



RJC Chain-of-Custody Certification

Update to RJC Annual General Meeting, May 2012

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Outline

1. RJC Chain-of-Custody Standard for precious metals
– overview
2. OECD Due Diligence Guidance
3. Harmonisation with other standards
4. Multi-stakeholder projects and industry support

RJC Standards

RJC Code of Practices

- ✓ Launched in 2009
- ✓ Assurance for Member's business practices
- ✓ Compulsory for RJC Members



Chain-of-Custody Standard

- ✓ Launched for precious metals in March 2012
- ✓ Assurance that metals from responsible sources
- ✓ Voluntary for RJC Members





RJC Chain-of-Custody Certification

- Applicable to gold and platinum group metals (platinum, palladium, rhodium). Diamonds under further review.
- Requires independent, third party auditing to achieve Certification against CoC Standard.
- Supports responsible, conflict-sensitive sourcing in supply chains by:
 - RJC Code of Practices (or similar) advances responsible business practices for all supply chain participants.
 - Gold refiners must apply conflict-sensitive sourcing for all sources of gold.
 - CoC gold must be conflict-free – due diligence by miners, verification by refiners, chain-of-custody through supply chain.

First CoC Certification announced April 30



Metalor USA Refining Corporation

Metalor Technologies SA

- First RJC CoC Certified entities – USA and Switzerland
- First published gold refiner audits in line with OECD Due Diligence Guidance

CoC Certification means:

- Audit of refiner's due diligence practices for all sources
- Appropriate systems to screen and segregate (if required) for CoC Material
 - In this case, Recycled Gold and Grandfathered Gold

Larry Drummond, President, Metalor Technologies USA:

"We see the RJC Certification system and its new Chain of Custody Standard as both guiding and verifying our commitment to meet increasing demands for social responsibility throughout supply chains, from raw materials to retail sales."

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OECD Due Diligence Guidance

5-Step Framework for Risk-Based Due Diligence in the Mineral Supply Chain

Step 1: Set up strong management systems

Step 2: Identify and assess risks in the supply chain ('red flags')

Where red flags identified ...

Step 3: Design and implement a strategy to respond to identified risks

Step 4: Independent audit of refiner's due diligence

Step 5: Report publicly on policy and actions

Development of OECD Guidance

- Overarching guidance launched in December 2010, including a Supplement on “3T’s” – tin, tungsten and tantalum
- **Supplement on Gold**
 - Developed during 2011-12
 - RJC, LBMA, WGC heavily involved in multi-stakeholder drafting process – industry, civil society and governments
 - To be formally endorsed by OECD Council in June 2012
- Many parties have made submissions to the US Securities and Exchange Commission supporting the OECD Guidance as a key reference for the Dodd Frank Section 1502 rule-making
- OECD focus now turning to implementation, looking for industry participation in projects and progress reporting

RJC's role in supporting OECD DDG implementation

RJC:

- Accredits Auditors that meet competence requirements according to ISO 19011, in alignment with the OECD Guidance.
- Oversees and verifies audits, checking that the published and prescribed assessment processes were properly followed.
- Publishes audit recommendations and certification outcomes on the RJC website.
- Operates RJC complaints mechanism, developed to support Ruggie's business and human rights framework.
- Delivers training modules to support implementation of the CoC Standard.
 - Also developing training for the jewellery supply chain on OECD Guidance – planned to launch in June.
- Represents perspectives from jewellery supply chain in OECD forums.

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Challenges for Artisanal and Small-Scale Mining (ASM)

- Concerns that increased focus on supply chain due diligence to identify risks of conflict will impact ASM
- ASM are often the target of armed groups: situation is amplified by informality
- Formalisation of ASM is key and the main challenge
- Traceability / chain-of-custody is an instrument for formalisation
- Formalisation also requires enabling legal frameworks at country/region level
- OECD Supplement on Gold (Appendix 1) calls for multi-stakeholder efforts to support legitimate ASM

CoC and Artisanal and Small Scale Mining (ASM)

The RJC CoC Standard aims to build bridges with legitimate ASM production. Included in the CoC Standard are:

- Scope for the RJC to formally recognise comparable mining standards. Currently working with ARM and Fairtrade re the Fairtrade-Fairmined Gold Standard.
- Scope to source from ASM operating on the mining concessions of CoC Certified Entities, as part of an initiative to support professionalisation and formalisation of ASM.

In 2011, RJC signed MOU's with the Alliance for Responsible Mining (Fairtrade/Fairmined Gold) and Diamond Development Initiative to collaborate on standards and policy work.

Initiatives in the gold supply chain



	LBMA	RJC	WGC	EICC
Applies to	Refiners	All supply chain	Mining companies	Refiners
Focus	OECD Due diligence, KYC and AML	Code of Practices; OECD Due Diligence	Conflict-free; OECD Due Diligence	Country of origin; Dodd Frank Act
Audit outcome	Good Delivery Accreditation	CoC Certification	3 rd party assurance of due diligence	Validated Smelter/ Refiner list
Harmonisation	Opportunity for harmonisation with RJC and EICC	RJC CoC will recognise LBMA and EICC re conflict-sensitive sourcing. WGC supports mined gold due diligence for CoC.	Supports refiner due diligence for mined gold under LBMA, RJC, EICC	Opportunity for harmonisation with LBMA and RJC

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Emerging projects

- Launch of OECD DDG brings increasing focus on responsible sourcing and assurance
- Most emerging multi-stakeholder projects have ASM or SME focus – how to encourage implementation at the smaller scale
- Emerging projects with RJC involvement include:
 - Swiss Better Gold Association
 - Solidaridad – fair and sustainable supply chains
 - CSR in the Italian jewellery supply chain
 - OECD ‘Gold for Peace’ and implementation projects
 - Importance of India, China and UAE
 - Direct involvement of RJC Members welcome

Industry support and training by RJC

- Support to RJC Members in implementing RJC Code of Practices and RJC Chain-of-Custody Standard
 - Webinars
 - Workshops
 - ‘Help desk’
- Working with Estelle Levin, consultancy on natural resources governance and sustainable supply chains, to develop training modules for jewellery supply chain (‘upstream’ and ‘downstream’) on OECD DDG implementation
 - Peer review process
 - Live webinar sessions
 - Recorded webinar publicly available on RJC website

RJC Chain-of-Custody Update – Summary

- CoC for precious metals launched in March 2012.
- Voluntary and designed to support due diligence and chain-of-custody efforts in the jewellery supply chain.
- Controls for conflict-sensitive sourcing AND for responsible business practices in the supply chain.
- Supports chain-of-custody for mined, recycled and ‘grandfathered’ and/or a mix for gold and platinum group metals.
- CoC Certification for Refiners provides independent audit of their due diligence practices.
- Strong focus on harmonisation with relevant standards and initiatives.
- Involved in range of multi-stakeholder projects, and RJC provides platform for support to wider jewellery supply chain.