



Academy Auditors

Responsible Jewellery Council (RJC)

RJC AUDIT REPORT:

CODE OF PRACTICES (2013) CERTIFICATION

RJC Member: Julip Jewels

Report date: 4 August 2014

Revision: N/A

Distribution: Julip Jewels, RJC Management Team

This **Sample Audit Report** has been developed by RJC to illustrate good practice audit reporting for RJC Certification. The Auditor and Member named in the report are fictitious.

RJC reviews all Audit Reports for consistency with its reporting requirements, before issuing certification to Members. Some of these requirements are further explained through this document.

The Sample Audit report is used for training with RJC Accredited Auditors. Members and stakeholders can also use this sample to better understand the audit reporting process.

Contents

1. Statement of Conformance.....	3
2. Summary of findings	4
3. Introduction – Background	4
4. Certification Scope	4
4.1 Certification Scope defined by Member and Verified By Auditor	4
4.2 Known changes to Certification Scope for the Certification.....	5
4.3 Related Companies (COP only)	5
5. Audit Methodology	5
5.1 Audit Type.....	5
5.2 Audit Scope.....	5
5.2.1 Facilities visited	5
5.2.2 Business activities reviewed	6
5.2.3 Provisions from the RJC Standard:.....	7
5.3 Audit Team	7
5.3.1 Names and Qualifications	7
5.3.2 Topic Experts and Translators	7
5.3.3 Independence Status.....	8
5.4 Audit Details	8
5.4.1 Limitations or Parts of the Audit Plan that could not be conducted.....	8
5.4.2 Level of Cooperation	8
5.4.3 Unresolved Conflicts, Disputes and Disagreements	8
6. Audit Findings.....	8
6.1 Noteworthy achievements	8
6.2 Status of Corrective Actions from Previous Audit (if applicable)	8
6.3 Critical Breaches	9
6.4 Major Non-Conformances.....	9
6.5 Minor Non-Conformances	9
6.6 List of Not Applicable Provisions with Reasons	10
6.7 Log of Provenance Claims – COP 12 (if applicable)	11
6.8 Suggested Business Improvement.....	11
7. Conclusion and Next Audit.....	12
7.1 Concluding Remarks.....	12
7.2 Next Scheduled Audit (including COP Mid-Term Review, if applicable)	12
8. List of Attachments	12

1. Statement of Conformance

Member name: Julip Jewels
Audit date: 23-25 July, 2014
RJC Standard: RJC Code of Practices (2013)
Audit Type: Re-Certification Audit
No. of Audit Days: 5 audit days

Statement of Conformance:

Based on the scope and findings of the Audit, the sites visited and the available information provided by the Member:

- ✓ **The Member has demonstrated a conformance level consistent with a 3 year Certification Period**
- The Member has demonstrated a conformance level consistent with the transitional 1 year Certification Period for 1 year (COP only)
- The Member is not eligible for RJC Certification due to have four consecutive 1 year Certification outcomes (COP only)
- The Member is not eligible for RJC Certification due to the identification of Major Non-Conformance(s) (CoC only)
- Critical breaches have been identified and the RJC Management Team should initiate disciplinary procedures.

Need for Mid-Term Review (COP only):


The Member will require a desktop Mid-Term Review during the 3 year Certification Period to review progress on corrective action against non-conformances within 12-24 months, but a site visit is not required because:

- ✓ **The actions can be verified remotely**
- ✓ **No risk to Critical Provisions**
- There are parallel audit programs for equivalent recognised schemes (e.g. De Beers BPP, SA8000, OHSAS 18001, ISO 14001)
- The Certification Audit identified 2 or less Minor NCs for Critical Provisions; or 4 or less Minor NCs in total (that are not covered by a parallel audit programme)

Confirmation:

The Auditors confirm that:

- ✓ The information provided by the Member is true and accurate to the best knowledge of the Auditor(s) preparing this report.
- ✓ The findings are based on verified Objective Evidence relevant to the time period for the assessment, traceable and unambiguous.
- ✓ The scope of the assessment and the method used are sufficient to establish confidence that the findings are indicative of the performance of the Member's defined Certification Scope.
- ✓ The Auditor(s) have acted in a manner deemed ethical, truthful, accurate, professional, independent and objective.

Lead Auditor Name: Jane Smith
Audit Firm: Academy Auditors
Signature: 
Date: 3 August 2014

RJC requires a completed and signed Statement of Conformance from the Auditors, such as the example on this page. A template is available in the Assessment Workbooks for each standard (Code of Practices 2013 and Chain-of-Custody).

There are three possible outcomes for the auditor's finding under Need for a Mid-Term Review – for more information see Appendix 7 of the RJC Assessment Manual.

2. Summary of findings

Overall, the Re-Certification audit found three new Minor Non-Conformances across three Facilities. Five previous Minor Non-Conformance issues, identified in the previous audit carried out in 2011, were confirmed to be closed through the Member's corrective actions during the Certification Period.

3. Introduction – Background

To demonstrate its commitment to responsible business practices, Julip Jewels requested Academy Auditors to carry out a Re-Certification Audit against the RJC Code of Practices (2013).

Julip Jewels owns and controls three operating facilities in Mumbai, India. The on-site component of the audit was conducted over three days at the three entities/facilities under the Member's control:

- Julip Jewels Manufacturing located in the SEEPZ (Export Processing Zone)
 - Established in 1999, this facility is a manufacturing facility that is 100% export oriented, producing diamond and coloured stone set gold jewellery.
- Julip Jewels Private Limited located in Shah Complex, Andheri
 - Established in 2004, this facility carries out procurement and assortment of diamonds and coloured stones for the manufacturing facility.
- Julip Diamonds located in the Bharat Diamond Bourse.
 - Established in 1978, this facility carries out procurement and trading of polished diamonds within the bourse.

Julip Jewels manufactures diamond and gold jewellery (as well as coloured stones) and does not handle any platinum group metals at all.

Identification of materials within RJC's scope are handled by the Julip Jewels:

☒ Diamonds

☒ Gold

☐ Platinum Group Metals

All three entities were visited for the audit, and all were operational on the days of the site visits. The auditor was able to see all the facilities and offices of the Member and conduct meetings with employees and management as needed. The Member was cooperative and provided access to the facilities and requested documents during the course of the assessment.

The Member does not operate mining facilities or deal with rough diamonds, or cutting and polishing of diamonds, so these provisions in the Code of Practices were not applicable. Please see Section 6.6 for further details.

The main contact for the Julip Jewels audit was:

Mr Bimal Shah – Chief Operating Officer – bimal.shah@julipjewels.com

4. Certification Scope

4.1 Certification Scope defined by Member and Verified By Auditor

Entity/Facility	Address	Number of Employees	Number of Contractors	Description of business

Julip Jewels Manufacturing	Address, SEEPZ	140	5	Jewellery manufacturing (using gold)
Julip Jewels Private Limited	Address, Andheri	24	2	Diamond and precious stone procurement and assortment
Julip Jewels Diamonds	Address, Bandra Kurla Complex	11	0	Diamond trading

More detailed location details are provided in the report to RJC – these are for illustrative purposes only. For entities with multiple operating locations, such as retail chains, it would include a head office address, plus the countries of operation with the number of facilities in each (for example, UK – 21 stores, France – 31 stores).

As the RJC no longer requires the M&E workbook extract to be sent alongside the audit report, please ensure the full and accurate certification scope is included in the audit report, including the number of employees (and contractors) per site.

Julip Jewels Manufacturing currently has a 5000 sq ft operating space in the SEEPZ, and have requested an additional 10000 sq ft for their manufacturing activities. However the timeframes for receiving additional space are not currently known, or how much space will be allocated.

Julip Jewels are also considering opening an office in Hong Kong in 2015.

4.3 Related Companies (COP only)

The Member has a related company Horizon Enterprises, owned by the same persons but not owned or controlled by Julip Jewels as an entity. It is therefore not part of the Member's Certification Scope.

RJC Members are required to include all entities/facilities that are owned by the Member within their Certification Scope. Examples of related companies that fall outside the Certification Scope can be found in an RJC guidance document at:

<http://www.responsiblejewellery.com/files/RJC-Guidance-Certification-Scope-June2014.pdf>

5. Audit Methodology

5.1 Audit Type

RJC Code of Practices 2013 Re-Certification Audit.

5.2 Audit Scope

The total number of audit days including planning and post follow-up reporting was 5 days. The facilities visited and business activities reviewed are summarised below:

5.2.1 Facilities visited

The following entities were visited as part of the assessment:

- Julip Jewels Manufacturing located in the SEEPZ (Export Processing Zone)

- Julip Jewels Private Limited located in Shah Complex, Andheri
- Julip Diamonds located in the Bharat Diamond Bourse.

5.2.2 Business activities reviewed

The audit reviewed all relevant business activities under the scope of the assessment, and was carried out with the following timeline:

July 23, 2014

Time	Activity
8.15am	Auditor arrived at Julip Jewels Manufacturing in SEEPZ.
8.15am-10.30am	Opening meeting and interviews with Julip Jewels management team: <ul style="list-style-type: none"> - Discuss any operational changes, challenges, and impact of changes that may affect the Member's performance in regard to the RJC COP; - Identify responsible parties to answer to each aspect of the audit as well as to assist the auditor throughout the process; - Build trust and address concerns or questions.
10.30am-11.45am	Factory tour, including observation of <ul style="list-style-type: none"> - Environmental issues - Health and safety - Employment aspects. Selection of employees for interviews and communication of employee files to be prepared for review. Management interviews covering all aspects of the RJC COP.
11.4am-1.15pm	Interview and document review of management and human resources team relating to: <ul style="list-style-type: none"> - Human rights - Child labour - Forced labour - Freedom of association and collective bargaining - Discrimination - Discipline and grievance procedures
1.15pm-1.45pm	Lunch break
1.45pm-4.35pm	Employee interviews
4.35pm-5.20pm	Closing meeting with the management
5.30pm	Auditor leaves factory.

July 24, 2014

Time	Activity
8.30am-10.30am	Auditor arrives at Julip Jewels Manufacturing facility and reviews documentation for employee files (contracts, timesheets, payslips).
10.30am-12.30pm	Employee interviews
12.30pm-2pm	Documentation review of corporate policies and procedures, business licences and permits, and training records for all aspects covered by the RJC OP. Finalisation of pending items. Auditor triangulates information obtained and prepares for the closing meeting.
2pm-2.30pm	Lunch break
2.30pm-3.45pm	Closing meeting with factory management.

3.45pm	Auditor leaves factory.
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July 25, 2014

Time	Activity
9.30am	Auditor arrived at Julip Jewels Private Limited located in Shah Complex, Andheri
9.30am-10.30am	Opening meeting and interviews with Julip Jewels PL management team covering all aspects of the RJC COP.
10.30am-11.15am	Facility tour, including observation of <ul style="list-style-type: none"> - Environmental issues - Health and safety - Employment aspects. Selection of employees for interviews and communication of employee files to be prepared for review.
11.15am-12.45pm	Document review relating to working hours, remuneration and policies.
12.45pm-1.15pm	Lunch break
1.15pm-2.15pm	Employee interviews
2.15pm	Auditor leaves facility.
3pm	Auditor arrives at Julip Jewels Diamonds, Bharat Diamond Bourse
3pm-3.30pm	Opening meeting and management interview covering all aspects of the RJC COP.
3.30pm-4:15pm	Facility tour, including observation of <ul style="list-style-type: none"> - Environmental issues - Health and safety - Employment aspects.
4.15-5.15pm	Employee interviews
5.15-6.00pm	Closing meeting with Julip Jewels Diamonds and Julip Jewels Private Limited.
6.00pm	Auditor leaves facility.

An audit schedule like this, or a summary, provides useful detail about the flow and focus of the audit process on site. Audit reports often also include additional details, subject to relevant confidentiality considerations, such as the names of management interviewed and a sample list of documents reviewed.

5.2.3 Provisions from the RJC Standard:

All COP Provisions applicable to jewellery manufacturing and diamond trading were assessed. Please refer to section 6.6 for detailed information on the not applicable provisions.

5.3 Audit Team**5.3.1 Names and Qualifications**

Jane Smith, Lead Auditor.

5.3.2 Topic Experts and Translators

No Topic Experts were part of this audit team. The services of an independent translator, Sandip Chandra, were used for employee interviews on the afternoon of July 23.

Where the audit team does not speak all worker languages, translation may be necessary. It is good practice to note the names and affiliation of any translators used during assessments.

5.3.3 Independence Status

The auditor confirms that she is fully independent from the companies audited and does not have any conflicts of interest that would prevent her from objectively assessing the performance of the RJC Member in regards to the requirement of the RJC COP.

5.4 Audit Details

5.4.1 Limitations or Parts of the Audit Plan that could not be conducted

On the day of the onsite assessment, a jewellery polishing area was not in full operation due to service of some of the equipment. However this limitation did not prevent the auditor from fully completing the audit as planned.

5.4.2 Level of Cooperation

The Member cooperated with the auditor to the best of its abilities. The Member agreed with the observations and non-conformances identified and stated they would address those.

Management did indicate the difficulty of making payslips available to workers in local language, as the software used has no provisions to accommodate local language.

5.4.3 Unresolved Conflicts, Disputes and Disagreements

None. The auditor and management discussed the above point and reached agreement on a generic accompanying translation slip for workers.

6. Audit Findings

6.1 Noteworthy achievements

Relevant to COP 8 – Community Development, Julip Jewels is an active supporter of a local orphanage-run school and several of the management team give their time and professional expertise to support its governance.

Not all audits identify 'noteworthy achievements'. However where the auditor identifies good practice, it can be included in the report to RJC. The RJC can then use these to identify potential opportunities for peer learning or case studies, where appropriate.

6.2 Status of Corrective Actions from Previous Audit (if applicable)

Summary:

Number of Corrective Actions raised in previous Audits	5
Corrective Actions raised in previous Audits now closed	5
Corrective Actions raised in previous Audits still open	0
% Corrective Actions raised in previous Audits closed on time	100%

COP 9.1 and 9.2 Bribery and Facilitation Payments

Questions 20-22

The previous audit found that the customary exchange of small gifts among business partners during festive seasons was not governed by a written limit on the value of gifts that could be exchanged in the Member's policy, and no gift register maintained.

The corrective action was completed in 2012.

COP 13.3 General Employment Terms

Question 46

The previous audit found that the company had employed some trainees in the past who were then hired as regular employees. However the personnel files still showed these employees as trainees, and no training records were available for review.

The corrective action was completed in 2011. The Member now 1) follows a policy for the hiring of trainees, 2) maintains a register for trainees, 3) maintains training records, and 4) keeps records of the appraisal and induction of a trainee to a regular worker.

COP 21.2 and 21.8 Health and Safety

Questions 101, 102, 118

a/ Missing emergency lights:

The previous audit found that some of the exits lacked installation of emergency lights.

The corrective action was completed in 2011, with emergency lights installed and regularly checked.

b/ Air-conditioning system partially blocking the emergency exit and stairs:

One of the air-conditioners which sits in a window blocks the emergency exit and stairs. While a warning sign and sponge cover had been installed at the location to help prevent injury, this still left a partial blockage of the emergency exit route.

The corrective action was completed in 2013, with a split cycle air-conditioner installed to replace this unit.

c/ No fire drill records:

The previous audit found that while there were records for training on fire extinguishers, there were no records for fire evacuation drills. It was recommended that evacuation drills should be recorded, and include counting by department so as to increase efficiency and speed for the evacuation.

The corrective action was initiated in 2011, and records of regular fire drills have been maintained.

Where previous audits have been conducted, auditors review corrective actions undertaken to evaluate and report on progress and completion. **If they did not conduct the previous audit, they should obtain a copy of the previous audit report from the RJC Member.**

6.3 Critical Breaches

None identified.

6.4 Major Non-Conformances

None identified.

6.5 Minor Non-Conformances

COP 15.4 Deductions from wages

Questions 61

It was noted that the Member was asked by the Workers' Union in a letter to provide them with a day's wage for celebrating the 25th anniversary of the union. The management made the deduction

from all workers and paid the amount to the Union along with an equal and matching amount from the factory. However, no records were available from the worker committee or individual workers to show the consent of the workers for the deduction.

Primary Underlying Cause: *Incomplete or missing documentation*

Recommendation:

Management should not carry out any unauthorised deduction. Any deduction which is not legally required needs to go through the proper approval process and consents of all the affected workers is necessary before any deduction is made. In response to the observation, management indicated that workers were in agreement with the deduction, however, that going forward the Member will require meeting minutes from the meeting with the worker committee to confirm agreement with any written request from the Union for deductions.

COP 21.1 Health and safety

Questions 96

Some of the electrical wiring in a new area of production was found to have exposed and jointed wires.

Primary Underlying Cause: *Ineffective, incorrect or missing controls*

Recommendation: It is recommended for management to ensure a safe working environment, including regular checks of the electrical wiring system so as to verify that no jointed or exposed wires exist on the work floors. Management noted this finding was addressed and shown for review to the auditor during the assessment.

COP 22 Environmental Management

Questions 122

It was noted that the Member's pollution certificate does not cover electroplating, while the facility now has equipment for flash electroplating of rhodium on finished jewellery. Management noted that the inclusion of electroplating in pollution certificates in the SEEPZ refers to 'gold plating' processes (which the company does not use), rather than rhodium plating.

Primary Underlying Cause: *Missed or unknown legal requirements*

Recommendation: It is recommended for Management to seek clarification, if possible in writing, from the local state pollution control board over the exact activities covered in the pollution certificate and to ensure all of its activities are covered under its certificate.

Findings on non-conformances must refer to the relevant provision and sub-provision. They should identify why the non-conformance has been raised and note supporting evidence for the finding. Auditors can also offer a general recommendation for how it can be addressed.

6.6 List of Not Applicable Provisions with Reasons

Based on the review of the Member's operations and as declared by the Member, the following sections of the RJC Code of Practices are considered not applicable for this assessment.

COP Section	Reason
3.2	The Member does not have mining facilities.
6.2	The Member does not operate in or source directly from a conflict-affected area.
7.1	The Member does not source directly from artisanal and small-scale mining.
11.3-11.4	The Member does not have mining facilities or provide private security services.
19.3	Applicable Law does not restrict the right to freedom of association or collective bargaining.

21.10	The Member is not involved in the cutting and polished of diamonds.
27.2	The Member does not deal in rough diamonds.
28	The Member does not generate independent diamond grading or appraisal reports.
29-40	The Member does not have mining facilities.

6.7 Log of Provenance Claims – COP 12 (if applicable)

Julip Jewels includes one manufactured line of jewellery that uses Canadian diamonds (mined in Canada) which is verified through the Arctic Sky Canadian Diamonds program. This program is run by the mining company Arctic Sky Diamonds that mines the diamonds and oversees the downstream chain-of-custody systems required for claims under their Arctic Sky program and is available on the Arctic Sky website. The Provenance Claim to their customers is documented in sales invoices and supporting point-of-sale material. The audit has verified that the Member has appropriate internal systems in place to support their claim.

Provenance Claims details for RJC:

Type of Claim:

- ✓ Origin
- Source
- Practices

Material:

- ✓ Diamonds
- Gold
- Platinum Group Metals

Wording of claim for Certification details on RJC website:

Julip Jewels' Canadian Diamonds originate (mined) in Canada, as verified through the Arctic Sky Canadian Diamonds program.

The Provenance Claims provision is a new provision in the 2013 Code of Practices, and is applicable to RJC making documented claims to their customers about diamond/gold/platinum group metals that relate to their origin/source/practices in the supply chain.

In this section, auditors provide a brief overview of the systems in place that support the Provenance Claim. In the case above reference is made to the Arctic Sky program which can be verified, as well as the systems that Julip Jewels has in place to ensure the consistent application of the claim being made.

Then the type/s of claim and material/s covered are noted for each claim being made (in this case only one claim is being made), as is proposed wording to appear in the RJC Certificate on the website. This is reviewed by RJC and any clarifications required are resolved in correspondence between the auditor and RJC.

6.8 Suggested Business Improvement

The Member could consider the use of an energy audit service by qualified experts to provide detailed written assessments of energy consumption and opportunities for efficiency improvements. These assessments often identify that short payback opportunities, where expenditure in new systems or technology are quickly recovered through reduced consumption costs.

7. Conclusion and Next Audit

7.1 Concluding Remarks

The auditor thanks Julip Jewels and the management teams for each entity for their cooperation and extensive preparation for the RJC Code of Practices audit. There were no conflicts or issues encountered during the conduct of this audit.

The Member's performance has improved since the previous audit and corrective actions are being addressed.

All recommendations and the suggested business improvement were discussed and agreed upon by the management team. A copy of this report will be shared with the RJC for review against their published requirements for audits, and then issuing of the certification.

7.2 Next Scheduled Audit (including COP Mid-Term Review, if applicable)

Since the previous audit, the Member has implemented SA8000 and OHSAS18001, both of which are management systems schemes recognised by the RJC Code of Practices and which reduce risks of non-conformance. Therefore only a desktop Mid-Term Review is required during the 3 year Certification Period.

Re-certification is due in three (3) years time.

8. List of Attachments

Corrective Action Plan developed by Julip Jewels