



1. Fiona Solomon

2. Responsible Jewellery Council (RJC)

3. Speaker's biography

Fiona Solomon joined the Responsible Jewellery Council in October 2007, based in Melbourne. Her role is to oversee the design of the RJC Certification system, including standards, guidance and resources for Members, as well as the implementation requirements of the system. She works with a range of stakeholders to achieve this goal, with a view to continual improvement of the system in the coming years of operation.

Prior to joining the RJC, Fiona led a small team of researchers focused on social and sustainability issues of the minerals industry at Australia's Commonwealth Scientific and Industrial Research Organisation (CSIRO) for more than ten years. She was seconded to WWF to project manage the Mining Certification Evaluation Project during 2002-2004.

Fiona has a Bachelor of Engineering (Hons 1) and a PhD in philosophy of technology both from the University of Queensland, Australia. She has also completed postgraduate subjects in international political economy and global environmental politics at the University of Melbourne. She has authored and contributed to many reports and publications on social and ethical accountability and sustainable development in the mining industry, and in technology governance more generally.

4. Do you know where your gold comes from? RJC Chain of Custody: providing support for supply chain due diligence.

5. Brief abstract

The Responsible Jewellery Council (RJC) has developed Chain-of-Custody (CoC) Certification to support businesses which wish to provide their customers and stakeholders with independent assurance about conflict-free, responsible sourcing. A 'Chain-of-Custody' is a documented sequence of custody of material as it is transferred along the supply chain. Chain-of-custody systems can provide an important point of differentiation and confidence in the business practices involved in production. Certification of those systems provides recognisable assurance to customers, consumers and stakeholders against a known standard. This can add value to jewellery products and help protect and enhance jewellery brands.

This session will introduce some of the key drivers for supply chain due diligence, such as the US Dodd Frank Act and the OECD Due Diligence Guidance, and provide an overview of RJC Chain-of-Custody Certification: key requirements, implementation and potential benefits and its relationship with other industry initiatives.

6. Text

Background

Increasingly, businesses in the jewellery supply chain are being asked questions about the source of their gold. A range of stakeholders, including civil society, legislators and international institutions are focusing on issues such as

conflict, child labour, human rights abuses, poor mining practices and other issues in the 'upstream' part of the gold supply chain.

Initiatives such as the *OECD Due Diligence Guidance for the Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* and Section 1502 on Conflict Minerals of the US *Dodd Frank Act* are creating business drivers for supply chain due diligence on these issues. Due diligence to support conflict-sensitive and responsible sourcing practices is therefore of increasing importance to jewellery supply chains, particularly gold.

Jewellery supply chains can be complex, and retailers and manufacturers often have hundreds of suppliers of products and product components, with production lines and volumes that change regularly according to customer demand and vary from mass production to bespoke pieces. However the origin of gold in all these types of products is potentially relevant to legislative and voluntary initiatives and presents a due diligence challenge to the jewellery sector. The RJC's work on Chain-of-Custody aims to support businesses in the jewellery supply chain in their due diligence efforts.

What is Supply Chain Due Diligence?

The OECD Due Diligence Guidance describes due diligence as an ongoing process that businesses should undertake to ensure that the extraction and trade of mineral ores support peace and development, not conflict. The OECD Due Diligence Guidance comprises:

- Recommendations for carrying out supply chain due diligence, under the 5 step framework for managing, assessing, mitigating, auditing and reporting on risk (see *Figure 1 below*);
- A model supply chain policy;
- Suggested measures for risk mitigation, and indicators for measuring improvement;
- Supplements: one for tin, tungsten and tantalum ("the 3Ts") and one for gold.

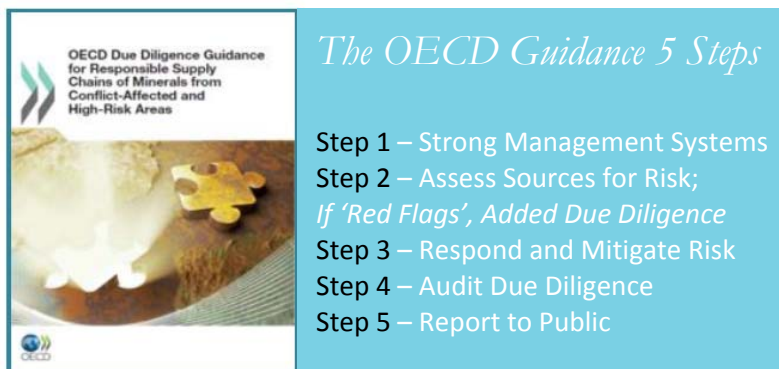


Figure 1 – OECD Due Diligence Guidance – 5 Steps

The Dodd Frank Act refers to the OECD Due Diligence Guidance as a key framework for carrying out supply chain due diligence. Under the Dodd Frank Act, companies that are 'issuers' under Section 1502 are required by law to conduct 'reasonable country of origin inquiries' about the gold (and other designated minerals) in their products. Their inquiries will involve tracking conflict minerals back through their supply chains, often through multiple tiers. Suppliers of gold and gold products to these issuers (who may not themselves be issuers) will likely be asked to provide relevant information about the source of their gold in each calendar year, starting with 2013.

The kinds of questions that suppliers may be asked include:

- Can they provide a representation or warranty that gold used in the issuer's products does not come from the DRC or an adjoining country, or comes from recycled/scrap sources?
- Can they identify the refiner/s or supplier/s of the gold used?
- Are there any 'red flags' potentially associating the gold with conflict or known trading routes for conflict gold, or otherwise raising suspicion?
- Have the refiners of the gold been independently audited under a 'conflict-free' program by a recognised industry group like RJC, LBMA or EICC?

Gold refiners are seen as a 'choke point' in the supply chain, as they connect upstream mining and recycling with downstream users of gold such as financial markets, manufacturers and retailers. Leading refiners all over the world

are undergoing independent third party audits of their due diligence practices to demonstrate their commitment to responsible sourcing, and provide assurance to their customers. These audits correspond to Step 4 of the OECD Due Diligence Guidance.

Under the SEC rule, the most reliable representation is to source from audited gold refiners, where possible. So if suppliers ask for information on gold source, businesses should find out the refiner/s in their supply chain, and check their approach to due diligence.

How can RJC Chain-of-Custody Certification assist with supply chain due diligence?

RJC Chain-of-Custody (CoC) Certification is a voluntary standard that was launched in March 2012, which can be used by businesses to:

- Support responsible mining practices
- Source legitimate recycled materials
- Avoid 'conflict' resources implicated in human rights abuses, illegal or criminal practices
- Enhance reputation through responsible sourcing
- Carry out due diligence of the supply chain
- Respond to the requests of customers, both business to business and retail.

The CoC Standard is voluntary for RJC Members (Membership is open to all businesses in the jewellery supply chain) and is also publicly available as a resource for good practice for chain-of-custody type systems. Companies throughout the supply chain – mine to retail – can be certified against the CoC Standard, using third party, RJC-accredited auditors. The CoC Certification Scope can be defined to cover all or some of a company's Facilities, with one or more of gold, platinum, palladium and rhodium, in some or all of their production. Implementation of the CoC Standard is supported by a guidance document, assessment handbook, assessment toolkit (an audit protocol) and training.

The CoC Standard sets out requirements for the identification and tracking of 'Eligible Material', which once declared by a CoC Certified Entity, becomes 'CoC Material'. The following types of gold and platinum group metals are eligible to become "CoC Material", and may be declared as such by CoC Certified companies:

- Conflict-free Mined Material produced by a CoC Certified Entity, by ASM on its concessions, or under a Recognised Responsible Mining Standard, or Mining Byproduct declared by a Refiner;
- Recycled Material sourced from Eligible Recyclable sources, screened according to KYC principles to avoid illegitimate sources;
- Grandfathered Materials in existence in their current form prior to 1 January 2012.

These different types of Eligible/CoC Material can be mixed. Certified companies must have systems in place to **segregate** CoC Material from non-CoC Material (either temporal and/or physical segregation), and to reconcile movements of CoC Material in their custody over a given time period. CoC Material may be transferred by CoC Certified companies to other companies as CoC Material by issuing CoC Transfer Document containing information required by the Standard.

For due diligence purposes, the RJC CoC Standard allows for the tracking of gold and platinum group metals from their starting points in the supply chain, thereby reducing risk and avoiding the need to retrospective inquiries. RJC CoC Certification can therefore assist companies to conform with the OECD Due Diligence Guidance, and to comply with the provisions of the US Dodd-Frank Act (Section 1502, Conflict Minerals). Any gold sourced from the DRC and adjoining countries must always be identified in CoC Transfer Documents, to assist Dodd Frank Act compliance for impacted companies. Section 10 of the RJC CoC Standard includes particular requirements for Gold Refiners to apply due diligence towards all sources of gold, in line with the OECD Due Diligence Guidance – Supplement on Gold.

The first CoC Certified Entities have been gold refiners, and their commitment benefits the entire jewellery supply chain by supporting other companies' due diligence. RJC anticipates that over time, uptake of CoC Certification will spread to include gold mining companies, manufacturers and retailers. A key feature of the RJC CoC Standard is that by building on the RJC Code of Practices, a broad range of issues beyond conflict, including labour rights, environmental impact, and business ethics are also addressed.

What other programs are supporting conflict-related due diligence in the gold supply chain?

Other industry programs have also been working to support supply chain due diligence towards conflict. The London Bullion Market Association has developed a Responsible Gold Guidance in line with the OECD Guidance, which requires an independent audit of all London Good Delivery listed refiners. The EICC-GeSI group in the electronics sector have developed the Conflict-Free Smelter/Refiner program which focuses on Dodd-Frank compliance, also requires an independent audit and is open to all refiners.

The Responsible Jewellery Council, the London Bullion Market Association and the EICC-GeSI Conflict Free Smelter program have agreed to cross-recognise audits of gold refinery due diligence. The agreement aims to reduce duplication for refiners and to support broader supply chain efforts to implement Section 1502 of the Dodd-Frank Act for Conflict Minerals. RJC’s recognition of the LBMA and EICC audits as fulfilling parts of Section 10 of the RJC Chain-of-Custody (CoC) Standard is included in the CoC documentation published in March 2011.

The LBMA and EICC-GeSI CFS recognition of RJC CoC Certification for Gold Refiners means:

- CoC Certified Gold Refiners will also be added to the **EICC** Conflict-Free Refiner list.
- LBMA will accept RJC CoC Certification as demonstrating conformance with the **LBMA** Responsible Gold Guidance applicable to London Good Delivery refiners.
- The **additional** benefit of **RJC CoC Certification** for refiners and their customers is how it can be used to differentiate types of gold sources (mined, recycled, grandfathered). The SEC rule for Dodd Frank has different supply chain inquiries and disclosure requirements for these different types of sources.

	LBMA	RJC	CFS
<i>Common Features: 3rd Party Audit, OECD & SEC compliance.</i>			
Tailored Focus	London Bullion Market	Jewellery Supply Chain - Mine to Retail	Manufacturers
Audit Outcome	Continued Good Delivery Accreditation	CoC Certification	Validated Smelter/ Refiner list
Mutual Recognition	RJC CoC, CFS audits = Responsible Gold Requirement.	LBMA, CFS = conflict-sensitive sourcing only.	RJC, LBMA audits = CFS.
<i>Disclaimer: Fulfilling CFS Requirements only meets the LBMA & RJC conflict-free audit requirements to avoid duplication. There are additional requirements for refiners to achieve LBMA & RJC certification.</i>			

Table 1 – Harmonisation between RJC, LBMA and CFS programs

Under both the OECD Guidance and the RJC CoC Standard, miners must determine by due diligence that mined material has not provided financial or other benefit to Illegal Armed Groups or their affiliates operating in a Conflict-Affected Area. Conflict is defined as “Armed aggression, widespread violence, and/or widespread human rights abuses”. Conformance with the World Gold Council (WGC) Conflict-Free Standard can be used by miners as objective evidence of appropriate due diligence for the RJC CoC Standard.

A key issue for managing conflict in gold supply chains is creating secure pipelines for the artisanal and small-scale mining (ASM) sector. The RJC has worked with the Alliance for Responsible Mining and Fairtrade to formally recognize the Fairtrade and Fairmined Standard (Part A, applicable to producers) as an ‘eligible’ source of gold for RJC Chain-of-Custody Certified entities. The benefits for these producers will include expanded access to chain-of-custody pathways through to RJC’s Membership in the jewellery supply chain. RJC CoC Certified refiners can source from certified ASM producers, confident in the practices at the mine, and thus contribute to the further integration of ASM into the formal economy.

Summary

In summary, the RJC has been involved in a range of multi-stakeholder projects to develop a platform to support due diligence in the jewellery supply chain. This has included participation in the development of the OECD Guidance, comments to the SEC rule-making process, and harmonisation efforts with other relevant standards and initiatives.

The RJC Chain-of-Custody standard has been designed to support due diligence and chain-of-custody efforts in the jewellery supply chain. In the short term, CoC Certification for Refiners provides all supply chain participants with assurance of their due diligence practices via an independent third party audit – and helps answer the question ‘where does your gold come from’. In the long term, RJC aims to support the wider jewellery supply chain in promoting the uptake of responsible business practices.