

Conclusions and Recommendations

Verité's research found a large number of indicators of forced labor, as well as child labor, risks to workers' health and safety, and sex trafficking in illegal gold mining in the Departments of Madre de Dios, Cusco, Puno, and Arequipa. The most severe exploitation was found in Madre de Dios, and research indicates that problems may be even worse deeper in the jungle. Verité also found that gold produced illegally and with a high risk of forced labor is being "laundered" and exported to major gold brokerage, manufacturing, and consumer nations. This gold finds its way into gold bullion, watches, jewelry, and electronics and into the hands of consumers.

Therefore, it is essential that the government take urgent action to combat the forced and child labor, health and safety hazards, and sex trafficking that is pervasive in Peru's illegal gold mining. Other governments and CSR initiatives must also take action to better monitor the supply chain and track the origins of gold to ensure that gold tainted by forced and child labor, human trafficking, and other severe forms of exploitation does not make its way into consumer nations or corporate supply chains. Verité has drafted the following recommendations for the governments of Peru and the United States and brands that have gold in their supply chains.

Recommendations to the Government of Peru

As indicated above, the government of Peru has shown an increased awareness of the problem of forced labor in gold mining and an increased willingness to combat it. However, there are some steps that the government should take to ensure that their efforts are successful.

1. *La Defensoria del Pueblo* has outlined important recommendations to combat illegal mining. Although these recommendations are not specifically focused on labor issues, it is important that the government implement the general recommendations laid out by the *Defensoria del Pueblo* to combat illegal mining, including:
 - a. simplification of the formalization process;
 - b. designation of funds for formalization initiatives;
 - c. establishment of norms to register users of mercury and cyanide;
 - d. improved supervision and regulation of the use of abandoned mines; and
 - e. implementation of enforcement efforts in Puno.
2. Peru has a Permanent Multi-Sectoral Commission on Illegal Mining, a Multi-Sectoral Committee against Trafficking in Persons, and a National Commission Against Forced Labor (CNLCTF). While each has taken positive actions in their respective fields, they could benefit from increased cooperation by:
 - a. integration of efforts to combat forced labor and illegal mining;
 - b. implementation of an inter-agency information sharing plan;
 - c. inclusion of Ministry of Labor representatives in the Permanent Multi-Sectoral Commission on Illegal Mining; and
 - d. execution of joint enforcement actions, in coordination with the police and military where needed.
3. The Ministry of Labor has drafted a National Plan to Combat Forced Labor for 2013-2017. This new plan includes a number of advances, which the government should ensure are adopted, adequately funded, and fully implemented, including:

- a. establishment of better definitions of forced labor;
 - b. implementation of a baseline study in 2014 to address the lack of statistics;
 - c. execution of pilot interventions in 2013 and 2014 to combat forced labor in the regions with the highest incidence of forced labor;
 - d. strengthening the capacity of the CNLCTF as the main institution responsible for implementing the Plan;
 - e. design of an improved funding structure; and
 - f. establishment of strategic, progressive, and measurable goals, including:
 - i. awareness of forced labor and grievance mechanisms among half the population;
 - ii. concrete actions to combat forced labor taken by all regional and local governments in the regions with the highest incidence of forced labor;
 - iii. a 20 percent reduction to the level of vulnerability to forced labor; and
 - iv. full design and implementation of a system to prevent, detect, rehabilitate, and provide comprehensive services to victims of forced labor.
4. In order to detect and remediate forced labor and other extreme forms of labor exploitation, it is essential to improve the capacity of the labor inspectorate by:
- a. following through on plans to create an independent, centralized labor inspectorate;
 - b. providing inspectors with police and military assistance as necessary;
 - c. taking measures to protect labor inspectors, including the ability to prosecute individuals who threaten, intimidate, or harm them;
 - d. taking measures to ensure that the number of active labor inspectors in each Department is adequate for the number of inhabitants;
 - e. providing the labor inspectorate with sufficient resources;
 - f. paying for labor inspectors' transport and the cost of sending documents and reports;
 - g. providing inspectors with financial incentives to carry out inspections in illegal mining areas and remote locations, and for detecting labor law violations;
 - h. increasing labor inspectors' salaries in order to combat corruption;
 - i. setting standards for the amounts of fines for each violation in order to combat corruption and favoritism;
 - j. increasing the amount of fines for labor violations to dissuasive levels;
 - k. improving systems to ensure that labor intermediaries and cooperatives are complying with legal requirements and are not engaging in deceitful or coercive recruitment practices;
 - l. setting up systems to verify compliance with laws on forced labor, human trafficking, minimum wages, child and juvenile labor, and health and safety;
 - m. establishing a system to verify that scales used to weigh gold used as payment to workers are accurately calibrated;
 - n. training labor inspectors to detect indicators of lack of consent and menace of penalty among workers in the gold mining sector; and
 - o. setting up a system to verify and ensure employer payment of fines and compliance with remediation requirements.
5. In addition to reforms in the labor inspectorate, the government should take measures to ensure that other institutions are able to adequately detect, report, refer, and

prosecute cases of forced labor and other forms of labor exploitation and protect victims by:

- a. training members of the Ministry of Labor, police, NGOs, service providers, and health workers on the signs of and laws covering forced labor, labor trafficking, and labor exploitation;
- b. training police, prosecutors, and judges on laws that can be used to convict and sanction exploitative employers and labor intermediaries;
- c. training police and prosecutors on interviewing victims, collecting evidence, and building successful cases against employers, labor intermediaries, and complicit public officials;
- d. ensuring that the Registry and Statistics System on the Crime of Human Trafficking (RETA) is adequately funded and fully functioning throughout the country;
- e. ensuring that the human trafficking hotline is able to accept calls from cellphones and that complaints are responded to in a timely and effective manner;
- f. establishing a system for reporting cases of forced labor and labor trafficking to appropriate authorities for the prosecutions of offenders;
- g. creating and distributing information on labor rights, forced labor, and labor trafficking to workers in the mining sector and potential victims;
- h. designing mechanisms to refer victims of forced labor and labor trafficking to government and NGO service providers;
- i. improving victim services to adult and child victims of forced labor and labor trafficking; and
- j. providing victims of forced labor and other forms of labor exploitation with free legal assistance and witness protection, as necessary.

Recommendations to the Government of the United States

1. Draft legislation similar to the *Dodd-Frank Wall Street Reform and Consumer Protection Act* that requires companies to disclose whether gold and other precious metals in their supply chains are produced with forced labor.
2. Enforce the *Executive Order on Strengthening Protections Against Trafficking In Persons In Federal Contracts* and promote similar legislation, such as the *California Transparency in Supply Chains Acts*, in other states to prohibit procurement of products tainted by trafficking and promote transparent reporting by companies.
3. Take measures to ensure that gold produced illegally is not imported into the United States and prosecute individuals and companies that engage in gold laundering.
4. Continue to fund projects to combat labor trafficking, forced labor, and violations of workers' rights in Peru, specifically in the mining sector, including:
 - a. projects to research working conditions;
 - b. projects to train workers, NGOs, cooperatives, unions, and government authorities on worker rights and signs of forced labor, labor trafficking, and exploitation;

- c. projects to improve the government’s capacity to detect and prosecute cases of forced labor, labor trafficking, and labor exploitation; and
- d. projects to improve victim services.

Recommendations to Buyers and Corporations

1. Ascribe and adhere to CSR initiatives such as the London Bullion Market Association’s (LBMA) “Responsible Gold Guidance Program,” No Dirty Gold’s “Golden Rules” pledge, the Responsible Jewelry Council’s (RJC) Chain of Custody (CoC) Certification for precious metals, and the Alliance for Responsible Mining’s (ARM) Standard Zero.
2. Increase purchases of fair trade and fairmined gold as a percentage of gold sourced by the brand.
3. Improve sourcing mechanisms to increase respect for labor rights by:
 - a. sourcing gold directly from mines and cooperatives with demonstrated compliance with labor laws instead of through intermediaries, refineries, or export companies; or
 - b. sourcing gold from refineries that are members of CSR programs and have verified records of tracking where their gold comes from and ensuring respect for workers’ rights, when direct sourcing is not possible.
4. Ensure that gold produced illegally and/or under conditions conducive to forced labor does not make it into the supply chain by:
 - a. implementing systems to track where gold used in the supply chain comes from;
 - b. establishing standards prohibiting the use of illegally produced gold or gold tainted with forced labor in the company’s supply chain;
 - c. carrying out and funding risk assessments in order to determine the risk of purchasing gold that is produced illegally or tainted with forced labor and other forms of exploitation according to the country and region of origin; and
 - d. carrying out risk assessments and audits in order to determine the risk of sourcing gold from certain companies, refineries, and suppliers.
5. Improve mechanisms to reduce the risk of forced labor and other forms of severe exploitation in the gold supply chain by:
 - a. establishing codes of conduct that prohibit forced labor, human trafficking, child labor, and other forms of worker exploitation and clearly communicating these policies to suppliers;
 - b. carrying out scheduled audits of mines and suppliers that cover indicators of forced labor, hiring mechanisms, child labor, working hours, the payment of minimum wages, deductions, and health and safety;
 - c. training management, supervisors, suppliers, and workers on workers’ rights; and
 - d. creating, implementing, and monitoring action plans and systems to improve compliance.



Picture 42 – Cooperative Miners that Produce Fairmined Gold –
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