

*Responsible Gold Sourcing – Latest development for  
industry efforts for gold supply chain due diligence and  
chain-of-custody*

*3 September 2013  
International Jewellery London*

*Opening Remarks:*

*James Courage  
RJC Chairman and CEO of Platinum Guild International*

*Moderated by:*

*Catherine Sproule, Chief Operations Officer, Responsible Jewellery Council*

# **RJC Standards: supporting responsible sourcing in the jewellery supply chain**

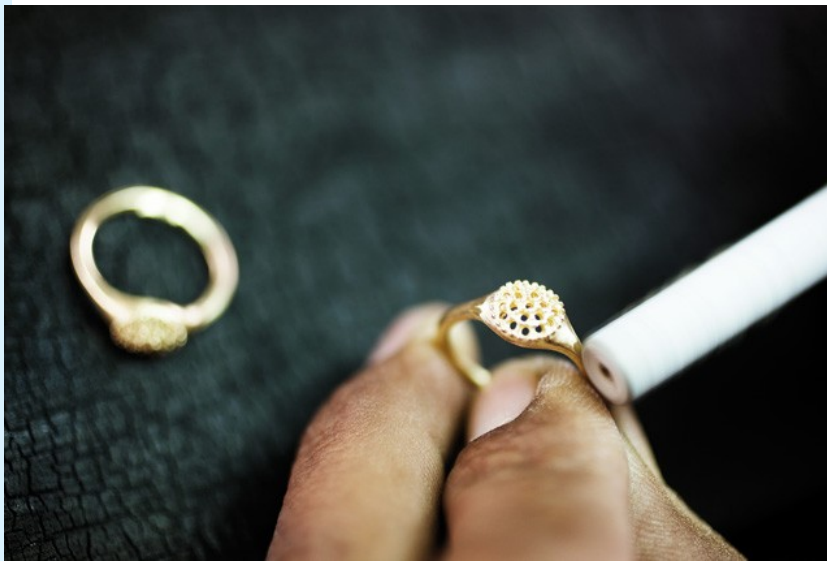
**International Jewellery London (IJL) – 3 September 2013**

**Marieke van der Mijn**

**Standards Coordinator, Responsible Jewellery Council**

# Why is responsible sourcing important?

- Better control over supply chains
- Identify and manage corporate risk
- Proactive CSR strategy, enhance business reputation
- New markets, consumer expectations
- Compliance eg Dodd Frank Act, consultation for possible EU initiative, OECD Due Diligence Guidance



# Jewellery supply chains - challenges

- Supply chains are complex and multi-tiered, as for many manufacturing sectors
- Varies from mass production to bespoke
- Many small family businesses in the sector
- Often hundreds of suppliers of products and product components
- Orders and volumes frequently changing with seasonal designs, fashion and consumer demand





# RJC framework for responsible sourcing

Birmingham  
Assay Office

- **Responsible business practices** in the jewellery supply chain
  - Human rights
  - Labour rights
  - Business ethics
  - Environment
  - Health and safety
  - Business partners
- .... ***More than conflict***
- RJC Members include: miners, refiners, traders, cutters and polishers, manufacturers, wholesalers, retailers.



# RJC Standards

## RJC Code of Practices (CoP)

- ✓ Responsible business practices
- ✓ Claim about the Member **company** – how it runs itself
- ✓ *Compulsory* for RJC Members
- ✓ Code in a review process for 2013



## Chain-of-Custody Standard (CoC)

- ✓ Responsible supply chain
- ✓ Claim about the **material** – where does it come from, how was it made
- ✓ Controls for conflict-sensitive sourcing AND for responsible business practices in the supply chain
- ✓ *Voluntary* for RJC Members





# RJC Chain-of-Custody Standard

- Opt-in: businesses define what materials / products / facilities are to be covered by the certification.
- *Management systems*: Code of Practices is foundation, plus risk-based due diligence and inventory control.
- *Material*: Supports chain-of-custody for individual or mixed metal sources, as moves through supply chain.
- CoC approach will take time to build: mining sector, refining, alloying, manufacturing, retail.
- RJC support for implementation:
  - Training on CoC standard and help desk for Members.
  - Website resources: webinars, fact sheets, Q&A
  - Harmonisation with relevant standards and initiatives (eg LBMA, EICC, WGC).
  - OECD collaboration – governance, outreach, projects



# Chain-of-Custody Certified Refiners / Alloyers

- **Refiner CoC Certification means:**
  - Implementation of OECD Due Diligence Guidance: conflict-sensitive due diligence for all gold sources
  - Can supply 'CoC Gold' with transfer document information: responsible sources
  - Listing on the EICC list, meet's LBMA Responsible Gold requirements
- **Now 6 RJC CoC Certified Entities:**
  - Allgemeine Gold-und Silberscheideanstalt AG
  - Metalor Technologies (Hong Kong) Ltd
  - Metalor Technologies SA
  - Metalor USA Refining Corporation,
  - Progold S.p.A
  - Umicore Precious Metals (Thailand) Ltd



# Building bridges with Artisanal and Small-Scale Mining (ASM)

Responsible sourcing – challenge and opportunity for ASM ...

RJC Standards encourage formalisation and professionalisation of ASM, and control of sourcing risks. CoC provides vehicle for sourcing relationships that benefit ASM.

*Solidaridad*



RJC collaborations:

- MOU's with the Alliance for Responsible Mining and Diamond Development Initiative.
- Collaboration with Swiss Better Gold Initiative and Solidaridad.
- Active in OECD program on ASM issues.



# Overview of RJC Collaboration

## **Artisanal mining – MOUs with standards organisations:**

- Alliance for Responsible Mining (ARM); Diamond Development Initiative (DDI)

## **Responsible gold sourcing – working in partnership in Peru**

- Solidaridad and Swiss Better Gold Initiative

## **Government – MOU in Italy:**

- Italian Ministry: promote uptake of RJC Certification in jewellery sector

## **Chain-of-Custody for precious metals:**

### ***Implementation of due diligence***

- OECD Due Diligence Guidance
- Section 1502 Conflict Minerals, Dodd Frank Act

### ***Standards recognition and harmonisation***

- Recognised Responsible Mining Standard – Fairtrade/Fairmined
- Cross-recognition of gold refinery audits – LBMA and EICC

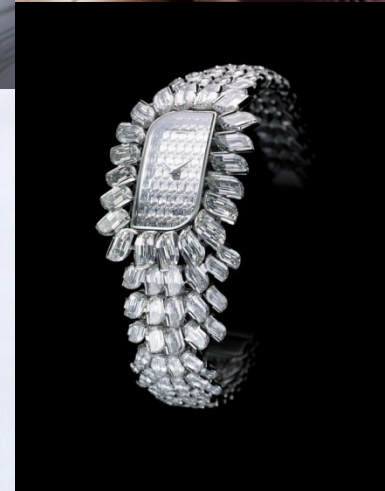


## Drivers for Recognition & Collaboration

### Why is recognition important:

- RJC formed by supply chain participants to reduce duplication and multiple initiatives
- RJC covers whole supply chain from mine to retail, acknowledgement of other actors in supply chain
- Due diligence driven by legislation (US Dodd-Frank Act) and other initiatives (OECD) – collaborative approach essential to harmonise with and support parallel initiatives
- Reduce unnecessary duplication of audits in the supply chain
- Inter-operability between standards extends their reach and collective uptake through complex supply chains
- RJC will continue to work with interested standards and initiatives on harmonisation efforts









# RESPONSIBLE GOLD

Overview, Update and Next Steps

Ruth Crowell

Deputy Chief Executive, LBMA

# SCOPE

## IJC – Industry Briefing

### 01 Responsible Gold

Development

Audit Implementation

### 02 Industry Harmonisation

Implementation Process

### 03 LBMA Next Steps

# LBMA RESPONSIBLE GOLD GUIDANCE

## Purpose & Structure



- ▶ To ensure London Market is free from metal that had financed conflict or been used for money laundering or terrorist financing.
- ▶ Global, long term focus.
- ▶ OECD + KYC, AML + mandatory audits = **LBMA Responsible Gold**
- ▶ **All feedstock** (mined production, scrap, investment bars) subject to due diligence and audit.
- ▶ Risk-based: Higher risk = more due diligence is needed (and vice versa)
- ▶ **All production** (large bars, kilo bars, scrap etc.) therefore conflict-free.
- ▶ Focuses on conflict-free process, **not** conflict-free product.



# OECD GUIDANCE

Internationally recognised global framework

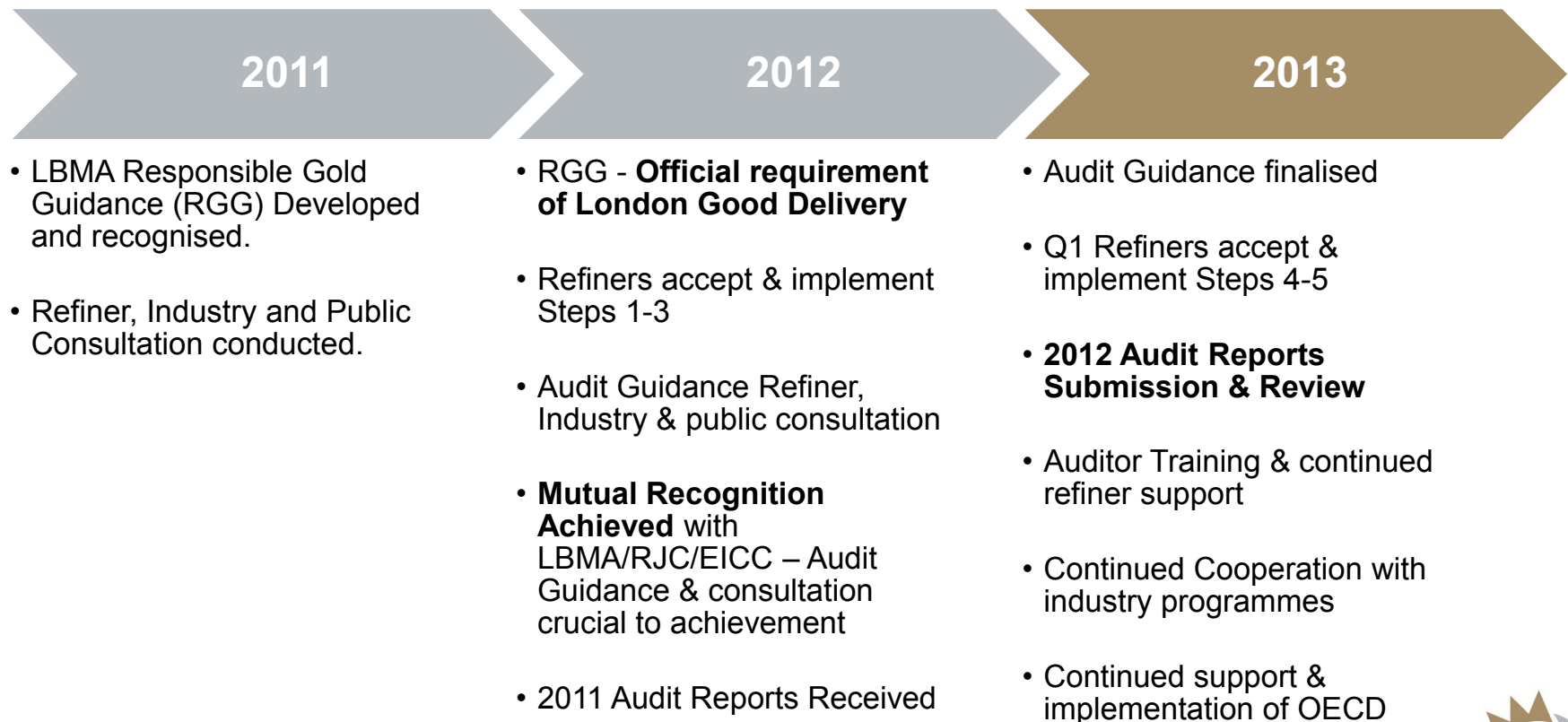


- ▶ Recognised by the **SEC Rules**.
- ▶ **Encourages** responsible engagement in worldwide conflict areas, including DRC.
- ▶ Provides internationally recognised framework for all actors to engage in conflict areas responsibly on a **global** level.
- ▶ The LBMA is currently Co-facilitator for the OECD Interim Governance Group.



# RESPONSIBLE GOLD GUIDANCE

## LBMA & GD Refiner Implementation





# RESPONSIBLE GOLD GUIDANCE

## Audit Implementation



### Third Party Audit Guidance

- ▶ The Third Party Audit Guidance provides transparency and consistency for the Responsible Gold programme.

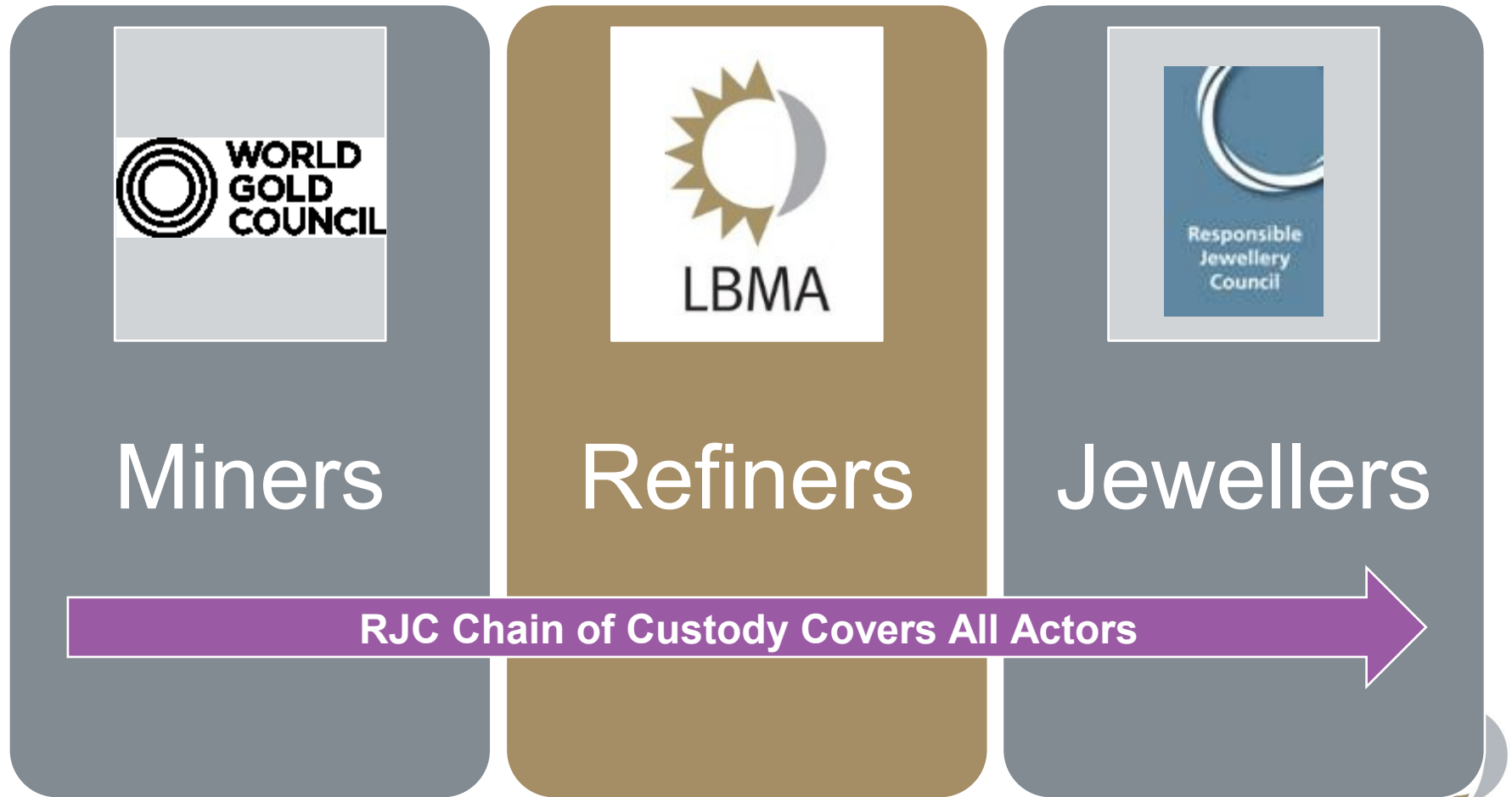
### List of Recommended Auditors

- ▶ The LBMA has published a list of Recommended Auditors.
  - ▶ Currently UL & KPMG are the only auditors listed, however the LBMA is actively approaching other auditors and will continue to add auditors. An application form is available on the LBMA website & upon request.
- ▶ Any independent, certified auditors are eligible to conduct the LBMA audit, provided they have the required credentials.
- ▶ Where applicable, authorised government institutions may also carry out audits. Refiners must communicate which government institution is conducting the audit to the LBMA Physical Committee prior to the audit as well as make this information public after the audit.



# GOLD INDUSTRY INITIATIVES

Support & Recognition throughout gold supply chain



# MUTUAL RECOGNITION

## For Refiner Audits Achieved – Sept 2012

	LBMA	RJC	CFSI (EICC)
Common Features: 3 <sup>rd</sup> Party Audit, OECD & SEC Compliance			
Tailored Focus	London Bullion Market	Jewellery Supply Chain - Mine to Retail	Manufacturers
Audit outcome	Continued Good Delivery Accreditation	CoC Certification	Validated Smelter/ Refiner list
Harmonisation	RJC CoC, CFS audits = Responsible Gold Requirement.	LBMA, CFS =.	RJC, LBMA audits = CFS.

## One Audit Report – Three Programmes

World Gold Council, Fairtrade and Fairmined initiatives support refiner due diligence.



# NEXT STEPS

## Refiner Support & Bullion Bank Implementation

- ▶ Best Practice Guides for Refiners:
  - ▶ Criteria/Indicators for determining High-Risk & Conflict-Affected Areas
  - ▶ Guidance on how best to conduct KYC for scrap
  - ▶ Templates
  - ▶ Other, as needed
- ▶ Regular webinars/seminars to address implementation challenges
- ▶ LBMA/RJC Responsible Gold Forum on 1<sup>st</sup> October, on second day of LBMA Conference in Rome.
- ▶ Developing KYC best practice guide for bullion banks in order to ensure they are compliant with the OECD, SEC due diligence rules.



## Contacts

[ruth.crowell@lbma.org.uk](mailto:ruth.crowell@lbma.org.uk)  
[emma.attridge@lbma.org.uk](mailto:emma.attridge@lbma.org.uk)



**LBMA**

[www.lbma.org.uk](http://www.lbma.org.uk)





*International Jewellery London (IJL) – 3 September 2013*

## ***UN Development Goals***

*Michael Allchin  
CEO and Assay Master  
The Birmingham Assay Office*



## UN Millennium Development Goals:

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. A global partnership for development



## The UN Global Compact:

The UN Global Compact's ten principles enjoy universal consensus and are derived from:

- The Universal Declaration of Human Rights
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention Against Corruption

The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, this set of core values.



# The Ten Principles of the UN Global Compact:

## HUMAN RIGHTS

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. Make sure that they are not complicit in human rights abuses.

## LABOUR

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. The elimination of all forms of forced and compulsory labour;
5. The effective abolition of child labour; and
6. The elimination of discrimination in respect of employment and occupation.

## ENVIRONMENT

7. Businesses should support a precautionary approach to environmental challenges;
8. Undertake initiatives to promote greater environmental responsibility; and
9. Encourage the development and diffusion of environmentally friendly technologies.

## ANTI-CORRUPTION

10. Businesses should work against corruption in all its forms, including extortion and bribery .



# Your Hidden Suppliers

## ASM gold in your supply chains

Estelle Levin Ltd.  
International Jewellery London  
London, 3<sup>rd</sup> September 2013





# Today

- Who is ELL?
- ASM Minerals in your Jewellery Supply Chains
- ASM Merits & Risks
- Responses
- Due Diligence
- RJC and ASM
- Conclusions



# Who is ELL?



Specialist consultancy dedicated to **responsible mining and sourcing**

Helping clients build **resilient futures**

Foster **mutual understanding** and **benefit along supply chains**, across stakeholders

Enable **best practice ASM & ASM sourcing** through innovation, incentives, constructive engagement and new business models

# ELL Responsible Sourcing Services

## Standards & Assurance System

- Development
- Implementation (initiatives, operators)
- Needs assessments
- Feasibility studies
- Scoping studies for responsible producers
- Evaluation and benchmarking
- Comparative Analysis

## Supply Chain Due Diligence

- Develop responsible sourcing policies, codes of conduct, management systems
- Supplier engagement & analysis
- Stakeholder engagement
- Supply chain risk assessment
- Conformance (gap) analysis
- Origin enquiries





# ASM Minerals in Your Jewellery

## Artisanal & Small-scale Mining

- Shallower workings, smaller concessions
- High labour intensity, low capital intensity
- Rudimentary tools, limited machinery
- Often informal, unregulated, illegal
- Individuals, gangs, cooperatives, associations, small companies
- 90% of global mining workforce
- 10% of all mineral output
- Some countries' gold production is 100% ASM

## ASM & Jewellery Supply Chains

- 80% of all sapphires & coloured gems
- < 12% of all gold
- < 20% of all diamonds
- > 80 countries



Artisanal gold, Uganda; Sluicing the gold, Ivory Coast  
Photos © Estelle Levin, 2007, 2010

# The Miners

20-30 million in >80 countries supporting  
> 100m Men, women, elderly, children

## Case study: Ivory Coast 2010

### Immigrants

- **Professional miners** from other gold mining sites in the sub-region
- **Internally Displaced People** who fled the war and have no land to farm locally
- Mechanics, drivers, and other **professionals** seeking work with the corporate mine

### Residents

- **Cacao traders** or wives of cacao traders who have gotten into debt
- **Students** who need to pay their tuition fees.
- **Unemployed youths** who cannot find work elsewhere and cannot or do not want to work in family plantations.
- **Agricultural contract labourers.**
- **Female heads of households**, e.g. widows, single mothers
- **Housewives** whose husbands can no longer support the whole family
- **Uneducated girls**
- **Market traders** who can earn more panning gold.



Artisanal gold miner (caillou hunter), Ivory Coast  
Photo © Estelle Levin, 2010



# ASM Merits

## Rural development

- Job creation - 1:160 jobs for 4 kilo-bars Au per year
- Generates local economic growth
- Greater % mineral value retained locally
- Income for rural communities
- Slows urban migration
- Can be peace-building

## Household & individual wellbeing

- Cash earner
- Livelihoods / business diversification
- Food security
- Education
- Relief, e.g. emergency, recession
- A way out: emancipation
- A way up: hope & dignity



*Aids orphan, supporting his siblings through mining in  
Mashonga, Uganda  
Photo © Estelle Levin, 2007*



# ASM Challenges

- Informal/illegal
- Health & safety, inc. mercury
- Child, forced labour
- Environmental damage
- Land conflicts (LSM, farmers)
- Conflict financing
- Poverty trap
- 'Wild west' communities



*Artisanal gold mining, Madagascar  
Photo © Rupert Cook, 2012*



## Reasons

- Marginalisation / persecution
  - Unsupportive government
  - Poor property rights / legal enforcement
  - Displacement
- Structural disadvantage
  - lack of capital
  - unregulated / unfair pricing systems
- Rural poverty
  - Lack of education or capacity
  - Lack of welfare & physical infrastructure
  - Size of opportunity

# RJC & ASM

## RJC supports ASM Sourcing and Development:

- Builds on OECD DDG that legitimate ASM be supported
- ASM Standard recognition
  - Fairmined and Fairtrade metals can enter RJC CoC supply chains
- MOUs (DDI, ARM)
  - Purpose: standards harmonisation, project development, industry outreach
- RJC Code of Practices
  - ASM Standard (COP 33) is applicable to Mining Facilities with ASM not under the Member's Control on or near their operations. Involves engagement and supporting formalisation / professionalisation.
  - 'Sourcing from ASM' provisions require due diligence. Involves developing an ASM policy, risk assessment, risk management.
- ASM-LSM Co-habitation – pioneering best practice by RJC mining company members
  - Working with Solidaridad

# What should you do?





# THANK YOU



For more information, please contact me at  
[estelle@estellelevin.com](mailto:estelle@estellelevin.com)

Web: [www.estellelevin.com](http://www.estellelevin.com);

Twitter: [@EstelleLevinLtd](https://twitter.com/EstelleLevinLtd)

*Women miners with their children in Ivory Coast  
Photo © Estelle Levin, 2010*

# **SIGNET RESPONSIBLE SOURCING PROTOCOLS ("SRSP"s)**

## **GUIDELINES FOR COMPLIANCE REPORTING**

IJL, September 2013



# Context for “SRSP”s



- Signet Jewelers Ltd is legally required to comply with US legislation (Wall Street Reform and Consumer Protection Act, “Dodd-Frank”) relating to “conflict minerals” - gold, tin, tantalum and tungsten (“3Ts”)
- “Dodd-Frank” applies to Signet Jewelers Ltd’s global supply chain, for both U.S. (Sterling) and U.K. (Signet) Divisions
- Signet Jewelers Ltd is active in the development of harmonized industry guidance and standards (OECD, RJC, LBMA, CFSI etc.)
- Signet has produced global guidance for all suppliers of gold and 3Ts , which is aligned with these guidance and standards
- The Signet Responsible Sourcing Protocol (“SRSP”) identifies compliance criteria to ensure Signet’s supply chain is conflict-free
- SRSPs are company policy since 1/1/2013, all suppliers are asked to be compliant by end 2013
- Similar legislation to “Dodd-Frank” is likely in Europe in 2014

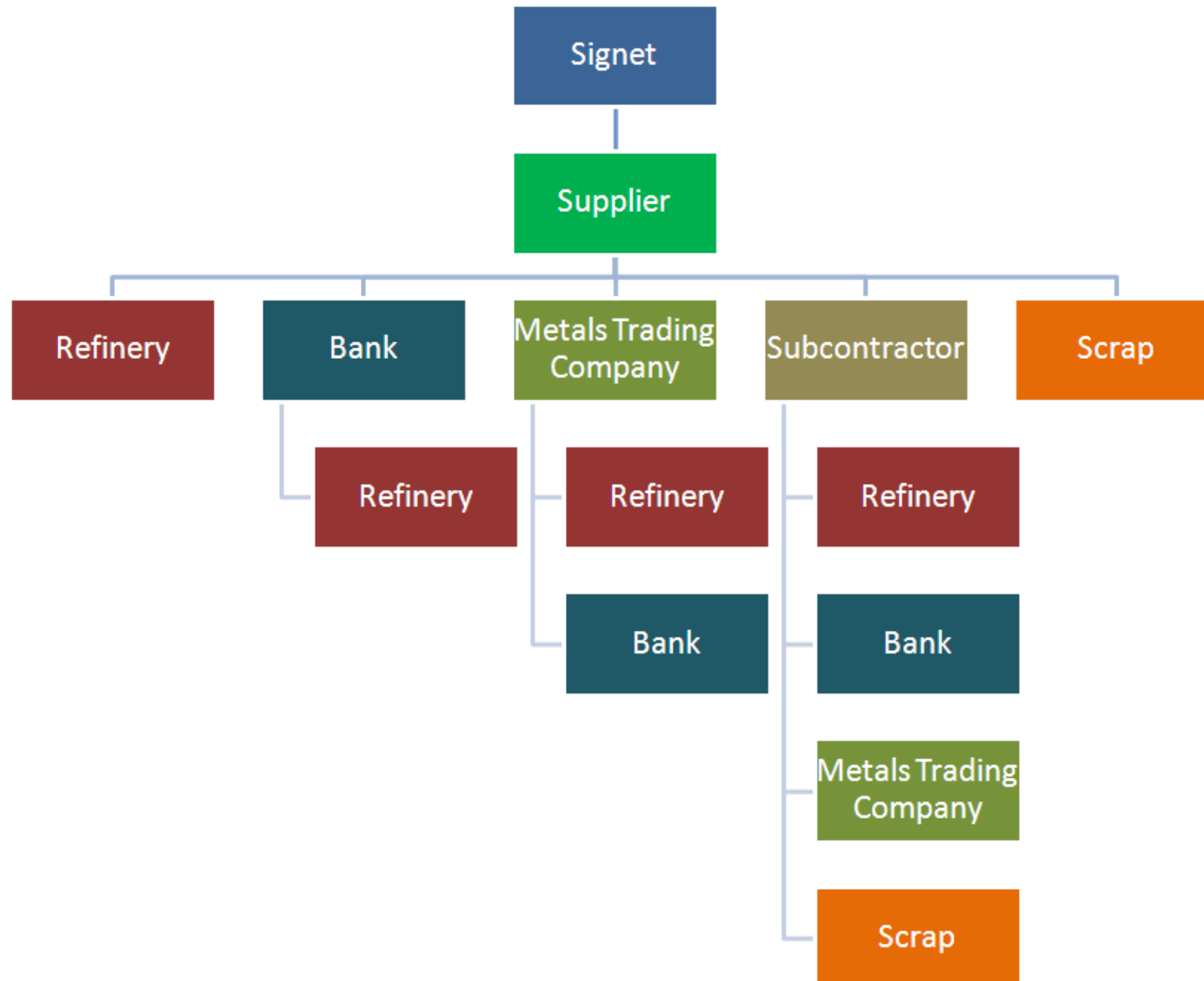


# Project Timeline of “SRSP”s



<u>Year</u>	<u>Key Activities</u>
<b>2011</b>	Research suppliers to understand supply chains Identify focal points in supply chain (esp. smelters/refiners, banks) Map Signet’s supply chain
<b>2012</b>	Build database of Signet’s gold & 3Ts supply chain Development of SRSPs and supplier testing Harmonization of SRSPs with industry guidance and standards Implementation of SRSPs, eff. 1/1/13
<b>2013</b>	SRSP compliance reporting (quarterly) Identify and support any non-compliant suppliers Establish audit criteria and test SRSP compliance report for full year 2013
<b>2014</b>	Audit of SRSPs Establish annual review procedures

# Signet Supply Sources for Gold (simplified)



# SRSP Supplier Requirements



- Signet's suppliers are required to validate, certify and audit supplies of gold from every source used, including subcontractors
- The SRSP is intended as a guide for suppliers to enable this certification.
- Compliance reporting quarterly throughout 2013 via a simple online report.
- Suppliers need to pass on the same Signet Responsible Sourcing Protocol ("SRSP") requirements to all subcontractors, who will in turn need to assess this SRSP, ensure due diligence is undertaken on their own supply chain, and confirm a capability to certify and audit against the SRSP.
- After reporting compliance, include *"The seller warrants that any products containing gold, tin, tungsten or tantalum have been supplied in compliance with the Signet Responsible Sourcing Protocol ('SRSP')"* on all invoices, delivery notes and any other documentation accompanying future supplies to Signet.
- Suppliers must be prepared to provide an independent audit of compliance end 2013/early 2014

# Supporting evidence required to validate compliance claims (examples)



## 1: Policy documentation in accordance with SRSP guidance, e.g.;

- Refineries: LBMA “good delivery” status, RJC member certification, other accredited certification, KYC procedures
- Metals Traders: : terms of business, confirmation of certified refinery gold, KYC procedures
- Banks: terms of business, confirmation of certified refinery gold
- Subcontractors: as above, RJC Chain of Custody certification

## 2: Transaction documentation to support above policies, e.g.

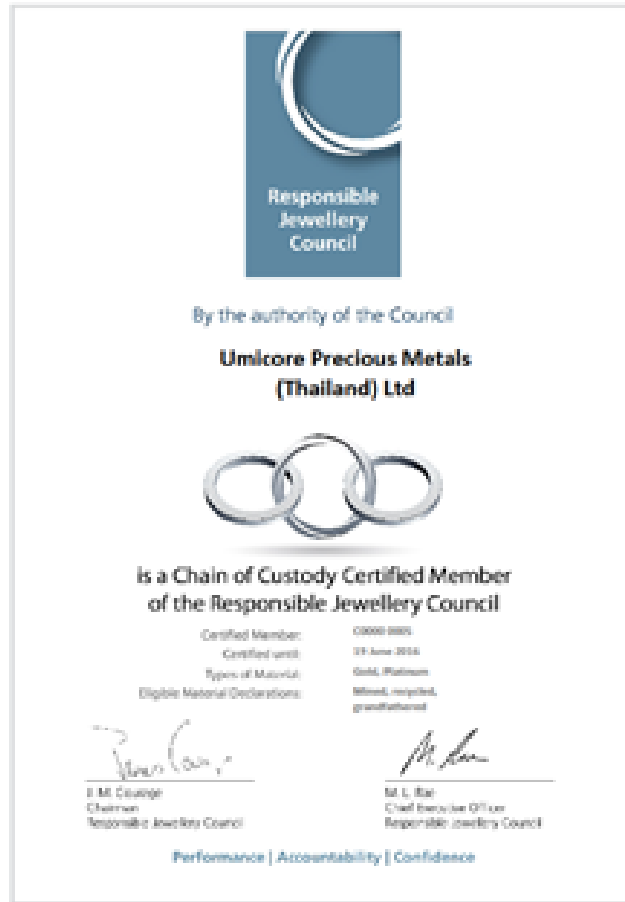
- Delivery certificates showing certified refinery sources
- Delivery/transfer documentation which matches certificates
- Invoices with matching details

Documentation should be available for independent audit

# Examples of supporting documentation for compliance; refinery sources



Certification from RJC: note Certified Membership of RJC is acceptable evidence only for refinery sources, Chain of Custody certification is acceptable for all suppliers





# Examples of supporting documentation for compliance; refinery sources

Certification from LBMA “good delivery” refineries



# Examples of supporting documentation for compliance; refinery sources

Certification from other established standards (e.g. SCS Responsible Source Gold)

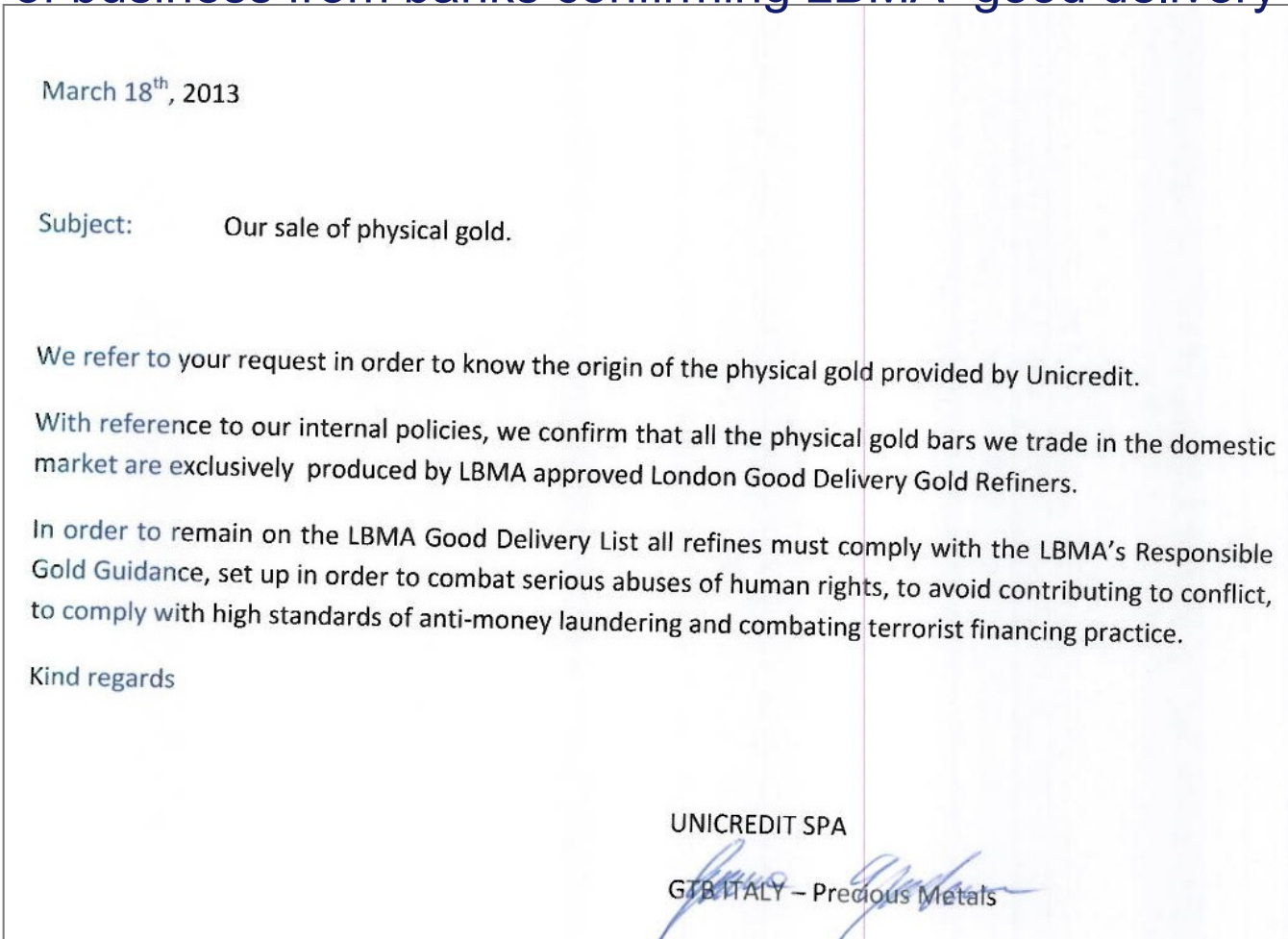


Note such certificates must be supported by actual invoices, bar certificates etc

# Examples of supporting documentation for compliance; banks



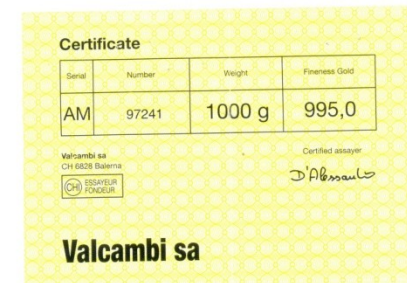
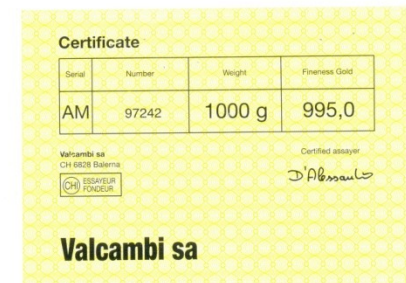
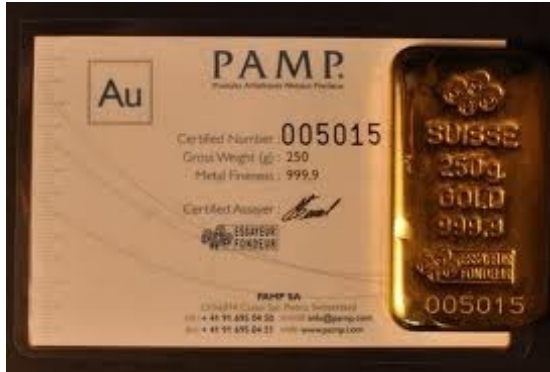
## Terms of business from banks confirming LBMA “good delivery” refineries



Note such policy letters must be supported by actual invoices and certificates

# Examples of supporting documentation for compliance – refinery sources

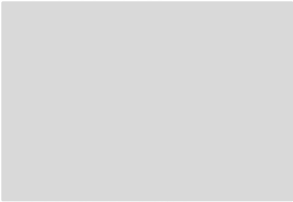
Delivery certificates from LBMA “good delivery” refineries



# Examples of supporting documentation for compliance; refinery sources



## Invoices from LBMA “good delivery” refineries

HERAEUS METALS HONG KONG LTD. 賀利氏金屬香港有限公司 Room 2112-2113, Peninsula Square, 18 Sung On Street, Hung Hom, Kowloon, Hong Kong 香港九龍紅磡安海街十八號半島廣場 2112-2113 室 Tel: (852) 2773 1733 Fax (852) 2773 1090		<b>Heraeus</b> 賀利氏	
<div>Delivery Note 8001454441                      ZTA ZLF</div> Our order no. 95623459 / 14.03.2013		Person in charge.: Ms. Kalos Kan Telephone.....: (852)2773 1733 Email.....: kalos.kan@heraeus.com	
		Date: 14.03.2013      Page: 1 / 1	
		Your reference: 14.03.2013	
Date of dispatch:	Terms of delivery: EXW Hong Kong	Marking:  Type of packing:  Mode of dispatch: Delivery/Pickup HH	
Pos. Art.No. Description		Quantity	
0010 Contract no. 16953 85100015 Gold Kilo Bar 99.99%, 1kg/pc Batch 130308		2.000 KG	

Note invoice correlates to delivery note, bar numbers etc



# SRSP Audit Procedures for gold and 3Ts



- Signet will provide list of accredited auditors and guidance for auditors
- Auditor list will be aligned with RJC, plus some local specialist companies with harmonized standards(e.g. SCS Global Services)
- SRSP audit will be mutually recognized and harmonized with RJC, SCS, CFSI, LBMA etc. audits to reduce costs and duplication
- Suppliers may choose audit company from the accredited list
- Suppliers will be responsible for appointing auditors, paying for audits and providing audit reports to Signet.
- Audits should be 1-day desk audits, depending on quality of documentation, estimated < US\$2,000/day.

*Comments and Questions  
are welcome!!*