



## Fairmined assurance system

For Fairmined Authorized Suppliers and Fairmined Licensees

**Alliance for Responsible Mining**

If you have any questions regarding this document please contact: [cert@responsiblemines.org](mailto:cert@responsiblemines.org)

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## Introduction

The Alliance for Responsible Mining (ARM) is an independent not-profit-organization established in 2004 to enhance equity and well-being in artisanal and small-scale mining (ASM) communities on a global scale.

**ARM's mission** is to set standards for responsible ASM and to support and enable producers to deliver Fairmined certified metals and minerals through economically fair supply chains to the markets, in order to contribute towards the transformation of ASM into a socially and environmentally responsible activity, and to the improvement of the quality of life of marginalized artisanal miners, their families and their communities.

**ARM's vision** is for artisanal and small-scale mining (ASM) to become a formalized, organized and profitable activity that uses efficient technologies, and is socially and environmentally responsible. It is a vision of an ASM that increasingly develops within a framework of good governance, legality, participation and respect for diversity. Furthermore, an increasing contribution to the generation of decent work, local development, poverty reduction and social amity in our nations, driven by a growing consumer demand for sustainable minerals and ethical jewelry.

The last Standard developed by ARM is the [Fairmined Standard for Gold and Associated Precious Metals](#).

### Purpose of this manual

This manual is developed by the Alliance for Responsible Mining, which sets out the overall structure of the assurance framework for the Fairmined authorization process of *Fairmined Authorized Suppliers* and *Fairmined Licensees* to comply with Chapter 5 of the Fairmined Standard version 2.0, April 2014, requirement number 5.1.4: *“all operators must be authorized according to ARM’s terms and conditions, and will be subject to auditing in order to assess compliance with the Standard”*, and other requirements in the Market Annex.

This manual is applicable for all Fairmined Authorized Suppliers and Fairmined Licensees, and auditors of the recognized audit bodies.

This document covers:

- The process to become a Fairmined Authorized Supplier and Fairmined Licensee
- How a Fairmined Authorized Suppliers and Licensees performs a Self-Assessment to receive audits
- How auditors conduct independent third party audits
- Guidance for conducting effective Fairmined assessments and audits

Alliance for Responsible Mining (ARM) has the right to revise this manual based on an implementation phase. The last version will be made public on their website [www.responsiblemines.org](http://www.responsiblemines.org) and can be found within the section of the authorization process for Fairmined Suppliers and Fairmined Licensees.

## Terms

In this Manual, “**Fairmined Suppliers and Licensees**” is the term which includes Fairmined Authorized Supplier and Fairmined Licensees. This follows the definition of Fairmined Suppliers and Licensees in the Fairmined Standard: *“Any entity in the supply chain, other than the artisanal and small-scale mining organization ASMO itself, that trades or transforms the gold or gold containing materials”*.

The abbreviated term ASM is also used to denote “artisanal and small-scale mining” and the abbreviation ASMO to denote “artisanal and small-scale mining organization”.

## Users of this manual

ARM has developed this manual for all Fairmined Authorized Suppliers and Fairmined Licensees and the Fairmined recognized audit bodies and their auditors when carrying out activities and responsibilities associated with the compliance of the Fairmined Standard.

## Acknowledge

ARM includes in this Manual some of the good practices developed by the Responsible Jewelry Council (RJC) specially the guidelines to conduct audits and some of the audit tools are based on the RJC tools.

ARM and RJC have believed in the importance to strengthen their collaboration in promoting and facilitating responsible jewellery supply chains.

RJC is a reference for ARM due to its expertise as a standards and certification organization and as an audit accreditation body. ARM adopts and adapts the practices of RJC’s Assurance programme to also be implemented for the Fairmined assurance system of Fairmined Suppliers and Licensees.

## Disclaimer

This Manual acts as guidance for Fairmined Authorized Suppliers and Licensees and the auditors, to comply with the principles of the Fairmined assurance system. It does not substitute any applicable national, state or local governmental laws and regulations.

## Contact

In the event of an inquiry or comment, please contact ARM’ Standards and Certification area:  
[cert@responsiblemines.org](mailto:cert@responsiblemines.org)

## Supporting documents

- **Fairmined Standard for ASM Gold (Artisanal and small-scale mining), including associated precious metals**

ARM has developed the [Fairmined Standard for Gold and Associated Precious Metals](#) to support the sustainable development of artisanal and small-scale mining (ASM) communities.

Fairmined is a rigorous third party certification system that ensures that ASM miners formalize while meeting world-leading standards for responsible practices. The Fairmined Standard includes a set of requirements to guarantee the legality of: the mining operations, environmental protection, fair labor conditions, social development and to assure the gold's traceability.

It also includes some commitments for the Fairmined Suppliers and Licensees depending on the sourcing model to assure the traceability of the Fairmined gold, the fair price and Fairmined premiums payments and the use of accurate claims.

The last Fairmined Standard version is version 2.0 / ARM – 05 April 2014. This one supersedes the Version 1.1 / ARM – 01 May 2013. The structure is as follows:

- The Fairmined Standard (scope: ASMO's and First Authorized Buyer)
- Fairmined Market Annex (scope: Fairmined Suppliers and Licensees)
- Glossary of terms

Fairmined Suppliers and Fairmined Licensees must comply with [Chapter 5 in Fairmined Standard version 2.0, April 2014](#) and further requirements in **the Market Annex**.

- **Market Annex to the Fairmined Standard**

The Market Annex to the Fairmined Standard for ASM Gold (including associated Precious Metals), applies to all involved supply chain suppliers and licensees. The supply chain up to this point inclusive is covered in the main text of the Fairmined Standard and its scope.

- **Fairmined Self-Assessment Checklist**

ARM has designed the Fairmined Assessment checklist depending on the role of the Fairmined Suppliers and Licensees.

Based on the specific commitments in *the Fairmined Standard, Market Annex, and Permit to trade/License Agreement*, in which each supplier/licensee has different roles, the ARM offers a specialized Fairmined Self-assessment and an audit verification checklist, to be used by the Fairmined Suppliers and Licensees and auditors.

These checklists contain: *Fairmined Standard Market Annex, Chapter 5 Requirement, Assessment and Verification criteria, Types and examples of evidence, Objective evidence in support of findings, Fairmined Supplier/Licensee's self-assessment, Auditor's Observations and findings and Performance rating* (drop down menu).

These Fairmined self-assessment Checklists contains a list of the Fairmined requirements. This can be used by the Fairmined Suppliers and Licensees to conduct a self-assessment. This must be completed and delivered to the auditors before the audit takes place. Based on these checklists, the Fairmined-recognized auditors verify the Fairmined Suppliers and Licensees compliance with the Fairmined Standard, its Market Annex and the Permit to trade/License Agreement. Based on this checklist, the auditors have [its Fairmined auditors toolkit](#).

- ✓ [First Authorized Buyers who trade Fairmined Gold under the Fairmined Labeled Model](#)
- ✓ [First Authorized Buyers who trade Fairmined Gold under the Fairmined Incorporated Model](#)
- ✓ [First Authorized Buyers who trade Fairmined Gold under the Fairmined Labeled and Incorporated Model](#)
- ✓ [First Authorized Buyers who are also Licensees trade Fairmined Gold under the Fairmined Labeled and Incorporated Model](#)
  
- ✓ [Fairmined Suppliers who do not buy directly from an ASMO](#)
- ✓ [Fairmined Suppliers who are also Licensees](#)
- ✓ [Fairmined Licensees under the Fairmined Labeled Model](#)
- ✓ [Fairmined Licensees under the Fairmined Incorporated Model](#)
- ✓ [Fairmined licensees under the Fairmined Labeled and Incorporated Models](#)

- **Fairmined Mark Manual**

This manual outlines the correct use of the Fairmined Mark on promotional and commercial products. It is used to support Fairmined metals while maintaining and upholding the integrity and values of the Fairmined Mark: to promote responsible artisanal and small-scale community miners and their fair access to ethical supply chains.

The Fairmined Mark Manual is provided by ARM once the Fairmined Suppliers and Licensees have signed the Permit to Trade/License Agreement, and the auditors become Fairmined recognized auditors.

- **Ecert use manuals: Fairmined information platform**

ARM has developed Ecert use manuals to support navigation and management of the system. The manuals include a step-by-step guide for users to generate the Fairmined transactions reports and manage the results of Fairmined audits, authorization and certification.



[Manual for Fairmined Licensees](#)

[Manual for Fairmined Authorized Suppliers](#)

[Manual for auditors of the Fairmined Authorized Supplier and Licensees](#)

[Manual for the auditors of the certificated ASMOs](#)

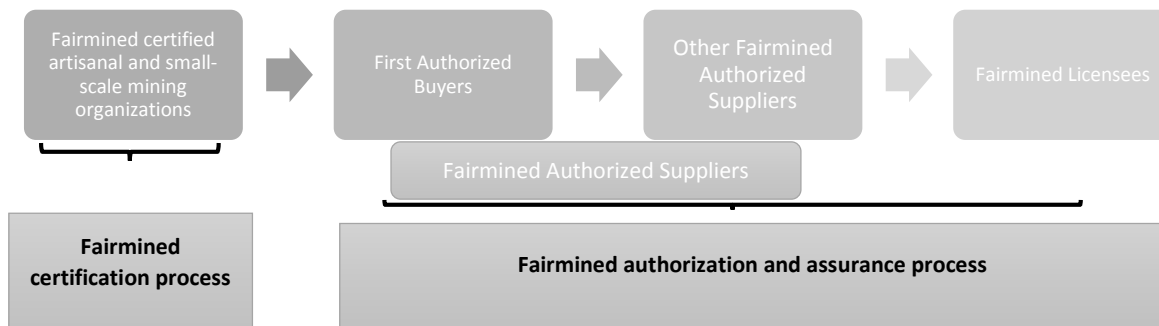
## Fairmined assurance system

The Fairmined assurance system includes all processes to ensure credibility and consistency with the compliance of the Fairmined Standard requirements by all involved in the Fairmined supply chain.

Alliance for Responsible Mining, the ASMOs, the Fairmined Authorized Suppliers (including the specific role of the First Authorized Buyer) and Fairmined Licensees and all recognized auditors for the ASMOs and Fairmined Supplier and Licensees have specific roles in the Fairmined Certification and Authorization process but equally, they must comply with its responsibilities under the Fairmined assurance system.

The Fairmined assurance system is comprised of two processes:

- [The Fairmined certification process of the ASMOs and the steps towards Fairmined Certification,](#)
- [The authorization and assurance process of Fairmined Suppliers and Licensees.](#)



In order to ensure the credibility of the Fairmined Mark and compliance with the Fairmined Standard, both processes are verified by third party auditing bodies or ARM´ Standards and Certification area. Additionally, all Fairmined actors must report their purchases and confirm their sales to the Ecert platform, ensuring that they, ARM and the audit bodies will be able to trace Fairmined metals transactions.

This document details the Fairmined assurance process for Fairmined Authorized Suppliers and Fairmined Licensees.

### 2.1 Participants in the Fairmined supply chain

The participants in the Fairmined supply chain are the artisanal and small-scale mining organizations (ASMOs), the Fairmined Authorized Suppliers and the Fairmined Licensees.

- ✓ **Artisanal and small-scale mining organization (ASMO):** a formal organization established for the purpose of conducting or facilitating responsible artisanal and small-scale mining and constituted according to the legal, social, cultural and organizational reality of the local context. An ASMO has direct (held by the ASMO) or indirect (held by miners of the ASMO) legal or contractual rights and environmental permits to mine.

The ASMO is the Certificate holder and has therefore ultimate responsibility for compliance with all requirements of the Fairmined Standard. However, compliance will be audited according to levels of responsibility, i.e. within the Fairmined System of Production, within the entire ASMO or within the surrounding community, depending on the purpose of each requirement.

- ✓ **Fairmined Authorized Suppliers**
  - **Fairmined First Authorized Buyers:** companies which are directly involved in the purchase of Fairmined certified gold from the ASMO. First, Authorized Buyers must sign a Permit to Trade and comply with the relevant requirements of Chapter 5 of the Fairmined Standard, regarding: trade relationships, the Market Annex, the Permit to Trade and the Fairmined Mark Manual. First Authorized Buyers have a special responsibility in the Fairmined supply chain as they pay the Fairmined Minimum Price and the Premium to Fairmined certified mining organizations.
  - **Other Fairmined Authorized Suppliers:** those in the supply chain who buy Fairmined Gold from a First Authorized Buyer and want to trade or transform Fairmined Gold, like refiners, traders, manufacturers or casters. In order to become a Fairmined Authorized Supplier, they must sign a Permit to Trade and comply with the relevant requirements of Chapter 5 of the Fairmined Standard regarding trading relationships, the Market Annex, the Permit to Trade and the Fairmined Mark Manual.
- ✓ **Fairmined Licensees:** companies who use Fairmined metals to produce consumer products, with the use of the Fairmined Label to promote such products. Such companies are obliged to sign a License Agreement with ARM to become Fairmined Licensees and must comply with the relevant requirements of Chapter 5 of the Fairmined Standard regarding trading relationships, the Market Annex, the License Agreement and the Fairmined Mark Manual.

Fairmined Authorized Suppliers and Fairmined Licensees have different responsibilities in the Fairmined supply chain and therefore have distinct rules and timelines regarding assurance.

ARM publishes [the list of the Fairmined certified ASMOs and Fairmined Authorized Suppliers and Fairmined Licensees](#) on its website.

## 2.2. Fairmined sourcing models

Fairmined Suppliers and Licensees can choose between [three possible sourcing models](#) and auditors must verify which sourcing model is used by them. Fairmined market models are detailed in the Market Annex of the Fairmined Standard.

### 2.2.1 Fairmined Labeled

#### General Features

- ✓ Full physical traceability from mine to market: maintaining Fairmined Gold entirely separate from gold originating from other sources.
- ✓ This allows the use of the Fairmined Label on finished consumer products.
- ✓ Each individual in the supply chain that comes into contact with the gold (including subcontractors), must ensure their full compliance with the physical traceability requirements at all times.
- ✓ No mass balance or mixing of sources with non-Fairmined gold is permitted.

#### Claims & Communication

- ✓ Claims can be made on the final product that it contains Fairmined certified gold. For example, on the product package or POS: “This product/collection is proud to be made with Fairmined certified gold.”
- ✓ Use of Fairmined logo and messaging in communication material and at the POS, always with reference to the products that contain Fairmined gold.
- ✓ Use of Fairmined marketing material at the POS in relation to the products containing Fairmined Gold.
- ✓ Use of an authenticity certificate.
- ✓ Hallmarking or stamping of the final product with the Fairmined logo.
- ✓ Reference to the mining community from which the gold originates.

### 2.2.2 Fairmined Incorporated

#### General Features

- ✓ Provides a flexible way to incorporate responsibly sourced Fairmined certified gold into supply chains.
- ✓ Requires physical traceability for Fairmined Incorporated until the gold is delivered from the certified mining organization to the First Authorized Buyer. Segregated refining is not required ([See Amendment of the requirement 1.1.1 criterion of the Standard’s Market Annex](#))
- ✓ Free integration of gold into the supply chain of licensees: Fairmined Gold can be mixed with gold from non-Fairmined sources.
- ✓ Documentary traceability must be kept; the Licensee must always be able to prove all purchases and uses of the Fairmined Gold as per the License Agreement.

#### Claims & Communication

- ✓ Claims can be made at a corporate, CSR and sustainability reporting level. They must not refer to specific consumer products as being made with Fairmined Gold.
- ✓ Claims can express the amount of Premium paid and/or volume and/or percentage of the Fairmined Gold that is purchased during any given calendar year.  
Example: “In 2014 we are proud to announce that we have sourced XXX kilograms of Fairmined certified gold.”
- ✓ Rules on claims must ensure that consumers and other businesses receive accurate information.
- ✓ A limited package of Fairmined marketing material is available.
- ✓ The Fairmined logo, messaging and marketing material may not be used in connection with a specific product at any time.
- ✓ Whenever the Fairmined supporters’ logo is used, it must be accompanied by a factual expression of the partner’s involvement within the Fairmined supply. This text must be approved by ARM prior to publishing in print or online.

### 2.2.3 Fairmined Certificates

#### General Features

- ✓ Fairmined Certificates represent the premium that is paid to the certified mining organizations for the production of the equivalent volume of Fairmined certified gold.
- ✓ The gold transaction is decoupled from the Premium payment.
- ✓ Fairmined Gold never needs to be physically integrated into the supply chain.
- ✓ Similar to the carbon credits model.

#### General Claims

- ✓ Claims can only be made at a corporate, CSR or sustainability reporting level and must not refer to specific consumer products as being made with Fairmined Gold.
- ✓ Example: “For 2014 we are proud to announce that we have contributed to the production of XXX kilograms of Fairmined certified gold.”

## 3. Fairmined authorization and assurance process for Fairmined Suppliers and Licensees

There are two different ways that the market can engage with Fairmined. There is a special process for each engagement. The steps are described in the Fairmined website: [How to become a Fairmined Authorized Supplier](#) and [How to become a Fairmined Licensee](#).

### ***3.1 How to become a Fairmined Authorized Supplier***

Any individual in the supply chain other than the mining organization itself, i.e. a refiner, trader, manufacturer or caster that wishes to trade or transform Fairmined Gold must first become a Fairmined Authorized Supplier

by signing a Permit to Trade. Fairmined Authorized Suppliers help the responsible mining organizations access the market and transform the gold into inputs for various areas of the gold industry, such as alloys, wire, sheet and casting grain.

ARM can provide Guidelines for Fairmined Supplier which details all the necessary information to become Fairmined Authorized Supplier. See the detailed process in Fairmined website [How to become a Fairmined Authorized Supplier](#)

### ***3.2 How to become a Fairmined Licensee***

Companies can license the Fairmined Mark in order to make public claims about the company's commitment to incorporate Fairmined certified gold into its supply chains and sell Fairmined labeled consumer products.

ARM has the Guidelines for Fairmined Licensees which provides all the necessary information on how to become Fairmined Licensee. See the detailed process in Fairmined website [How to become a Fairmined Licensee](#).

Any question about how to engage with Fairmined, contact [info@fairmined.org](mailto:info@fairmined.org)

Fairmined Suppliers and Licensees commit to comply with the Fairmined Standard and its Market Annex, as well as the commitments in the Permit to trade or the License Agreement, which includes the traceability control, the Fairmined flow of good reporting duties and the accurate use of claims.

The **Permit to Trade** document grants the supplier permission to trade Fairmined certified gold and associated precious metals. Upon signing this agreement, the supplier will be considered a "Fairmined Authorized Supplier".

**The License Agreement** document permits the licensee to use the Fairmined Mark in respect of the Licensed Products on the terms of this Agreement.

After signing the Permit to Trade and the License Agreement, the Fairmined Suppliers and Licensees must ensure the total compliance with the Fairmined Standard. [The auditing cycle](#) and frequency depends on the individual in the supply chain and the Fairmined sourcing model. The auditing of Fairmined Suppliers and Licensees also depends on the quantity of Fairmined Gold that they purchase.

For more information, see the "[Independent Audit Bodies](#)" list, which contains all the Fairmined recognized audit bodies of the ARM.

For information on the timeline for each step of the assurance process, see the [Assurance process and timelines for Fairmined Suppliers and Licensees](#).

### ***3.3 Pillars of the assurance system for Fairmined Suppliers and Licensees***

The pillars of the assurance system are focused on the following elements:

- Compliance with the requirements of the Fairmined Standard, its Market Annex, Permit to Trade and/or License Agreement and the Fairmined Mark Manual.
- Physical and documentary traceability: Fairmined Suppliers and Licensees must comply with different traceability requirements, depending on the sourcing model (*Fairmined Labeled* or *Incorporated*). (Note: At any point, an authorized Fairmined supply chain supplier in the downstream supply chain must ensure documentary traceability by using an identification mark on all related documentation.)
- The fair trading relationships and contracts, including price and Premium payments, between First Authorized Buyers and ASMOs.
- Reporting of the flow of goods (Fairmined transactions: registering purchases and confirming sales).
- Fairmined Suppliers and Licensees must make appropriate use of claims, and follow product composition rules depending on the sourcing model. These rules are established in the Market annex and the Fairmined Mark Manual.

### ***3.4 Roles and responsibilities in the assurance process***

Alliance for Responsible Mining (ARM), Fairmined recognized audit bodies and Fairmined Suppliers and Licensees have specific roles in the authorization and assurance process.

#### **3.4.1 ARM's roles**

- ✓ Authorize suppliers and licensees to participate in the Fairmined supply chain, grant the permission to buy and sell Fairmined certified gold and silver and make truthful claims about it by issuing a Permit to Trade or a License Agreement.
- ✓ Provide Fairmined Suppliers and Licensees with all the information related to complying with the Fairmined Standard and its Market Annex, and the Mark Manual.
- ✓ Provide Fairmined Suppliers and Licensees with the Fairmined ID, Ecert access and Ecert manuals.
- ✓ Assign a Fairmined account manager to all Fairmined Suppliers and Licensees.
- ✓ Enable third party auditors to conduct Fairmined audits. The auditors need to comply with the accreditation required by the ISEAL Assurance Code.
- ✓ Inform Fairmined Suppliers and Licensees about available recognized audit bodies.
- ✓ Provide recognized audit bodies with the Fairmined information, tools, and materials to carry out Fairmined audits (e.g. the Fairmined Assessment check list).
- ✓ Issue the auditor access to the Fairmined Information System by using the Ecert platform to provide the necessary information for an audit on the Fairmined Supplier.
- ✓ Evaluate the audit verification checklist and final verification findings in the final audit report (including the audit recommendation), as provided by the recognized audit body.

- ✓ In cases where the final audit report and final verification finding are not complete or not fully clarified, to request additional information from the recognized audit body.
- ✓ Make a final decision based on the audit results with the audit body on the renewed authorization of Fairmined Suppliers and Licensees or alternatively the measures which need to be taken, in the case of an unsatisfactory audit result.
- ✓ Issue a new Fairmined trade authorization certificate based on the final decision.
- ✓ Upload the Fairmined certificate in Ecert.
- ✓ Administer the Complaints Mechanism.

### 3.4.2 The role of audit bodies

- ✓ Define a single primary contact for Fairmined audits.
- ✓ Provide ARM with the CVs of the auditors with proven skills and experience in precious metals supply chain audits.
- ✓ Provide ARM with relevant accreditation certificates, as required by the ISEAL Assurance Code.
- ✓ Sign the Third Party Auditing Agreement for Trading of Fairmined Precious Metals with ARM.
- ✓ Participate in the Fairmined training program delivered by ARM.
- ✓ Provide ARM and the audited entity with complete information on the audit procedure: a professional services agreement, updated fees, complaint procedure and allegation procedure and any other relevant information.
- ✓ Sign a Fairmined audit contract with its clients to specify all details of audit services.
- ✓ Include a confidentiality clause in the client's contract about how they are to manage confidential information.
- ✓ Maintain the confidentiality of all the Fairmined audit information, flow of goods data and any other information on ARM's clients.
- ✓ Provide a complete audit service to its clients, including follow-up on any non-conformities identified during the audit.
- ✓ Review the Fairmined business self-assessment questionnaire, certificates, License Agreement and/or Permit to Trade, Self-assessment and audit verification checklist, Flow of Goods (FoG) reports and any other relevant documents or risks identified by ARM.
- ✓ Conduct the audit using the Fairmined audit verification checklist, the Fairmined audit tools and manuals and associated supporting documentation to determine compliance with the Fairmined Standard and the responsibilities described in the Fairmined Permit to Trade/License Agreement.
- ✓ Submit to Ecert all the audit information results: audit verification checklist, final audit report including the audit recommendation with a risk analysis and any additional information serving to support the decision on maintaining authorization to trade Fairmined metals.
- ✓ Participate in the Evaluation Committee to evaluate the audit results and agree to maintain authorization, based on the risk analysis carried out during the audit.
- ✓ Assist with press releases and marketing coordination if applicable.

**Note:** Auditors must be recognized by ARM to carry out audits to Fairmined Suppliers and Licensees. See the chapter [12. Fairmined auditors recognition process](#)

### 3.4.3 The role of Fairmined Suppliers and Licensees

- ✓ Designate one official contact for Fairmined-related matters.
- ✓ Sign a Permit to Trade or License Agreement and comply with the requirements of the Fairmined Standard, Market Annex, Permit to Trade or License Agreement and Fairmined Mark Manual.
- ✓ Report the Flow-of-Goods Data to the Fairmined Information System through Ecert. All transactions must be reported via this virtual platform.
- ✓ Conduct the self-assessment checklist to confirm compliance with the Fairmined Standard requirements.
- ✓ Contact and sign with a recognized auditor to conduct their Fairmined Audits according to the audit timelines defined in the Permit to Trade/License Agreement.
- ✓ Provide auditors access to the information, records, evidence, invoices, internal control system and process documentation to confirm compliance with the Fairmined Standard.
- ✓ Implement corrective action or improvement plans, as appropriate, to achieve compliance and continual improvement.

**Notes:**

- ✓ The Fairmined Suppliers and Licensees must fulfill these roles as well as the commitments described in the Permit to Trade/License Agreement in order to maintain their authorization to trade and make truthful claims about Fairmined certified metals.
- ✓ The auditor's legal relationship is with their corresponding Fairmined Supplier that has signed an audit contract/service, not with the Alliance for Responsible Mining.

## 4. Ecert: The Fairmined Information System

ARM uses the Ecert platform to collate all the relevant documentation of the Fairmined Information System. It is an online portal for documental traceability control along the Fairmined supply chain. It offers a user-friendly tool to report and analyze the flow of goods, manage audits and certification and authorization processes online, while allowing ARM and the auditors recognized by ARM to control the integrity of the chain of custody more efficiently. It is available to Fairmined certified artisanal and small-scale mining organizations, Fairmined Authorized Suppliers and Fairmined Licensees.

Ecert is an important tool for the Fairmined recognized auditors as they upload all information on Fairmined audits to the online platform and get access to Fairmined transactions of their clients to verify the traceability compliance.



The information registered in Ecert is treated as confidential by ARM's Standard and Certification area and the audit bodies.

#### **4.1 Access to the system**

Fairmined Suppliers and Licensees have access to a system username and password for reporting their Fairmined purchases and sales. ARM's Standards and Certification team, as well as the recognized auditors, have access to the system. The auditors only have permission to see their client's information.

Online access: <http://arm.e-cert.net/>

#### **4.2 Navigation of the system**

ARM has developed manuals for each system user, to support the process of reporting the Fairmined transactions and the management of the authorization process and audit results.

Find the relevant corresponding manual depending on the Fairmined role in the supply chain and the auditors for ASMOs or Fairmined Suppliers and Licensees on the [Fairmined website](#).

[Manual for Fairmined Licensees](#)

[Manual for Fairmined Authorized Suppliers](#)

[Manual for auditors of the Fairmined Authorized Suppliers and Licensees](#)

[Manual for the auditors of the certified ASMOs](#)

#### **4.3 Frequency of reports**

Fairmined Suppliers and Licensees must report Flow-of-Goods Data to the Fairmined Information System (Ecert platform). All purchases of Fairmined metal should be reported immediately after the purchase is made.

##### **✓ Reporting for First Authorized Buyers**

When Fairmined Authorized Suppliers act as the First Authorized Buyer, they must complete their purchase report for all Fairmined purchases for the previous trading quarter. Purchase reports must be submitted no later than two weeks after the end of each quarter. Each quarter ends on the following dates: Q1: April 14th; Q2: July 14th; Q3: Oct 14th; Q4: Jan 14th.

The First Authorized Buyer must also confirm the sales to other licensees or suppliers for the previous trading semester. If the buyer did not report the purchase to the Fairmined Information System, the supplier must register the sales transactions in its report. Sales reports must be submitted no later than two weeks after the end of each semester. Each semester ends on the following dates: S1: July 14th; S2: Jan 14th.

##### **✓ Reporting for Authorized Suppliers whom are not a First Authorized Buyer**

For all other Fairmined Authorized Suppliers, reports must be submitted by the end of each half-year for the previous trading semester. Purchase and sales reports must be submitted no later than two weeks after the end of each semester. Each semester ends on the following dates: S1: July 14th; S2: Jan 14th.

#### ✓ **Reporting for Licensees**

Licensees must report all Fairmined purchases for the previous trading semester. Transactions made between January and June must be reported to the system in the period up to and including 1 July of the same year in which the transaction is made. Transactions made between July and December must be reported in the period up to and including 1 January of the following year after the transaction is made. Each semester ends on the following dates: S1: July 1st; S2: Jan 1st.

#### **4.4 Flow of goods reports**

It is important to emphasize that ARM' Standards and Certification area and the auditing bodies must be able to trace the following Flow-of-Goods Data in Ecert. The flow of goods must be completely registered and they must have all the information requested by the system, depending on the type of transaction.

##### 4.4.1 Fairmined Authorized Suppliers flow of goods

Fairmined Authorized Suppliers must register all purchases and confirm all sales. All Suppliers agree to submit reports into the Fairmined Information System in the following categories:

- ✓ The volume of Fairmined metal bought from ASMOs and/or Suppliers, including the invoice dates and the invoice number, the name/Fairmined ID of the seller/purchaser of the Product.
- ✓ Payment above the Fairmined minimum price, payment of the Fairmined Premium and Ecological Premium (where applicable).
- ✓ All sales to Fairmined Licensees or other Suppliers, indicating whether the Product is being traded under the Labeled or the Incorporated Sourcing Model.
- ✓ The physical form of the Product when purchased or sold (weight, purity, form).
- ✓ Disposals.
- ✓ Report data on sales of Fairmined Gold to non-Fairmined Licensees

##### 4.4.2 Fairmined Licensees flow of goods

Fairmined Licensees must register purchases. All Licensees agree to provide reports to the Fairmined Information System regarding:

- ✓ The volume of Fairmined metals bought from Fairmined Authorized Suppliers, including the invoice dates and invoice numbers and number/ID of the Fairmined Supplier from whom the product was purchased;
- ✓ The physical form of the product when transacted (weight, purity, form);

- ✓ Whether the product is being traded under Fairmined Labeled or Fairmined Incorporated.

## 5. Auditing Fairmined Authorized Suppliers and Fairmined Licensees

In order to ensure the credibility of the Fairmined Mark and compliance with the Fairmined Standard, Fairmined Suppliers and Licensees must present evidence of their compliance with all Fairmined requirements. The Fairmined Suppliers and Licensees that are subject to auditing must sign an auditing contract with a [3rd party organization which is recognized by ARM](#).

### 5.1 Types of audits

- ✓ **Documentary audit:** the auditors review the written documentation, processes, reports and procedures that support the evidences of each Fairmined Standard requirement and analyze its quality, relevance, and conformance with the Fairmined Standard and the Permit to Trade/License Agreement.
- ✓ **Physical audit:** on site, the auditors review the documentation and the internal control system and processes and analyze its quality, relevance, and conformance with the Fairmined Standard and the Permit to Trade/License Agreement.

While performing the audit, auditors have access to the Flow of Goods reports submitted by the Supplier/Licensee in Ecert in order to evaluate the documentary traceability of their Fairmined transactions.

### 5.2 Fairmined auditing cycle

Fairmined auditing is flexible and its frequency depends on the Fairmined Supplier/Licensee role in the supply chain, its performance, and the associated risk.

#### 5.2.1 Fairmined Authorized Suppliers auditing cycle

The classifications for Fairmined Authorized Suppliers and the respective auditing requirements are as follows:

- ✓ First Authorized Buyers who trade Fairmined Gold under the Fairmined Labeled Model
- ✓ First Authorized Buyers who trade Fairmined Gold under the Fairmined Incorporated Model
- ✓ Fairmined Authorized Suppliers who do not buy directly from an artisanal and small-scale mining organization (ASMO)

If the First Authorized Buyer trades Fairmined Gold under both models, the Buyer must follow the audit scheme for First Authorized Buyers who trade Fairmined Gold under the Fairmined Labeled Model.

- ✓ **First Authorized Buyers who trade Fairmined Gold under the Fairmined Labeled Model:**

First Authorized Buyers who trade Fairmined Gold under the Fairmined Labeled Model receive a certificate from ARM on reporting their first purchase to ARM through the Fairmined Information System which confirms

their status as a Fairmined Supplier, and which lasts for 18 months after reporting their first purchase. A physical audit is due one year after the first purchase is reported. The First Authorized Buyer must sign an auditing contract with an auditing body, which has been authorized by ARM, 6 months before the certificate ends and must complete the audit within three months of signing the contract. The next audit may be physical or documented and may take place within 12-24 months later, depending on the auditor's and ARM's risk analysis and decision in the previous audit. The risk analysis takes the following into account:

- 1) The First Authorized Buyer's previous audit performance
- 2) The quantities of Gold bought by the First Authorized Buyer
- 3) The number of buyers to whom the First Authorized buyer is selling
- 4) Whether the First Authorized Buyer has an audit scheduled in another certification system accepted by ARM
- 5) Previous reporting behavior
- 6) Compliance with the requirements relating to Claims

✓ **Fairmined Authorized Suppliers who do not buy directly from an ASMO**

Fairmined Authorized Suppliers who do not buy directly from an ASMO receive a certificate on reporting their first purchase to ARM through the Fairmined Information System which confirms their status as a Fairmined Supplier, and which lasts for three years after reporting their first purchase. When a Supplier reaches the threshold of accumulated purchases of 1.5kg of Fairmined Gold or 20kg of Fairmined Silver (the "**Threshold**") they must sign the audit contract for a documentary audit. The first audit is due at the earliest 1 year after the first purchase by the Fairmined Supplier. The audit must be concluded within three months after the audit starts. The Auditing Body and ARM carry out a risk analysis based on the audit results and thus set a suggested date for the next audit to take place within the next 12 to 36 months. In general, the audit will be documentary, and only in the case of a high risk of non-compliance may a physical audit be requested. The risk analysis takes the following into account:

- 1) The Fairmined Supplier's previous audit performance
- 2) The quantities of Gold bought by the Supplier
- 3) The number of buyers to whom the Supplier is selling
- 4) Whether the Fairmined Supplier has an audit scheduled in another certification system accepted by ARM
- 5) Previous reporting behavior
- 6) Compliance with the requirements relating to Claims

After each audit, the Supplier may receive a certificate confirming its status as a Fairmined Supplier which will last for a maximum of three years. When the Supplier reaches the Threshold again, ARM will decide when the next audit should take place, taking into account the suggestions of the last audit and if there is a possibility of

a joint audit with another certification scheme accepted by ARM. The Supplier needs to sign an auditing contract within the next six weeks of the defined audit date. Suppliers will be audited a maximum of once every 12 months.

If the Supplier does not reach the Threshold within 3 years, only a documentary audit is required if the Supplier has been selling Fairmined Gold to other Suppliers and/or Licensees within this period. If the Supplier is not selling to other participants in the Fairmined supply chain during these 3 years, they are exempt from being audited by an Audit body.

Instead, they must send a Fairmined Feedback Report to the ARM Certification Manager in which they describe their internal use of Fairmined Gold and the Fairmined Mark. The ARM Certification Manager will review the Fairmined Feedback Report and only in the case that a risk analysis determines the need for a documentary audit, will the Supplier be required to sign an auditing contract with an ARM recognized Audit body. If the documentary audit performed by the Audit body determines major non-coherences, a physical audit will be performed.

#### 5.2.2 Fairmined Licensees auditing cycle

Fairmined auditing is flexible and its frequency depends on a Licensee's sourcing model in the supply chain, its performance, and associated risk.

For Licensees that source gold under the Fairmined Labeled sourcing model the audit must be performed by a 3rd party ARM recognized audit body. The documental audit is due when the Licensee reaches the threshold of accumulated purchases of 1.5kg of Fairmined Gold or 20kg of Fairmined Silver (the "**Threshold**") since the signature of the License Agreement/the last audit closure date. The audit needs to be concluded within three months after the audit starts.

Licensees that source uniquely under the Fairmined Incorporated sourcing model can choose between receiving either i) a documental audit from a 3rd party ARM recognized audit body (it is acceptable to combine audits with others certification schemes recognized by ARM) or ii) performing a Fairmined Feedback Report. If the Licensee performs a Fairmined Feedback Report, the Licensee must submit the report to ARM within six weeks after reporting of accumulated purchases of the Threshold. The Licensee who sent the Fairmined Feedback Report would not be required to receive a 3rd party audit from an ARM recognized audit body. Only in the case that after the evaluation and the risk analysis there is the need for a documental audit, the Licensee will be required to sign an auditing contract with an ARM recognized audit body.

If the documentary audit performed by the audit body determines major non-coherences, a physical audit will be performed (this is applicable for both sourcing models).

Audited licensees will receive an audit a maximum of once every 12 months. ARM and the audit body (where applicable) will perform a risk analysis based on the audit results to suggest the timeframe for scheduling the next audit (between 12 and 36 months after the previous audit may be documental or physical), depending on:

1. The Fairmined Licensee's previous audit performance
2. Internal control system (include the management of quantities of gold bought)
3. Whether the Fairmined Licensee has an audit scheduled in another recognized certification system
4. Previous flow of goods reporting behavior
5. Use of Fairmined claims
6. If it was as a Feedback Report submitted to ARM or a 3rd party audit
7. If they are sourcing under the Fairmined Incorporated or Labeled sourcing model.

After each audit, the licensee receives a license certificate for a maximum of three years. If a Licensee receives an audit, the next audit will not be required to be scheduled again until a further 1.5 kg of Fairmined Gold is purchased since the date of the previous audit and as per the risk analysis.

If the licensee doesn't reach the Threshold within three years or the validity of the license certificate expires the licensee is exempted of an audit from a 3rd party audit body for this period. Instead, they will send the Fairmined Feedback Report to the ARM Certification Manager in which they describe their internal use of Fairmined Gold and the Fairmined Mark. The ARM Certification Manager will review the Fairmined Feedback Report and only in the case that a risk analysis determines the need for an audit will the Licensee be required to sign an auditing contract with an ARM recognized audit body.

#### 5.2.3 Joint audits with other certification schemes

ARM takes into account business realities and wants to support businesses that participate in various certification schemes by enabling combined audits, thereby helping to save time and costs for committed businesses. Fairmined Authorized Suppliers and Fairmined Licensees who participate in other certification schemes should inform ARM's Certification Manager in advance (prior to contracting of the Auditing body) that they are interested in combined audits and they will contract a combined audit. [See 8.5 Coordination and Recognition of Existing Certifications](#). ARM will publish a list of recognized certification schemes on the Fairmined website, see [www.fairmined.org](http://www.fairmined.org).

### ***5.3 The scope of the authorization and license***

#### 5.3.1 Fairmined Authorized Suppliers

The authorization scope must be clearly defined and documented by the Fairmined Supplier to ensure the self-assessment process and that the audit scope is defined adequately.

The Fairmined Authorization Scope is defined by the Fairmined Authorized Supplier and must include:

- ✓ The Fairmined metals that the Fairmined Authorized Supplier uses and the respective sourcing model.
- ✓ All facilities (sites or premises) under the control of Fairmined Authorized Suppliers that use for the processing, manufacturing, transforming, storage, handling, shipping and receiving of Fairmined metals.

- ✓ All Supplier's Subcontractors that the Fairmined Authorized Supplier hires to carry out a process down to the point of the refining (e.g. Transport) are subject to the traceability requirements and to Supplier's audits.

**Note:** Subcontractors (manufacturers specialized in certain processes, e.g. casting or similar) are not required to register as authorized Fairmined Suppliers if they perform the process on behalf of the Supplier. Refining however, is a central process in the supply chain; hence, refiners performing on behalf of Fairmined Authorized Suppliers, can never be considered subcontractors, but must be authorized Fairmined Suppliers on their own.

### 5.3.2 Fairmined Licensees

The license scope must be clearly defined and documented by the Fairmined Licensee to ensure that the self-assessment process and the audit scope are adequately defined.

- ✓ The Fairmined metals that the Licensee uses and the respective sourcing model.
- ✓ All facilities (sites or premises) under the control of Fairmined Licensee that are used for the manufacturing, transforming, storage, handling, and marketing of Fairmined metals.

### 5.4 Documents which are verified during the audit

The evidence provided by the Fairmined Supplier depends on its role in the Fairmined supply chain and its size, scope and internal processes and procedures. The list of general documents that every Fairmined Supplier must provide during the audit is as follows:

- Evidence of corrective actions from previous audits (if applicable).
- Copy of the legal valid business license/any other relevant legal documents.
- Fairmined Permit to trade or/and License Agreement.
- Fairmined certificates (this is uploaded in Ecert).
- Internal control system diagram, description, registers, formats, internal policies, transaction documents and documentation of relevant controls.
- Documentary/ Physical Traceability: invoices, registers, agreements or contracts, transfer documents.
- Use of claims based on the sourcing model: reports, training system
- Reports in Ecert: reports in the platform after July 2015, reports in Excel spreadsheets are before July 2015.

## 6. Rating conformance and corrective actions

All findings must be evaluated according to the rating conformance. This process must be made based on objective evidence and the decision of the rating must be clear and unambiguous.

## 6.1 Conformance Ratings

Depending on the objective evidence in support of findings for each Fairmined requirement, the auditor defines the performance ratings based on the results of the documentary/physical audit, these results depend on the quality of the evidence provide by the audited company.

Conformance Rating	Definition
<b>Conformance</b>	The Fairmined Supplier/Licensee has policies, procedures, and processes which completely ensure the compliance with the Fairmined Standard and Market annex requirements.
<b>Minor Non- Conformance</b>	The Fairmined Supplier/Licensee has policies, procedures, processes which are not wholly in conformance with the Fairmined Standard and Market annex requirements, due to an isolated or temporary lapse of either performance or control: it is a non-systemic lapse and, the impact does not lead to a Major Non-Conformance.
<b>Major-Non Conformance</b>	The Fairmined Supplier/Licensee has policies, procedures, processes which are not in conformance with the Fairmined Standard and Market annex requirements due to: the total absence of the implementation of the requirement, or a systemic failure, or a repetitive and persistent minor non-conformance which has not been corrected or adequately implemented once identified, or continues over a long period of time.
<b>Not Applicable</b>	<p>The Fairmined requirement cannot be implemented by the Fairmined Supplier and Licensee due to its business nature or its particular Fairmined role.</p> <p>It is possible that Fairmined Suppliers and Licensees, and auditors define a requirement as “Not Applicable”.</p> <p>The Fairmined Suppliers and Licensees must provide the credible reasons for all requirements graded as “Not Applicable” and the independent auditors must validate them during the audit.</p> <p>It is important to observe that low risk does not mean “Not Applicable”</p>

**Note:** A group of Minor Non-conformances may justify elevation to Major Non-conformance rating. The key is whether a Minor Non-Conformance is isolated, or whether it is related to other Minor Non-Conformances in a manner that indicates common root causes through weaknesses or problems in the internal control system.

The condition to elevate **Minor Non-conformances to Major Non-conformance rating** is because the Minor Non-conformances have the following characteristics:

- ✓ **related:** the nature of the minor non-conformance is across multiple facilities.
- ✓ **repetitive:** recurring issue throughout the operation, which indicates a lack of control or consistent failure.
- ✓ **persistent:** the non-conformances remain due to a failure to implement efficient corrective actions to address the main cause.



**Note:** Minor non-compliances that remain unresolved at the follow-up audit will be treated as major non-compliances.

## 6.2 Critical breach

A Critical Breach is a finding or observation during the audit of deliberate falsification of information required to support a conformance rating. This must be supported by objective evidence.

## 6.3 Obligations Resulting from Non-Conformances

The following table describes the obligations that Fairmined Suppliers and Licensees have in relation to follow-up action required for non-Conformances identified during an independent audit.

Conformance-Rating	Obligation								
<b>Minor Non- Conformance</b>	<p>Fairmined Suppliers and Licensees must define and present their current Corrective Action Plans to the auditor. These plans must be approved by the Auditor. These will be subject to verification at the time of the next Audit.</p> <p>In the case of minor non-compliances that have not been resolved during the audit process, ARM will issue the certificate, but the auditor will review compliance in the following audit.</p>								
<b>Major Non- Conformance</b>	<p>If a Major Non-Conformance is found during an audit, the Fairmined Supplier/Licensee shall not be recommended by the auditor for being Fairmined Authorized Supplier or Fairmined Licensee.</p> <p>In the case of major non-compliance, ARM will suspend authorization of the Fairmined Authorized Supplier or the license of the Fairmined Licensee and if a solution was not agreed the termination of the Permit to Trade/Licensee Agreement will be issued.</p> <p>The Fairmined Supplier/Licensee must present evidence to prove the changes for compliance during the next two months the date the suspension was issued to the auditor. If they fail to do so, the Permit to Trade/License Agreement will be terminated.</p> <p>The schedule after this suspension will be as follows:</p> <table border="1"> <thead> <tr> <th colspan="2">If the Fairmined Supplier/Licensee is suspended :</th> </tr> </thead> <tbody> <tr> <td><b>After two weeks</b></td> <td>the Supplier/Licensee will receive the first termination warning</td> </tr> <tr> <td><b>After four weeks</b></td> <td>the Supplier/Licensee will receive the second termination warning</td> </tr> <tr> <td><b>After six weeks</b></td> <td>the Permit to Trade/License Agreement will be terminated</td> </tr> </tbody> </table>	If the Fairmined Supplier/Licensee is suspended :		<b>After two weeks</b>	the Supplier/Licensee will receive the first termination warning	<b>After four weeks</b>	the Supplier/Licensee will receive the second termination warning	<b>After six weeks</b>	the Permit to Trade/License Agreement will be terminated
If the Fairmined Supplier/Licensee is suspended :									
<b>After two weeks</b>	the Supplier/Licensee will receive the first termination warning								
<b>After four weeks</b>	the Supplier/Licensee will receive the second termination warning								
<b>After six weeks</b>	the Permit to Trade/License Agreement will be terminated								

Depending on the severity of the non-conformance, another audit will be required to be taken to verify the compliance. This decision will be taken by the audit body and ARM in the Evaluation committee.

**Critical Breach**

Deliberate falsification, falsification of documents, records/invoices for Fairmined Metals or other falsification of information provided to auditors will result in a Critical Breach.

Auditors shall stop any audit activity if a Critical Breach is found during the time of the audit, and shall immediately notify the ARM's Standards and Certification team. Disciplinary proceedings will ensue.

**6.4 Sanctions for non-compliance with reporting timelines**

The reporting of the Fairmined transactions is one of the pillars of the assurance system because the documental traceability of the transactions is needed to control the flow of Fairmined metals along the supply chain.

Non-compliance with [Flow of Goods reporting deadlines](#) agreed in the Permit to Trade/License Agreement will result in the following sanctions from the deadline date:

<b>After four weeks</b>	the Supplier/Licensee will receive a suspension warning
<b>After six weeks</b>	the Supplier/Licensee will be suspended
<b>After eight weeks</b>	the Supplier/Licensee will receive the first termination warning
<b>After ten weeks</b>	the Supplier/Licensee will receive the second termination warning
<b>After twelve weeks</b>	the Permit to Trade/License Agreement will be terminated

**Note:** Depending on the individual circumstances, ARM and the auditing body can agree to extend the above deadlines, especially when proof exists that the Supplier/Licensee is making serious efforts towards addressing the non-compliance. It will also take into consideration the severity of the non-compliance.

**6.5 Implications of a suspension**

A suspended Supplier/Licensee:

- ✓ May sell volumes that have been verified by Flow-of-Goods Reporting for a period of six months after this temporary suspension are permitted, in order to allow them to sell off their Fairmined stock. Claims are only allowed for the products produced from these volumes.
- ✓ May sell products made of Fairmined Gold but may not hold out any product as being made of Fairmined Gold or make any Claims about it (including use of the Fairmined Mark or branding materials on any

products that contain uncertified volumes of Fairmined Gold) unless the purchase of the Fairmined Gold has been reported to ARM through a Flow-of-Goods Report.

- ✓ Is blocked from the partnership login on the Fairmined Website.
- ✓ If the Supplier/Licensee continues buying Fairmined Gold he may not make Claims about this and shall not sell it as Fairmined Gold.
- ✓ The suspension will be registered in the Fairmined Information System.

The suspension can be lifted immediately if the Supplier/Licensee files all outstanding Flow-of-Goods Data, or completes the required audit or remedies non-compliance with any of the auditing requirements. The Supplier/Licensee may then return to business as usual.

### **6.6 Implication of a Termination**

In the case of termination of the Permit to Trade or the License Agreement because the Supplier/Licensee fails to comply with the conditions of the Fairmined Information System and Auditing requirements or agreements for six weeks after suspension of its Permit/License for whatever reason, the Fairmined Supplier/Licensee:

- ✓ May not brand themselves as or associated with Fairmined in any communication.
- ✓ Cannot buy/sell any eligible Fairmined material.
- ✓ May not put the Fairmined label on any consumer product. Products already stamped with the Fairmined Label must be sold off within six months without any further reference to Fairmined.
- ✓ May sell products made of Fairmined Gold but may not hold out any product as being made of Fairmined Gold or make any Claims about it (including the use of the Fairmined Mark or branding on any products that contain uncertified volumes of Fairmined Gold).
- ✓ Is blocked from the partnership login on the Fairmined website and from the Fairmined Information System.
- ✓ If the Licensee continues buying Fairmined Gold he may not make claims about it.
- ✓ All references to the Supplier/Licensee's participation in Fairmined will be removed (rather "reformulated" in past tense as he/she did contribute, but does not any more) from the Fairmined website and from the Fairmined Information System.

**After a termination of the Permit to Trade/License Agreement the Supplier/Licensee can re-apply for a new permit/license, in accordance with the following conditions:**

- ✓ Fairmined Gold bought before the suspension that was not verified by Flow-of-Goods Reporting can never be claimed as Fairmined.
- ✓ The Supplier/Licensee must sign a new Permit to Trade/License Agreement.

- ✓ The Licensee must pay the administration fee again.
- ✓ The Licensee must conduct a documental audit within nine months following the signing of the License Agreement.
- ✓ In the case of major non-conformities, the Supplier/Licensee must wait six months to prove the evidence of the changes to sign a new License Agreement/Permit to trade.

### **6.7 Documenting Non-conformances**

The auditors must clearly document the non-conformances describing the details of the incompliance with the Fairmined Standard. This description must indicate the likely cause of the bad practice, refer the Fairmined Standard requirement and have the supporting verifiable and objective evidence.

The Non-conformances must be registered to address the deficiency and to find ways to avoid the repetition of this failure. A deficiency may occur as a result of many different causes.

These are some typical causes of internal control system deficiencies:

- ✓ incomplete or missing documentation
- ✓ lack or ineffective implementation of processes and procedures
- ✓ lack of responsible person and controls
- ✓ deviation of the written procedures
- ✓ lack of resources and capacity
- ✓ weakness in the organization structure
- ✓ Inadequate application of the Fairmined requirements and lack of risk assessment.

### **6.8 Corrective Action Plans**

When the auditor identifies any Non-Conformance (either a Minor or Major Non-Conformance), it requires the Supplier/Licensee to define the implementation of the Corrective Action Plans. It is important that the Corrective action plan includes measures to correct the cause of a non-Conformance, in order to prevent a recurrence. We recommend that the Supplier/Licensee includes actions to prevent the occurrence.

The Fairmined Supplier/Licensee must include in the plan:

- ✓ Fairmined Standard Market Annex and Chapter 5 Requirement
- ✓ Rating
- ✓ Auditor`s Observations and findings
- ✓ Root Cause Analysis
- ✓ Corrective measure/action taken
- ✓ Person responsible for the action
- ✓ Due date

- ✓ Date corrective measure taken
- ✓ Date reviewed by auditor

**Note:** corrective actions should be specific, measurable, achievable, realistic, well-timed and effective.

A suggested template for a Corrective Action Plan is provided in [Appendix 1](#). This template is also included in the Fairmined audit tool.

## 7. Objective evidence and sampling

### 7.1 Types of Objective Evidence

Objective Evidence is verifiable and clear information. This may be in the form of one of the following ways as documentation, observations or testimonial. Objective Evidence can be qualitative or quantitative.

- ✓ **Documentation:** includes records, papers, statements, invoices, contracts, reports, lists, agreements, procedures, process supports and diagrams necessary to implement the Fairmined Standard.
- ✓ **Observations:** includes viewing and observing the process, procedures taken in place to ensure the traceability and the adequate management of the internal control system.
- ✓ **Testimonial:** includes interviews to responsible processes personnel, the Fairmined contact person and the observation of activities.

The following table provides guidance on the period of records and documentary evidence that should be reviewed as objective evidence. It is important to mention that all support documents (e.g. transactions, invoices, agreements) which could be cross-checked with the information in the Fairmined information system using the platform Ecert are required.

Audit type	Period of records
First Authorized Buyers who trade Fairmined Gold under the Fairmined Labeled Model	<p><b>First audit:</b> previous 18 months/since the date of the registration as Fairmined First Authorized Buyer.</p> <p><b>Follow-up audit:</b> the last 12, 18 or 24 months depending on timing defined in the first audit results. This period commences from the last audit date.</p>
First Authorized Buyers who trade Fairmined Gold under the Fairmined Incorporated Model	<p><b>First audit:</b> Previous 18 months/since the date of the registration as Fairmined First Authorized Buyer.</p> <p><b>Follow-up audit:</b> Previous 12, 18 or 24 months depending on timing defined in the first audit results. This time commences from the last audit date.</p>
Fairmined Authorized Suppliers who do not buy directly from an ASMO	<p><b>First audit:</b> the last 12-36 months before reaching the purchase threshold of 1.5kg or more of Fairmined gold.</p>

	<p><b>Follow-up audit:</b> the last 12, 24 or 36 months depending on timing defined in the first audit results. This period commences from the last audit date.</p>
<b>Fairmined Licensee</b>	<p><b>First audit:</b> the last 12-36 months before reaching the purchase threshold of 1.5kg or more of Fairmined gold</p> <p><b>Follow-up audit:</b> the last 12, 24 or 36 months depending on the timing defined in the first audit results. This period commences from the last audit date.</p>

## 7.2 Collecting and Sampling for Objective Evidence

During the preparation and the development of the Fairmined audits, some level of sampling must be applied: i.e. taking a sample of documentation, invoices, reports, interviews, etc.

The objective evidence must be: clear, complete, unambiguous, traceable and relevant, within the terms of the Fairmined requirement compliance and the time period of the assessment/audit.

A key element of the Fairmined audits is having a sufficient sample size. This will influence the confidence of all audit results.

In the case of few records it is necessary to verify that all the documents have complete information to improve the audit results. When there are large numbers of records, the usual statistical technique is to find the square root of the total relevant records.

When ARM has previously identified some risks in the Fairmined Supplier/Licensee compliance, the auditor must take a wider sample in those particular cases.

Examples of evidence are as follows but not limited to:

- ✓ Legal documents, permits, licenses and authorizations
- ✓ Previous assessments
- ✓ Description of processes and procedures
- ✓ Infrastructure, facilities and equipment
- ✓ Internal Control System documentation
- ✓ Fairmined Transactions documents, invoices, contracts and agreements
- ✓ Ecert reports (Fairmined supply chain graph)
- ✓ Policies and procedures
- ✓ Reports of previous audits

## 8. Self-assessment by Fairmined Suppliers and Licensees

### ***8.1 Purpose of conducting the Fairmined Self-Assessment***

ARM encourages Fairmined Suppliers and Licensees to conduct a Fairmined self-assessment when they first sign the Permit to Trade/License Agreement. This enables a superior compliance and understanding from the beginning with regard to the Fairmined requirements. A Self-assessment must be delivered to the auditor prior to the audit.

The Fairmined self-assessment checklist is a tool which helps the Fairmined Suppliers and Licensees to evaluate their internal control systems, procedures, process with the requirements of the Fairmined Standard and its Market Annex. It is a key opportunity to understand the scope and responsibilities to be a Fairmined Supplier/Licensee, adopt continuously good practices in the business, to be prepared for the audit and to identify the objective evidences required by an auditor.

### ***8.2 Fairmined official contact***

All Fairmined Suppliers and Licensees must designate one official contact for Fairmined-related matters. This will be the person in charge of coordinating the self-assessment and the audit contact.

The Fairmined official contact's roles could include:

- Be the principal contact point with Alliance for Responsible Mining (ARM) and the Audit body to define the audit date and to support the auditor during the audit, i.e. providing all necessary information as well as the logistics and contacts of facilities for visits (for physical audits).
- Assure the prompt submission of the Fairmined flow of goods, according to the dates specified in the Permit to Trade/License Agreement.
- Coordinate/Complete or Delegate the Self-Assessment to confirm the compliance with the Fairmined Standard. If they fail to comply with any requirement, this person must coordinate the actions to implement in the company before the audit.
- Assist the auditor with the documentation during the audit and define the corrective actions to be taken after the audit.

### ***8.3 Fairmined self-assessment***

- **Fairmined self-Assessment Toolkit for Fairmined suppliers and licensees**

ARM has designed the Fairmined Assessment tool depending on the classification of the role of the Fairmined Supplier/Licensee in the supply chain. These Fairmined Assessment Tool Checklists contain instructions for the Fairmined Suppliers and Licensees on how to complete self-assessment to verify the compliance with the Fairmined Standard and its Market Annex.

- ✓ [First Authorized Buyers who trade Fairmined Gold under the Fairmined Labeled Model](#)

- ✓ [First Authorized Buyers who trade Fairmined Gold under the Fairmined Incorporated Model](#)
- ✓ [First Authorized Buyers who trade Fairmined Gold under the Fairmined Labeled and Incorporated Model](#)
- ✓ [First Authorized Buyers who are also Licensees trade Fairmined Gold under the Fairmined Labeled and Incorporated Model](#)
  
- ✓ [Fairmined Suppliers who do not buy directly from an ASMO](#)
- ✓ [Fairmined Suppliers who are also Licensees](#)
- ✓ [Fairmined Licensees under the Fairmined Labeled Model](#)
- ✓ [Fairmined Licensees under the Fairmined Incorporated Model](#)
- ✓ [Fairmined licensees under the Fairmined Labeled and Incorporated Models](#)

These assessment checklists are available on ARM's web site in the Fairmined Certification and Authorization section.

**Note:** Fairmined Suppliers and Licensees are free to use their own formats for gathering information and confirming compliance with the Fairmined Standards and its Market Annex. However, they need to confirm they use the same methodology and they have the same information available, as it is required by the auditors as part of the Fairmined Assessment Tool.

The self-assessment checklist should be used by the Fairmined Supplier/Licensee to examine and review its business practices before undertaking the Fairmined audit.

#### ***8.4. Preparing for the Fairmined audits and combined audits with other Certification Schemes.***

ARM recommends that Fairmined Suppliers and Licensees take care of these three important actions in order to prepare for audits:

##### **8.4.1 Preparing records and documentary evidence**

The Fairmined Suppliers and Licensees must keep the historical records and documentary evidence. These evidences must be made available to the auditors for their revision. The Fairmined Supplier/Licensee must keep the records according to the relevant assessment period specified in [Types of Objective Evidence](#).

It is necessary to keep well documented and organized historical records from the time when the supplier became a Fairmined Supplier/Licensee. The auditors must treat all the Fairmined audit information, flow of goods data and any other information on ARM's clients confidential.

For the audits, the auditors must review the information sent by the Fairmined Supplier/Licensee to assess conformance. Nevertheless, they cannot share or use it for any purpose other than the audit evaluation.



**Note:** For physical audits, the auditor cannot make any copies of these documents and records unless they seek written permission from the Supplier/Licensee. The documents will be reviewed by the Auditor on site, in order to assess conformance or verify scanned documents in documentary audits.

#### 8.4.2 Informing the personnel

Fairmined Suppliers and Licensees are not sometimes familiar with receiving third party audits or conducting self-assessment checklists.

Auditors will collect objective evidence by; reviewing records, observing processes and practices, and interviewing the personnel about their compliance with the Fairmined requirements. Fairmined Suppliers and Licensees must ensure that their employees are familiar with the compliance of the Fairmined Standard. The Supplier/Licensee must inform the personnel in charge of the process to have organized and prepared the documentation that the auditors will request during the audit to facilitate an efficient audit.

In certain companies and locations, it may be a legal requirement to inform to the employees in advance. Where it is not a legal requirement, it is nevertheless recommended that employees are aware that they will be interviewed during the Fairmined audit.

#### 8.4.3 Requesting the audit

When the Fairmined Supplier/Licensee requires to be audited ([see Fairmined auditing cycle](#)), the Supplier/Licensee can contact ARM' Standards and Certification area to find out more information about the Fairmined recognized audit bodies, or the ARM's team will contact the Fairmined Supplier/Licensee to ensure that a Fairmined audit is scheduled when it depends on the report in the Fairmined flow of goods.

A list of recognized auditors is available on [the Fairmined website](#). Fairmined Suppliers and Licensees are encouraged to contact several Fairmined recognized audit bodies to explore their availability to schedule the best audit date from both sides and the commercial terms of each.

Fairmined Suppliers and Licensees who participate in other certification schemes should inform ARM' Standards and Certification team in advance (prior to contracting of the Auditing body) that they are interested in contracting a combined audit. ARM will publish a list of recognized certification schemes on the Fairmined website, [www.fairmined.org](http://www.fairmined.org).

With the proposal to protect confidential or commercially sensitive information found during the audits, the Fairmined Suppliers and Licensees may wish to consider asking auditors to enter into confidentiality agreements as part of the auditing contracts. The Fairmined Supplier/Licensee consents that the audit body performing the Fairmined audit provides ARM with the Fairmined audit checklist results and the audit report that includes data on any failures to comply with auditing requirements and/or recommended corrective measures. This information shall be used by ARM' Standards and Certification area for monitoring purposes. All the information shall be treated as confidential. ARM shall not disclose data attributable to such Fairmined

Supplier/Licensee regarding details of the compliance/non-compliance items with the Fairmined Standard by the Fairmined Supplier/Licensee.

Once a contract has been signed with the audit body, Fairmined Suppliers and Licensees should submit their self-assessment, describe the scope of the audit, confirm that the auditing scheme will be applicable for the Fairmined role in the supply chain, provide any other documentation to their chosen Fairmined recognized audit body, and schedule the audit date.

Fairmined Suppliers and Licensees must advise ARM´ Standards and Certification area of when the audit date has been scheduled with the recognized auditor.

### ***8.5 Coordination and Recognition of Existing Certifications***

ARM takes business practicalities into account and wants to support businesses that participate in various certification schemes by enabling combined audits. ARM allows conducting combined audits with other Certification Schemes. It is necessary to inform ARM´ Standards and Certification area of the current certifications in advance, to evaluate the Certification scope, audit deadlines and the audit body accreditation to confirm the possibilities to conduct a combined audit.

Fairmined Standard is open to recognize comparable audits by 3rd party auditors. As defined in the Standard in the Market Annex, requirement 1.1. Traceability states that “all downstream supply chain Supplier/Licensees and licensees must register with ARM and submit reports to the Fairmined Information System. They will be subject to auditing in order to assess compliance with the requirements of this Market Annex to Fairmined Standard.

ARM reserves the right to recognize comparable audits by 3rd party auditors for the purposes of assessing compliance with this Market Annex”

One of the first steps to coordinate and recognize existing certifications, is through collaboration between ARM and RJC to allow combined RJC and Fairmined audits. For that, ARM is developing tools and manuals aligned with the RJC materials and tools in order to facilitate the process of the audits and follow the good practices of a RJC as an organization in which accredited auditors are based on the criteria of ISEAL Assurance System.

## 8.6 Recognized Certification schemes

### Chain of Custody CoC Standard (Responsible Jewelry Council RJC)

The structure of this Fairmined Audit Manual is based on the Responsible Jewelry Council (RJC) audit assessment manual. The intent of ARM is to implement the good practices developed by RJC as a full member of ISEAL and to follow RJC's strong assurance process and criteria for the accreditation of Conformity Assessment bodies and auditors. This is part of the intention of both Standards-setting and the certification organizations to coordinate their Certification schemes to reduce the fatigue of audits for RJC members who are Fairmined Suppliers and Licensees in the responsible supply chain.

Under the objective to promote market uptake of Fairmined gold, Fairmined Standard for gold from artisanal mining has been recognized as a Responsible Mining Standard under RJC Chain-of-Custody Certification since 2014. RJC CoC Certified refiners can source from Fairmined certified Artisanal and Small-scale miners, confident in the mine practices, and thus contribute to the further integration of ASM into the wider economy. As well as, RJC CoC Certified members who are Fairmined Suppliers and Licensees have the possibility to conduct combined audits under both Standards. It is required the Fairmined Supplier/Licensee coordinates with RJC and Fairmined Standards and Certification areas to evaluate the possibilities at least four months before the deadline date for the audits.

**Note:** Auditors accredited by the Responsible Jewelry Council (RJC) may become Fairmined recognized auditors; they need to comply with the RJC procedures to become RJC accredited and additionally comply with the Fairmined responsibilities described in the roles mentioned above. See [the process to be recognized audit body](#).

## 9. Independent third party audits

### 9.1 Audit Process Overview

This is an adaptation of the RJC Audit Process Overview. ARM shares the same three main stages for independent third-party audits, where the auditors verify that the Fairmined Supplier/Licensee's operation and business, its internal control system, its processes, its invoices and records comply with the Fairmined Standard requirements and its Market Annex.

Pre-Audit Planning	Audit Conduct	Post-Audit Follow-up and Reporting
Initial Communication with the Fairmined Supplier/Licensee	Opening meeting	Statement of Conformance
Gather and Review Information	Obtaining objective evidence	Monitoring and Evaluation Data
Identify the audit team	Evaluation of results	Audit Report
Estimate audit time requirements	Documenting Non-Conformances	Fairmined Supplier/Licensee Audit Report

Document the audit plan	Making Recommendations and Suggested Business Improvements	
Finalize details with the Fairmined Supplier/Licensee	Determining the need for follow-up Audits	
	Closing or Exit Meeting	

With the intention of coordinating Standards and Audit schemes, ARM adopts RJC’s good audit practices due to its experience as an Audit body Accreditation Organization. The recommendations for the RJC accredited auditors also apply for the Fairmined recognized auditors in order to conduct both documental and physical Fairmined audits. See the template in the [Appendix 5](#) with the example of the audit plan.

It is important to note that in documentary audits, opening and closing meetings will be conducted virtually.

Fairmined recognized auditors must follow the description and guidelines defined in the RJC Audit Assessment Manual for the Chapter 8 and use the guidelines of the [Appendix 3 and 4](#). This is because ARM follows the good practices of the audit procedure defined by RJC who complies with the ISEAL assurance codes.

## 9.2 Final audit stage

### ✓ Audit Recommendation Statement

After the auditor evaluates the findings, the corrective action plans, the auditor must fill out the Fairmined audit recommendation statement as [Appendix 7](#). This Statement includes:

- ✓ The Legal Name of the Fairmined Supplier/Licensee
- ✓ Confirmation of the audit results
- ✓ Remarks, risk analysis and recommendations
- ✓ Final conformance results
- ✓ Auditor name
- ✓ Signature of the auditor
- ✓ Date of the report

The Recommendation Statement must be included in the Final audit report for ARM.

## 10. Monitoring and Evaluation Data

ARM will use the aggregated information of all audit findings for monitoring, evaluation and learning purposes as part of its Monitoring and Evaluation (M&E) system, which is designed to meet the ISEAL Impacts Code and aims to assess the impact of Fairmined Certification and Assurance system.

All the audit results in the audit verification checklist, the final audit report (recommendation statement) and all the audit outcomes are valuable sources to collect data for ARM M&E program. Using the Fairmined templates included in this Manual and in the Fairmined Audit Assessment, allows improving the efficiency gathering the information to analyze it.

## 11. Reporting

After the audit is complete, it is necessary to document the findings into a report to maintain the Fairmined authorization or the Fairmined license. This audit report summarizes the findings and conclusions of the verification of the Fairmined Supplier/Licensee's internal control system, procedures, and processes comply with the Fairmined Standard.

The Lead Auditor, together with the Audit Team, prepares the report and ensures that the statements made are fair, complete and true. Audit reports must be written in clear, concise, unambiguous language and include a Recommendation Statement. Two audit reports are prepared:

- ✓ ***Fairmined Audit Report for the Fairmined Supplier/Licensee***
- ✓ ***Fairmined Audit Report for ARM***

### ***11.1 Fairmined Audit Report for the Fairmined Supplier/Licensee***

The Audit body shall deliver its initial report to the Fairmined Supplier/Licensee to define the corrective actions plan and to receive the approval before sending to ARM, ordering clarifications or remedial action in relation to issues of non-compliance, where appropriate. If there are no disagreements, the auditor will send the final Fairmined audit report to ARM.

This report does not include the Recommendation Statement or the Risk Analysis Matrix. This information is later delivered by ARM to the Fairmined Supplier/Licensee after the Fairmined Evaluation Committee.

The main differences between the Fairmined Audit Report for Authorized Suppliers/Licensees and the Fairmined Audit Report for ARM are: first, it enables any additional confidential, security-related or commercially sensitive information that may be relevant to internal reviews of business improvements to be reported to the Fairmined Supplier/Licensee. Secondly, the recommendation statement and the risk analysis assessment are included in the report for ARM.

The report will include:

- ✓ Contact detail
- ✓ FM Assessment and findings
- ✓ Summary of the assessment
- ✓ Corrective action plans

The Fairmined Audit Report may be prepared in any language as agreed between the Fairmined Supplier/Licensee and the Auditor.

### ***11.2 Fairmined Audit Reports for ARM***

The Lead Auditor prepares the Final Fairmined Audit Report to be submitted to ARM' Standards and Certification area.

The report must include sufficient information as follows:

- ✓ confirm the specific compliances with the Fairmined requirements and which minor or major non-conformance.
- ✓ understand the possible risks based on the audit performance, the volume of gold purchased, the number of clients of the Fairmined Supplier/Licensee audited, in order to define the next audit date.
- ✓ enable ARM' Standards and Certification area to confirm that the audit process and findings are consistent with the instructions to auditors in the Fairmined audit manual.
- ✓ allow traceability in the event for example, of a dispute or peer review.
- ✓ process the Fairmined Supplier's Authorization or License including the issue of a new Fairmined Certificate

The Fairmined Audit Report must be written in English or if another language was previously agreed with ARM.

The Fairmined auditor report for ARM includes the summary of the Fairmined Supplier/Licensee basic information (role, FM ID, sourcing model) the main audit information (dates, auditor name, audit scope), audit findings-Fairmined Checklist Audit Assessment, the corrective action plan, the recommendation statement with the risk analysis and if it is necessary to add additional information. The template is in the [Appendix 8](#).

- ✓ *Contact details*
- ✓ *FM Assessment and findings*
- ✓ *Summary of the assessment*
- ✓ *Corrective action plans*
- ✓ *Recommendation statement*
- ✓ *Risk assessment matrix*

When ARM issues the new certificate, it will attach the audit report sent by the auditor with the Risk assessment decision after the Fairmined Evaluation Committee.

### **11.3 Quick Checklist for Auditors**

- Verify the Fairmined findings checklist
- Conduct the audit according to the Fairmined guidelines
- Complete the Fairmined Supplier/Licensee audit and evaluate the improvement action plan
- Send the Audit report to the Fairmined Supplier/Licensee for its approval
- Complete the Final Fairmined Audit Report, and Recommendation Statement and the Risk Assessment Matrix

- Send the Fairmined Checklist and the Final Audit Reports to ARM' Standards and Certification area
- Participate in the Fairmined Evaluation Committee

## 12 Fairmined auditors recognition process

RJC accredited auditors may qualify as Fairmined Auditors, if they comply with the “RJC Process and Criteria for the Accreditation of Conformity Assessment Bodies and Auditors”, Nov 2013 and comply with the responsibilities described in the “Third Party Auditing Agreement for Trading of Fairmined Precious Metals” between the ARM and the audit body.

Audit bodies need to comply with the RJC accreditation process and must attend the Fairmined training provided by ARM (Fairmined Standard intention and Fairmined audit tools) to become recognized as Fairmined auditors.

### **12.1 Confirming the RJC accreditation**

The audit bodies need to be able to demonstrate that they conform to ISO17021:2011 Conformity assessment – Requirements for bodies providing audit and certification of management systems and confirm the compliance with the accreditations that ISEAL requires in its Assurance Code.

RJC has defined a rigorous accreditation of Conformity Assessment Bodies and Auditors. There are two important stages: Application and Assessment.

RJC confirms that: “*Audit Bodies need to be able to demonstrate that they conform to ISO17021:2011 Conformity assessment – Requirements for bodies providing audit and certification of management systems*”.

During the assessment: it is the revision of the application documents against the accreditation assessment criteria.

**“Mandatory** – *demonstrated capacity and competence is required for RJC Accreditation in the scope which is being applied for*”.

**Optional** – *Although not mandatory for the scope being applied for, demonstrated capacity and competence in these areas will be considered in the overall application for RJC Accreditation*

#### **Mandatory**

The RJC has set the following mandatory criteria for Conformity Assessment Bodies:

- ✓ *Technical experience in one or more of the following: Diamond Mining, Diamond Trading, Diamond Cutting or Polishing, Gold Mining, Gold Processing & Refining, Gold Hedging or Trading, Mining of Platinum Group Metals, Processing & Refining of Platinum Group Metals, Hedging or Trading of Platinum Group Metals, Jewellery Manufacturing or Wholesale, Jewellery Retail, Service & Support Industries (e.g. laboratories, assayers, secure transport, etc),*

- ✓ *Independent Accreditation to ISO/IEC 17021 or demonstrable conformance with the requirements specified in ISO/IEC17021;*
- ✓ *Auditor assessment processes that conform with ISO/IEC 170241. All Auditors approved by the CAB must also conform with the criteria specified.*

### **Optional**

*In addition to the mandatory criteria, the RJC assessment process will also consider the following:*

- ✓ *Existing management system Accreditation for the following standards:*
- ✓ *SA8000, ISO1400, OHSAS18001, ISO9001*
- ✓ *Appropriate geographic coverage – whether the CAB and its Auditors operate in or near regions where RJC Members are located. There are benefits to Members that include local knowledge of applicable law, local industry and minimizing Auditor travel costs.*

Conformity Assessment Bodies and auditors must present their RJC Accreditation and its validity to ARM.

There is also a strong reliance on the RJC Accredited Auditors, which may be Fairmined recognized auditors because their quality control processes, which is the reason for which the RJC accredits affirms that they:

- Are independently accredited to internationally recognized standards for Conformity Assessment Bodies (CABs), or can demonstrate conformance independently
- Have internal systems for managing auditor qualifications and quality
- Have internal systems for verifying findings
- Have clear processes for dealing with clients with professionalism and integrity.

**Note:** the above information was taken from “RJC Process and Criteria for the Accreditation of Conformity Assessment Bodies and Auditors”, Nov 2013”.

### ***12.2 Analysis of the auditors’ curriculum vitae***

ARM will evaluate the qualifications and competences of the audit team leader and the auditor assigned to conduct the Fairmined audit.

The auditors must provide ARM with its curriculum vitae and the certificates of the audit body for evaluating its competences and qualifications to conduct Fairmined audits.

### ***12.3 Sign and comply with the Agreement between ARM and the audit body***

Audit bodies who want to perform Fairmined audits must sign the “Third Party Auditing Agreement for Trading of Fairmined Precious Metals” between ARM and the audit body. This document clarifies the roles and responsibilities of an audit body that performs Fairmined audits.



ARM describes the terms and the responsibilities that recognized Audit bodies take to conduct Fairmined audits for the so-called Fairmined Authorized Suppliers (including the First Authorized Buyers), and Licensees as part of the Fairmined assurance system, which focuses on traceability, coherence of Flow of Goods data and responsible trading practices with the mining organizations. The respective requirements are defined in Fairmined Standard V 2.0 Chapter 5, and in the Market Annex.

### **12.4 Auditor training**

The auditors must attend a formal training conducted by ARM in order to understanding the purpose of the Fairmined Standard and Fairmined audit which will include:

- Fairmined Standard intention
- Fairmined Assurance System
- Fairmined Audit Assessment Tool

The auditors must confirm their understanding of the Fairmined Standard and the objectives of the Fairmined audit by email and fully complete the participation list.

#### 12.4.1 Training package for auditors

ARM will provide recognized audit bodies with training material on the Fairmined Standard and Fairmined assurance system which includes the following:

#### **General information**

- **Fairmined Standard intention**
- **Fairmined Certification process: ASMOs**
- **Fairmined authorization and assurance process: Fairmined Suppliers and Licensees**
- **Fairmined actors in the supply chain and their roles**
- **ARMs and audit body roles**
- **Fairmined sourcing models**
- **Timelines of authorization process**
- **Fairmined audit assessment tool**

#### **Fairmined Supplier/Licensee information**

- **Fairmined Business Self-Assessment Questionnaire of the client (this will be available via Ecert or sent by email):** this questionnaire is sent by potential Suppliers/Licensees to apply for participation in the Fairmined Initiative.
- **Fairmined Permit to Trade/ License Agreement**
- **Last valid Fairmined certificate**
- **Fairmined flow of goods report**

- **Any other relevant information for the preparation of the audit (documents, red flags to verify during the audit)**

#### Fairmined Tools for auditors

- **Fairmined assurance system document**
- **Ecert manual**
- **Fairmined audit toolkit:** ARM has designed the Fairmined Assessment toolkits for Fairmined recognized auditors. These contain formats and tools to perform the Fairmined assessments and Fairmined audits.
  - [First Authorized Buyers who trade Fairmined Gold under the Fairmined Labeled Model](#)
  - [First Authorized Buyers who trade Fairmined Gold under the Fairmined Incorporated Model](#)
  - [First Authorized Buyers who trade Fairmined Gold under the Fairmined Labeled and Incorporated Model](#)
  - [First Authorized Buyers who are also Licensees trade Fairmined Gold under the Fairmined Labeled and Incorporated Model](#)
  - [Fairmined Suppliers who do not buy directly from an ASMO](#)
  - [Fairmined Suppliers who are also Licensees](#)
  - [Fairmined Licensees under the Fairmined Labeled Model](#)
  - [Fairmined Licensees under the Fairmined Incorporated Model](#)
  - [Fairmined Licensees under Fairmined Labeled and Incorporated Models](#)

### 13. Fairmined governance and support processes

#### **13.1 Analysis of the audit findings and issuing of the Fairmined certificate**

ARM has designed a mechanism based on a risk management to analyze the audit findings and define the next audit type and the audit deadline to define the renewal of the Fairmined authorization issuing a new Fairmined Certificate.

**Member of the committee:** Audit Leader and Auditor of the Recognized Audit body and ARM's Standards and Certification area members.

- When the auditor(s) has concluded the audit and received all the evidence (including the corrective measures when there were identified minor non-conformities), the auditor submits the final Fairmined audit report and the recommendation statement of the auditor with the risk assessment matrix (this template must be completed with the auditor and the auditing body leader). The audit body adds the

audit information and change the contract status on the Ecert system. Additionally, they must notify ARM about the final stage of the audit by email.

- On receipt of the submitted information by the auditor, ARM will verify if all the information is registered and will initiate the analysis of the results to confirm the Fairmined authorization.
- ARM review the final Fairmined audit report and remarkable findings in the check list and confirm that the audit process and findings are consistent with the instructions given to auditors through the Fairmined Training tools and manuals. Furthermore, ARM confirms the competence of the auditor(s) who conducted the Fairmined audit.
- ARM confirm that the Fairmined Authorized Supplier/Licensee is in good standing with regard to its general commitments with the Fairmined Standard, Mark Manual and Permit to trade/License Agreement.
- The first stage of *the Evaluation Committee* (which consists of the primary contact person within the audit body and/or the auditor and ARM´ Standards and Certification staff) is when the auditing body team fills out the risk assessment matrix. The second stage, ARM evaluates the results generated by the matrix and the general audit results. If there were only minor non-conformities which were completely corrected by the Fairmined Supplier/Licensee, ARM approves the results and evaluates the possibility to combine the next audit with another Certification scheme. Only when there are questions or points to clarify, ARM will schedule a call before approving the final decision.

The third stage, it is when there are major non-compliances identified during the audit or the risk assessment matrix shows a high risk, the Evaluation Committee will meet in a call to evaluate together the results, the major non-compliances and agree on the decision to take the sanctions or termination of the authorization.

- ARM collects the necessary information to issue a new Fairmined Certificate and the Fairmined authorization summary. The Fairmined authorization summary is sent with the results of the risk assessment results to be revised and signed by the auditor.
- ARM issues formal documentation and sends the following to Fairmined Authorized Suppliers and Licensees:
  - A unique certificate with the Fairmined ID (with an additional page including date and nature of the next audit)
  - The Final audit report received by the auditor with the final results of the risk assessment matrix
  - ARM updates the contract status and authorization status which are changed in Ecert.

### 13.2 Risk assessment matrix

After the results of the audit, the audit body fills out the risk assessment matrix which is the tool for the Evaluation committee to define the next follow-up audit date and audit type. This matrix is sent to ARM for its evaluation and final approval.

The analysis method includes the pillars of the Fairmined assurance system for the suppliers/licensees. The auditor chooses one score for each pillar depending on the final audit results. There are three possible levels of risks or scores: low risk (1), medium risk (2) and high risk (3). Each pillar has a weight which sets the relevance of the criterion in the final score.

- General Audit performance
  - No Non-conformities (1)
  - Minor non-conformities were identified during the audit. An improvement plan was defined (2)
  - Major non-conformities. There were identified risks/critical branches in the documental and/or physical traceability (3)
  
- Internal control system (ICS)

Include in this analysis if the Fairmined Supplier purchases/sells high volumes. The ICS allows assuring the physical/documentary traceability of all Fairmined volumes.

  - The Fairmined Supplier has a complete, integrated, developed internal control system (1)
  - There is an internal control system but it needs to be strengthened in some elements to assure the complete traceability of Fairmined metals (2)
  - There is no internal control system to assure the correct traceability of Fairmined metals, or the ICS has systematic failures (3).
  
- Reporting performance in Ecert.
  - If the Fairmined Supplier/Licensee makes a complete, accurate and prompt report of the flow of goods, there are no identifiable risks (red alerts in the system) (1)
  - If the Fairmined Supplier/Licensee has made the report on time, or with a few days delay, this is considered an alert or risk, but has been resolved (2)
  - If the Fairmined Supplier/Licensee has not made the report on time, it is missing reports of some transactions, or if it has problems with its documentary traceability (3)
  
- Use of claims
  - Correct use of claims (no non-conformities identified) (1)
  - Minor non-conformities identified in the use of claims (2)
  - Major-non conformities in the use of claims (3)

The matrix generates three possible results after the auditor assigns a score for each element of the risk assessment. This result will define the next audit date:

Risk result	Type of risk	Next follow up audit –first Authorized Buyers	Next follow up – Authorized Suppliers and Licensees
1 a 1.2	Low risk	24 months	36 months
1.3 a 2	Medium risk	18 months	24 months
2.1 a 3	High risk*	12 months	12 months

\* The high risks will indicate a possible suspension or termination of the Permit to trade/License agreement. This depends on the commitment of the Fairmined Supplier/Licensee to present the corrective measures and appropriate solutions. In the case of major non-compliance, ARM will suspend the authorization of the Supplier/Licensee. If a solution was not agreed, the termination of the Permit to Trade/Licensee Agreement will be issued.

In general the follow-up audit will be documentary, just in the case of a high risk of non-compliance with the traceability or any other high risk identified (specially for the labeled model, a physical audit may be requested).

It will be possible to indicate a customized date, if it is another certification audit scheme which it will take place and ARM evaluates the case.

ARM will evaluate the results of the matrix and if it is line with the final audit results, ARM will approve the final decision. In order to generate the results of the evaluation committee, ARM includes the relevant information in the Fairmined Authorization Summary (annex of the certificate) and sends this annex to the auditor for its signature. If ARM has some doubts or remarks, or the final result of the risk assessment matrix shows high risks, a call will be scheduled between ARM and the auditing body to evaluate the case and to discuss the measures that are to be taken (either suspension or termination).

## 14. Process for safeguarding impartiality and quality control

With the intention of ensuring the quality, integrity and impartiality of the authorization process, ARM has implemented the following processes:

- Establishment of standardized processes and terminology to Supplier/Licensees and Auditors for carrying out Self Assessments and Audits
- Guidance on Fairmined Standards and Fairmined Authorization process
- Training and support for Fairmined Suppliers and Licensees and Auditors

### **14.1 Labeling and Marketing**

The Fairmined Mark may be used by Fairmined Supplier and Fairmined Licensee to communicate that they have permission to trade Fairmined gold and use the claims depending on the sourcing models. They must use the Mark in accordance with the Fairmined Mark Manual.

There are available Fairmined marketing materials which can be downloaded from the “Download Area” on the Fairmined Website: <http://www.fairmined.org/partners/>. This is a platform where the Fairmined Suppliers and Licensees can find files, documents, communication and marketing material related to Fairmined (like logos, pictures, presentations, brochures, posters etc.)

The Fairmined Suppliers and Licensees receive an e-mail with the username to access the platform. It is only accessible for Fairmined Suppliers and Licensees.

### **14.2 Reminder Notifications to Fairmined Suppliers and Licensees**

ARM will issue reminder notifications to Fairmined Suppliers and Licensees for pending deadlines relating to when the Fairmined Suppliers and Licensees fulfill the criteria to complete the Fairmined flow of goods report and when it is time to undergo the audit to maintain their Fairmined authorization to trade and use the Fairmined mark.

### **14.3 Data Confidentiality**

All information (the audit results and the Fairmined flow of goods reports) provided to the Fairmined Information System will be treated as confidential.

The Fairmined Supplier/Licensee consents that the audit body performing the audit provides ARM with the Fairmined audit checklist results and the audit report after the approval of the Fairmined Supplier/Licensee. This report includes data on the failures to comply with auditing requirements and/or recommended corrective measures. This information shall be used by ARM’s Standards Area for monitoring purposes. All the information shall be treated as confidential. The information disclosed by ARM regarding compliance/non-compliance with the Fairmined Standard by the Fairmined Supplier/Licensee shall not name such Fairmined Supplier/Licensee nor disclose data attributable to such Fairmined Supplier/Licensee. Instead such data shall be communicated in general terms in order to protect the anonymity. Only aggregated data on volumes of Fairmined Gold traded and the Premium paid will be divulged to third parties. Data attributable to individual Fairmined Suppliers and Licensees will not be shared with third parties.

The ways as ARM maintain data and information confidentiality are:

- ARM’ Standards and Certification team is the unique area which have access to the audit results and the details of the Fairmined Transactions provided in:
  - Fairmined Information System using Ecert
  - Audit Reports for the purposes of the Fairmined Authorization
  - Any investigations required under the Fairmined Complaints Mechanism.



<b>Date of the approval:</b>								
<b>Signature of the auditor to close out corrective action plan:</b>								

Note: This template is based on the RJC Manual Assessment appendix: Sample Corrective Action Plan Template

## ***Appendix 2: Examples of Records and Documentary Evidence***

The auditor can use diverse sources of relevant information and evidences to verify the conformance with the criteria of the Fairmined Standard. Taking into consideration the scope of the Fairmined audit for the Fairmined Suppliers and Licensees, ARM recommends including in the possible documentation review the following list:

### **General documentation**

- Business license/registration
- Fairmined Permit to trade and Fairmined License Agreement
- Fairmined certificates

### **Process and internal control system information**

- Process Description
- Process Flow Diagrams
- Internal Control System diagram/documentation
- Operating procedures
- Specifications or description of segregation systems (electronic or paper based), Policies and procedures Risk assessment of possible mixing points
- Inventory records and stock checks
- Monitoring records
- Management information
- Policies and procedures
- Management improvement plans
- Facility Policies and Procedures
- Internal operating policies and procedures (e.g. Communication procedures)
- Documents where the Fairmined Supplier/Licensee makes claims about their Fairmined sourcing such as: Fairmined Supplier/Licensees CSR reports, Fairmined Supplier/Licensees website, Press Releases, Media information, FM Information system report, Written communication with ARM's commercial staff, etc.
- Training systems



- The indicative Annual Sourcing Plan

### **Transactions and contracts**

- Transaction documentation (invoice, contract, transfer documents)
- Fairmined Purchases and sales records
- Contracts/agreements
- Agreements for trial periods
- Agreements and invoices of down payments
- Payments records/Bank invoices
- Terms and conditions
- Invoices
- Ecert records

### ***Appendix 3: Guidelines for Conducting Effective Audits and***

### ***Appendix 4: Sampling Techniques***

ARM recommends to Fairmined recognized auditors to follow the guidelines defined in the Appendix 4 and 5 of the RJC Audit Assessment Manual which described the Communication and Interpretive Skills and the Effective Questioning, Listening, Sampling Techniques and General audits tips (page 69-74)

### ***Appendix 5: Example of an Audit Plan Template***

<b>Fairmined Supplier/Licensee's name:</b>		<b>Audit dates:</b>	
<b>Fairmined contact:</b>			
<b>Auditor name:</b>			
<b>Date/Day</b>	<b>Fairmined Requirement</b>	<b>Activity</b>	

### ***Appendix 6: Audit Report for the Fairmined Supplier/Licensee***

- **Fairmined Assessment tool**



## Appendix 7: Audit Recommendation Statement

AUDITOR RECOMMENDATION STATEMENT	
This section is to be completed by the Auditor and <b>delivered to ARM</b>	
<b>Fairmined Authorized Supplier /Licensee name:</b>	
<b>Confirmation</b>	The Auditors confirm that:
	<input type="checkbox"/> The information provided by the Fairmined Supplier/Licensee is accurate and reflects the actual conditions.
	<input type="checkbox"/> The assessment and audit process, its methodology and scope are sufficient to guarantee that the findings are indicative of the performance of the Fairmined Supplier/Licensee
	<input type="checkbox"/> The auditor(s) acted in a professional and ethical manner.
<b>Risk analysis and recommendation remarks</b>	After the audit results and based on the risk assessment matrix of the client's operation, please state a recommendation to renew or not the permit to trade or the license agreement or under which conditions to renew it. The risk assessment ( <u>this analysis must be done in the format attached</u> ) must include the next points:
	· The Fairmined Supplier/Licensee's audit performance
	· The Internal Control System (The quantities of Gold bought by the Fairmined Supplier/Licensee The number of buyers to whom the Fairmined Supplier/Licensee is selling)
	· Whether the Fairmined Supplier/Licensee has an audit scheduled in another certification system accepted by ARM
	· Previous reporting behavior
	· Compliance with the requirements relating to Claims
	Note: this recommendation will revise and approve by ARM. The final decision for the renewal includes the next audit type and the approximate timing for the audit. This decision is agreed between ARM and the recognized audit body (Evaluation committee) based on the risk assessment matrix. <u>This risk analysis is not delivered to the Fairmined Supplier/Licensee (this is delivered by ARM at the end with the certificate and the Fairmined authorization summary)</u>
<b>Final conformance results</b>	Based on the scope of the findings of the audit and the available information provided by the client:
	<input type="checkbox"/> The Fairmined Supplier/Licensee completely complies with the Fairmined Standard and its Market Annex.
	<input type="checkbox"/> The Fairmined Supplier/Licensee presented minor non-compliances during the audit. The evidence of compliance and/or corrective action plan was provided before the closure of the audit.
	<input type="checkbox"/> The Fairmined Supplier/Licensee presented major non-compliances during the audit. Authorizing the client to trade Fairmined metals before taking corrective measures is not recommended.
<b>Auditor name:</b>	
<b>Auditor's signature:</b>	
<b>Date:</b>	

### Appendix 8: Fairmined Audit Report Minimum Mandatory Content for ARM

Heading	Content
<b>Fairmined Authorized Buyer /Licensee name:</b>	
<b>Fairmined classification:</b>	<input type="checkbox"/> First Authorized Buyers who trade Fairmined Gold under the Fairmined Labeled Model
	<input type="checkbox"/> First Authorized Buyers who trade Fairmined Gold under the Fairmined Incorporated Model
	<input type="checkbox"/> Fairmined Suppliers and Licensees who don't buy directly from an ASMO
	<input type="checkbox"/> Fairmined Licensees
<b>Trading/sourcing option:</b>	<input type="checkbox"/> Fairmined Labeled
	<input type="checkbox"/> Fairmined Incorporated
<b>Fairmined ID:</b>	
<b>Audit start date:</b>	dd/mm/yy
<b>Audit end date:</b>	dd/mm/yy
<b>Audit type:</b>	<input type="checkbox"/> Documental
	<input type="checkbox"/> Physical
<b>Audit body:</b>	
<b>Auditor name:</b>	
<b>Audit scope</b>	Describe briefly the audit scope (what business activities were reviewed )
<b>Audit findings- Fairmined Checklist Audit Assessment</b>	Provide the complete Fairmined Checklist audit assessment by the auditor.
	Include details for Major Non-Conformance and Minor Non-Conformances: the underlying causes and supporting objective evidence
	List of Not Applicable Requirements with the reasons.
<b>Findings</b>	Please provide a summary of the audit findings based on the main issues of the Fairmined Standard:
	<ul style="list-style-type: none"> <li>• Status of corrective actions from previous audit (if applicable)</li> </ul>
	<ul style="list-style-type: none"> <li>• Legal status/Business relationship</li> </ul>
	<ul style="list-style-type: none"> <li>• Internal control system</li> </ul>
	<ul style="list-style-type: none"> <li>• Documental/ Physical Traceability</li> </ul>
	<ul style="list-style-type: none"> <li>• Use of claims based on the sourcing model</li> </ul>
	<ul style="list-style-type: none"> <li>• Performance reporting in Ecert</li> </ul>
	First authorized buyer:
	<ul style="list-style-type: none"> <li>• Contracts/price payment/premium payment</li> </ul>
	<ul style="list-style-type: none"> <li>• Trading relationship and contracts</li> </ul>
	<ul style="list-style-type: none"> <li>• Down payments</li> </ul>
This summary of findings must include:	

	<ul style="list-style-type: none"> <li>any positive achievements</li> </ul>
	<ul style="list-style-type: none"> <li>all critical breaches and non-conformances, specifying the root cause (s) and supporting objective evidence (generalized so as not to compromise confidentiality, security or commercially sensitive information, unless approved for release by the Fairmined Supplier/Licensee).</li> </ul>
<b>Additional findings</b>	Describe any other relevant finding
<b>Recommendation statement</b>	Please add the auditor recommendation statement and the risk analysis template.
<b>Other audit details</b>	Unresolved conflicts, disputes and disagreements
	Limitations of parts of the audit plan that could not be conducted
<b>Corrective actions plan</b>	When there were identified non-conformances, please add the approved corrective action plan by the auditor.