



RJC Chain of Custody Standard Review – Summary of revised changes Round 3 Comment Period: 14 August – 15 September 2017

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Email: consultationCoC@responsiblejewellery.com
Post: Responsible Jewellery Council
9 Whitehall, London SW1A 2DD, United Kingdom
Telephone: +44 (0)20 7321 0992

1. Purpose

The Responsible Jewellery Council (RJC) is reviewing its Chain of Custody (CoC) Standard. This document describes the revised changes to the standard since the last round of consultation. A draft of the revised CoC Standard with guidance notes is provided separately. Both these documents are designed to invite interested parties to provide input to the CoC as we finalise it.

2. Background

The RJC formally launched its voluntary [Chain of Custody \(CoC\) Standard](#) for gold and platinum group metals in 2012. The CoC provides an assured approach for companies to source, handle and trade precious metals that are traceable, coming from responsible sources and confirmed not to have directly or indirectly benefited illegal armed groups. We are reviewing the standard through a process overseen by our multi-stakeholder [Standards Committee](#) which includes three public consultation periods: Round 1 on the [Public Summary document](#) (completed in October 2016), Round 2 on [draft changes to the CoC Standard](#) (completed in May 2017) and Round 3 on revised changes to the standard (this document which outlines what has changed since Round 2 as well as the accompanying draft CoC Standard).

The revised changes to the CoC have been informed by consultation in Round 2 including [written comments](#), a workshop held in Basel, Switzerland on 21 March 2017 and numerous one to one engagements.

We are committed to developing credible and effective standards and are a full member of the [ISEAL Alliance](#) since 2012, following the ISEAL Code of Good Practice for Setting Social and Environmental Standards.

3. Summary of changes since Round 2

In Round 2 significant changes to the CoC were proposed on due diligence (conflict sensitive sourcing) and Know Your Counterparty (KYC), eligibility of mined material and recycled material. Feedback from the comment period has resulted in revised changes, particularly to the approach on due diligence and eligibility of recycled material. This is outlined below.

Due Diligence & KYC

The CoC standard currently covers due diligence for conflict sensitive sourcing under provision 10. The requirements related to due diligence also rely on 'Know Your Customer' systems and procedures which are covered under provision 5.1 and 5.2. Due diligence for responsible sourcing is a widely recognised business practice used to assess, mitigate for, and report on a broad scope of risks in a company's supply chain, from human rights and child labour to illegitimate sources. As due diligence for responsible sourcing applies across a company's operations and is not specific to CoC material, the intention is to move these requirements from the CoC to the COP where they will be mandatory for all RJC members.

The need to ensure adequate consultation on this before developing it as a COP provision was highlighted in the feedback to this proposed change. As a result, the due diligence and KYC provision will be defined through the COP review and consultation process (from July 2017-Dec 2018). This will include articulating the requirements and guidelines for due diligence for the different types of companies along the supply chain for all materials in RJC's scope. It will also include ensuring overall alignment between a due diligence provision and the existing COP provisions related to responsible sourcing (COP 6 human rights, COP 7 sourcing from ASM, COP 9 bribery, COP 10 money laundering, COP 12 provenance claims, and COP 27 Kimberley Process). This is noted in the Public Summary for the COP review.

In the meantime, due diligence requirements in the CoC will be moved to the beginning of the standard in their own section to emphasise that this provision applies to all the material handled by a certified entity (not just the eligible CoC material). At the completion of the COP review, the due diligence requirements in the CoC will be removed to avoid duplication. We will also propose the transition approach for CoC certified entities with unsynchronised CoC and CoP certification to ensure there is no gap in due diligence compliance.

Other changes which were proposed in Round 2 on due diligence will still be applied for the gold and platinum group metals (PGM) supply chain:

- a) The CoC provision will align with and reference the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (the 'OECD guidance'), and particularly Annex II of the guidance as well as the Supplement on Gold. This is to ensure alignment with the newly released EU Conflict Minerals Regulation.
- b) There will be a requirement for public reporting on due diligence.
- c) There will be a requirement for gold and PGM refiners to carry out material controls that allow for movements of material in and out of the inventory to be reconciled over time.
- d) There will be a requirement for gold refiners to share data with RJC on mine of origin.

- e) The type of documentation and evidence required to demonstrate conformance with the provisions on due diligence and KYC will be reviewed. As this will vary depending on the level of risk, a comprehensive list of examples will be provided as an annex to the CoC guidance document and included in the CoC Assessment Toolkit.
- f) Revisions will also be made to the Assessment Manual to reflect updated requirements for transaction sampling.

Eligibility of mined material

CoC provision 4 defines the criteria for determining the eligibility of mined material as CoC material. In Round 2 a proposal was put forward to introduce a new category of eligible mined material to allow CoC certified entities to independently validate sources of mined material which conform in all material aspects with the COP requirements and have undergone third party assurance.

Comments from Round 2 indicated a high level of support for this change and no substantive alterations to the proposal have been made.

Eligibility of recycled material

In Round 2 several changes were proposed to CoC provision 5 on eligibility of recycled material.

The consultation indicated strong support to the proposal to define the acceptability of recycled material from e-waste, catalysts and other industrial sources outside the jewellery supply chain. However, feedback also indicated a need to clarify and simplify the approach for assessing the eligibility of this material. As a result, changes to the proposed structure and requirements within the provision on recycled material have been made. Two categories of eligible recycled material have been defined:

- a. High value gold and PGM- scrap, waste precious metals from the jewellery and manufacturing process or post-consumer precious metal products such as jewellery, bars and coins
- b. Industrial gold and PGM - waste electrical and electronic equipment (WEEE), industrial components such as spent automotive catalysts, spent industrial catalysts, fuel cells.

The same approach for assessing the eligibility of the recycled material and demonstrating conformance with the standard is defined for both categories and is based on:

- Providing documented criteria for acceptable sources
- Approval of new commercial suppliers through KYC, including reasonable determination of the origin of the recyclable material
- Monitoring of commercial suppliers, including reviewing the due diligence and KYC policy and procedures of the commercial supplier to determine if they represent a high risk of introducing illegitimate sources into the supply chain.

In Round 2 there was also a proposal to include material from bullion banks as eligible recycled material. The consultation revealed strong concerns with this. Bullion banks source gold, including 'newly' mined gold, and make it available to financial markets under Good Delivery status. Although the Good

Delivery status provides assurance of meeting due diligence practices, the bullion banks make no distinction between what is from mined or recycled sources. In the feedback to the consultation, several respondents indicated that it would be misleading to include this material as eligible recycled CoC material.

The proposal to include bullion bank gold as eligible recycled CoC has therefore been removed.

Summary of changes

The table below summarises the structure of the revised CoC standard, identifying where there are substantial changes from the 2012 version and where there have been changes as a result of Round 2 consultation. There is also an indication of the key sections from the CoC Standard and supporting Standards Guidance which are available for review as part of round 3 consultation.

Revised CoC provision	Original CoC provision	Changes
Due Diligence and Know Your Counterparty for Responsible Sourcing		
1. Due diligence	10. Conflict-Sensitive Sourcing	Substantial changes from Round 2, summary standards guidance available for round 3 consultation
2. Know Your Counterparty (KYC)	5.1 KYC systems and procedures	Substantial changes from Round 2, summary standards guidance available for round 3 consultation
Chain-of-Custody Management		
3. Management System and Responsibilities	1. Management System and Responsibilities	Minor editorial changes only
4. Internal Material Controls	2. Internal Material Controls	No changes
5. Outsourcing Contractors and Service Companies	3. Outsourcing Contractors and Service Companies	No changes
Systems to Confirm Eligibility of Material		
6. Eligible Mined Materials	4. Eligible Mined Materials	Substantial changes, full standards guidance section available for round 3 consultation
7. Eligible Recycled Materials	5. Eligible Recycled Materials	Substantial changes from Round 2, full standards guidance section available for round 3 consultation
8. Eligible Grandfathered Materials	6. Eligible Grandfathered Materials	No changes
Issuing Chain-of-Custody Documentation		
9. Eligible Material Declarations	7. Eligible Material Declarations	No changes
10. Chain-of-Custody (CoC) Transfer Documents	8. Chain-of-Custody (CoC) Transfer Documents	No changes
11. Product Claims and Intellectual Property	9. Product Claims and Intellectual Property	Minor changes since Round 2, full standards guidance section available for round 3 consultation

All the proposed changes are in the draft of the revised CoC Standard.

4. Next steps

This document will be open for public consultation for the defined period, after which a summary of all the comments received will be published. We will also hold webinar(s) to consult on the revised proposed changes to the standard in mid-September. All the feedback will be then consolidated into final changes to be reviewed by the Standards Committee in October 2017 for approval.

Anyone interested in contributing to the Chain of Custody standard review should contact consultationCoC@responsiblejewellery.com to register their interest.

RJC Chain of Custody Review – Comment Form 2016-2017

Date:

Name:

Please indicate if you would like your comments to be kept anonymous:

New provision number	Type of comment ¹	Comment	Proposed Change

¹ Type of comment: ge = general te = technical ed = editorial