

RJC Chain of Custody Review

Comment Report on Round 2 Consultation

A summary of comments received on the 'Proposed changes (draft 1)' document of the CoC review
18 July 2017



Comment, submissions and inquiries welcome: Please contact

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1. Purpose

The Responsible Jewellery Council (RJC) is reviewing its [Chain-of-Custody \(CoC\) standard](#). In August 2016, RJC shared a [Public Summary](#) of the CoC review which outlines the objectives, scope, process and timeline of the review and invited feedback from all interested stakeholders. This first round of consultation closed in October 2016. In February 2017, RJC launched round 2 of the consultation process by sharing a [Proposed changes \(draft 1\)](#) document for further review and comment. The purpose of this document is to share comments received during this second round of consultation.

2. Comments

Our consultation on proposed changes to the CoC standard was carried out through:

- i. An email campaign using the full RJC stakeholder list (over 2,300 recipients) and posting of the proposed changes to our website. Recipients include RJC members, audit firms, NGOs, industry press, trade associations, and government representatives. In response, we received over 50 written submissions from 12 submitters.
- ii. A workshop was held in Basel on 22 March 2017 to engage with 'users' of the standard. It was attended by individuals from 22 certified companies and auditing firms.
- iii. A series of calls with key stakeholders was also held, including partner organisations with whom we have a cross-recognition such as the London Bullion Market Association (LBMA) and Conflict Free Smelter Programme.

A summary of key points raised by stakeholders during the second round of consultation is below:

- There are significant concerns with the proposal to allow material from bullion banks to be eligible recycled material.
- The exclusive reference to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas is questioned for materials other than gold (for which the Supplement on Gold exists). More information on the application of due diligence is needed.
- On a related note, there are concerns on how to transition the due diligence requirements from the CoC to the COP and the need for any COP related changes to be subject to full consultation through the COP review (rather than a part of the CoC review).
- There are questions on the definition of 'conflict' and the need for criteria for companies to identify conflict in the supply chain.
- Some comments emphasised the need for the CoC standard to be made mandatory for RJC members and for its application to cover the entirety of a company's operations and all the material handled.
- There are recommendations for requiring certified companies to publish supply chain due diligence reports on an annual basis. Others call for better transparency through the publication of audit reports.
- There is agreement that refiners should identify the mine of origin rather than the country of origin.
- There is a call to provide more information on claims.

Table 1 in the annex has each of the individual comments received from the second-round consultation, verbatim. We greatly appreciate the time and insightful contributions from the submitters.

3. Next steps

The [RJC Standards Committee](#) reviewed a summary of the comments received and agreed that the optional third public consultation is needed to address some of the issues. A revised draft of proposed changes to the CoC standard will be publicly shared for a 30-day review as part of the third round of public comment. This is expected to be released by mid-August 2017.

Annex

Table 1 – Comments on the Chain-of-Custody Standard from Round 2

These comments were received between February and July 2017 and are copied here as they were received.

	CoC Provision	Name	Comment	Proposed change
1	5	Allgemeine Gold- und Silberscheideanstalt AG, Pforzheim, Germany	<p>We, the Allgemeine Gold- und Silberscheideanstalt, believe that the acceptance of gold from bullion banks as recycled CoC material is a dangerous step backwards the mission of the RJC, and a deception of the consumer.</p> <p>Gold from Bullion banks is typically sourced from mines, refined by a Refinery, and made eligible for the financial markets under the Good Delivery Status. Recycled material is sourced from scrap which contains precious metals.</p> <p>Bullion bank gold made eligible as recycled gold under the new CoC standard is a contradiction to the purpose of the process towards a transparent and documented supply chain.</p> <p>We herewith express our major concern for the reputation and the mission of the RJC if gold from bullion banks (even with LBMA certification) is considered eligible recycled material.</p>	
2	N/A	Anonymous	It is unclear why within the process of reviewing CoC standard major changes are proposed to the RJC Code of Practices standard. These two processes should be either aligned or addressed separately.	Remove any proposals on the COP Standard changes, discuss and review them within the process of COP Review.

	CoC Provision	Name	Comment	Proposed change
3	New COP DD	Anonymous	<p>It is generally not understood why diamond supply chain is aimed to be aligned with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas by starting to include such reference to diamonds in the RJC documents.</p> <p>We see it as more appropriate to talk not about involving possible CoC based approach of OECD, but about due diligence towards diamond supply chain with regards to building a Chain of Accountability within existing universal mechanisms of KP and WDC System of Warranties. This approach can reflect the real situation in the diamond sector and reasonable/achievable approach towards diamond due diligence. Possible reference to OECD standards can be seen as a supporting element where applicable and where companies wish to demonstrate an alignment.</p> <p>Moreover, we believe that it is unreasonable to align the definition of “conflict” with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas, since it is quite vague in its nature and does not rely on specific international law unlike OECD Guidelines for Multinational Enterprises.</p>	Proposed changes to wording are given below.
4	New COP DD	Anonymous	<p>Direct references to the OECD standards are not acceptable for all RJC members, since they reflect standards of one of the regional cooperation organizations with many RJC member being residents of external jurisdictions, simply not liable to standards of other countries.</p> <p>Therefore, we suggest that we should either remove all proposals on changing COP (with relation to diamonds), or exclude diamonds from these proposals (taking into account that there exist no supplements on diamonds to the OECD Guidelines), or clearly indicate that these requirements are applicable only to those companies that operate in OECD member and adhering states.</p>	Proposed changes to wording are given below.
5	New COP DD	Anonymous	<p>The definition of conflict towards diamonds can only be done based on universally recognized definition of “conflict diamonds” of the Kimberley Process. Any enhanced due diligence according to OECD standards should be regarded as extra assurance done voluntarily by RJC members operating in OECD standards applicable countries.</p>	<p>1. Members shall adopt and communicate to their suppliers and the public a supply chain policy for sourcing diamonds, gold and platinum group metals from conflict-affected and high risk areas. The policy towards gold and platinum group metals shall be consistent with Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas (the OECD guidance). The policy towards diamonds shall be consistent with Kimberley Process Certification Scheme and the WDC System of Warranties, and may be supported by the use of Annex I of OECD Guidance in OECD member countries.</p>

	CoC Provision	Name	Comment	Proposed change
6	New COP DD	Anonymous	Directly linking diamonds with the need to adhere to OECD guidance and imposing the principles of the OECD guidance five-step framework virtually pushes through the idea of creating a separate supplement on diamonds within OECD, as this five-step framework is based on the notion of existence of a separate supplement on each mineral. Applicability disclaimer should also be added in order to avoid imposing OECD regional standard on other regions of the world.	Due Diligence 2. Members shall exercise due diligence over the supply chains of diamonds, gold and platinum group metals in ways appropriate to their size, applicability and circumstances in accordance with the OECD guidance. Specifically: a. Members in the gold value chain shall adhere to the OECD guidance and the recommendations of the Gold Supplement as applicable to their operations. b. Members in the platinum group metals value chain shall adhere to the OECD guidance. c. Members in the diamonds value chain shall adhere to the principles of the OECD guidance five-step framework. 3. Members shall exercise due diligence over the supply chains of diamonds in ways appropriate to their size and circumstances in accordance with the KPCS and WDC System of Warranties and may use the principles of the OECD guidance five-step framework if operating in OECD member countries.
7	New COP DD	Anonymous	Criteria applied to determine conflict-affected and high risk countries should refer to OECD Guide Annex II. There is no need to open the opportunity to gold buyer to choose what is considered as conflict area or not. And at the opposite, no need to have a reader which would debate about what should be considered.	c. Summary of the criteria applied to determine conflict-affected and high risk countries
8	New COP KYC	Anonymous	Our proposal is to push entities to check if counterparty or one of its beneficial owners are named in government list as PEP or under sanction and take appropriate measures to mitigate the risk of money laundering, corruption, fraud or terrorism financing	b. . Verifying that the counterparty and their beneficial owners are not named on any government lists for wanted money launderers, known fraudsters or terrorists and verifying if beneficial owners are PE

	CoC Provision	Name	Comment	Proposed change
9	CoC 4.1d	Anonymous	<p>Mines: Is this provision applicable for Artisanal Small Mine or group of ASM ? We see more and more of artisanal or middle size scale mining grouped on the same place which extract minerals for processing plant. In this view, an audit can be performed following RJC CoP. Buy material from ASM with a relevant due diligence process is promoted by OECD. http://www.oecd.org/corporate/mne/artisanal-small-scale-miner-hub.htm</p> <p>Independently: Entity's compliant officer should be allowed to perform audit and validation if the demonstration of his skills is demonstrated by a recognized examination body certificate and if the compliance officer independence is affirmed by senior management. The entity has to mitigate the risk, it seems normal that the selection or validation audit been conducted by it.</p>	Our proposal is to include groups of small miners extracting on the same area and to consider an entity staff member certified to perform audits and designed for it.
10	CoC 5.4	Anonymous	Third party certification is not relevant, we need a government license which allows the financial intermediary (including bank, change office, lawyer, trader...) to perform his business. This license has to be delivered based on due diligence process audit. If a license is not delivered due to a lack of legislation, a formalized KYC should demonstrate the accuracy and efficiency of the intermediary's due diligence process (policy, internal training program...)	b. License or permit from authorities based on compliance with AML Due Diligence process that the source may have.
11	CoC Appendix 1	Anonymous	If a mined material originating from a Fairmined or Fairtrade certified entity which is not Fairmined labeled is considered as eligible, the material can be mix with other material coming from eligible sources (e.g. scrap). In this case, it would be false to declare an origin from Fairmined or Fairtrade source. Add a tick box to highlight the Fairtrade or Fairmined origin is useless and would bring confusion for consumer.	Don't add a tick box on the CoC transfer document mentioning Fairmined or Fairtrade source.
12	N/A	Human Rights Watch	Overall, we recommend mandatory chain-of-custody provisions, a more rigorous monitoring of the minerals supply chain, and greater transparency in the certification process.	

	CoC Provision	Name	Comment	Proposed change
13	N/A	Human Rights Watch	We are concerned that the Chain-of-Custody Standard is an optional measure for RJC members. Of nearly 1,000 RJC members, only 42 companies—or about 4 percent of RJC companies—have presently certified business facilities under the standard. This very low rate of participation underscores the inadequacy of a purely voluntary approach. We welcome plans to revise provisions on due diligence for metals from conflict-affected and high-risk areas and move them into the Code of Practices, thus making such due diligence mandatory and aligning them with the Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains of Minerals. However, the current Code of Practices is not sufficient to address other human rights risks in members’ supply chains. For example, the Code does not require jewelers—or other downstream companies—to have full or partial chain-of-custody (a documented sequence of trade throughout the supply chain) or traceability. We consider this insufficient for the RJC as a body that seeks to advance responsible business practices and set the highest standard for the jewelry industry.	We recommend that the requirements of the Chain-of-Custody Standard be made mandatory for RJC members. This could be achieved by making the Chain-of-Custody mandatory for members or by integrating its requirements into the Code of Practices, which is already mandatory for members.
14	N/A	Human Rights Watch	The Chain-of-Custody Standard allows RJC member companies to certify particular “entities”—businesses under the control of the RJC member, such as an individual facility—, leaving other entities of a company uncertified. This approach lowers the bar for companies to an unacceptable degree. In addition, it provides companies with reputational benefits from the Chain-of-Custody certification even when the majority of the company’s entities are not certified.	We recommend that companies seeking to comply with the Chain-of-Custody standard need to apply as a whole, not just for select entities.
15	N/A	Human Rights Watch	The Chain-of-Custody Standard does not require companies to have chain-of-custody for all their operations or all their material, but only requires a segregation of “eligible” and “non-eligible” material in the business entities that seek certification. The standard could arguably allow entities to be certified even if they had a minimal amount of eligible material that was segregated from other material.	We recommend that companies are required to reveal the percentage of eligible vs. non-eligible material in their operations.
16	N/A	Human Rights Watch	The Chain-of-Custody Standard does not explicitly require mining facilities that provide eligible material to respect human rights and be free of serious human rights abuses. It only speaks of “legitimate and conflict-free sources.”	We recommend that material should only be eligible if sourced from a mine whose operations respect human rights and operate in accordance with the United Nations Guiding Principles on Business and Human Rights. This needs to be verified through independent, qualified monitors who conduct on-site visits, including unannounced visits, and who are able to assess labor rights, environmental health rights, and other human rights risks.

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17	N/A	Human Rights Watch	The Chain-of-Custody Standard does not require certified entities to publish information on their chain-of-custody.	We recommend that companies publish information about their chain-of-custody, at a minimum the names of refiners and smelters it sources from, and the country of origin of eligible material.
18	N/A	Human Rights Watch	The certification process for the Chain-of-Custody Standard lacks transparency. RJC accredited auditors make a recommendation to the RJC, and the RJC certifies a company based only on a summary audit submitted by the auditor.	We recommend that the RJC is provided with a full audit report to decide whether certification is granted.
19	N/A	Human Rights Watch	Under the certification process, neither the full audit report nor a summary report are disclosed to the public. Only a short certificate with limited information on the company, its compliance, and the certification process is published.	We recommend that information about the auditing process is made public, including a summary audit and information on non-conformances found.
20	New COP DD	Anonymous	<p>Proposed RJC change: 'The definition of 'conflict' will be aligned with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas (OECD guidance).'</p> <p>In changing the definition of conflict across all areas of the Code of Practices, the RJC is suggesting that conflict diamonds are diamonds that come from conflict affected areas; "Conflict-affected and high-risk areas are identified by the presence of armed conflict, widespread violence or other risks of harm to people. Armed conflict may take a variety of forms, such as a conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation, or insurgencies, civil wars, etc. High-risk areas may include areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure and widespread violence. Such areas are often characterised by widespread human rights abuses and violations of national or international law."</p> <p>This is different to the definition of conflict diamonds under the United Nations, Kimberley Process: "diamonds that originate from areas controlled by forces or factions opposed to legitimate and internationally recognized governments, and are used to fund military action in opposition to those governments, or in contravention of the decisions of the Security Council."</p> <p>These two definitions are substantially different, and the impact of these on the sustainability of the KP and the unintended consequences on the diamond-producing communities and the broader diamond industry seem not to be considered. It further might undermine the positive steps already taken within the diamond industry to address the issue of conflict diamonds since the early 2000s.</p>	We therefore proposes that the definition of conflict relating to diamonds should remain as defined by the UN; and to follow the definition relating to the OECD only for other applicable minerals within the RJC (Gold)

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21	New KYC	Anonymous	We propose that the RJC follow the normal route and timeframe of making amendments to the Code of Practices to allow further review of existing new industry systems (such as GJEP's new KYC platform) prior to making this a new provision, ahead of the next iteration of the COP; due in 2018, This gives the RJC time to review the impact on the industry, review what is already in place and then seek to enhance the due diligence requirements based on further and more in-depth review, for launch in 2018 (only next year), rather than earlier.	
22	9.1	Richemont	Regarding 'CoC Claims', our objective is to disclose an intent: only certified gold is used by our Maisons in the manufacture of their products. In respect of supply chain flows for watch and pen components as well as jewellery-making partners, this intent raises a series of technical challenges of eligibility, segregation and disclosure. We wish to work with the RJC to overcome those challenges and to define together a solution which works for all stakeholders. For example, 'Swiss Made' may only be disclosed on the face of a watch if specific criteria have been satisfied. The 'Swiss Made' solution reflects the interest of many different stakeholders and the criteria have evolved in response to technical developments, consumer expectations, and regulatory measures.	
23	5.1c & 5.4	Richemont	Regarding the RJC's proposal to end the 'Grandfathered bullion' eligibility criteria and to replace it with an LBMA-based criteria, we are deeply uncomfortable. Our view stems not from a mistrust of any particular member of the LBMA, nor from the due diligence arrangements proposed in the draft, but rather from the massive increase that such a change could bring to eligible gold volumes. At this stage, we do not propose an alternative solution regarding bullion. Instead we demand that, before validating such a recommendation from its Standards Committee, the RJC Board commissions a peer review by another Full Member of the ISEAL Alliance.	
24	New COP DD	MKS Pamp	RJC should align with LBMA and include silver to the list	
25	New COP DD	MKS Pamp	It is required that RJC members exercise due diligence over the supply chains in accordance with the OECD Guidance. It is not sufficient to just refer to the OECD guidance as it is only composed of recommendations and cannot be audited. The way this requirement is set, we do not see how auditors will be able to verify compliance.	
26	New COP KYC	MKS Pamp	The beneficial owner identification should be systematic and not conditional.	
27	4.1b	MKS Pamp	The proposed eligible mine material as ASM operating on the entity's mining concessions having participated in initiative for formalization and with due diligence confirming that materials comes from such ASM producers and not from illegitimate sources. In that case, the owner of the concession must have formally agreed to the ASM extraction.	

	CoC Provision	Name	Comment	Proposed change
28	4.1d & 4.2	MKS Pamp	WGC Conflict Free Standard certification should be recognised for the elements it covers.	
29	4.2	MKS Pamp	The process leading an ASM not certified being considered CoC eligible is unlikely to be achievable given the constraints set, i.e. a third-party audit.	
30	4.2	MKS Pamp	« the CoC certified entity shall conduct an in person visit to assess the mine's performance against CoP ». It is impractical to delegate to the refiner such a gap assessment, even more so without a tool.	
31	4.3b	MKS Pamp	For materials coming from mine located in high risk area, the requirement it that is sourced in accordance with the OECD Guidance. Again, it is not sufficient to just refer to the OECD guidance as the OECD guidance is only composed of recommendations and cannot be audited.	
32	5.2d	MKS Pamp	We would add that the entity should review not only their supplier's KYC policy but as well their supply chain policy & and related procedures	
33	5.4	MKS Pamp	We do not consider feasible to obtain third party certification that the bank may have as a condition to source recycled materials from bullion banks. The refiners cannot impose to bullion banks to go through a supply chain third party audit. Possibly, the requirement could be waived if the material purchased is LBMA.	
34	Appendix 1	MKS Pamp	WGC Conflict Free Standard should be recognised for the elements it covers	

	CoC Provision	Name	Comment	Proposed change
35	5.1c & 5.4	C.HAFNER GmbH + Co. KG Gold-und Silberscheideanstalt	<p>Concerning the acceptance of bullion bank gold within a new COG-standard I would like to bring forward the position of C. Hafner GmbH + Co. KG in Wimsheim. It is the great merit that RJC has established a stringent and exclusive process for a conflict-free and transparent supply-chain, based on the OECD-guideline. The RJC has earned an outstanding reputation due to its strict definition and demarcation to other initiatives. This is indispensable because of the global scope and the heterogeneity of its members. If there is now within the progression of the CoC-standard an initiative of accepting bullion bank gold as recycled COC-material it would be a step backwards and extremely dangerous for the reputation and survivability of the RJC. The vast majority of bullion bank gold is sourced directly from mines. The business model of a refiner is to source and finance gold concentrates from mines, to refine it to a 995 purity (therefore the name refiner) and to make it eligible for the financial markets; the good delivery status is the official marking. The gold out of this process is not recycled. What is the definition of recycling?</p> <ul style="list-style-type: none"> - "convert waste into reusable material" or - "return material to a previous stage in a cyclic process" <p>(Wikipedia)</p> <p>When we talk about precious metals there are separate recycling streams which differentiate from the refining streams. The business model of a company which is active in this field starts with collecting used scrap which contains precious metals; used meaning the precious metals were already in the form of a product (e.g., jewellery, industrial waste or other). This scrap is then analysed and the content separated to get back the precious metals again. Therefore companies which mainly recycle material are called recyclers and not refiners! If bullion bank gold under a new Coe-standard could be marked as recycled gold it would be a contradiction to the existing process which would lead to a dilution of the standard. To be straighter forward: making bullion bank gold eligible for recycled status would be a deception to the consumer and completely contradictory to the mission of the RJC. We would risk our reputation and it would be a turning point for the success of the RJC. In my opinion the RJC must thrive for being best in class, because the products we deal with (luxury products) transport a positive emotion to the consumer. To be best in class we have to be disciplined to live up to our claim and standard. That involves hard work and sometimes unpleasant decisions. I hope that in this sense the RJC is not falling over the indolence of members who want to go the easy way.</p>	
36	New COP DD	Accreditation Services International (ASI)	From a chain of custody point of view any member regardless of their activity or product type shall know where their RJC sourced product comes from (see also definition of CoC). Country of origin is not enough. Why is this restricted to gold only?	

	CoC Provision	Name	Comment	Proposed change
37	N/A	ASI	We recommend the CoC standard to be mandatory and applicable to all products and activities to ensure chain of custody. Of course members have varied interests as specified in the scope of the current standards, but this is where RJC can make a difference being part of the ISEAL movement. As a consumer this would be my expectation as well.	
38	4	ASI	We recommend eligible material to only come from certified CoP mines. The sourcing entity will not have to go through complicated reviews themselves. This will simplify the process and improve credibility.	
39	9	ASI	In terms of claims and logo use we recommend to consider a system of approval.	
40	9	ASI	If the vision is that ultimately retail product will display an RJC logo this might be regarded as product certification. Therefore ISO 17065 maybe applicable.	
41	4.1a	ASI	Perhaps this section would benefit from further clarification. I do not understand what is meant by "legal interest". Is this explained in the CoC glossary?	
42	Glossary	ASI	Suggest to include :validation" or "independently validated". Suggest to include "claims".	
43	Glossary	ASI	What is meant by Fairtrade? This term is not protected. Can anybody call their product Fairtrade? Or does this mean Fairtrade certified?	
44	New COP DD	Anonymous	We fully support requiring due diligence of all RJC members, aligning these mandatory due diligence requirements to the OECD's Due Diligence Guidance and requiring members to report RCOI to RJC. We believe this fully aligns the due diligence and transparency expectations of all 3TG supply-chain participants in establishing and maintaining responsible mineral sourcing from CAHRAs and [downstream supply-chain participants rely on] such 3rd party audit programs to support our [their own] supply-chain due diligence efforts.	
45	CoC 4.1d	Anonymous	RJC should only recognize and adopt for equivalency, mining standards that conform, where applicable, to the OECD's Five Step Framework for Risk Based Due Diligence in the Mineral Supply Chain.	Eligible mined material Mines that are independently validated to conform, in all material aspects, with the RJC Code of Practices and as applicable, the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High Risk Areas, requirements as defined in provision 4.2 and with documented due diligence that confirms the material comes from such mines that originates from sources which do not violate provisions in the OECD's Model Supply Chain Policy for a Responsible Global Supply Chain of Minerals from Conflict Affected and High Risk Areas (see Annex II of the OECD Due Diligence Guidance;

	CoC Provision	Name	Comment	Proposed change
46	CoC 5.1	Anonymous	Bank bars should not be included in the same scope of eligible recycled material but rather responsible sourcing standards for bank bars should be addressed in its own section. Due Diligence on bank bars should be aligned to the OECD's Due Diligence Guidance to identify the type of materia/determine the gold origin, aligned with the definitions of "Gold Sources" then conducting due diligence aligned to that specified in the OECD's guidance.	An entity shall have systems in place to ensure that recycled material for which the entity issues eligible material declarations is from one or more of the following: a. Commercial suppliers, eg, wastes from jewellery manufacturing, postconsumer, waste metals and materials arising during refining. b. Individuals or estates c. Bullion banks that are validated to derive solely from recyclable gold or Grandfathered Stocks, as defined in the OECD's Due Diligence Guidance d. Recovered content from products which are recycled for multiple materials including precious metals, eg, electronic scrap, spent automotive catalysts, spent industrial catalysts, fuel cells;
47	N/A	Partnerships Africa Canada (PAC)	Partnership Africa Canada welcomes this draft, and is generally very supportive of the amendments made therein, particularly efforts by the RJC to better align their standards with those of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals for Conflict-Affected and High-Risk Areas (otherwise known as the OECD Guidance). Amending RJC Chain of Custody Standards with best practices, including introducing more credible OECD due diligence standards and a broader and more representative conflict definition for the diamond sector (than that currently provided by the Kimberley Process) is especially overdue and welcomed.	
48	New COP DD	PAC	The proposal that members in the diamond sector should adhere to the OECD's five step framework is excellent and in keeping with the RJC's alignment process; however, the proposal needs more definition as to how Step Five will be implemented in practice. How, for example, will RJC members publicly report on their due diligence efforts—in annual corporate filings, CSR reports, on their websites, as part of the three year RJC auditing cycle? In keeping with the OECD and legislative initiatives in the EU and the US (until the recent changes to Dodd Frank requirements and SEC listings), best practice would require at a minimum an annual and public due diligence disclosure of some kind of any risks encountered and what steps were taken to mitigate against identified risks.	This aspect of due diligence should be more explicitly referenced in the new CoC Standard.

	CoC Provision	Name	Comment	Proposed change
49	New COP DD	PAC	One challenge the OECD has faced in recent years is getting companies to adhere to Step Five. In addition to the above recommendation, the RJC should give additional thought to what procedures should be followed if a company fails to undertake due diligence or report on identified risks in its supply chain. The absence of any sanction or guidance to companies in instances of non-compliance/non-disclosure seriously undermines the credibility of CoC Standard.	
50	New COP DD - definition of conflict	PAC	<p>We note with concern the recommendation in the explanatory notes on due diligence (p. 5) that “companies dealing in diamonds...shall use information from compliance with the Kimberley Process and System of Warranties as part of their identification of ‘red flags’ and assessment of risks.” This language is referenced elsewhere in existing COP and COC documents. The problem is the KP’s definition of conflict only addresses rebel based violence. This definition is outdated and unaligned with both current realities in the mineral sector, particularly in the ASM context, or the RJC’s current efforts to conform with leading best practice standards (i.e. OECD Due Diligence).</p> <p>Civil Society groups inside and outside the KP have long raised the inadequacies of the KP definition and the way in which it undermines the efficacy and credibility of the KP and efforts to improve responsible sourcing in the diamond sector. Moreover we note that unless one is sourcing from a UN and KP embargoed country, the KP does not have any formal provisions for identifying red flags or assessing risks. Allowing RJC members to rely on the KP for ethical comfort, while also referencing the OECD definition, is incongruent with the broader objective of aligning RJC practices with the OECD system. In our view this could also cause confusion among RJC members as to which standard is the defining best standard (i.e the KP which is based on State-based compliance with KP minimum requirements or the OECD which is more focused on industry responsibilities)?</p>	As the RJC is an industry based initiative, with a mandate to improved industry responsibilities and sourcing practices, we recommend making an explicit reference that compliance with the OECD standard takes precedence over the KP.
51	New COP DD	PAC	We also note that the System of Warranties, the diamond industry self-regulatory scheme, has proved itself wholly ineffectual and meaningless during its almost 20 years of existence. There is not one example anywhere in the world of any civil or criminal litigation associated with an industry member breaching the SOWs. The SOWs and the KP also do not require any due diligence measures by either participant governments or industry members. We understand the World Diamond Council is currently amending the SOWs, although early interactions with them make it clear that they have no intention of following the RJC’s lead in aligning them with other mineral governance initiatives.	If the RJC is going to cite and cross-reference its proposed changes with those of the SOWs, we would strongly recommend that the RJC reach out to the WDC to encourage and discuss with them how they intended to align their new standards with the RJC’s and the OECD’s. Should the WDC be disinterested in such an alignment, we would recommend removing any reference to the SOWs providing any ethical or due diligence coverage to RJC members.

	CoC Provision	Name	Comment	Proposed change
52	New COP KYC	PAC	PAC supports the proposed changes to the Know Your Counterparty policy; however, we note [an issue relating to] the verification of the counterparty and any beneficial owners are “not named on any government (my emphasis) lists for money laundering, known fraudsters or terrorists.” The first issue is whose lists, and what legal standards are being used or accepted in determining this? For example, some RJC members may take exception to OFAC lists of sanctioned entities, or those perceived to be too Western-centric. Providing added clarity to which lists the RJC members should adhere to is recommended to avoid any doubt in the minds of the membership.	
53	New COP KYC	PAC	A second weakness lies in the fact RJC certification can be selectively applied to only certain operations within a corporation’s larger holdings that the company itself decides to seek certification for. An outsider would reasonably believe that RJC certification covers the entire corporate structure when in fact there may well be certain subsidiaries or holdings that do not participate or meet RJC standards, thereby creating a loophole through which non-certified entities can undermine both compliance and the credibility of the RJC and the certified Member. Although this is not referenced in the proposed changes, we would argue that an additional amendment should be made to remove this selective adherence to RJC standards and explicitly require the entire corporate structure comply with RJC standards. One practical example that sheds light on both of these challenges are RJC members who source diamonds from Beny Steinmetz, who is currently embroiled in criminal and civil action in the US and Guinea over a questionable deal in the iron ore sector. Despite this, a well-known diamond company in the US sources from a Steinmetz mine in Sierra Leone, something that is not disclosed in its RJC certification filing. In our view this is a serious red flag to the integrity the RJC’s Know Your Counterparty provisions and urgently needs to be addressed by this revision process.	

	CoC Provision	Name	Comment	Proposed change
54	New COP DD	Global Witness	<p>"Below our thoughts on the importance of public reporting, as we discussed at the OECD Forum. We've significantly reduced our formal input into industry schemes or initiatives that do not include a robust public disclosure component, as required by Step 5 of the OECD Due Diligence Guidance. We observe that the impact of efforts to establish responsible sourcing practises along supply chains is routinely limited by inadequate public reporting. Efforts to identify and mitigate risks in the relevant supply chains can only be shared if information about those risks are shared, as envisioned by the Guidance.</p> <p>This is important for any initiative to fulfil its responsible sourcing potential. It is also critical for the credibility of any scheme. Ultimately the scheme's credibility is predicated upon the individual efforts of its members.</p> <p>Regular and detailed public reporting is central to the effectiveness of individual company due diligence efforts. Full and periodic reporting that includes detailed information about specific risks identified facilitates information flow throughout supply networks.</p> <p>Third, fourth and further tier suppliers can use this information to evaluate and mitigate risks beyond their immediate impacts and demonstrate responsible response to them. In some cases public reporting can form a foundation for a collective supplier mitigation strategy to address specific supply chain red flags.</p> <p>Such public reporting also builds a picture over time of a company's efforts to source minerals responsibly. This is essential information to third parties like shareholders: companies can showcase their efforts, demonstrate continual progress and show how their policies are implemented via public reports. There are now widely held public expectations around public reporting from investors, shareholders and companies right along mineral supply chains.</p> <p>Investors and shareholders are increasingly drawing upon public reporting to make decisions about their investments and to evaluate a company's health and performance."</p>	<p>Industry schemes, including that of the RJC, should require member companies to commit to publishing their supply chain due diligence reports on an annual basis and in line with the OECD Guidance. In our view, step 5 of the Guidance is a critical step, and a company cannot claim to conduct due diligence without meeting the reporting requirements of this fifth and final step. Public reporting on supply chain due diligence policies and practises should be a condition of membership.</p>