



RESPONSIBLE
SUPPLY CHAINS
& HUMAN RIGHTS



RJC Code of Practices 2013

Provenance Claims

Training Module November 2013



Outline

1. Provenance Claims – Recap

2. Implementation risks and potential audit issues

- a) Incorrect Non-Applicability rating
- b) Misleading claims
- c) Weaknesses in management systems

3. Implementation suggestions

Recap – Provenance Claims



New provision, part of the Responsible Supply Chains & Human Rights section of the Code of Practices

Consultations during the 2012–13 COP Review raised concerns about lack of a provision addressing the validity of claims about provenance, where these are outside of the Chain of Custody Standard.

Not responsible practice to make claims about the provenance of materials if the claims are not supported by evidence

- Greenwashing
- Misleads consumers
- Unfair to competitors who make legitimate efforts

What is a Provenance Claim? Definition

Provenance Claim

A documented claim made through the use of descriptions or symbols, relating to Diamonds, Synthetics, Gold and/or Platinum Group Metals that are offered for sale, whether stand-alone materials or set in Jewellery, and specifically relate to their:

Origin – Geographical origin of materials, for example country, region, mine or corporate ownership of the Mining Facility/ies; and/ or

Source – Type of source, for example recycled, mined, artisanally mined, or date of production; and/or

Practices – Specific practices applied in the supply chain relevant to the Code of Practices, including but not limited to, standards applicable to extraction, processing or manufacturing, conflict-free status, or due diligence towards sources.

Provenance Claim Provision

12. Provenance Claims

12.1 Members that make a Provenance Claim(s) shall have systems in place to ensure that the Provenance Claim(s) is valid and supported by evidence.

The systems shall include:

- a. Documented criteria or requirements that are compatible with the Provenance Claim(s);
- b. Procedures for record keeping and verification that the criteria or requirements are met;
- c. Controls to maintain the integrity of the materials covered by the Provenance Claim(s);
- d. Training to ensure that employees who are responsible for responding to product inquiries understand the Provenance Claim(s) and can explain them accurately;
- e. A complaints or grievance mechanism appropriate to the nature, scale and impact of the business, to allow interested parties to voice concerns about the veracity of the Provenance Claim(s).

Key Elements

Objective

- Claims made about provenance are backed up with evidence

Scope

- Required for all Members who make Provenance Claims

Types of Claims

- Must be about origin, source or practices

Implementation

- Flexible - Member sets own criteria and process

Audit

- Auditor verifies systems are in place and compatible with the claim

Reporting

- Applicability of the provision noted by the RJC in the Certification Information

Auditor Report to the RJC and Publication of Information

Information on Provenance Claims (if applicable to the Member)

Auditor Summary Report	Status of the information
1. Type of material (Gold, Diamonds, Synthetics, or Platinum Group Metals)	Part of the Member's Certification information on the RJC website
2. Type of claim (Origin, Source or Practices)	
3. Summary description of the criteria / requirements and the verification system used to support the claim	CONFIDENTIAL to the RJC

Product Disclosure / Provenance Claims

Product Disclosure

- Applies to disclosure of factual information about the product that should be known by the seller
- Requirement under the COP for any product representations

Provenance Claims

- Applies to information established through Member or supplier claims and/or supply chain due diligence
- Requirement only if Members choose to make provenance claims

Provenance Claims and Due Diligence

A Provenance Claim may involve the absence of certain attributes or conditions in the supply chain, such as:

- Conflict-Free Gold
- Synthetic-Free Diamonds

Verification of such claims will require supply chain Due Diligence

The Provenance Claims provision reduces the risks to the Member of making these types of claims by requiring the due diligence systems to be documented and audited



2. Implementation risks and potential audit issues

- a) Incorrect Non-Applicability rating
- b) Misleading claims
- c) Weaknesses in management systems

a) Incorrect Non-Applicability Rating

Member makes a Provenance Claim, but rates the provision as Non-Applicable in the Self-Assessment

Risk indicators:

- Weak explanation (or absence) of a finding of non-applicability in the Self Assessment
- Lack of a documented review of advertising and sales materials to substantiate the rating
- Presence of multiple sales channels and/or a decentralized marketing organization



a) Incorrect Non-Applicability Rating - potential causes and implementation suggestions

- Inadequate or no review of advertising and marketing materials
 - ✓ See the Guidance and examples
 - ✓ Review should be documented and signed off
- Confusion about implied claims
 - ✓ A representation doesn't need to be stated in words
 - ✓ Consider the “general impression”
- Misinterpretation of the definition of a Provenance Claim
 - ✓ Check the COP wording
 - ✓ Consider qualifying statements
 - ✓ If in doubt, consult the RJC London office
- Confusion about business to business claims vs. consumer claims
 - ✓ Provision applies to all claims

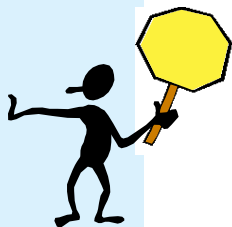
b) Misleading Provenance Claims



**Risk: Member makes a Provenance Claim that is misleading or deceptive
(Note: This may also indicate a risk of non-conformance with the COP provision on Product Disclosure)**

Risk indicators:

- Claims are broad and generalized
 - Claims must not suggest attributes that are invalid or do not exist
- Lack of any qualifying statements
 - The basis of any claim should be explained clearly and should be qualified where necessary to ensure that it is understandable



REMINDER: Marketing materials should not use suppliers' intellectual property without their permission.

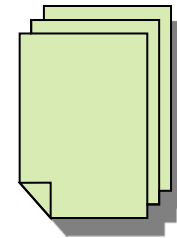
b) Misleading Provenance Claims - Potential causes and implementation suggestions

- Lack of management familiarity with applicable consumer protection laws
 - ✓ Utilize publically-available guidance
 - ✓ Seek legal advice
- Weaknesses in policies and training of marketing and sales staff
 - ✓ Establish written policies regarding the advertising and promotion of Provenance Claims
- Weaknesses in documented criteria and verification procedures
 - ✓ See next slides

c) Weaknesses in supporting systems

The COP Provision requires Members making Provenance Claims to have systems in place including:

- Documented criteria / requirements
- Record-keeping procedures
- Materials controls
- Staff training
- Complaints mechanism



➤ **Inadequate criteria or requirements to support the claim**

Risk: The criteria or requirements on which the claim is based are not adequately documented, or are not compatible with the claim.

Indicators:

- Incomplete or unclear explanation of the criteria or requirements
- Inconsistencies between documented criteria or requirements, and the procedures for verification
- The criteria, if met, do not necessarily support the claim



➤ Weaknesses in verification procedures



Member does not have proper procedures in place to verify that the criteria or requirements have been met

Risk indicators:

- High level of reliance on the word of suppliers or third parties as the basis for the Provenance Claim, combined with weak monitoring
- Procedures that are not consistent with the complexity of the claim
- General lack of formal, written policies and procedures
- Verification is performed by persons who do not appear to be competent, or are in a potential conflict of interest
- Gaps or irregularities in records

➤ Weaknesses in material controls



Risk: Member does not have systems in place to prevent unintentional mixing of conforming with non-conforming materials

Indicators:

- Sales procedures and records do not clearly differentiate materials covered by the Provenance Claim
- Inventory management system does not identify materials covered by the Provenance Claim
- Reliance on external contractors to maintain segregation, along with lack of formal contractual requirements

➤ Inadequate Training



Risk: Personnel responsible for implementation of the systems supporting the Provenance Claim do not understand their duties and responsibilities

Indicators:

- Lack of training-related documentation (Eg., training materials, register, written procedures)
- High level of staff turnover
- Confusion about accountabilities

➤ Inadequate complaints mechanism



Risk: Interested parties, including consumers, are not able to access a mechanism for addressing concerns about the veracity of the Provenance Claim

Indicators:

- Lack of policies and procedures for registering and responding to complaints
- Lack of records of complaints received and results
- Only general company contact information is made available to the public

Weaknesses in Supporting Systems – Potential Causes



- Self-defining Provenance Claims may lead to the incorrect assumption that documentation of criteria is not needed
- Strong focus on promotional marketing or cost controls may undermine attention to systems and documentation
- The manner in which the Provenance Claim is made “drifts” over time
- Lack of attention to proper qualifying statements
- General weaknesses in management systems – lack of familiarity with how to go about documenting policies, criteria, procedures etc.

3. Implementation suggestions

3. Implementation Suggestions - Claims about Conflict-Free Gold

- Broad, international concerns about the use of gold to fund conflict
- Several industry standard / initiatives in place aimed at due diligence systems for conflict-free assurance
- Requirements and verification systems will depend on where the company sits in the supply chain and the complexity of the supply chain
- Risk-based due diligence

3. Suggestions - Conflict-Free Gold Claims, Implementation of Systems

Documented Criteria

- Define the verifiable criteria / requirements - e.g. supplies only from participants in certain recognized industry initiatives, refined before a certain date, known mines in non-conflict areas, etc.

Procedures

- Conduct risk-based due diligence of relevant suppliers
- Document how the verifications are carried out and by whom, and what happens if there are non-conformances

Controls

- Document how the covered Gold is tracked while in inventory

Other

- Document training materials and maintain a register
- Establish a mechanism for parties to voice concerns about the claim and how complaints are investigated

3. Suggestions - Claims about Natural vs Synthetic Diamonds

- Increasing threats / concerns in the trade about Synthetic Diamonds being passed off as natural Diamonds
- Natural Diamonds are not considered a Provenance Claim under the Code of Practices, however...
- **The option is available for Members to make a “Synthetics-Free” claim and request that it be included in their Certification Scope**
- The nature of the Provenance Claim will be included in the Member’s Certification information on the RJC website
- Statement could be added to invoices that the claim conforms with the Provenance Claims provision of the RJC Code of Practices

3. Suggestions - Synthetic-Free Claims, Implementation of Systems

Documented Criteria

- Claim must apply to 100% of covered Diamonds – no mixed claims
- Define the verifiable requirements used to ensure the Diamonds are free of Synthetics

Procedures

- Conduct risk-based due diligence of relevant suppliers
- Document how the verifications are carried out and by whom, and what happens if there are non-conformances
- Records of results to be available for RJC auditor

Controls

- Document how the covered Diamonds are tracked while in inventory
- Formal procedures required if handled by contractors

Other

- Document training materials and maintain a register
- Establish a mechanism for parties to voice concerns about the claim and how complaints are investigated



3. Provenance Claims - Implementation Suggestions

- Establish an **integrated approach** to managing Provenance Claims and the required supporting systems
- Prepare 'one-stop', **comprehensive documentation** covering all aspects of the program
- Establish **coordinated procedures** for verification, record-keeping, monitoring etc.
- Ensure the systems needed to operate the program have **adequate financial resources**
- **Formalize instructions** for how the Provenance Claim is to be expressed, explained and qualified, where necessary
- Ensure there is a **effective coordination** between those responsible for marketing and promotion of the Provenance Claim and those responsible for the systems required to ensure it is valid

Provenance Claim - Integrated implementation

