

RJC Code of Practices (COP) Review

Round 2 public consultation - proposed changes to the COP

Summary of comments from workshops in Paris and Antwerp, April 2018

1. Purpose

The Responsible Jewellery Council (RJC) is reviewing its [Code of Practices \(COP\)](#), the standard against which all RJC members must be certified. This document summarises the key points from consultation workshops held in Paris and Antwerp on 16th and 20th April 2018 respectively.

2. Background

Proposed changes to the COP are outlined in the [Round 2 public consultation - proposed changes to the COP](#). Workshops were held to discuss the proposed changes to the COP standard and guidance with the objective of gathering feedback and input from RJC member companies and other key stakeholders:

- 16th April, Paris (morning session) – General COP review workshop, focussed on downstream companies.
- 16th April, Paris (afternoon session) – COP review workshop, focussed on coloured stones.
- 20th April, Antwerp (afternoon session) – COP review workshop, focused on diamonds.

The material which was presented at the workshops is available [here](#). The notes below are a summary of key points only.

3. Monday 16th April, Paris – COP Review Consultation Workshop

Participants: Pierre Lattard (CAPLIJ), Ewa Temelsiz (AV 10), Sara Mariani (Christian Dior Couture), Philippe Scordia (Christian Dior Couture), Peu-Roé Manuella (Chanel), Fanny Haddad (Diamprest), Audrey Khalef (Free Diam's), Charles Chaussepied (Richemont), Carine Mercier (Roger Mathon SA), Anne-Marie Fleury (RJC), Andrew Cooper (RJC)

This session was held in French and focussed on downstream companies.

World Diamonds Council System of Warranties (SoW)

- The challenges ensuring the validity of provenance claims (eg, “these diamonds are not from Marange”) or System of Warranty (SoW) guarantees were discussed. It is important to maintain good relations with contractors, sub-contractors and suppliers to better understand the risks and not rely only on the claims.
- Provision 27.4 (which requires an annual 3rd party audit of SoW invoices received and issued) was discussed. This is not a suggested change in the Round 2 document but was raised by participants who supported revising this COP requirement on this point. They noted that an annual 3rd party audit is not necessary in all circumstances, eg if the company is not dealing in many diamonds and has robust internal reconciliation systems.

Due diligence

- The new requirements on due diligence, aligned with OECD Due Diligence Guidance, was supported. One participant asked whether this requirement will mean that RJC companies will need to ask all their sub-contractors, some of whom are specialised niche manufacturers (eg, making gold chains), to become RJC certified. This is not the case, the RJC member will need to

gather information on sub-contractors and upstream suppliers but won't need to require that they all be RJC certified.

- The group discussed the requirement for annual reporting on due diligence, and the burden on small companies. The various SME-friendly formats for annual reporting were discussed (website update, short pamphlet or document available to suppliers on demand) and it was noted that this communication should focus only on the material issues for that year (eg, general information on the company's understanding of its supply chain, any mitigation actions it may be carrying out, etc). There is a need to develop guidance on this.
- The need to ensure that auditors are well trained on all COP topics was highlighted, with some examples of issues in the quality of the audits discussed.

Know Your Counterparty (KYC)

- In France, there is not a national sanctions list and there is a specific definition of 'beneficial owner'. How far you go in terms of identifying the beneficial owner needs to be based on the level or risk.
- In the same way, a company's actions when identification is not provided by counterparties needs to be based on the risk associated to the counterparty. If they are a well-known individual/organisation with whom the company has dealt for several years, the risk is low.

Diamond detection and disclosure

- How would this provision apply to a sub-contractor (eg, a diamond setter), who provides a service to clients without buying or owning the diamonds? That sub-contractor would only need to test for synthetics on diamonds that come from high-risk sources (so potentially would not have to carry out any testing if all the sources are demonstrated to be low-risk). Furthermore, the sub-contractor would not be expected to carry out testing on diamonds owned by clients.

Other

- Participants noted that some companies in the coloured stones supply chain will be able to meet COP requirements quickly, but others will take much longer to move.
- There was a suggestion to include in the Guidance examples of how to apply provisions for different size companies, with one specific suggestion to include a sample policy covering all the COP requirements for small companies.
- Participants concluded by describing the risks covered by the COP as a question of business survival rather than simply reputational.

4. Monday 16th April, Paris – COP Review Coloured Stones Consultation Workshop

Participants: Sonal Rege-Delpech (Dyaveda International), Daniel Nyfeler (Gubelin Gem Lab), Fanny Haddad (Diamprest), Peu-Roé Manuella (Chanel), Laurence Chevillon (UFBJOP), Asiya Latypova (SGS France), Clemence Rochet (SGS France), Pascale Oster (SGS France), Emilie de Poncheville (Piat), Anochka Didier (Cartier), Raul Sapora (UL), Francecsa Angeloni (UL), Nathalie Hürlimann (Van Cleef & Arpels), Philippine Quelenn (Van Cleef & Arpels), Olivier Segura (LFG), Baptiste Quelquejay (Hermès), Charles Chaussepied (Richemont), Benjamin Grospiron (Grospiron), Eleonora Rizzuto (Bulgari), Giuseppe Varriale (Bulgari), Emmanuel Piat (Piat), Didier Giard (Association Française de Gemmologie), Anne-Marie Fleury (RJC), Nawal Ait-Hocine (Independent Consultant).

This session was held in French and focussed on companies involved in coloured stones. Some of the same participants remained for both sessions. Where a repeated point was raised as for the morning session, this is not noted again here.

Scope

- There was discussion on the pros and cons of limiting the scope of coloured stones in the COP in the first phase and agreement on the need to consider the expansion of scope to all stones at a fixed time not too far in the future.

- The group agreed that rubies, emeralds and sapphires are the right three to start with.

Artisanal and Small-Scale Mining (ASM)

- The group discussed the coverage of coloured stones by the Alliance for Responsible Mining (ARM), who run the Fairmined certification scheme and are developing the Code of Risk mitigation for ASM engaging in Formal Trade (CRAFT, still under development).
- There was a recommendation to include in the Guidance examples of responsible sourcing of coloured stones from large-scale mining as well as from ASM.

Place of origin

- Daniel Nyfeler from Gübelin Gem Lab talked about their emerald paternity testing development. Gübelin are working with Levin Sources to incorporate responsible sourcing elements and with Everledger on a 'sister' blockchain project. The project is at pilot stage and Daniel invited companies interested in piloting the technology to contact him.
- There was a question on what to do if a company has more than one 'place of origin' lab conclusion for a stone and how a company should disclose the potential changing of place of origin for a same stone over time.
- The definition of place of origin as being 'a matter of opinion' should specify that this means that different labs may have different conclusions on place of origin.
- There was agreement on the need for labs to carry out detection of treatments and synthetics as part of the determination of place of origin.
- There was a discussion on the challenges of labs disclosing all the methods they use to come to the place of origin conclusion, these can be quite technically detailed and do include professional judgement, hence the reference to 'matter of opinion' at the time of determination and based of the prevailing knowledge.

Treatments

- French law stipulates that traditional treatments (such as heating of stones) do not need to be disclosed. There followed a discussion on the need to refer to 'heating' separately to 'treatments' and the potential to refer to 'modification' (to be checked with CIBJO).

SME's

- Concerns were raised that only large size companies will be able to comply (cost, human resources) and that SME's will be left out. There was a discussion on the need to adapt the communication and the tools for SME's.

5. Friday 20th April, Antwerp – COP Review Diamonds Consultation Workshop

Participants: Gaurang Gohel (Antwerp Brilliant), Linda Steenacker (Antwerp Brilliant), Georges van Tieghem (Barsamian Diamonds NV), Dharmin Bhikadiya (GPM Diamond), Valerie Michel (Rosy Blue), Trissia Stavropovlos (AWDC), Michael Geelhand de Merxem (AWDC), Eli Finkelsztein (Pinkusewitz Diamond Traders), Eyal Atzmon (EL-RAN), Paola Bermudez (EL-RAN), Annemie de Scheemaeker (IGC Group), Anne-Marie Fleury (RJC), Andrew Cooper (RJC), Edward Johnson (RJC), Peter Dawkins (RJC)

Due Diligence

- The due diligence requirements in the Code of Practices (COP) are fully aligned with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance).
- The COP guidance for companies dealing with gold, platinum group metals (PGM) and silver will be taken from 2017 RJC Chain-of-Custody (CoC) Guidance.
- The detailed guidance for companies dealing with diamonds and coloured stones is being developed in consultation with stakeholders. This will be the subject of a consultation webinar anticipated to take place in June.
- It was clarified that exercising due diligence in the diamonds supply chain is not to be carried out instead of the Kimberley Process Certification (KPCS) or System of Warranties (SoW). RJC

members would not be able to source diamonds from countries that are not in compliance with the KPCS.

- Challenges related to full traceability, particularly of melee, were discussed. The OECD Guidance does not require full traceability but instead promotes reasonable and good faith efforts to identify risks in the supply chain. Participants noted the complexity of the diamond supply chain, and the fast-paced, dynamic nature of the supplier base. This presents difficulties understanding the upstream supply chain.
- The disclosure of commercially sensitive information along the supply chain could be problematic for some companies. Due diligence does not require full disclosure of business relationships between entities, and the COP Guidance will outline how to implement the due diligence requirements whilst respecting the need for commercial confidentiality.

Know Your Counterparty (KYC)

- Updated requirements for KYC were developed for the 2017 CoC standard and will be moved to the COP.
- These changes were described as likely to be straightforward for Belgian members given the quite strict anti-money laundering legislation in Belgium. One workshop participant noted that the only major difference is that the legislation in Belgium applies to customers not suppliers.

Diamond detection and disclosure

- Workshop participants overall welcomed the new requirements but noted the need to avoid being overly prescriptive in the guidance on the sampling approach. RJC clarified that general guidance will be provided to ensure that the sampling approach is meaningful, however sample size tables will not be included.
- Some companies test all diamonds at the point of purchase and then segregate them (eg, put them in the safe), so it should not be necessary for these diamonds to be tested again prior to sale. As long as documentation and reliable evidence of testing is available, this should be sufficient to meet the requirement.
- There was agreement to only reference 'high risk' and remove the reference to low and medium risks since testing is not required under these lower risk levels.
- The size of the company should not determine the testing protocol. The suggestion is to remove this wording from the draft provision text.
- The requirement does also apply to diamonds already set in jewellery. This should be more explicit, either within the standard provision or as part of the guidance.
- There should be some guidance on how to deal with referrals after screening. It was agreed that, at a minimum, this would need to be disclosed to the buyer, however the coverage of this issue needs further consideration.
- External testing usually means gemmological laboratories but can involve alternatives such as use of common equipment at diamond bourses. This should be noted in the Guidance.
- As a general comment, another participant recommended that the RJC continue to research this topic given its importance for the industry, and the challenges involved.

World Diamonds Council System of Warranties (SoW)

- Provision 27.4 (which requires an annual 3rd party audit of KP certificates and SoW invoices received and issued) was discussed. Participants considered that this requirement should not be changed for rough diamonds and that if a change is proposed to the annual 3rd party audit, it should only apply to polished diamonds (and SoW invoices).