

## RJC Code of Practices Review Comment Report on Round 3 Consultation

A summary of comments received on due diligence for the diamond supply chain

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**Comment, submissions and inquiries welcome:** Please contact

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### 1. Purpose

The Responsible Jewellery Council (RJC) is reviewing its Code of Practices (COP) standard. From 28 September to 27 October 2018, we shared [Round 3 – Due diligence for the diamond supply chain](#) for public consultation. This document summarises the comments which were received.

### 2. Summary of consultation

This Round 3 consultation period focussed specifically on proposed due diligence requirements for RJC members operating in the diamond supply chain. Our consultation was carried out through an email campaign using the full RJC stakeholder list (over 2,300 recipients) and posting on our website. We received written submissions from 23 individuals/companies. We also held two workshops in Antwerp and Mumbai where we spoke with approximately 50 participants.

We would like to sincerely thank everyone who has provided input to the COP review. We deeply appreciate the time and effort that was put into the comments. The public consultation is a fundamental step in the review process and is actively shaping the evolution of the COP.

### 3. Summary of key comments

The key points from the consultation are:

- The majority of written comments received (20 of the 23 submitters) were from downstream companies and supported the proposed due diligence requirement and phased auditing approach.
- At the workshops, concerns about the practicality of implementing due diligence as outlined in the document were shared. Many commented that the proposed Guidance is overly detailed and complex.
- There was also a consensus that more tools are needed to help guide companies – particularly in the middle of the supply chain - engaging with suppliers, gathering information and identifying risks.

See the annexe below for a full list of comments.

### 4. Next steps

All the feedback is now being consolidated for review by the Standards Committee and will inform the final proposed changes to the COP, Guidance document, supporting material and the subsequent pilots and phased auditing approach.

Subject to final approvals, the revised COP is anticipated to be published in March 2019.

## Annexe

Table 1 – Round 3 written comments received

These comments were received between September and October 2018 and are copied here as they were received.

Name	Comment	Proposed change	RJC Response
<p>1. Donze-Baume, Manufacture Horlogere Valfleurier, Van Cleef &amp; Arpels, Jaeger-Lecoultre, Varinor, Cartier, Officine Panerai, Piaget, Montblanc, Vacheron Constantin, Yoox Net-A-Porter Group, Manufacture Roger Dubuis, Baume &amp; Mercier, Iwc Schaffhausen, A. Lange &amp; Söhne</p> <p><i>Note: Each company (17) submitted identical comments individually.</i></p>	<p>Where the member is part of a larger Group, for example Donzé-Baume is part of the Richemont group of companies, it will be a burden for each member to report publicly on an individual basis. It would be preferable for such members to use a link on their own website to the relevant Group website page containing due diligence policies and frameworks.</p> <p>As a long-standing member of the RJC, we welcome the proposed revisions to the Code of Practices. In particular, due diligence for the diamond supply chain which aligns with the OECD Guidelines.</p> <p>We understand that the diamond value chain will not be required to undergo a full audit against the COP due diligence provision immediately. Rather, audits will be phased in over three years. Accordingly, these changes will ensure that companies throughout the diamond supply chain do not contribute to instability or conflict and respect human rights.</p>	<p>Step 5: Report annually on supply chain due diligence, either on an individual basis or, if part of a Group, then on a consolidated basis.</p>	<p>Agreed.</p> <p>We will include this in the Guidance and note that consolidated reporting should disclose the names of individual companies belonging to that group, along with any company specific information related to the implementation of the 5 Step framework.</p>
<p>2. Boucheron, Pomellato, Gurrard-Perregaux</p> <p><i>Note: Each company (3) submitted identical comments individually.</i></p>	<p>Where the member is part of a larger Group, for example Boucheron is part of the Kering group of companies, it will be a burden for each member to report publicly on an individual basis. It would be preferable for such members to use a link on their own website to the relevant Group website page containing due diligence policies and frameworks.</p> <p>As a long-standing member of the RJC, we welcome the proposed revisions to the Code of Practices. In particular, due diligence for the diamond supply chain which aligns with the OECD Guidelines.</p>	<p>Step 5: Report annually on supply chain due diligence, either on an individual basis or, if part of a Group, then on a consolidated basis.</p>	<p>As above</p>

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	<p>We understand that the diamond value chain will not be required to undergo a full audit against the COP due diligence provision immediately. Rather, audits will be phased in over three years. Accordingly, these changes will ensure that companies throughout the diamond supply chain do not contribute to instability or conflict and respect human rights.</p>		
3. Anonymous	<p>We would like to respond to the proposed changes that are being introduced for the COP to align with OECD standards on due diligence for the diamond supply chain. First of all we believe that the proposed change for the diamond pipeline as they have been set forward is completely unrealistic and are based on a fairy tale. It seems that the perception of the diamond industry supply chain is based on a simplification of how a supply chain ideally looks like. We can assure you that this is definitely not the case and that it will be impossible for players to adhere to the standards as they have been put forward. Rough parcels are bought, mixed and resold several times over within the pipeline. Polished goods are bought sold, recut, resold several times over within the midstream before they end up in the downstream companies.</p> <p>The standard is asking us to verify the implementation of the standard by our upstream companies where we source from but it does not provide any tools nor the authority to be able to check.</p> <p>After a thorough read through, we see immediately a few bottlenecks that will need to be overcome in order to properly be able to implement the foresaid standard. The below short list is just a quick example and is not complete but illustrates merely the vagueness of the standard as it has been put forth.</p> <ol style="list-style-type: none"> <li>1. The term of due diligence as set forth is way too vague and does not hold a set of concrete rules and are very much based on interpretation. For example: what are the credible sources that we should base our due diligence on to identify CAHRA's? NGO's? Then, which NGO's are credible? Is it possible to provide a list which sources the auditors will find credible enough to base our due diligence on? All of them? What if they haven't got an unanimous opinion about a region?</li> <li>2. How should we obtain the transparency information of our upstream companies or companies in the rough diamond trade? Do we need to send auditors in? Based on what authority?</li> <li>3. How could we even check that private security forces are not committing abuses during extraction, transport or trade from upstream companies or other</li> </ol>		<p>We agree that the practice of mixing and trading rough and polished diamonds results in due diligence challenges. The underlying principles of the OECD Guidance are important to note in this context: due diligence must be based on good faith efforts and continuous improvement, it is not 100% certainty or traceability. This will be a key part of COP audits. The phased-audit period will be important for developing RJC auditor training in how to assess continuous improvement and good faith efforts.</p> <p>The need to develop practical tools to assist companies with implementation is well noted. We will seek to develop tools for identifying CAHRAs, engaging with suppliers, and gathering information on the source of diamonds and actual/potential risks, including sources of credible information for identifying these risks.</p>

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	<p>companies even in the midstream? When we would just query this, it will not exist of course but if you want us to really verify it, tell us how.</p> <p>Unless we can base ourselves on the claim of the upstream companies and suppliers that we buy from, we don't see any way on how you would even be able to perform a due diligence and 100% confidently pass the information to our downstream customers.</p> <p>The only solution that we see to be able to adhere to this standard is to not engage when we would sense that the source would come from any risk affected area. This of course would not be good for the affected area neither would it be for the industry.</p>		
4. Anonymous	<p>On the proposed RJC Guidance on how to apply due diligence in the diamond supply chain. As mentioned during the presentation made by Andrew Cooper, the due diligence, as currently proposed, is unrealistic for polished diamond traders with a large number of suppliers. A company like ours, which specializes in polished diamonds, buys from several hundred different suppliers per year.</p> <p>In the documentation provided, a company like ours, should follow the guidance for Midstream and Downstream Companies, and therefore amongst others would have to :</p> <ul style="list-style-type: none"> <li>• Seek transparency information from their upstream suppliers where available and pass this on in aggregate to downstream buyers, using information sources such as the current WDC SoW. If information is not forthcoming, adopt a road map with your suppliers to obtain it our time and document as evidence of your due diligence activities. Commercial information of specific relationships does not need to be shared.</li> <li>• Identify upstream control point(s) in the supply chain (where established) and sources of our diamonds (geographic area of production, rough secondary/open market, polished supplier...).</li> <li>• Engage with suppliers</li> <li>• Evaluate the risk mitigation practice of “red-flagged” suppliers/control points in our supply chain</li> <li>• Check whether the upstream suppliers/control points have been audited and obtain and review audit results</li> </ul> <p>This cannot be achieved. Therefore, my suggestion is that a company like ourselves should rely mainly/only on a SoW, whereby a compulsory statement on ALL</p>		<p>The WDC SoW and KPCS have an important role to play for supply chain due diligence and remain mandatory for COP certification. However, a due diligence approach is meant to cover a broader set of Human Rights risks than those covered under KPCS and WDC SoW. Due diligence also places more responsibility on all companies in the supply chain to assess risks, using good faith efforts and continuous improvement – but going beyond an exclusive reliance on invoice statements. We agree that there is a need to develop practical tools to assist companies with implementation and (as stated above) will be developing and improving these through the planned pilots.</p>

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	<p>purchase (except for the occasional repurchase of “old” diamonds from retailers or private individuals) and sale invoices of a revised KP / UN statement (when adopted), would be sufficient. Bourses should be “forced” to have all members include this compulsory statement on their invoices and to take disciplinary measures against members making false statements or not including this statement. Bourse members (and sight holders, RJC members even more so) should be seen as approved and legitimate sources until suspended or excluded.</p> <p>I would also encourage RJC to provide a clear guidance on legitimate sources. If acceptable in one country, then they should be acceptable in another country (e.g. if KP compliant, then no more bans in specific countries or by specific customers).</p> <p>In the margin, I would also like to repeat my general comment made yesterday. The diamond pipeline is often seen as a waterfall, from mine to market. In reality, there is a lot of trading going on both horizontally and upstream (e.g. sight holders buying polished diamonds from wholesale polished traders), making it very difficult to assess the source of diamonds.</p> <p>I hope that these comments are helpful.</p>		
5. Diamond Development Initiative (DDI)	<p>The doc seemingly, places little attention on artisanal and ASM operations, containing limited reference and only minor changes specific to ASM mining practices. Additionally, there is a significant employ of what comes across to the uninitiated, as quite technical language. This raises in turn question as to whether as the consequence, the CoP audience is unnecessarily limited to primarily RJC members, when it could ideally include partners as well. Bearing this is mind the format of the CoP document also seems dense and can be difficult to read without constant orientation back and forth to the content of other framework documents, in order to comprehend. In the event of a best-case scenario where RJC members are successfully obliging ground partner adherence to the CoP, its standalone readability/ease of rapid comprehension may likely be of paramount interest.</p>	<p>Consider increasing focus on artisanal and ASM specific mining practices and simplifying the CoP technical language accordingly, towards expanding potential audience inclusivity and CoP practical applicability.</p>	<p>Agree on the need to cover sourcing from ASM.</p>

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6. DDI	<p>Because the document contains no Chain of Custody (CoC) standard -despite seeking to establish responsible sourcing through due diligence- the onus is on members to design their own supply chain policy regarding sourcing. Putting aside the inherent diligence CoC linkage (and the wisdom of focusing on solely one over the other), will this not lead to a lack of harmonisation/ consistency with respect to the quality of the policies being produced, and impact negatively on verification and auditing effectiveness?</p>	<p>Transparency requirements within the diligence framework 5 step risk process, indicates that upstream companies should collect and share information on diamond sourcing (pg. 8, bottom). Recommend this be made a requirement as opposed to optional. Perhaps even via establishment of a common and shared database managed by RJC. Same recommendation as relates to midstream and downstream information sourcing of upstream suppliers and sharing of their findings with downstream buyers (pg. 8, bottom).</p>	<p>Collecting information is not optional, but sharing the name of all suppliers would be difficult to implement. The OECD Guidance does not require 100% information in recognition of this challenge as well as business confidentiality concerns disclosing the names of suppliers..</p>
7. DDI	<p>Supply chain transparency appears generally lax (perhaps a function of the voluntary nature of their identification and execution), unless confronted by a problem, (i.e. actions effected only under “red Flag scenarios as opposed to standard procedure). This seems a somewhat counterintuitive and reactive approach to problems of which industry actors are conscious of, and already consider prevalent/pervasive.</p>	<p>Consider reviewing the “red flag” scenarios actions identified within the table on ‘supply chain transparency information to gather’ (pg.9) and changing them to required standard procedure to of which RJC members must adhere.</p>	<p>Identifying red flags is a required part of due diligence.</p>

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8. DDI	<p>The phased CoP Audit approach through pilots is unclear in its end value. More specifically;</p> <ul style="list-style-type: none"> <li>o The audit is to be conducted following OECD guidance. This leaves a significant gap as the OECD model only allows for accountability related to high risk and conflict countries.</li> <li>o No indication as to the number of pilots considered sufficiently representative -in terms of their end findings- to subsequently inform any CoP review of the auditing approach and tools.</li> </ul>	<p>Assess and identify the number of audit approach pilots required to be sufficiently representative in their end findings, to effectively inform any future CoP review and update process.</p>	<p>Agreed. The pilot process has not yet been designed, this point is noted for when we begin this.</p>
9. DDI	<p>Note is taken of the requirement remain consistent with OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. Alignment in this regard seems particularly pertinent relative to the OECD practice of risk mitigation through ‘red flag’ lists identifying suspicious behaviours and activities.</p> <ul style="list-style-type: none"> <li>o The OECD Supplements on Gold and on Tin, Tantalum and Tungsten in particular, provide a useful model of a ‘Red Flag’ approach detailing criteria that must necessarily trigger Page 2 of 3 enhanced due diligence action(s) - beyond the standard guidance obligations - towards maximising upstream and downstream chain of custody traceability.</li> <li>o However, adapting a similar ‘red flag lists’ approach does not appear to be sufficiently and specifically crafted to the diamond chain of custody context. Accordingly, the link to the OECD supplements is seemingly lost in translation to the oft repeated and more oblique directive to broadly “align with OECD guidance”.</li> </ul>	<p>Consider reviewing the “red flag” scenarios actions identified within the table on ‘supply chain transparency information to gather’ (pg.9) and changing them to required standard procedure to of which RJC members must adhere.</p>	<p>We plan to develop the tools for companies to implement due diligence and evolve these through the pilot process. This will include developing detail on how to identify red flags in the diamond supply chain.</p>
10. DDI	<p>CoP underlying principles underline that it is a process whereby all companies seek to participate in the process of gathering and passing on information about risks in their supply chain, but is not in itself a “chain of custody or traceability requirement.” Given the importance of Chain of Custody transparency and traceability, and that RJC does have a chain of custody standard for gold and platinum group metals, it begs the question of why not for diamonds? How can the diamond provision within the PoC serve to redress this gap?</p>		<p>Though chain-of-custody and due diligence are linked, they are different mechanisms with different purposes. The RJC COC is an voluntary standard for the precious metals sector. Diamond companies have the same option to make RJC audited CoC claims under the voluntary Provenance Claim provision.</p>

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11. DDI	<p>OECD Guidance concerns only violence and conflict. The KPCS leaves all internal tracking of diamonds to governments. The World Diamond Council System of Warranties (SoW) while guaranteeing diamond conflict free status only encourages adherence and respect of human rights norms and national laws corresponding to anti-corruption and anti-money laundering. Collectively none of the above listed policies and guidelines concretely address all the risks that should be covered through due diligence practices. It is commendable to have CoP required adoption of the KPCS and SoW but if neither has sufficient enforcement capacity, the purpose of the exercise becomes questionable. Would it not be more purposeful to address the core deficiency? Any reason the CoP can't address this gap directly? What about upstream chain (trading, handling, exporting?) Why are diamonds seemingly not being held to the same standard of accountability as gold and other mined metals?</p>		<p>The KPCS and SoW are a fundamental part of due diligence in the diamond supply chain providing evidence that risks of rebel financing is addressed. Adherence to both is an important requirement within the COP. The OECD due diligence has, through its multi stakeholder process, been developed to address all the risks that should be covered by due diligence. It is unclear which additional risks are missing from the combined approach.</p>
12. DDI	<p>Various external due diligence frameworks are referenced or directed to serve a harmonisation role within the CoP diamond provision (i.e. Chinese Due diligence for responsible mineral supply chains, Indian guidelines for Responsible Sourcing of Gold). The DDI developed Maendeleo standards establish responsible sourcing protocols adapted and specific to the ASM mining sector within the framework of the KP. As such they could serve as a good starting point for addressing ASM deficiencies in chain of custody due diligence at the level of diamond sourcing</p>	<p>Include specific reference to the DDI Maendeleo Standards specifically within the "Suggested Implementation Approach" (pg. 5); the "Note on Traceability" and "Supply Chain transparency information to gather" (pg. 9), as recommended due diligence practice, specific to artisanal and ASM diamond sourcing.</p>	<p>We would like to include a reference to the Maendeleo standard. Certification provides evidence of a low risk source which has been subject to 3<sup>rd</sup> party scrutiny. Will this standard be made public? Note however that the scope of the Maendeleo standard is not the same as the OECD Guidance (ie, it doesn't cover how companies throughout the supply chain should carry out general due diligence) and so it would not constitute 'a framework recognised to be aligned with the OECD.'</p>

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13. DDI	Due diligence for responsible sourcing within the CoP (pg. 7) requires members to adopt and publicly communicate a supply chain policy with respect to sourcing from conflict-affected and high-risk areas. Although required to be consistent with recognised RJC guidance frameworks, the constrained focus on mainly high risk and conflict countries (as outlined earlier), remains a challenge. Moreover the recognised limited operational capacity of the KP and SoW processes specific to the artisanal and ASM traceability and chain of custody, may well render the practicality of this provision ineffectual.	Revise the CoP Audit approach to consider accountability above and beyond the OECD model (focussed on high risk and conflict countries).	Feedback from our consultation indicates that it would be challenging to introduce a model beyond the OECD Guidance at this time.
14. DDI		Within the “Note on the scope of risks to be covered” (pg. 6) it is recommended that the requirement for due diligence coverage to apply to “the worst forms of child labour” be amended to read “all child labour,” barring justification for focusing only on the “worst” practises.	The worst forms of child labour covers all forms of a child’s involvement in mining.

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15. DDI		<p>Choke points are not clearly identified within supply chains. The CoP does reference 'control points' (pg. 10). Is this the same thing? If so clarity in this regard is recommended, as is further detailing of approaches for enhanced diligence through their use. The information currently included is only limited to industry's information gathering responsibilities.</p>	<p>Control points and choke points are the same thing. We have not specified a choke point at this time as there is not consensus on what this would be.</p>

## [Comments and actions from COP review round 3 consultation workshops](#)

### **Antwerp, 16<sup>th</sup> October 2018 – Due diligence for the diamond supply chain**

Twenty people participated in this workshop, primarily midstream diamond companies (mostly traders, cutters/polishers). Overall, there were some concerns expressed with how to implement due diligence for midstream companies. A summary of comments is below:

- It will be difficult for midstream and downstream companies to have leverage over upstream suppliers when asking for information on the origin of diamonds and related risks. Upstream suppliers may go to other buyers if they are confronted with questions like this.
- Will sourcing exclusively from RJC certified members be an effective way to reduce risks? RJC certification will include third party auditing of a company's due diligence efforts therefore providing confidence that the company is applying due diligence in good faith and continuously improving its systems. However, each company will still need to gather KYC and due diligence information in order to make its own assessment of risks in its supply chain.
- The difference between 'risks', 'red flags', 'CAHRAs', 'adverse impacts', and 'high/low-risk' needs to be articulated more clearly.
- It will be important to define what is 'reasonable good faith efforts' and how this will be assessed by RJC auditors.
- There was a discussion on challenges that small diamond companies are facing with the financial sector and how RJC can help. This was noted as an industry wide issue requiring the support of industry associations.

### **Mumbai, 26<sup>th</sup> October 2018 – Due diligence for the diamond supply chain**

Nearly thirty people participated in this workshop, mostly from midstream diamond companies (trader, cutters/polishers, jewellery manufacturers, service industry, consultants, miners). Implementation challenges were discussed. There were also expressions of support for the phased auditing approach. A summary of comments is below:

- Some companies can have over 200 suppliers and it is very challenging to seek information on sources in this context.
- Getting information from stones sourced from the open market is particularly challenging since a diamond may change hands many times. It was noted that the definition of sources in the RJC consultation document includes 'open market' as a source (accepting that limited further information may be available on open market diamonds).
- How will due diligence apply for diamonds already in circulation and in existing stock ("recycled diamonds")? A 'grandfathering' approach is outlined in the OECD Gold supplement and should apply for diamonds as well. This was noted as a point to add to the COP Guidance.

## [Letters submitted](#)

Please click on the link(s) below to download letters/longer comments submitted.

- [Diamond Development Initiative](#)