from the currently certified mines is insufficient to satisfy the demand.

The following are the conditions under which the sale of pre-certified gold will be permitted for the first pilot projects. The intention is to conduct some pilots under these conditions for a limited period of time. The first results will then be monitored and evaluated, and may serve as inputs to the Fairmined Standard Committee to consider if this should be incorporated later into the Standard.

## 1. CONDITIONS FOR THE LICENSEE

(If the Licensee is the FAB, then the conditions for Licensees and FABs apply.)

- 1.1. The pre-certification model applies when the supply of available Fairmined gold from certified ASMOs cannot cover the demand. For that reason and in such cases, purchase of pre-certified gold will be authorized by ARM on request of the Licensees, or FAB on behalf of a licensee, who has made a commitment to purchase Fairmined gold.
- 1.2. Due to the need to closely monitor and evaluate the outcome of this “pilot” measure, all requests by Licensees, or FAB on behalf of a licensee, to purchase pre-certified gold are subject to authorization by ARM. Licensees or FAB on behalf of a licensee, wishing to purchase pre-certified gold shall contact ARM.
- 1.3. All usual conditions for payment of the Development Fee apply. Premium payments will be made in two instalments. The procedures are outlined in clause 2.2 below.
- 1.4. All claims and traceability requirements related to the purchase model (Fairmined Labeled or Incorporated) will apply to pre-certified volumes.
- 1.5. The Licensees shall report (in Ecert or separately if needed) transactions of pre-certified gold.
- 1.6. The Licensee must agree on these conditions before ordering or purchasing.

## 2. CONDITIONS FOR THE FIRST AUTHORIZED BUYER

- 2.1. The pre-certification model applies when the supply of available Fairmined gold from certified ASMOs cannot cover the demand. For that reason and in such cases, First

- Authorized Buyers (FABs) may request authorization from ARM to purchase amounts of pre-certified gold, appropriate to reasonably bridge the foreseeable gap between supply and demand from Licensees authorized to purchase pre-certified gold (see section 1 on Licensees).
- 2.2. The FAB may not sell Pre-Certified gold to other Licensees who have not been approved by ARM as per the conditions outlined in this document.
  - 2.3. Premium payments to the ASMO will be made in two instalments.
    - 2.3.1. An initial Pre-Cert Premium Payment must be made to the ASMO after the FAB has received the material and no later than the next business day after all elements (price, assay results) have been verified by the parties and the final invoice and all required documentation have been emitted.
    - 2.3.2. The Pre-Cert Premium Payment is by default half of the total premium agreed, unless for justified reasons ASMO, FAB and ARM reach consensus (no objection by any party) on a different percentage.
    - 2.3.3. ARM, upon notification by the audit body, will inform the Licensee, the FAB and the ASMO of the certification and will advise the FAB to invoice the Licensee for settlement for the remaining net Premium for all volumes sold as pre-certified. The ASMO should receive the remaining (net) Premium for all volumes sold within 30 days after receiving notification by ARM that the audit body has granted certification status to the ASMO.
    - 2.3.4. The FAB is not responsible for outstanding Premium payments which were not made by the Licensee.
  - 2.4. Commercial relations between the FAB and the ASMO: All other terms of trade in contractual relations between the FAB and the ASMO shall be followed as per the Standard, including minimum price but excluding Standard requirements on long-term trade relations. FABs are advised to request confirmation from ARM before each transaction that the ASMO is on track with its Improvement Plan.
  - 2.5. Commercial relations between the FAB and ARM: All other terms of trade shall be followed as per the Standard and Contract, including development fee.
  - 2.6. The traceability requirements related to the purchase model (Fairmined Labelled or Incorporated) will apply to pre-certified volumes. (This requirement extends to all eventual Authorized Suppliers in the supply chain between the FAB and the Licensee.)
  - 2.7. No physical segregation between pre-certified and certified gold is required but clearly and transparently documented exact mass balance must be guaranteed. The records must be well kept for audit purposes. Documentation provided to ARM must support that volumes of pre-certified gold purchased from ASMOs match the volumes sold to the authorized Licensees that qualify for its purchase. (This requirement extends to all eventual Authorized Suppliers in the supply chain between the FAB and the Licensee.)
  - 2.8. Additionally, to the FAB's usual reporting requirements, the FAB shall report (in Ecert or separately if needed) transactions of pre-certified gold in a manner that allows to verify by

mass balance that pre-certified gold is only purchased from pre-certified ASMOs and only sold to Licensees authorized for its purchase as per section 1 on Licensees.

- 2.9. ARM will provide the FAB with a copy of the pre-audit report (see below in section 3 on ASMOs) to satisfy due diligence needs. The FAB is authorized to provide copies of this report to downstream Authorized Suppliers and Licensees as required to satisfy their due diligence needs.
- 2.10. The FAB must sign off on these conditions before purchasing.

### 3. CONDITIONS FOR THE ASMO

- 3.1. The ASMO must commit in writing to achieving Fairmined Certification.
- 3.2. The ASMO must receive a pre-audit gap analysis from ARM.
- 3.3. The ASMO must accept that all downstream supply chain actors (FAB, other Authorized Suppliers and Licensees) involved in physical or mass-balanced transactions with pre-certified gold may obtain a full copy of the pre-audit report to satisfy their due diligence needs.
- 3.4. The ASMO and ARM will prepare an Improvement Plan based on the results of the pre-audit. The Improvement Plan will include a clear and realistic timeline with binding milestones. The ASMO must agree on the Improvement Plan and timeline as a commitment to carry out the activities. The ASMO must show satisfactory progress in implementing the Improvement Plan and meeting milestones.
- 3.5. The maximum period of time to receive the certification audit is nine months after the Improvement Plan is signed (durations are different depending on the Improvement Plan).
- 3.6. The ASMO will only be authorized to sell pre-certified if the pre-audit report prepared by ARM confirms that the ASMO meets key levels of standards compliance. These key levels to assure that no major risks exist in the mining organization, and to be covered in the pre-audit report are:
  - 3.6.1. The ASMO is legally constituted and has the necessary permissions to operate legally, sell legally and export legally.
  - 3.6.2. The pre-audit conducted by ARM confirms the absence of all risks for which the OECD Due Diligence Guidance recommends immediate disengagement or disengagement after unsuccessful mitigation efforts (Annex II risks).
  - 3.6.3. The pre-audit conducted by ARM confirms that the gold complies with all legal requirements for export.
  - 3.6.4. The ASMO already complies with fundamental requirements of the Fairmined Standard, such as legality, physical traceability, management of toxic substances, and labor conditions, including no child labor.
  - 3.6.5. If ARM identifies any relevant changes that negatively affects compliance of these key criteria of the Standard or the OECD Due Diligence Guidance, ARM will inform the FAB.

- 3.7. The use and management of the pre-cert Premium must be to fulfil the requirements of the Fairmined Premium Governance and Development Plan as per chapter 4 of the Fairmined Standard. An additional requirement is that all Pre-Cert Premium Payments must be used for activities approved by ARM and aligned with the Improvement Plan agreed between the ASMO and ARM.
  - 3.8. At any time, ARM may determine that the ASMO has not shown sufficient evidence it is complying with the Improvement Plan and may cancel their permission for pre-certified sales. In this case, ARM will notify all involved FABs and Licensees that no new transaction may be agreed upon. If there are purchase agreements already confirmed between the ASMO and FAB, two additional delivery may be completed over a period of time that does not exceed 60 days from the date of the cancelation of their permission to trade. No further deliveries, even if there were previous agreements, would be considered Fairmined certified gold.
  - 3.9. After the Improvement Plan is completed, the ASMO must request within 2 weeks a recognized certification and audit body to schedule the audit to assess its compliance with the Fairmined Standard.
  - 3.10. The ASMO must sign off on these conditions before selling.
4. CONDITIONS IN THE EVENT THE ASMO SELLING PRE-CERTIFIED GOLD DOES NOT ACHIEVE CERTIFICATION:
- 4.1. External factors may affect the certification of an ASMO. In the event that the ASMO does not achieve Fairmined Certification in the agreed timeframe, or if its permission for pre-certified sales has been cancelled:
    - 4.1.1. The ASMO will not be required to pay back the Pre-Cert Premium, as these payments were destined to fund the Improvement Plan.
    - 4.1.2. ARM will not be required to pay back the Development Fee, as these payments are destined to fund producer support activities.
    - 4.1.3. The Licensee or FAB will not be required to adjust or modify any claims, as all payments were made in good faith, Fairmined traceability requirements have been complied with, and the objective of the pilot to support ASMOs on their way towards responsible mining and Fairmined certification has been fulfilled.
    - 4.1.4. Remaining secondary Premium monies not yet disbursed will be cancelled. This does not apply to the first 50% down payment.

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Signature for and on behalf of the Fairmined Authorized Supplier

Date:

Name:

Position: