

## RJC Chain of Custody Standard Review Round 3 Comment Period: 14 August – 15 September 2017

### RJC CHAIN-OF-CUSTODY (CoC) STANDARD <sup>1</sup>

#### Due Diligence and Know Your Counterparty for responsible sourcing

These provisions apply to all the material handled by the entity.

#### 1. Due Diligence

- 1.1 Entities shall adopt and communicate to their suppliers and the public a supply chain policy for sourcing gold and platinum group metals from conflict-affected and high-risk areas. The policy shall be consistent with Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (the 'OECD guidance').
- 1.2 Entities shall exercise due diligence over the supply chains of gold and platinum group metals in ways appropriate to their size and circumstances.
  - a. Entities in the gold value chain shall adhere to the OECD guidance and the recommendations of the Supplement on Gold as applicable to their operations.
  - b. Entities in the platinum group metals value chain shall adhere to the OECD guidance.
- 1.3 RJC refiner entities shall
  - a. Maintain internal material control systems that allow for the reconciliation of movement of inventory in and out over a given period of time.
  - b. Gold refiners shall additionally collect and, with due regard to business confidentiality, make available to the RJC information on the mine of origin of mined gold received on an annual basis.

#### 2. Know Your Counterparty (KYC)

- 2.1 The entity shall document a KYC policy and procedures for business partners. Business partners includes suppliers or customers of gold and platinum group metals or jewellery products containing these materials. The policy and procedures shall include:
  - a. Establishing the identity, and where triggered by a risk assessment or applicable law, the beneficial ownership and principals of the counterparty;
  - b. Verifying that the counterparty and, if applicable their beneficial owners, are not named on relevant government lists for individuals or organisations implicated in money laundering, fraud or involvement with prohibited organisations and/or those financing conflict;
  - c. Maintaining an understanding of the nature of their business; their finances and sources of materials;
  - d. Maintaining adequate records for a minimum of five years or as defined by national legislation, whichever is longer.
- 2.2 The entity shall nominate an individual to be responsible for implementation of the KYC policy and procedures;
- 2.3 The entity shall carry out a regular review of its KYC policy and procedures to ensure they are up to date and appropriate;

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<sup>1</sup> Minor and editorial changes are in green, and new requirements are in red.

2.4 The entity shall monitor relevant transactions for unusual or suspicious activity and report suspicious transactions to the relevant authorities.

### Chain-of-Custody Management

These provisions apply only to CoC material handled by the entity.

## 3. Management System and Responsibilities

- 3.1 The entity shall have a **documented** management system/s that addresses all applicable requirements of the standard, in all facilities under the control of the entity that have custody of CoC material.
- 3.2 The entity shall **assign authority and responsibility to a senior staff for the** entity's compliance with all applicable requirements of the standard.
- 3.3 The entity shall establish and implement communications and training measures that make relevant personnel aware of and competent in their responsibilities under the standard.
- 3.4 The entity shall maintain records covering all applicable requirements of the standard and shall retain them for a minimum of five (5) years.
- 3.5 The entity shall have systems in place to enable it to respond to reasonable requests for verification of CoC transfer documents issued by the entity.
- 3.6 **The entity shall carry out regular reviews to ensure that the managements systems are appropriate and up to date.**
- 3.7 The entity seeking CoC certification shall be an RJC member, or under the control of an RJC member, in good standing, thereby committing to uphold responsible business practices as defined in RJC's Code of Practices.

## 4. Internal Material Controls

- 4.1 Each point where there is an opportunity for eligible and/or CoC material in the custody of an entity to become mixed with non-eligible and/or non-CoC material shall be identified and controls put in place to ensure segregation.
- 4.2 The entity's internal systems shall be able to reconcile the total weight of eligible and/or CoC material for which it has custody, with movements in and out of the inventory over a given time period. If the entity has custody of jewellery products containing CoC material, reconciliation may be by item count rather than weight.
- 4.3 If the entity issues a CoC transfer document for CoC material identified as having a certain provenance or other characteristic, the entity's internal systems shall ensure that the requirements for segregation and reconciliation, as set out in provisions 4.1 and 4.2, apply to support the segregation of that CoC material.
- 4.4 The entity's internal systems shall verify and document that the contents of each shipment of CoC material received from, and/or dispatched to other certified entities, outsourcing contractors or service companies are accurately described by the applicable CoC transfer document for each such shipment. If an error is discovered after CoC material has been shipped, the entity and the other party shall document the error and the agreed steps taken to correct it.

## 5. Outsourcing Contractors and Service Companies

- 5.1 The entity shall not transfer CoC material to an outsourcing contractor or service company unless the following conditions have been met:
- a. The entity shall have, and not relinquish, legal ownership of any CoC material transferred to the outsourcing contractors or service companies.
  - b. The entity shall assess the risk of potential non-conformance with this standard resulting from the engagement of each outsourcing contractor or service company taking custody of CoC material owned by the entity, and determine, based on the risk assessment, that the risk is acceptable.
  - c. Any outsourcing contractor that takes custody of an entity's CoC material shall be included in the entity's certification scope and shall have a management system in place that conforms with provision 4 (internal material control) of this standard.
  - d. Any outsourcing contractor included in an entity's certification scope shall not outsource any processing of CoC material to any other contractor.
- 5.2 For the return of CoC material from an outsourcing contractor or service company:
- a. The entity shall verify and record that each transfer received by the entity for the return of CoC material is consistent with the CoC transfer document issued by the entity for the CoC material when shipped to the outsourcing contractor or service company, subject to any changes to the CoC material expected to occur as a result of the processing or manufacturing activities carried out by the outsourcing contractor.
  - b. If there are inconsistencies, the entity shall not issue any subsequent CoC transfer documents for that material.

## Systems to Confirm Eligibility of Material

### 6. Eligible Mined Materials

- 6.1 An entity shall have systems in place to ensure that eligible mined material declarations are only issued for material sourced from the following:
- a. Mines that are within its CoC certification scope or in which it holds a legal interest and where the mines are within the CoC certification scope of another CoC certified entity;
  - b. Artisanal and small-scale mining (ASM) producers operating on the entity's mining concessions that have participated in initiatives that enable the professionalisation and formalisation of ASM, and with documented due diligence that confirms that the material comes from such ASM producers and not from illegitimate sources;
  - c. Mines or producers certified under an RJC recognised responsible mining standard, with documented due diligence that confirms that the material comes from such mines or producers;
  - d. Mines that are independently validated to conform in all material aspects with the RJC Code of Practices requirements as defined in provision 6.2 and with documented due diligence that confirms the material comes from such mines;
  - e. Processing residues that contain trace precious metals from which mining byproduct can be extracted, for which an eligible material declaration may only be issued by the refiner.
- 6.2 An entity sourcing eligible material from mines under provision 6.1d shall have documentation of having carried out the following validation process:
- a. Enhanced KYC for each mine using the RJC Enhanced KYC Checklist;

- b. A desktop review of the mine’s conformance with the Code of Practice using the RJC Self-Assessment workbook and taking into account existing mining assurance programmes;
  - c. Additional research on assurance reports and legal compliance. This includes research on labour rights, working conditions, legal requirements in the country of operations and an assessment of the mine’s compliance.
  - d. An in-person verification of all applicable Code of Practice provisions, or third-party audit as applicable.
- 6.3 An entity issuing an eligible material declaration for mined material shall have documented due diligence in conformance with provision 1 that is able to confirm one of the following:
- a. The mine(s) from which the mined material is produced, and/or its transportation routes are not located in conflict-affected **and high risk areas**; or
  - b. The mine(s) from which the mined material is produced, and/or its transportation routes, are located in conflict-affected **and high risk areas** and the production, processing and transportation of the material did not directly or indirectly finance or benefit illegal armed groups through the provision of payments, logistical assistance or equipment to such illegal armed groups or their affiliates; or
  - c. The material is mining byproduct with suppliers screened according to the KYC systems and procedures described in provision 2

## 7. Eligible Recycled Materials

- 7.2 An entity shall have systems in place to ensure that recycled material for which the entity issues an eligible material declaration is sourced only from one or more of the following:
- a. High value gold and PGM - scrap, waste precious metals from the jewellery and manufacturing process or post-consumer precious metal products such as jewellery, bars and coins
  - b. Industrial gold and PGM- waste electrical and electronic equipment (WEEE), industrial components such as spent automotive catalysts, spent industrial catalysts and fuel cells.
- 7.3 The entity shall provide documented criteria for acceptable sources and types of recycled precious metals to counterparties, including:
- a. Companies seeking approval to become commercial suppliers to the entity;
  - b. **Private individuals and estates who wish to sell private materials to the entity; and**
  - c. CoC certified customers purchasing CoC material from the entity.
- 7.4 For recyclable materials sourced from commercial suppliers:
- a. The entity shall have documented procedures and records for approval of new commercial suppliers which shall include:
    - i. **Conducting KYC as described in provision 2 establishing the beneficial ownership and principals for all suppliers, not just high-risk suppliers;**
    - ii. Verifying the applicant is engaged in the described business;
    - iii. **Reasonable determination of the origin of the recyclable material;**
    - iv. Denying the applicant if information acquired through the approval process provides reasonable evidence to suspect the legitimacy of the supplier and/or its sources
  - b. The entity shall have documented procedures and records for monitoring commercial suppliers. **In addition to due diligence and KYC as described in provisions 1 and 2, this shall include:**
    - i. **Maintaining an understanding of the origin of the recyclable material;**

- ii. Review the due diligence and KYC policy and procedures of the commercial supplier, if they are identified as representing a high risk of introducing illegitimate sources into the supply chain. Site visits to verify the supplier's systems and records should be undertaken commensurate to the risk level;
- iii. Excluding the supplier from the production of any CoC material if there is reasonable evidence to suspect the legitimacy of the supplier and/or its sources, such as unusual or suspicious transactions, activities or associations by a supplier and upon investigation those that cannot be cleared of suspicion.

7.5 For recyclable materials sourced directly from private individuals or estates:

- a. The entity shall have documented procedures and records for obtaining proof of:
  - i. the identity of the seller
  - ii. the identification of the jewellery product or other product containing recyclable materials
- b. The entity shall make reasonable inquiry and efforts to determine the seller's ownership of the recyclable material to ensure it is not from an illegitimate source.

## 8. Eligible Grandfathered Materials

- 8.1 The entity issuing an eligible material declaration for grandfathered material shall have systems in place to ensure that the information necessary to make the declaration is recorded, and that the entity can verify the information on request.
- 8.2 If the refining date does not appear as a permanent part of the item of eligible grandfathered material, the entity shall ensure it obtains documented evidence of the year the item was produced or minted based on records matched to a serial number or refiner's mark stamped on the item or to some other permanent mark or physical characteristic.

## Issuing Chain-of-Custody Documentation

### 9. Eligible Material Declarations

- 9.1 The entity issuing an eligible material declaration in a CoC transfer document shall document the eligible material as one of the following:
- a. Mined, in conformance with provision 6 of this standard; or
  - b. Recycled, in conformance with provision 7 of this standard; or
  - c. Grandfathered, in conformance with provision 8 of this standard; or
  - d. Mix of mined, recycled and/or grandfathered, each in conformance with the applicable provisions of this standard.
- 9.2 For eligible mined material, the entity shall include in the CoC transfer document:
- a. A conflict-free declaration that identifies if 6.3a, b, or c applies.
  - b. The country or countries where the mined material was extracted for 6.3 or b.
  - c. The country or countries where the mining byproduct was refined for 6.3c.
  - d. If 6.3b applies, the entity shall append to the CoC transfer document a summary of its due diligence for that material.
- 9.3 When initiating a CoC for material that will be mixed with existing CoC material prior to a transfer to another entity, the entity shall record an eligible material declaration in an internal CoC transfer document.

## 10. Chain-of-Custody (CoC) Transfer Documents

- 10.1 The entity shall ensure that a CoC transfer document accompanies, and wherever possible is physically attached to, each shipment or transfer of CoC material dispatched to other certified entities, outsourcing contractors or service companies.
- 10.2 The entity shall ensure that CoC transfer documents include all the required information outlined in the template in appendix 1 of this standard.
- 10.3 If the CoC transfer document includes supplementary information about the entity, the eligible material, or its provenance, the entity shall ensure the supplementary information can be supported by objective evidence.

## 11. Product Claims and Intellectual Property

- 11.1 If the entity makes claims or representations about CoC material in a jewellery product, **these shall be described in written form, made available at the point of sale**, and not include information that is inconsistent with the CoC transfer document(s) supplying the CoC material.
- 11.2 **Claims can be made on jewellery products that have some components made entirely of CoC material and others made of non CoC material. A description of the CoC components within the product must be clearly communicated to the customer or consumer.**
- 11.3 The entity shall have systems in place to ensure all relevant employees, including sales associates, do not make verbal claims or representations to consumers about CoC material that are inconsistent with the claims or representations described in written form.
- 11.4 If the entity uses the RJC logo, it shall ensure that it abides by the rules for use of the logo, trademarks and intellectual property. If the entity uses the RJC logo and/or CoC certification stamps in association with jewellery products containing CoC material, it shall ensure that their use clearly applies only to the CoC material.

## Annexe

### Relevant Sections for CoC Standard Guidance

This section contains the text to be included in the CoC Standard Guidance on the following provisions:

- 1 Due diligence (summary of key aspects)
- 2 Know Your Counterparty (KYC) (summary of key aspects)
6. Eligible Mined Materials – category 6.1d, mines that are independently validated to conform in all material aspects with the RJC Code of Practices
- 7 Eligible Recycled Materials
- 9 Product Claims and Intellectual Property

### Due Diligence and Know Your Counterparty for Responsible Sourcing

*The key aspects of the guidance are summarised below.*

#### 1 Due Diligence

##### Applicability

This provision is applicable to all members seeking CoC certification and for all the gold and PGM material that they handle.

##### Definitions

**Conflict** - Armed aggression, widespread violence, and/or widespread human rights abuses.

**Conflict-Affected and High-Risk Area** - Areas identified by the presence of conflict or other risks of harm to people. Armed aggression may take a variety of forms, such as a conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation or insurgencies, civil wars, etc. High-risk areas may include areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure and widespread violence. Such areas are often characterised by widespread human rights abuses and violations of national or international law. [Reference: OECD Due Diligence Guidance for Responsible Supply Chain of Minerals from Conflict-Affected and High-Risk Areas]. These areas may be a region, a country, an area within a country, or an area that crosses one or more country boundaries. Operations are not necessarily complicit in conflict if they are located in these areas. Under Section 1502 of the United States' Dodd-Frank Wall Street Reform and Consumer Protection Act, the DRC and adjoining countries are deemed a conflict-affected area.

**Conflict-Free** - A description for material that is determined by due diligence investigation not to have provided financial or other benefit to illegal armed groups or their affiliates operating in a conflict-affected area.

##### Background

The scope of risks to be assessed through due diligence and KYC includes gross human rights violations, torture, forced or compulsory labour, war crimes, support to non-state armed groups, public or private security forces who illegally control mine sites, bribery and fraudulent

misrepresentation of the origin of minerals, money laundering and non-payment of taxes. These risks are present in conflict-affected and high-risk areas where there is identified armed conflict, widespread violence or other risks of harm to people.

## **Implementation**

1.1 Entities shall adopt and communicate to their suppliers and the public a supply chain policy for sourcing gold and platinum group metals from conflict-affected and high-risk areas. The policy shall be consistent with Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

The policy must be public (such as via a company website, or made available on request), and communicated to all suppliers of materials. This should be based on the model supply chain policy in Annex II of the OECD guidance. An example policy is provided in Appendix 1 of this Guidance. [to be updated]

1.2 Entities shall exercise due diligence over the supply chains of gold and platinum group metals in ways appropriate to their size and circumstances.

- a. Entities in the gold value chain shall adhere to the OECD guidance and the recommendations of the Supplement on Gold as applicable to their operations.
- b. Entities in the platinum group metals value chain shall adhere to the OECD guidance.

Due diligence shall align with the OECD 5 step framework, including the specific requirements for refiners, downstream and upstream companies<sup>2</sup>.

- Step 1: Entities shall have management systems to support due diligence. This will involve identifying upstream actors.
  - For gold and PGM refiners, this will mean having the systems in place to identify the mine of origin of all material.
  - For downstream companies, this will mean best efforts to identify refiner sources and ensure that gold is from refiners with independent validation of their due diligence
  - For upstream companies, this will mean identifying suppliers and passing on appropriate information to refiners

Entities will engage with suppliers and have a complaints or grievance mechanism appropriate to the nature, scale and impact of the business, to allow interested parties to voice concerns about circumstances across its gold and PGM supply chains. This provides input to the due diligence process.

- Step 2: Entities will identify and assess risks in the supply chain (ie, identify 'red flags'). The OECD Supplement on Gold will be used as a reference for identifying 'red flags', for example gold originating from conflict-affected areas or countries which don't produce gold.
- Step 3: Entities will design and implement a strategy to mitigate risks which favours mitigation rather than immediate disengagement. Entities will use Annex II of the OECD

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<sup>2</sup> Note that step 4 of the OECD guidance is inherently covered by RJC certification ("Carry out independent 3<sup>rd</sup> party audit of refiner's due diligence practices")



guidance as a guide, eg, immediate suspension of suppliers where reasonable risks are identified of child labour or war crimes. Stakeholder engagement is a key part of this step.

- Reporting Step: Entities shall publicly report on their supply chain due diligence on an annual basis, providing information on steps 1-3.

- 1.3 RJC refiner entities shall
- a. Maintain internal material control systems that allow for the reconciliation of movement in and out of inventory over a given period of time.
  - b. Gold refiners shall additionally collect and, with due regard to business confidentiality, make available to the RJC information on the origin of mined gold received on an annual basis.

This requirement is included to support internal material control systems as a part of due diligence. Unique reference numbers should be assigned to each input and output.

For gold refiners, data on mine of origin shall be shared with RJC. This data shall be shared on an annual basis for the purpose of informing RJC's training and for the integrity of cross-recognition with the Conflict Free Sourcing Protocol (CFSP) and London Bullion Market Association (LBMA). This will include:

- a. A list of mines of origin of gold received. At the time of CoC certification, this list will cover the audit period. Subsequently, a list will be provided on an annual basis;
- b. Identification of mines of origin in conflict-affected and high-risk areas;
- c. A summary of the criteria applied to determine conflict-affected and high-risk areas.

## 2. Know Your Counterparty (KYC)

### Applicability

This provision is applicable to all entities and for all the gold and PGM material that they handle.

### Definitions

**Know Your Counterparty (KYC)** - Principles established to combat money laundering and finance of terrorism. KYC principles require businesses to establish the identity of all organisations with which they deal, have a clear understanding of their business relationships and have a reasonable ability to identify and react to transaction patterns appearing out of the ordinary or suspicious. Counterparties include suppliers and customers, but not end consumers.

**Illegitimate sources** - Sources of material that are contrary to applicable law, and/or involved with illegal mining, gold-laundering, funding of conflict, money-laundering, funding of terrorism or proceeds of crime.

### Background

KYC principles and systems are part of a company's due diligence in assessing, mitigating for and reporting on risks in the supply chain. This process is key for avoiding illegitimate sources of material and for combating money laundering and finance of terrorism (see Code of Practice provision 10).

Money laundering and the financing of terrorism can, and do, occur in any country in the world. As dealers in high value goods, various parts of the jewellery supply chain may be targeted during the process of laundering money. It is therefore vital that the sector adopts very strict systems to minimize the risk of becoming involved in money laundering or terrorism financing.

Most countries have enacted strict anti-money laundering legislation and regulations. Because of the criminal nature of the activity, it is essential to be aware of the relevant legislation in every operating jurisdiction. Members, when engaged in international transactions that may be subject to more than one regulatory jurisdiction, need to be aware of and comply with the applicable law for all relevant jurisdictions.

### **Implementation**

2.1 The entity shall document a KYC policy and procedures for business partners that are suppliers or customers of gold and platinum group metals or jewellery products containing these materials. These shall include:

- a. Establishing the identity, and where triggered by a risk assessment or applicable law, the beneficial ownership and principals of the counterparty;
- b. Verifying that the counterparty and, if applicable their beneficial owners, are not named on relevant government lists for individuals or organisations implicated in money laundering, fraud or involvement with prohibited organisations and/or those financing conflict

This provision is for identifying counterparties that may be implicated in money laundering, fraud or involvement with prohibited organisations and/or those financing conflict, including Politically Exposed People (PEP).

A risk assessment will be carried out to identify high risks using sources such as the Financial Action Task Force (FATF) list of high-risk and non-cooperative jurisdictions. When the establishment of beneficial ownership and principals is not required by applicable law, this will be carried out for counterparties that are high-risk.

The provision includes a requirement to verify that the counterparty, and if applicable their beneficial owners, are not named on relevant government sponsored watch or sanctions list. This will involve checking lists from the entities' and the counterparty's country of operation(s) as well as any other lists the entity considers relevant. A number of software programs are commercially available to check multiple sanction lists at once. The [Jewelers Vigilance Committee website](#) is also a reference for sanctions lists.

For entities operating in, or trading with, the USA; the Office of Foreign Assets Control (OFAC) has a complete list of [Specially Designated Nationals And Blocked Persons List \(SDN\)](#) which must be checked.

If counterparties are identified on relevant government sponsored watch or sanctions lists, entities shall act in compliance with legal requirements and submit a suspicious activity report where applicable. These counterparties shall be considered as 'red flags' in the supply chain and the entity will consider ending the relationship with the counterparty in accordance with its due diligence policy (provision 1.1) or apply mitigation measures (step 3 from provision 1.2).

For the purposes of sourcing CoC material, any counterparties identified on relevant government sponsored watch or sanctions lists will be not accepted (or discontinued) as suppliers of eligible CoC material.

## 6. Eligible mined materials

### Applicability

This provision is applicable to members who are issuing eligible material declarations for mined materials. The start of the RJC CoC for eligible mined materials is the mining facility. Mining companies and those sourcing directly from mining facilities (usually refiners) can make eligibility declarations for mined material.

### Definitions

**Mined Material** – Material that is produced by a mining facility usually in the form of mineral concentrate, impure alloys, or refined metal.

**Eligible mined material** - Material that is the product of responsible mining practices and conflict free as defined in the CoC standard.

**Conflict-free** - A description for material that is determined by due diligence investigation not to have provided financial or other benefit to illegal armed groups or their affiliates operating in conflict-affected and high risk areas.

### Background

The CoC Standard aims to provide an assured approach for companies to source precious metals that are coming only from responsible sources and 'conflict-free'. RJC defines responsible mining in the Code of Practices. For this reason, eligible CoC mined material must come from sources compliant with the Code of Practice or equivalent. This is defined as mined material produced from one or more of the following:

- Mines that are within a CoC entity's certification scope (6.1a). This requires certification against the Code of Practices and CoC for the mining facility(s). To accommodate for joint venture situations, this category also includes mines in which a CoC entity holds a legal interest and where the facilities are within the CoC certification scope of another CoC certified entity. Eligible material declarations are issued by the mine in this scenario.
- Artisanal and small-scale mining (ASM) producers operating on the entity's mining concessions (6.1b): this aims to support provision 33 of the Code of Practices, which calls for mining companies to enable the professionalisation and formalisation of ASM. Eligible material declarations are issued by the mine (concession owner) in this scenario.
- Non-RJC mines or producers that have been certified under a recognised mining standard (6.1c): this is aimed at ASM certification schemes. Recognised standards are identified through RJC's formal recognition of comparable mining standards. Eligible material declarations are issued by the entity sourcing directly from the mining facility, normally a refiner.
- Mines that are independently validated to conform with all material aspects of the Code of Practices (6.1d): this is aimed at formal, large scale<sup>3</sup> mining facilities that meet a level of standard that is equivalent to Code of Practices certification and that have undergone a comparable level of third party assurance. Eligible material declarations are issued by the entity sourcing directly from the mining facility, normally a refiner.

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<sup>3</sup> Formal medium-scale mining facilities are included in this.

- Processing residues that contain trace precious metals from which mining byproduct can be extracted (6.1e): an eligible material declaration for mining byproduct may only be issued by the refiner of the mining byproduct.

In all cases, due diligence must be carried out to confirm that eligible mined materials meet the requirements of provision 6.3.

### **Implementation**

6.1 d. Mines that are independently validated to conform in all material aspects with the RJC Code of Practices requirements as defined in provision 6.2 and with documented due diligence that confirms the material comes from such mines.

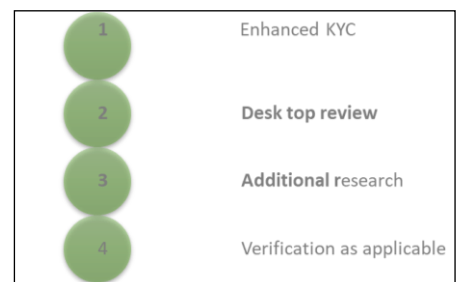
This provision allows entities to source mined material that is the product of responsible, formal large-scale mining. Sources of eligible mined material in this category will conform with the Code of Practice standard or equivalent and will have undergone a comparable level of third party assurance.

6.2 An entity sourcing eligible material from mines under provision 6.1d shall have documentation of having carried out the following validation process:

- a. Enhanced KYC for each mine using the RJC Enhanced KYC checklist;
- b. A desktop review of the mine’s conformance with the Code of Practice using the RJC Self-Assessment workbook and taking into account existing mining assurance programmes;
- c. Additional research on assurance reports and legal compliance. Research on legal requirements on labour rights and working conditions in the country of operations and an assessment of the mine’s compliance.
- d. An in-person verification of all applicable Code of Practice provisions, or third-party audit as applicable.

The validation process outlines how to assess the eligibility of a source of mined material (the ‘mining facility’ or ‘mine’) when the mine itself is not CoC certified. It is an evaluation to ensure that the mining facility can provide material which meets CoC criteria:

- Meeting the requirements of provision 6.3 (confirmed as not in a conflict affected areas, or not directly or indirectly benefitting illegal armed groups)
- Coming from third party assured responsible mining, as outlined in the Code of Practices (COP)



The four-step validation process involves data gathering, engagement with the mining facility and verification to ensure that these criteria are met.

This approach can only be used by an entity, usually a refiner, sourcing directly from the mining facility. It is designed to apply to formal, large-scale mining rather than artisanal and small-scale mining (ASM) which is covered under provision 6.1b and 6.1c.

The validation process applies in three cases:

- Case a.** When a mining facility is Code of Practices certified, but not CoC certified.
- Case b.** When a mining facility is subject to existing mining assurance programmes identified in this guidance document as having significant alignment to the Code of Practice.
- Case c.** Other cases where neither of the above applies.

#### **Case a: Code of Practices certification**

Mining facilities which are Code of Practice certified can be a source of eligible CoC material without being CoC certified themselves as they can easily meet the CoC criteria. They provide material which is fully traceable as they are the 'source' of the chain, and COP certification demonstrates third party assured responsible mining. In this case, the CoC entity only needs to confirm that the material from the mining facility meets the requirements of provision 6.3 and carry out enhanced KYC.

#### **Case b: Existing mining assurance programmes**

Mining facilities which are subject to existing mining assurance programmes can also be a source of eligible CoC material. The following programmes have been identified as having significant alignment to the Code of Practice in their coverage of requirements and their approach to third party assurance.:

- The Mining Association of Canada's (MAC) ['Towards Sustainable Mining'](#) (TSM) programme.  
***Programme description:** Participation in TSM is mandatory for all MAC members. Assessments are conducted at the mine site level. Members commit to a set of guiding principles and report their performance against the program's 23 indicators annually in MAC's TSM Progress Reports. Verification is based on a self-assessment with letter grades assigned for each indicator ranging from level C to level AAA. Every three years, a verification service provider reviews the self-assessments to determine if there is adequate evidence to support the performance ratings.*
- The International Council on Mining and Metal's [\(ICMM\) sustainable development framework](#).  
***Programme description** Members are required to commit to the ICMM 10 principles and mandatory requirements set out in supporting position statements. They carry out public reporting of performance in line with the Global Reporting Initiative (GRI) guidelines and the Mining and Metals Sector Supplement. Annual third-party assurance of their sustainability performance is carried out across the business group to assess the progress for identifying company specific risks and the integrity of reported performance.*

The validation process is designed to recognise the 'equivalent' Code of Practice elements of these programmes. This means that a limited scope of validation is required:

- For MAC members where the mine has **achieved a TSM verification Level A or higher** across all the indicators.
- For ICMM members where **the mine has been included in the assurance site sampling within the last three years**.

#### **Case c: All other cases**

In all other situations the validation process requires that a full desktop review be carried out followed by a third party audit. This includes MAC and ICMM members where the criteria for limited scope of validation have not been met (ie, TSM verification lower than Level A and ICMM member where the mining facility has not been included in the assurance site sampling).

The table below summarises the validation process:

Validation Process	Existing assurance schemes		
	Case a RJC COP certified	Case b TSM (level A) ICMM (assured site)	Case c Other
Step 1: Enhanced KYC	Required	Required	Required
Step 2: Desktop review - using RJC Self-Assessment	Not required	Limited review required	Required
Step 3: Additional Research on compliance	Not required	Required	Not required
Step 4: Verification – in person or third party as applicable	Not required*	Mine site visit required	Third party audit required

\*Unless the mining facility sources material from other mining operations.

At each step of the validation process, the CoC entity will have an increased understanding of the likelihood of confirmation of the CoC eligibility of material from the mining facility. On this basis, the CoC entity will decide to proceed to subsequent stages or not.

**If the mining facility** being considered as a source of eligible CoC material itself **collects ore or concentrate from other mining operations** for treatment at its processing plant, the validation process can still be applied as follows:

1. If the mining facility sources ASM material in accordance with CoC provision 6.1b (from ASM producers operating on the company's mining concessions) or 6.1c (from producers under a recognised responsible mining standard like Fairmined), this material can be included in the eligible CoC material. The CoC entity will need evidence of this from the mining facility.
2. If the mining facility sources material from other mining sources (large scale mines or ASM not meeting 6.1b or 6.1c) this material will not be eligible CoC unless the external mine sources are Code of Practice certified. In this case, the mining facility must demonstrate that its own material is segregated from the external sources in accordance with the CoC provision on internal material controls (CoC 4.1).

At each step of the validation approach, the CoC entity should ensure that those carrying out the assessments have the appropriate expertise, this includes an understanding of mining operations, of relevant certifications and assurance schemes as well as the relevant national legal framework.

### Step 1: Enhanced KYC

Enhanced KYC is carried out in order to inform the scope of the validation process in subsequent steps

The first step of the validation process requires the CoC entity to confirm whether the mining facility meets the requirements of CoC provision 6.3. This is done based on information gathered through due diligence and KYC (provisions 1 and 2).

- If the mining facility does not meet the requirements of 6.3, it cannot be a source of eligible CoC material and the validation process cannot be used.
- If the mining facility is confirmed to comply with the requirements of 6.3, the CoC entity can proceed with enhanced KYC in order to gather the information necessary for subsequent steps in the validation process.

Required information for enhanced KYC is listed below.

KYC information:

- Company details, whether and where it is publicly listed
- Business activity
- Beneficial owners
- Management structure
- Financial information

Due diligence information (drawing on [\(LBMA\) Responsible Gold Guidance Questionnaire for Mined Gold](#)):

- Regulatory environment
- Human resources (number of employees)
- Origin of physical precious metals, capacity and mining practices (including transportation and/or processing of concentrates from other mine sources at on-site processing plant)
- Processing plant
- Materials (type and form of precious metal sent for refining)
- Transportation of ore (mine to processing plant to export to refiner)
- Responsible precious metal supply chain policy
- AML and Financing of Terrorism
- Bribery policy

Information on assurance schemes and principles applied by the mining facility:

- Mining standards: Code of Practice certification, ICMM (inclusion of mining facility in assurance), TSM (self-assessment grade)
- Standards recognized within the Code of Practice: SA 8000, ISO14001, OSHAS18001
- Specific Code of Practice requirements: EITI, Global Reporting Initiative, International Cyanide Management Code
- World Gold Council Conflict-Free Gold Standard
- International Finance Corporation (IFC) projects and application of IFC Environmental and Social Performance Standards
- Principles and guidelines: UN Guiding Principles on Business and Human Rights, UN Voluntary Principles on Security and Human Rights, OECD Due Diligence Guidelines for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, UNEP Awareness and Preparedness for Emergencies and the Local Level (APELL)
- Additional information:
  - Use of contractors, including: business name, number of contractors, type of activities carried out.

A questionnaire for the enhanced KYC process is included in the annex. *[to be developed]*

At the conclusion of step 1, the CoC entity can:

**Case a.** Proceed with making a CoC eligibility decision on the material from the mining facility with no further validation steps if the mining facility: (1) does not collect and process material from other mining operations, or (2) does collect and process material only from COP certified mining facilities or ASM operations meeting 6.1b or 6.1c and can provide the evidence to confirm this.

If the mining facility collects and processes material from any other mining sources, then step 4 (in-person verification) is required to ensure that the eligible CoC material is segregated from the non-eligible material and that the CoC provision on internal material controls is being applied (CoC 4.1)

**Case b.** Proceed with step 2 of the validation process for mining facilities subject to existing mining assurance programmes.

**Case c.** Proceed with step 2 of the validation process in all other cases.



## Step 2: Desktop review - using RJC Self-Assessment

The second step is to carry out a desktop review of the systems and practices of the mining facility against the Code of Practice requirements using the RJC Self-Assessment workbook. The desktop review will provide the information to determine the level of compliance with the Code of Practice requirements.

In the first instance, a determination of the scope of desktop review is required. To do so, the information from the enhanced KYC step will be used, particularly the information on the application of mining standards at the mining facility. The following will apply:

- Case a. No desktop review** when the mining facility is Code of Practice certified
- Case b. Limited desktop review** when the mining facility is TSM level A or higher or an ICMM member where the mine has been included in the ICMM assurance scope within the last three years. In this case, the Code of Practice provisions which are met through TSM and ICMM are exempted from the RJC Self-Assessment workbook.
- Case c. Full desktop review** in all other cases.

The desktop review also takes into account certifications already recognised by RJC through the Assessment Manual as well as other frameworks and standards which are integral to the Code of Practice.

Table XX Applicability of existing assurance programmes, certifications and frameworks

Mining assurance programmes	<ul style="list-style-type: none"><li>• Membership of MAC with TSM verification Level A or higher for each relevant indicator.</li><li>• Membership of ICMM and where the mining facility has been included in the assurance site sampling within the last three years.</li></ul>
Certifications already recognised by the RJC in the Assessment Manual	<ul style="list-style-type: none"><li>• ISO14001</li><li>• OSHAS18001</li><li>• SA 8000</li></ul>
Other frameworks and standards referenced in the Code of Practice provisions	<ul style="list-style-type: none"><li>• Global Reporting Initiative (GRI)</li><li>• International Cyanide Management Code</li><li>• Extractives Industry Transparency Initiative (EITI)</li><li>• World Gold Council Conflict Free Gold Standard (CFGS)</li><li>• UN Guiding Principles on Business and Human Rights (UN Guiding Principles)</li><li>• UN Voluntary Principles on Security and Human Rights (UN VP)</li><li>• OECD Due Diligence Guidelines for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas</li></ul>

The CoC certified entity should work closely with the mining facility to obtain the information for desktop review. The mining facility will need to provide:

- The completed RJC Self-Assessment workbook with responses to all applicable questions. For limited desktop reviews, the table below outlines which Code of Practice provisions are exempted.
- Supporting evidence to demonstrate conformance with Code of Practice provisions which, are exempted through other mechanisms, eg, copies of ISO certificates, GRI report.

- Additional evidence of conformance with Code of Practice provisions can be provided on a voluntary basis for review in subsequent steps of the validation process, eg, evidence of application of IFC Performance Standards.

**Table X. Limited Desktop Review - TSM or ICMM members**

\*Note that provisions have been exempted only when the TSM/ICMM requirement is fully equivalent or exceeds the Code of Practice provision. <sup>4</sup>

RJC Provision	Sub-provision	ICMM	MAC TSM	Other mechanisms to demonstrate compliance
<b>RJC general requirements (provisions 1-4)</b>				
<b>1. Legal Compliance</b>	1.1	Exemption	Exemption	
<b>2. Policy and Implementation</b>	2.1	Exemption	Exemption	
	2.2	Exemption	Include	
<b>3. Reporting</b>	3.1	Exemption	Exemption	
	3.2	Exemption	Include	GRI report
<b>4. Financial Accounts</b>	4.1	Include	Include	Requirements for publicly listed company
	4.2	Include	Include	
<b>RJC Responsible Supply Chains and Human Rights (Provisions 5-12)</b>				
<b>5 Business Partners</b>	5.1	Exemption	Include	
	5.2	Exemption	Include	
<b>6. Human Rights</b>	6.1	Include	Include	UN Guiding Principles
	6.2	Include	Include	WGC CFGS OECD guidance
<b>7. Sourcing from Artisanal and Small-Scale Mining</b>	7.1	Include	Include	WGC CFGS
<b>8. Community Development</b>	8.1	Exemption	Exemption	
<b>9. Bribery and Facilitation Payment</b>	9.1	Include	Include	GRI
	9.2	Include	Include	GRI
	9.3	Include	Include	GRI
<b>10. Money Laundering and Finance of Terrorism</b>	10.1	Include	Include	National legislation
	10.2	Include	Include	National legislation
<b>11. Security</b>	11.1	Exemption	Include	UN VP
	11.2	Include	Include	UN VP
	11.3	Exemption	Include	UNVP
	11.4	N/A	N/A	
<b>12. Provenance Claims</b>	12.1	N/A	N/A	
<b>RJC Labour Rights and Working Conditions (Provisions 13-20)</b>				
<b>13. General Employment Terms</b>	13.1-13.3	Include	Include	National legislation and GRI report

<sup>4</sup> Many Code of Practice provisions that have not been exempted have a high level of alignment with ICMM and TSM and should be straightforward for the mining facility to demonstrate compliance.

RJC Provision	Sub-provision	ICMM	MAC TSM	Other mechanisms to demonstrate compliance
14 Working Hours	14.1-14.4	Include	Include	National legislation and GRI report
15. Remuneration	15.1	Exemption	Include	National legislation and GRI report
	15.2-15.6	Include	Include	National legislation and GRI report
16. Discipline and Grievance Procedures	16.1-16.3	Include	Include	National legislation and GRI report
17. Child Labour	17.1-17.3	Include	Include	National legislation and GRI report
18. Forced Labour	18.1-18.3	Include	Include	National legislation and GRI report
19. Freedom of Association and Collective Bargaining	19.1	Include	Include	National legislation and GRI report
	19.2	Include	Include	National legislation and GRI report
	19.3	Include	Include	National legislation and GRI report
20. Non-Discrimination	20.1	Exemption	Include	National legislation and GRI report
<b>RJC Health, Safety and Environment (Provisions 21-25)</b>				
21. Health & Safety	21.1	Exemption	Exemption	OSHAS 18001
	21.2	Include	Exemption	
	21.3	Include	Exemption	
	21.4	Exemption	Exemption	
	21.5	Include	Exemption	
	21.6	Include	Exemption	
	21.7	Exemption	Exemption	
	21.8	Exemption	Exemption	
	21.9	Exemption	Exemption	
	21.10	N/A	N/A	
22. Environmental Management	22.1	Exemption	Include	ISO 14001
	22.2	Exemption	Include	
	22.3	Include	Include	
23. Hazardous Substances	23.1	Include	Include	ISO, National legislation
	23.2	Include	Include	
	23.3	Include	Include	ISO
24 Wastes and Emissions	24.1	Exemption	Exemption	ISO
	24.2	Exemption	Exemption	ISO
25. Use of Natural Resources	25.1	Exemption	Exemption	ISO
	25.2	Include	Include	ISO
<b>Diamond, Gold and Platinum Group Metal Products (Provisions 26-28) N/A</b>				
26 Product Disclosure		N/A	N/A	
27 Kimberley Process certification and World Diamond Council System of Warranties		N/A	N/A	

RJC Provision	Sub-provision	ICMM	MAC TSM	Other mechanisms to demonstrate compliance
27 Grading and Appraisal		N/A	N/A	
<b>Responsible mining (provisions 29-40)</b>				
29. Extractive Industries Transparency Initiative	29.1	Exemption	Exemption	EITI
30. Community Engagement	30.1	Exemption	Exemption	
	30.2	Include	Exemption	
31. Indigenous Peoples and Free Prior Informed Consent	31.1	Exemption	Exemption	
	31.2	Exemption	Exemption if Level AAA	
	31.3	Exemption	Exemption if Level AAA	IFC Performance Standard 7
32. Impact Assessment	32.1	Exemption	Exemption	
	32.2	Exemption	Exemption	
	32.3	Exemption	Exemption	
33. Artisanal and Small-Scale Mining	33.1	Include	Include	GRI report
34. Resettlement	34.1	Exemption	Include	GRI report
35. Emergency Response	35.1	Exemption	Exemption	
36. Biodiversity	36.1	Exemption	Exemption	
	36.2	Exemption	Exemption	
	36.3	Exemption	Exemption	
	36.4	Exemption	Exemption	
	36.5	Exemption	Exemption	
37. Tailings and Waste Rock	37.1	Exemption	Exemption	
	37.2	Exemption	Exemption	
	37.3	Include	Exemption	
	37.4	Include	Exemption	
38. Cyanide	38.1	Include	Include	Int'l Cyanide Mgmt Code
39. Mercury	39.1	Exemption	Include	ISO
	39.2	Exemption	Include	ISO
40. Mine Rehabilitation and Closure	40.1	Exemption	Exemption	
	40.2	Exemption	Exemption	
	40.3	Exemption	Exemption	
	40.4	Exemption	Exemption	

At the conclusion of step 2, the CoC entity will have the necessary information to proceed with verification of the mining facility's compliance with the Code of Practices.

**Case b.** Mining facilities that are MAC/TSM or ICMM member and that meet the requirements for limited validation can be verified through in-person verification by the CoC entity in step 4. In this case, the CoC entity shall **first proceed with step 3** in order to gather more information in preparation for the in-person verification.

**Case c.** In all other cases, a full third-party assessment by an RJC accredited auditor is required. In these cases, the CoC entity shall **proceed directly with step 4**.

### Step 3: Additional Research - On Existing Certifications and Legal Compliance

CoC entities preparing for in-person verification of mining facilities that have met requirements for limited validation (case b) shall carry out additional research to inform the scope of the verification. The additional research involves reviewing the information in the completed Self-Assessment and supporting documents to identify focus areas for the in-person verification.

Focus areas are identified through provisions where a non-conformance is flagged in the Self-Assessment. They are also identified through findings from the existing mining assurance programmes and the other certifications and frameworks listed in step 2. Additional research is therefore required on related reports as outlined below. In each case, non-conformances and/or mitigation measures will be noted for inclusion as a focus area in the verification step.

1. Review the relevant TSM progress reports and annual GRI reports published as part of the ICMM commitment to identify any findings and/or mitigation measures related to conformance to the COP provisions<sup>5</sup>.
2. If there is ISO 14001 and/or OSHAS 18001 certification, review the reports to ensure they address all the Code of Practice provisions. Any provisions not covered should be included in the scope of verification. This includes:
  - a. OSHAS 18001: Code of Practice provisions 21.2, 21.6, 21.7
  - b. ISO 14001: Code of Practice provisions 23.1, 23.3, 24.2, 24.2, 25.1, 25.2, 39.1, 39.2.
3. Review reports and documentation to identify any issues that were reported as part of other standards and frameworks including the International Cyanide Management Code, WGC CFGS, EITI, UN VP, and UN GC.
4. Researching legal requirements in the country of operation as well as the country of corporate headquarters for compliance with relevant provisions (Code of Practice provisions 4, 10, and 23).

#### Labour rights and working conditions

The Code of Practice provisions on labour rights and working conditions are not covered in detail under TSM or ICMM and require additional attention in this step of the validation process. The large-scale mining facilities which are the focus of this provision are capital intensive, formal activities. This means they have lower labour and working conditions risks compared with other jewellery supply chain companies. The assessment of conformance with the relevant Code of Practice provisions will therefore rely on a review of national legislation and research of reports or allegations related to the mining facility's legal compliance. The additional research will serve to identify whether these provisions need to be included in step 4 or not. This includes:

1. A review of legal requirements related to the labour and working conditions in the country of operation focussing on comparability with Code of Practice provisions 13-20.
2. A search for any reports or credible allegations of non-compliance with legal requirements. Such research may include information on:
  - a. Any current judicial cases brought against the mining facility(s);
  - b. Recent strikes or union action brought against the mining facility(s);

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<sup>5</sup> A provision which has been excluded from step 2 may need to be included in the verification as a result of this additional research. For example, in step 2 resettlement is exempted from the Self-Assessment for ICMM members. In step 3 a review of the GRI report may indicate mitigation measures related to resettlement issues and this would therefore need to be included in step 4 verification.

- c. Any other publicly available reports on violations of host country legal requirements regarding labour rights and working conditions by the mining facility(s).
3. A review of the GRI report for coverage of related corporate policies and reporting on issues from the mining facility.

Where the CoC entity identifies any reports or credible allegations of non-compliance with legal requirements for labour rights and working conditions, Code of Practice provisions 13-20 shall be identified as focus areas and included as part of the scope of step 4.

At the conclusion of step 3, the CoC entity will have identified the focus areas to include as part of the in-person verification and will be able to proceed with step 4.

#### **Step 4: Verification – In Person or Third Party as Applicable**

The purpose of this step is to ensure that the level of third party assurance that has been applied to the mining facility that is the source of eligible CoC material is equivalent to that required for Code of Practice certification.

- Case a.** For Code of Practice certified mines, verification is only required if the mining facility collects and processes material from other large-scale mining facilities that are not COP certified and/or ASM operations that do meet 6.1b or 6.1c. In these cases, in-person verification is required to ensure that the eligible CoC material is segregated from the non-eligible material and that the CoC provision on internal material controls is being applied (CoC 4.1).
- Case b.** For MAC/TSM or ICMC mining facilities that meet the requirements for limited validation, the CoC entity shall conduct an in-person visit. In these cases, no third-party validation is required as RJC recognises that independent assurance has been already carried out for the most significant parts of the Code of Practice provisions.
- Case c.** For all other mining facilities, a third-party audit shall be commissioned by the CoC entity.

#### **In-person verification**

A visit to the mining facility is required to assess the conformance of the relevant Code of Practice provisions identified from step 3 as focus areas. The CoC entity may conduct the mine site visit directly or choose to hire a third-party to do so. The in-person verification must be done by someone with the required expertise, this includes an understanding of mining operations, of relevant certifications and assurance schemes as well as the relevant national legal framework. The Self-Assessment workbook completed in step 2 will be used for the mine site visit on its own, or in conjunction with the CoC entity's own tools.

Unless otherwise identified as a focus area through the research in step 3, the following can be excluded from the in-person verification:

- Code of Practice provisions covered by RJC recognised certifications or frameworks and standards referenced in the Code of Practice. Specifically, this includes ISO14001, OSHAS18000, the International Cyanide Management Code, WGC CFGS, EITI, UN VP and the UN GC.
- Code of Practice provisions 13-20 on labour and working conditions.

### Third-party audit

When a third-party audit is commissioned by the CoC entity, this should be conducted in accordance with the RJC Assessment Manual and carried out by an RJC accredited audit provider with the applicable accreditation scope. All Code of Practice provisions must be included in the audit<sup>6</sup>.

It is important to note that the mining facility(s) are not required to become RJC members themselves which allows for a degree of flexibility in the third-party verification.

At the conclusion of step 4 the CoC entity can proceed with making a CoC eligibility decision:

**Case a.** For COP certified mining facilities that collect material from other large-scale mines or ASM not meeting 6.1b or 6.1c, the decision is based on conformance with CoC provision 4.1 on internal material controls (otherwise the eligibility decision is made following step 1 for COP certified mining facilities)

**Case b.** For mining facilities that are MAC/TSM or ICMM members and meet the requirements for limited validation, the decision is based on conformance with the focus areas included in the in-person verification.

**Case c.** In all other cases, the decision is based on conformance findings from the third-party assessment.

#### **RJC certification and mining companies**

CoC entities should promote RJC certification with mining companies that are sources of eligible CoC material. The results of the third-party assessment may be used by the mining facility for subsequent RJC certification if:

- The certification assessment takes place no later than 12 months following the third-party verification.
- There are no major non-conformances identified in the third-party verification.

### CoC Eligibility Decision

The CoC entity shall make an eligibility decision on the material from the mining facility in order to start issuing eligibility declarations. This decision is based on confirmation that the material from the mining facility:

- Meets the requirements of provision 6.3 (confirmed as not in a conflict affected areas, or not directly or indirectly benefitting illegal armed groups)
- Comes from third party assured responsible mining, as outlined in the Code of Practices (COP) and as confirmed through the validation process

The assessment of conformance with the Code of Practice is based on the thresholds defined in the Assessment Manual for Code of Practice certification. The approach to non-conformances is outlined below.

Non-conformance level	Acceptance as source of eligible CoC material?
Minor	Yes
Major	Not until: <ul style="list-style-type: none"> <li>• The major non-conformance(s) have been addressed;</li> <li>• Conformance has been independently verified.</li> </ul>
Existing findings or risks for future findings highlighted in existing certification reports which are not major non-conformances.	Yes, as long as the CoC entity regularly monitors the area where the findings have been reported.

<sup>6</sup> As outlined in the Assessment Manual, the only exceptions are those provisions identified under the table of Recognition of Existing Certification.

### Timing and Frequency of the Validation Process

The validation process must be completed before the CoC begins issuing eligibility declarations. It must also take place before the entity's CoC certification assessment and information gathered during the process, such as desktop reviews and in-person verifications, shall not date back more than 18 months at the time of the CoC certification assessment.

The validation process is meant to be an on-going one and CoC entities are expected to maintain up to date information on sources of CoC eligible material. In particular, any findings or risks identified through the validation process should be regularly reviewed.

The following frequency is required:

<b>Validation Process</b>	<b>Frequency</b>
Full validation approach	At the beginning of each business relationship for sourcing eligible CoC material.
Step 1: Enhanced KYC	Regular updates, frequency to be determined by CoC entity.
Step 2: Desktop review - using RJC Self-Assessment	At a minimum, every three (3) years.
Step 3: Additional Research on compliance	Continuous monitoring for legal compliance; In accordance with certification periods for existing certification reports.
Step 4: Verification – in person or third party as applicable	At a minimum, every three (3) years.



## 7. Eligible Recycled Materials

### Applicability

This provision is applicable to entities who are issuing eligible material declarations for recycled materials. The start of the RJC CoC for eligible recycled materials is with the entity that fully refines the material to a commercial market quality, that is fine gold, for re-entry into the jewellery and watch value chain.

### Definitions

**Recyclable Gold** – Gold that has been previously refined, such as end-user, post-consumer, investment gold, gold-bearing products, scrap and waste metals and materials arising during refining and product manufacturing, which is returned to a refiner or other downstream intermediate processor to begin a new life cycle as 'recycled gold'. The origin of recyclable gold is considered to be the point in the gold supply chain where the gold is returned to the refiner or other downstream intermediate processor or recycler. Sub-categories of recyclable gold are:

- **Unprocessed recyclable gold** – recyclable gold still in its original form and/or fabrication scrap, before it has been returned for processing and refining (e.g. bullion bars, pieces of jewellery, ornaments, coins, machine turnings, etc.)
- **Melted recyclable gold** – recyclable gold which has been melted as the first recycling process and cast into rudimentary bars or some other form with undefined dimensions and variable fineness

**Eligible Recycled Material:** Material sourced by a CoC certified entity from recyclable materials screened according to the CoC Standard's requirements to avoid illegitimate sources.

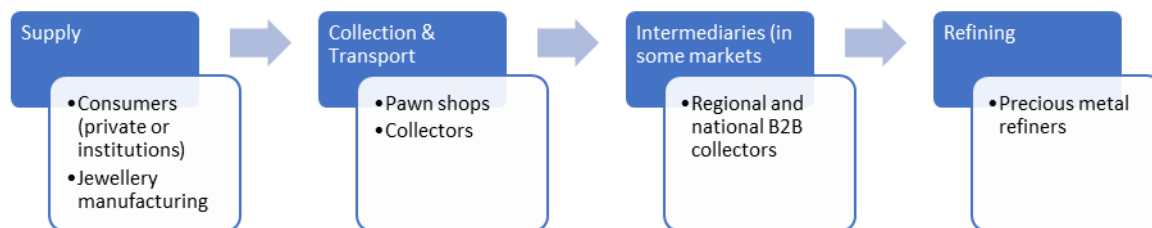
### Background

Metals recycling is an established industry that provides essential secondary raw material for jewellery and watch industry, thereby resulting in a reduction in the use of energy and virgin materials. This approach is supported by the RJC as a responsible practice. Recycled gold accounts for approximately 1/3 of the total global supply of gold, of which 90% comes from recycled high value gold such as jewellery, investment products and ornaments, and the other 10% from recycled industrial gold, from industrial fabrication and waste electronic equipment (Source: [World Gold Council](#)).

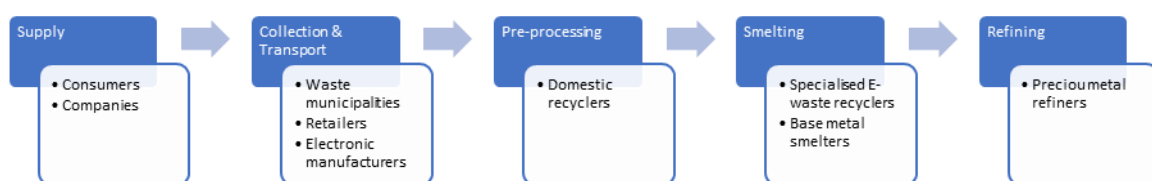
The contribution of recycled industrial gold to the global supply will continue to grow, with the increasing use of electronic equipment, coupled with shorter product life cycles and improvements to reclaiming technology, the amount of e-waste produced each day is equally growing.

The gold recycling industry can be separated into two distinct value chains:

### High value gold recycling:



### Industrial gold recycling:



Source: [BCG analysis for World Gold Council](#)

Reclaiming gold and PGM from end of life electronics and industrial component is more complicated than reclaiming it from traditional high value sources of recyclable gold such as jewellery, due to the additional process steps required to recover the gold and PGM content from multi component products. It's therefore a longer and more complex chain.

Recycled material is not itself a concern for contributing to conflict or human rights abuses, however it is a potential means for laundering gold:

- that has been mined in a conflict-affected or high-risk areas to hide its true origin
- for tax avoidance purposes

The characteristics of gold make it both attractive for, and vulnerable to exploitation by criminal organisations that need to legitimise assets. Gold has intrinsic value, is easily smuggled and exchangeable worldwide and can be traded anonymously if sufficient controls are not in place. Materials from illegitimate sources is known to enter formal channels, for example through smuggling and criminal activity.

Melted recyclable gold is more likely to be a vehicle for laundering mined gold from conflict-affected and high-risk areas compared with unprocessed recyclable gold (gold in its original post-consumer state). There have been cases where gold mined from high-risk areas at a high concentration (90% pure from alluvial mining) has been fabricated into jewellery products by informal and small-scale refineries to hide its origin, as it has similar physical characteristics to finished fine jewellery products. Comparatively industrial gold, such as electronics, is an unlikely vehicle for laundering mined gold due to the more complex processes required to producing the products and recovering the gold content (Source: [OECD](#)).

In addition to gold laundering, the gold sector is also affected by money laundering. As a high value and low volume commodity, illicit trade can be lucrative. It has been known that criminal gangs such

as drug cartels have laundered profits from the trade of narcotics by purchasing scrap and fine gold to sell to the local refineries.

The risk of stolen jewellery being incorporated into the supply chain as recyclable material is high. In the absence of any controls, cash for gold businesses provide criminals with the opportunity to convert stolen gold into cash, thus enabling illegitimate sources to enter the supply chain (source: [FAFT](#))

The RJC CoC Standard therefore requires that entities seeking CoC certification must have systems in place to prevent recyclable materials from illegitimate sources from being accepted into the CoC.

### **Implementation**

The start of the RJC CoC for eligible recycled materials is the entity that fully refines the gold or PGM to a commercial market quality (eg, fine gold) for re-entry into the jewellery and watch value chain. Recyclable materials, are no longer connected to the conditions of their original production. Therefore, in accordance with the OECD guidance, its origin is defined as the point at which it becomes recyclable (ie when the gold or PGM is collected for return into the gold or PGM industry to reclaim its metal value). Recognising that other industries outside of the jewellery and watch industry are involved in the upstream materials processing, recovery and recycling process (eg the role of the electronics industry in recycling of e-waste), RJC defines the start of its CoC for eligible recycled materials as the entity that fully refines the material to a commercial market quality – eg, fine gold (995 or higher), for re-entry into the jewellery and watch value chain. This is usually refiners.

- 7.1 An entity shall have systems in place to ensure that recycled material for which the entity issues an eligible material declaration is sourced only from one or more of the following:
- a. High value gold or PGM- scrap, waste precious metals from the jewellery and manufacturing process or post-consumer precious metal products such as jewellery, bars and coins
  - b. Industrial gold or PGM- waste electrical and electronic equipment (WEEE), industrial components such as spent automotive catalysts, spent industrial catalysts, fuel cells.

Recyclable gold is gold that has been previously refined, such as end-user, post-consumer and investment gold and gold-bearing products, scrap and waste materials arising during refining and product manufacturing, which is returned to a refiner or another downstream intermediate processed to begin a new life cycle as ‘recycled gold’ (Source: [OECD](#)). It also includes fully-refined gold that has been fabricated into grain, good delivery bars, medallions and coins that have previously been sold by a refinery to a manufacturer, or consumer market, and that may thereafter need to be returned to a refinery to reclaim their financial value.

Recyclable materials come from two distinct recycling value chains: high value gold and PGM recycling and industrial gold and PGM recycling. High value source materials for recycling contains a high content of gold or PGM alloyed with one or more metals, therefore the process for separating and recycling the material is comparatively straight forward compared with the industrial source materials which are considerably more complex. For example, waste electronic equipment has a number of different materials which are recovered during the recycling process). As a result, the

value chain for industrial sources is usually longer, stemming from the additional process steps required to extract the materials (disassembling, pre-processing and smelting).

Examples of recyclable materials include, but not limited to:

High value recyclable gold and PGM:

- Jewellery
- Coins
- Household ornaments
- Dental materials
- Refining and manufacturing waste, such as machine cuttings, floor and workbench sweepings, gold furnace flue dust / bricks / crucibles, gold furnace worker gloves/aprons/dust masks, polishing compounds and rags
- Assay laboratory cupels

Industrial recyclable gold and PGM:

- Electronic circuit boards / chips / connectors from phones, tablets and other electrical equipment
- Secondary copper electrolytic cell slimes / process filters
- Spent catalysts

7.2 The entity shall provide documented criteria for acceptable sources and types of recycled precious metals to counterparties, including:

- a. Companies seeking approval to become commercial suppliers to the entity;
- b. Private individuals and estates who wish to sell private materials to the entity;  
and
- c. CoC certified customers purchasing CoC material from the entity.

Entities must have documented criteria for the sources and types of recyclable materials that it is willing to accept for incorporating into the RJC CoC. To support compliance and promote transparency, the criteria must be made available to all counterparties involved in the trade of material for the CoC, either via their website or via internal documentation exchanged during commercial negotiations.

7.3 For recyclable materials sourced from commercial suppliers:

- a. The entity shall have documented procedures and records for approval of new commercial suppliers which shall include:
  - i. Conducting KYC as described in provision 2 establishing the beneficial ownership and principals for all suppliers, not just high-risk suppliers;
  - ii. Verifying the applicant is engaged in the described business;
  - iii. Reasonable determination of the origin of the recyclable material;
  - iv. Denying the applicant if information acquired through the approval process provides reasonable evidence to suspect the legitimacy of the supplier and/or its sources

The term commercial supplier refers to person, organisation or entity that regularly furnishes goods and supplies to the entity. Depending on the local market structure and the recycling value chain the entity is sourcing from, a commercial supplier could be a pawn shop, and intermediary collector, or an e-waste processor.

To map the supply chain and assess the risks effectively, entities should perform the following risk based approach before entering into a business relationship with any commercial supplier of material for the chain of custody.

Entities are required to, as a basis, conduct KYC in accordance with provision 2.

For suppliers of recyclable materials destined to be declared as eligible materials and sold through the RJC CoC, the entity shall establish the beneficial ownership and principals of all suppliers, not just when triggered by a risk assessment or relevant law. In addition, the entity should verify that the supplier is engaged in the described business. This could include on-site inspections of higher risk supplier in order to satisfy any concerns.

Entities are encouraged to use existing publicly available tools such as LBMA's [KYC questionnaire](#) for recycled gold to support the implementation of this provision.

Prospective commercial suppliers of materials for the CoC who, upon investigation, cannot be clear of suspicion on their legitimacy as a supplier or their sources, should be denied. Any suspicious activity identified should be reported to the relevant authorities in accordance with applicable local law.

Entities who are implementing the CoC standard for the first time should apply the requirements specified in this provision to existing suppliers who will be providing materials for the CoC.

7.3 For recyclable materials sourced from commercial suppliers:

- b. The entity shall have documented procedures and records for monitoring commercial suppliers. In addition to due diligence and KYC as described in provisions 1 and 2, this shall include:
  - i. Maintaining an understanding of the origin of the recyclable material;
  - ii. Review the due diligence and KYC policy and procedures of the commercial supplier, if they are identified as representing a high-risk of introducing illegitimate sources into the supply chain. Site visits to verify the supplier's systems and records should be undertaken commensurate to the risk level;
  - iii. Excluding the supplier from the production of any CoC material if there is reasonable evidence to suspect the legitimacy of the supplier and/or its sources, such as unusual or suspicious transactions, activities or associations by a supplier and upon investigation those that cannot be cleared of suspicion. Suspicious transactions, activities or associations identified should be reported to the relevant authorities, in accordance with the local law.

Entities are required to, as a basis, conduct due diligence and KYC for all its commercial suppliers in accordance with provision 1 and 2, regardless of whether the material they supply is intended for the RJC CoC or not. For commercial suppliers, whose materials are destined for the RJC CoC, entities shall implement the following additional steps:

1) Maintain an understanding of the origin of the recyclable material

The origin of recyclable material is considered to be the point in the supply chain where the material is first returned to processor, recycler or refiner. Entities who are not the origin of the recyclable material should use reasonable and good faith efforts to determine the origin to ensure it is not from an illegitimate source, relying on evidence collected from the supplier as part of provision 7.3a as well as additional credible sources such as research reports from UN, government, NGOs and media reports etc. Entities should assess and verify the representation of its suppliers with steps proportional to risk. This may require making enquiries up the supply chain, beyond first tier suppliers, depending on the source of the material. For example, industrial sources of materials have longer supply chains, therefore will require more in-depth review.

2) Conduct enhanced due diligence

To gain greater assurance over the legitimacy of the material being supplied for the RJC CoC, entities shall require higher risk suppliers to supply their due diligence and KYC policy and procedures for review, and require a site visit to be undertaken to verify the supplier's system and records dependant on the risk profile of the supplier. It is recommended that the entity reviews their due diligence and KYC policy and procedures of high-risk suppliers annually, or more frequently if considered necessary. If the supplier's business changes significant, this should also trigger a review of the policy and procedures.

Entities should apply appropriate monitoring and scrutiny of transactions undertaken through the course of the commercial relationship with the supplier to ensure transactions are consistent with its knowledge of the supply chain, and to identify unusual or suspicious transactions. Upon the

identification of any reasonable information or evidence to suspect the legitimacy of the supplier and/or its sources, immediate action should be taken by the entity to exclude the suppliers in question from the production of eligible CoC material.

**7.4 For recyclable materials sourced directly from private individuals or estates:**

- a. The entity shall have documented procedures and records for obtaining proof of:
  - i. the identity of the seller
  - ii. the identification of the jewellery product or other product containing recyclable materials
- b. The entity shall make reasonable inquiry and efforts to determine the seller's ownership of the recyclable material to ensure it is not from an illegitimate source.

The term 'private individual' refers to individual persons acting only for themselves, and are not regularly commercially active in the trade of materials (ie the general public). The term 'estate' refers to assets owned by an individual or family, which can include gold products such as coins, jewellery or ornaments containing precious metals.

Purchasing stolen jewellery and financing of criminal activities is a risk when sourcing directly from private individuals or estates, therefore controls are required to mitigate against this. Entities sourcing recyclable materials in the form of jewellery or other products containing precious metals directly from individuals or estates such as ornaments or decorative coins, must ensure it maintains appropriate records of each purchase, including:

- Identity of seller (such as copy of ID)
- Identification of the material purchased, including photographic records of the items

Reasonable inquiry and efforts to determine the seller's ownership of the material to ensure it is not from an illegitimate source will be made, eg is the volume and form of the materials supplied reasonable and consistent with the profile of the seller, and the entity's knowledge of the supply chain and risks? Typically, recyclable materials supplied by these persons would be in the form of unprocessed recyclable precious metals.

Private individuals and estates are not regular or commercial sellers of recyclable material; therefore, the frequency of their supply should be infrequent. Entities should monitor transactions with private individuals or estates, and investigate any cases where there are large volumes of frequent sales of recyclable materials, to ensure materials are not from an illegitimate source.



## 11. Product Claims and Intellectual Property

### Applicability

This provision is applicable to entities who choose to make claims on CoC material in their jewellery products. Claims can be made by suppliers providing components, finished or unfinished pieces to their customers (jewellery manufacturers or retailers). Claims can also be made by retailers on finished jewellery products to the final consumer.

### Definitions

**Finished jewellery products:** Jewellery is an adornment made of precious metals and/or set with gemstones. Jewellery includes, but is not limited to, bracelets, rings, necklaces, earrings and watches. Jewellery finished products are in their final form and sold to consumers for use. They can be made of many components, watches for example are made up of multiple components.

**Components:** Components are physically integral parts with defined characteristics that can be separated from a larger jewellery product. Components can be assembled into both finished and semi-finished jewellery products.

**Jewellery product:** Semi-finished or finished jewellery, or components.

**CoC certification stamp:** markings applied to a product to indicate it is made of CoC material. This can be through words and/or symbols.

### Background

CoC certified entities may choose to make claims or representations to the customer or consumer about CoC material. Any such claims must conform to the requirements in this provision to ensure they are representative and accurate. The purpose of this provision is to ensure that claims about CoC material are consistent with the assurance provided by the RJC CoC Standard. Note: the CoC Standard **does not require** entities to make claims to customers or consumers about materials in jewellery products.

### Implementation

- 11.1 If the entity makes claims or representations about CoC material in a jewellery product, these shall be described in written form, made available at the point of sale, and not include information that is inconsistent with the CoC transfer document(s) supplying the CoC material.
- 11.2 Claims can be made on jewellery products that have some components made entirely of CoC material and others made of non CoC material. A description of the

#### **Box 20: CoC Claims**

*The circumstances for making claims to the consumer about CoC Material and its provenance and/or CoC may vary considerably. Following are suggestions for general messages that could be used about CoC Certification and the CoC Standard:*

- *Gold / Platinum Group Metals that are from RJC CoC Certified companies only come from responsible sources.*
- *Everyone in the supply chain for CoC Precious Metals has been independently audited for compliance with responsible practices and CoC.*
- *Responsible practices cover a wide range of issues, including business ethics, employment conditions, environmental performance, and human rights.*
- *CoC makes sure that the Gold / Platinum Group Metals only come from responsible sources and can't be mixed with other Gold / Platinum Group Metals.*
- *All of the documentation about the RJC CoC Standard is available to the public.*

#### **Box 21: Unacceptable Claims**

*The Entity must avoid confusing or misleading consumer claims about CoC material. Examples include:*

- *Describing all of a jewellery product as CoC material if only parts of it contain CoC material.*
- *Claims about country of origin or manufacture that are not supported by information supplied in the CoC Transfer Document/s.*
- *Using the RJC logo CoC Certification in a manner that could cause confusion about the Materials that the representations apply to. For example, if a jewellery product contains both CoC Material and non-CoC Material, the use of the logo may only apply to the CoC Material, and not to the product as a whole.*



CoC components within the product must be clearly communicated to the customer or consumer.

This provision is to ensure that the correct information on CoC material in jewellery products is clearly communicated to customers or consumers.

Suppliers providing individual components can only make CoC claims if the component is entirely made of CoC material.

Suppliers providing jewellery products that contain both CoC components and non-CoC components can make claims on the product provided a clear description as to which components are CoC is communicated. This needs to be consistent with transfer documents (10.2) and in accordance with this provision.

Similarly, CoC claims on finished jewellery products can be made to the final consumer by retailers when the product is made up of multiple components, not all of which are CoC. For example, in a watch, the back lid, clasp and bracelet may all be made of CoC material, but not the pins. In this case, a CoC claim can be made on the watch as long as this is clearly communicated at point of sale. In some cases, it may be clearer to communicate the proportion of CoC material in a finished jewellery product rather than list all the components. For example, the weight percentage of CoC material in a watch may be easier to describe than the multiple, complex components. Note that this approach may only be used for finished jewellery products sold to the consumer and the internal controls for determining the proportion of CoC material must be applied as outlined in 4.2.

11.3 The entity shall have systems in place to ensure all relevant employees, including sales associates, do not make verbal claims or representations to consumers about CoC material that are inconsistent with the claims or representations described in written form.

This provision is to ensure that verbal claims are correct, clear and consistent with written claims. Conformance should be supported through management systems to screen and approve the content of consumer representations, and through appropriate employee training.

As CoC material, including that contained within jewellery products, is made available for sale to consumers, sales associates should be specifically trained about appropriate and inappropriate verbal representations. A record of training materials used and individuals who have received the training should be maintained.

It should be emphasized that these controls apply to CoC material to the extent the claims are about relevant matters pertaining to its provenance and/or Chain-of-Custody, in accordance with the CoC Standard. Claims concerning quality or pricing for example would not be normally be relevant. However, if a representation uses CoC information to support a claim about other attributes, such as a country of manufacture to support a claim about quality or workmanship, then it is relevant and must be made in accordance with the CoC Standard.

11.4 If the entity uses the RJC logo, it shall ensure that it abides by the rules for use of the logo, trademarks and intellectual property. If the entity uses the RJC logo and/or CoC certification stamps in association with jewellery products containing CoC material, it shall ensure that their use clearly applies only to the CoC material.

Under 11.4, CoC certified businesses may use the RJC logo and/or CoC certification stamps for general promotional purposes, and on or in conjunction with CoC material, but must ensure that any such use is in accordance with RJC rules for use of the logo and not likely to cause confusion with non-CoC material. A certification stamp can consist of words or symbols and be used with or without the use of the RJC logo.

Businesses that purchase CoC material and who are not themselves CoC certified may not reproduce the RJC logo and/or CoC certification stamps, but may use them on or in conjunction with CoC material if the logo/CoC certification stamp was already applied to CoC material supplied by a CoC certified business. For example, the RJC logo could be included in the packaging or labelling of the CoC material in a jewellery product. However, use of the RJC logo in marketing or promotional materials is restricted to CoC certified entities.

When supply chain products like gold bars are branded with the RJC logo and/or CoC certification stamps, care must be taken to communicate to customers that the product cannot be sold onwards as CoC material unless the entity is CoC certified and issues the appropriate CoC transfer documentation. This is to avoid the potential risk of the product exiting the CoC chain and then re-entering it. For example, the sale of a branded gold bar to a non CoC certified customer like a bullion bank should not then be sold back to a CoC certified jewellery manufacturer and used as CoC material unless the bullion bank is CoC certified and provides the appropriate transfer documents.

### **Getting Started**

Entities that wish to make claims to consumers about CoC materials should:

- Access a copy of the current Rules for Use of Responsible Jewellery Council Logo, Trademarks and Intellectual Property (available from [info@responsiblejewellery.com](mailto:info@responsiblejewellery.com))
- Nominate a responsible person for the approval of any written descriptions of CoC material;
- Review proposed representations about CoC material to make sure they are supported by information contained in the CoC transfer documents supplying the CoC material;
- Develop training for relevant sales associates.