



# Do you know where your gold comes from?

RJC Chain of Custody and LBMA Responsible Gold: providing support for supply chain due diligence

**IJL – 3 September 2012**

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# Scope

- 1. Where does your gold come from: the emergence of conflict-sensitive sourcing**
- 2. The focus on gold refiners – new industry programs:**
  - **LBMA Responsible Gold Guidance**
  - **RJC Chain-of-Custody Certification**
- 3. What it all means for the watch and jewellery supply chain**

## Where does your gold comes from?

Do you have conflict minerals in your supply chain?

Are you following the OECD Due Diligence Guidance?

How are we affected by the US Dodd Frank Act?

Is this gold from the DRC or adjoining countries?

# Why are these questions being asked



Mix of national regulation and intergovernmental initiatives.

Driver: Informal / illegal mining of gold, tin, tungsten and tantalum (“the 3T’s”) has been financing conflict in the Democratic Republic of Congo.

## Objectives:

To promote supply chain due diligence by the private sector.

To ultimately eliminate conflict and serious human rights abuses in supply chains of these metals.



# What is supply chain due diligence for conflict?



- OECD Guidance 5 steps:
  - Step 1 – Strong Management Systems
  - Step 2 – Assess Sources for Risk;  
*If Source in Conflict, Added Due Diligence*
  - Step 3 – Respond and Mitigate Risk
  - Step 4 – Audit Due Diligence
  - Step 5 – Report to Public
  
- Dodd Frank: 'Reasonable inquiry' into country of origin of gold

➤ Both involve knowing your suppliers & potentially their suppliers



## Key: knowing your gold refiner/s

- Refiners are seen as a 'choke point' in the supply chain: connect upstream mining and recycling with downstream users of gold
- Leading refiners are undergoing 3<sup>rd</sup> party audits to demonstrate their due diligence practices.
- **Q: Where does your gold come from?**
  - Find out the refiner/s in your supply chain
  - Understand their approach to due diligence







## Initiatives in the gold supply chain

	LBMA	RJC	WGC	EICC
<b>Applies to</b>	Refiners	All supply chain	Mining companies	Refiners
<b>Focus</b>	OECD Due diligence, KYC and AML	Code of Practices; OECD Due Diligence	Conflict-free; OECD Due Diligence	Country of origin; Dodd Frank Act
<b>Audit outcome</b>	Good Delivery Accreditation	CoC Certification	3 <sup>rd</sup> party assurance of due diligence	Validated Smelter/ Refiner list
<b>Harmonisation</b>	LBMA will recognise RJC and EICC audits. WGC supports mined gold due diligence for LBMA audit.	RJC CoC will recognise LBMA and EICC re conflict-sensitive sourcing. WGC supports mined gold due diligence for CoC.	Supports refiner due diligence for mined gold under LBMA, RJC, EICC	Opportunity for harmonisation with LBMA and RJC



## LBMA and RJC

- **LBMA: Responsible Gold Guidance**

- Due Diligence framework for LBMA Good Delivery gold refiners
- A formal requirement for LBMA accreditation

- **RJC Chain-of-Custody Certification**

- Standard for responsible sourcing, conflict-sensitive sourcing through the supply chain
- Builds on RJC Code of Practices (compulsory for Members) as voluntary additional certification





# RESPONSIBLE GOLD

## The Role of the LBMA

Ruth Crowell

Deputy Chief Executive, LBMA

11<sup>th</sup> September, 2012

# Scope

## 01 Background

Role of the LBMA

Good Delivery List

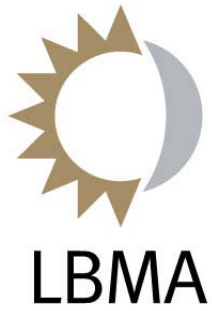
## 02 Responsible Gold

Policy

Audit Guidance

## 03 Phase II

Banks & Exchanges



# RESPONSIBLE GOLD

Background

01

# ROLE OF LBMA

Trade Association (not an exchange)

Formed in 1987

- ▶ Maintaining & Enhancing the efficiency of the London Market for Gold and Silver Bullion
- ▶ Metal Quality – The Good Delivery System
- ▶ Probity - Membership
- ▶ Contacts with Regulators and government agencies



# LONDON BULLION MARKET

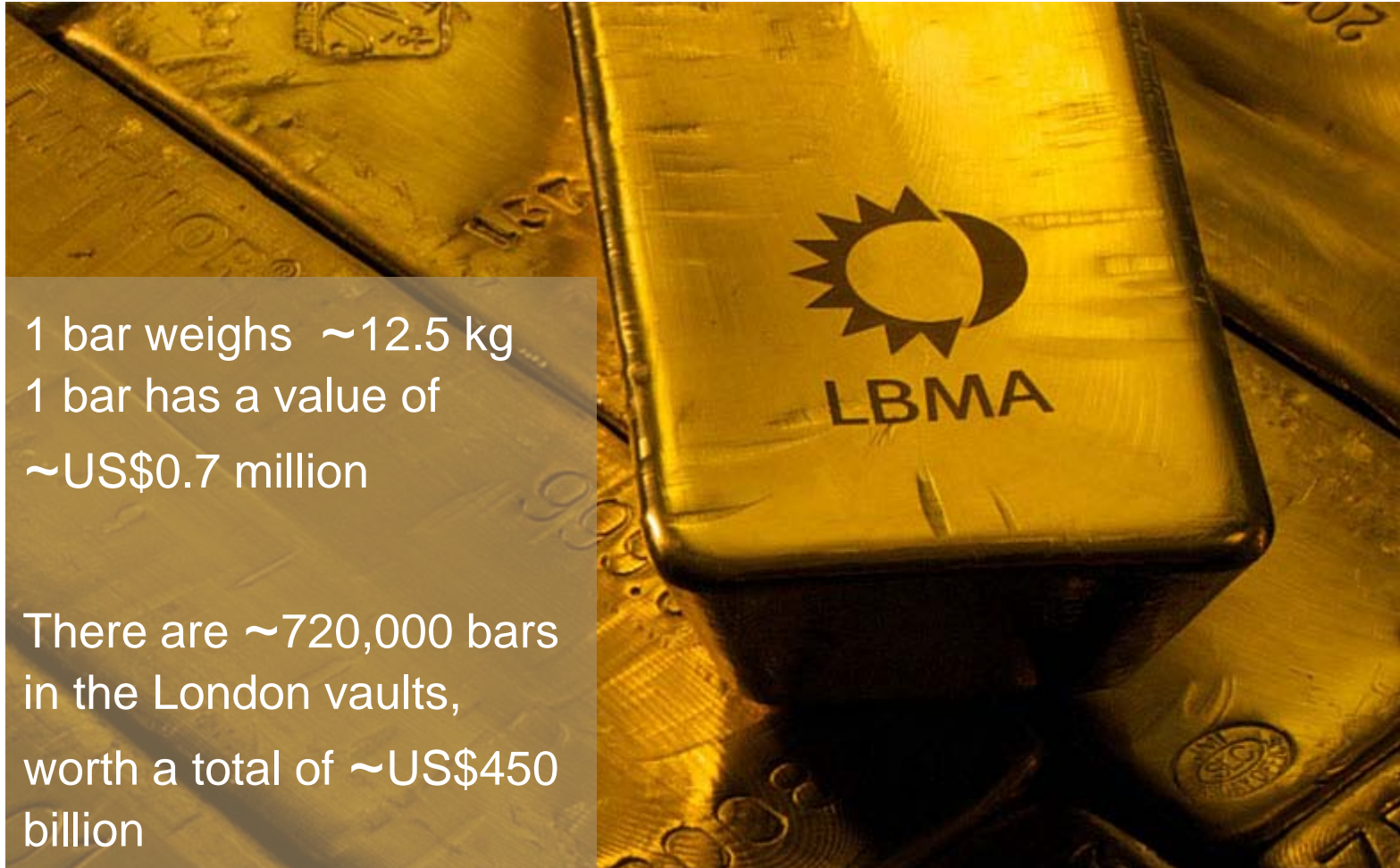
## Key Elements

- ▶ Focused on the Loco London Contract ...  
....but with a global membership and client base
- ▶ Principal to Principal trading
- ▶ Q1 2011: Daily average gold turnover \$240 billion
- ▶ LBMA Good Delivery List indicates which bars and refiners are acceptable in the London Market.



# GOOD DELIVERY GOLD

In London Vaults 2011



1 bar weighs ~12.5 kg  
1 bar has a value of  
~US\$0.7 million

There are ~720,000 bars  
in the London vaults,  
worth a total of ~US\$450  
billion



## LBMA GOOD DELIVERY LIST

Includes the world's pre-eminent refiners of gold and silver, located in 31 countries.

The List is widely recognized as the de facto standard for the quality of gold and silver market bars and is used by precious metal exchanges around the world to define in whole or in part the refiners whose gold and silver bars are accepted in their own markets.



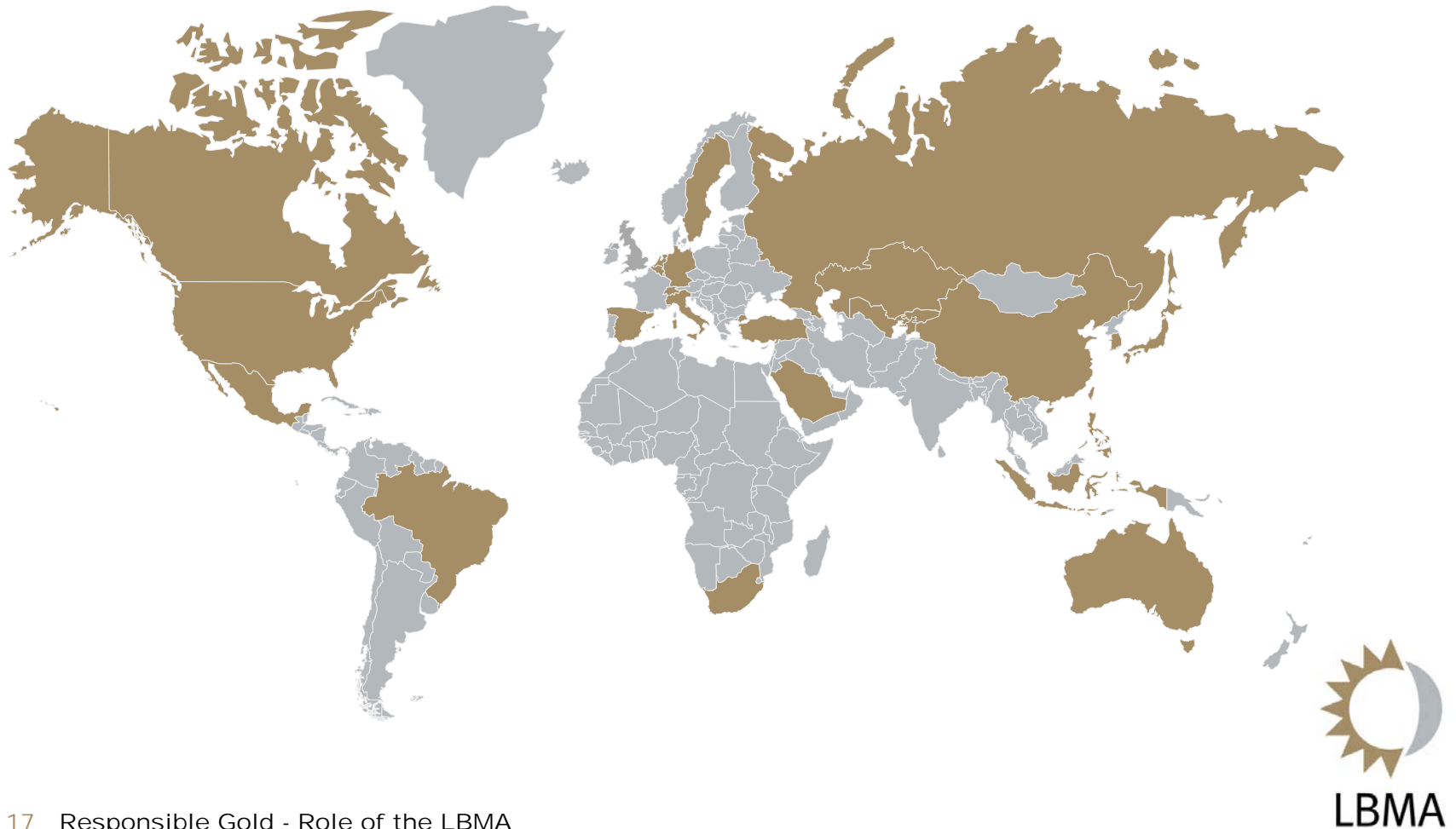


# LBMA GOOD DELIVERY LIST

- ▶ List of refiners and their bars which are accepted in London
- ▶ Covers only large bars (~400 tr oz or ~ 12.5 kg for gold)
- ▶ The first List published by the London Gold Market was in 1934
- ▶ Since 1987 the List has been maintained by the LBMA using objective criteria for accreditation (and continued listing)
- ▶ The List is used by many markets for defining deliverable brands



## Location of Refiners



# GOOD DELIVERY ACCREDITATION

## The International Dimension

- ▶ The LBMA List is used by a number of exchanges to define their locally accepted brands, including:
- ▶ NYSE-Liffe
- ▶ Tocom
- ▶ Istanbul Gold Exchange
- ▶ Shanghai Futures Exchange
- ▶ Shanghai Gold Exchange
- ▶ Hong Kong Mercantile Exchange



# GDL & VAULTING

- ▶ Nine recognised Custodians (6 clearers, 2 shippers & BoE)
- ▶ Six vaulting companies
- ▶ Security
- ▶ Handling (weighing, storing, packing, shipping)
- ▶ Quality monitoring (gate keeper role)
- ▶ Virtually **all** in the form of Good Delivery bars
- ▶ Responsible Gold Guidance ensures that all metal in the London market is conflict-free.





# RESPONSIBLE GOLD

Policy & Guidance

02



# RESPONSIBLE GOLD

## SEC Rules Finalised – August 2012

The LBMA has played a leading role in ensuring that the global gold market will be able to continue to function smoothly once these rules are in place.

- ▶ Primarily achieved by the implementation of the Responsible Gold Guidance.
- ▶ The OECD Guidance & Gold Supplement were repeatedly endorsed in the SEC Rules.
- ▶ The LBMA has worked diligently with other bodies particularly the Responsible Jewellery Council, EICC-GeSI and the OECD over the past two years, to prepare itself for these rules. The favourable outcome reflects on the effective work undertaken by the LBMA and these other industry bodies.



# LBMA RESPONSIBLE GOLD GUIDANCE

## The purpose

- ▶ To formalise and consolidate existing high standards of due diligence amongst all LBMA Good Delivery Refiners.
- ▶ To provide a framework for carrying out due diligence which is practicable for the refinery and credible for the outside world.
- ▶ To ensure all LBMA refiners use reasonable and effective due diligence to ensure that all of their feedstock is free from metal that had financed conflict or been used for money laundering or terrorist financing.



# RESPONSIBLE GOLD GUIDANCE

## Structure

- ▶ OECD + KYC, AML = Responsible Gold
- ▶ Drafted by LBMA GD refiners with experience of operating due diligence systems.
- ▶ **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.



# LBMA RESPONSIBLE GOLD GUIDANCE

## Development Timeline

- ▶ **July – Dec 2011** draft LBMA due diligence guidance circulated for comment to all GD refiners and seminars held in Japan, Russia and China
- ▶ **Jan 2012** – Responsible Gold Guidance became official requirement of Good Delivery
  - ▶ All refiners have since adopted the policy in principle and are preparing an audit of the 2012 production.
  - ▶ OECD Gold Supplement finalised (approved by OECD Council July 2012).
- ▶ **April 2012** – LBMA delegation to US, meetings with SEC Commissioners and SEC staff to discuss pros of LBMA due diligence approach
- ▶ **May 2012** – LBMA Responsible Gold Forum in Paris followed by OECD meeting to discuss OECD implementation (attended by governments and international organisations such as Worldbank and UN)
- ▶ **September 2012** – LBMA audit guidance document to be finalised



# RESPONSIBLE GOLD GUIDANCE

## Audit Implementation

### Timetable:

- ▶ **Jan 2012** – LBMA Responsible Gold Guidance became a formal requirement of Good Delivery
- ▶ **September 2012** – LBMA Audit Guidance to be finalised.
- ▶ **31 Dec\* 2012** – First Voluntary\*\* GD Refiner Audit Reports for 2011 Due
- ▶ **31 Dec\* 2013** – First Mandatory GD Refiner Audit Reports for 2012 Due

Timeline gives refiners two years to produce an audit summary report.

This audit summary report will be reviewed by the LBMA Physical Committee.

\*For some Refiners this may be 30 April, as an LBMA Audit Report will be due no later than one year after the closing of the refiner's financial books.

\*\*While an audit report for a refiner's 2011 production is not mandatory, it is encouraged especially for refiners who need to meet SEC or EICC requirements.



# LBMA RESPONSIBLE GOLD GUIDANCE

## Audit Implementation

### Audit Guidance Project

- ▶ KPMG & UL Resourcing Consulting are working with the LBMA to develop those further implementation documents.
- ▶ The Audit Guidance will provide transparency and consistency for the LBMA process.
- ▶ A draft version will be circulated in September for comment by GD Refiners and other relevant organisations (e.g. RJC, WGC, EICC and OECD amongst others).
- ▶ Once finalised, this document will be publicly available and can be used as a best practice guidance for refiners wishing to operationalise the OECD Guidance

### List of Recommended Auditing Bodies

- ▶ The LBMA will publish a list of Recommended Auditing Bodies. However any independent, certified auditors are eligible to conduct the LBMA audit, provided they meet the LBMA requirements. Where applicable, authorised government institutions may also carry out audits.





# INDUSTRY INITIATIVES

## Harmonisation

- ▶ **London Bullion Market Association (LBMA):** is requiring third-party audit of all accredited refiners of gold bullion who are on the London Good Delivery list. (63 Refiners)
- ▶ **Responsible Jewellery Council (RJC):** Chain-of-Custody certification available for responsibly-produced and conflict-free gold, and conflict-sensitive sourcing practices.
- ▶ **World Gold Council (WGC):** developing Conflict-Free Standard for gold mining companies operating in conflict-affected areas. Can support refiner due diligence.
- ▶ **Electronics Industry Citizenship Coalition (EICC):** audit protocol for gold refiners to assist the electronics sector with Dodd Frank reporting.





# PHASE II – BULLION BANKS & EXCHANGES

Best practice guides

# 03

# OECD IMPLEMENTATION

## Development of Best Practice Guides

- ▶ Developing KYC best practice guide for bullion banks in order to ensure they are compliant with the OECD, SEC due diligence rules.
- ▶ Once finalised, Members and Associates will be encouraged to implement in order to demonstrate the London market is conflict-free.
- ▶ This will also enable Members & Associates to demonstrate compliance with the OECD rules.
- ▶ The LBMA is also encouraging other exchanges to adopt a Responsible Gold policy to ensure that refiners not on the LBMA list are also compliant.



# PROPOSED BULLION BANK PROCESS

## Client Identification

### Principal operating address

One of the following:

- Business information service e.g. Bankers Almanac, Moodys, Swift, Companies House, One source
- Independent website
- Written confirmation from a firm of lawyers or accountants
- Annual audited report and accounts (dated within last 2 years)
- Certificate of incorporation

### Registered address

One of the following:

- Business information service e.g. Bankers Almanac, Moodys, Swift, Companies House, One source
- Independent website
- Written confirmation from a firm of lawyers or accountants
- Annual audited report and accounts (dated within last 2 years)

### Verify full legal name

One of the following:

- Certificate of Incorporation / Certificate of Legal Validity
- Annual audited report and accounts (dated within last 2 years)
- Written confirmation from a firm of lawyers or accountants
- Independent website
- Business information service e.g. Bankers Almanac, Moodys, Swift, Companies House, One source

## Identify Beneficial Owners

**Identify ownership above Threshold up to a natural person or listed/regulated on the approved list**

One of the following:

- Business information service e.g. Bankers Almanac, Moodys, Swift, Companies House, One source
- Independent website
- Share register
- Annual audited report and accounts (dated within last 2 years)
- Written confirmation from a firm of lawyers or accountants

## Identify Controllers

### List of Directors (or equivalent)

One of the following:

- Independent website
- Written confirmation from a firm of lawyers or accountants
- Annual audited report and accounts (dated within last 2 years)
- Board resolution
- Business information service e.g. Bankers Almanac, Moodys, Companies House, One source
- Directors Register
- Entry in Independent Company Register

## Legal formation

### Evidence of legal establishment / formation

One of the following:

- Business information service e.g. Bankers Almanac, Moodys, Companies House, One source
- Certificate of Incorporation / Certificate of Legal Validity

## Screening and Search Results

### World-check search on Client

results to be copied to file

### Worldcheck Search on Ultimate Beneficial Owners

results to be copied to file

### Worldcheck Search on list of Directors (or equivalent)

results to be copied to file

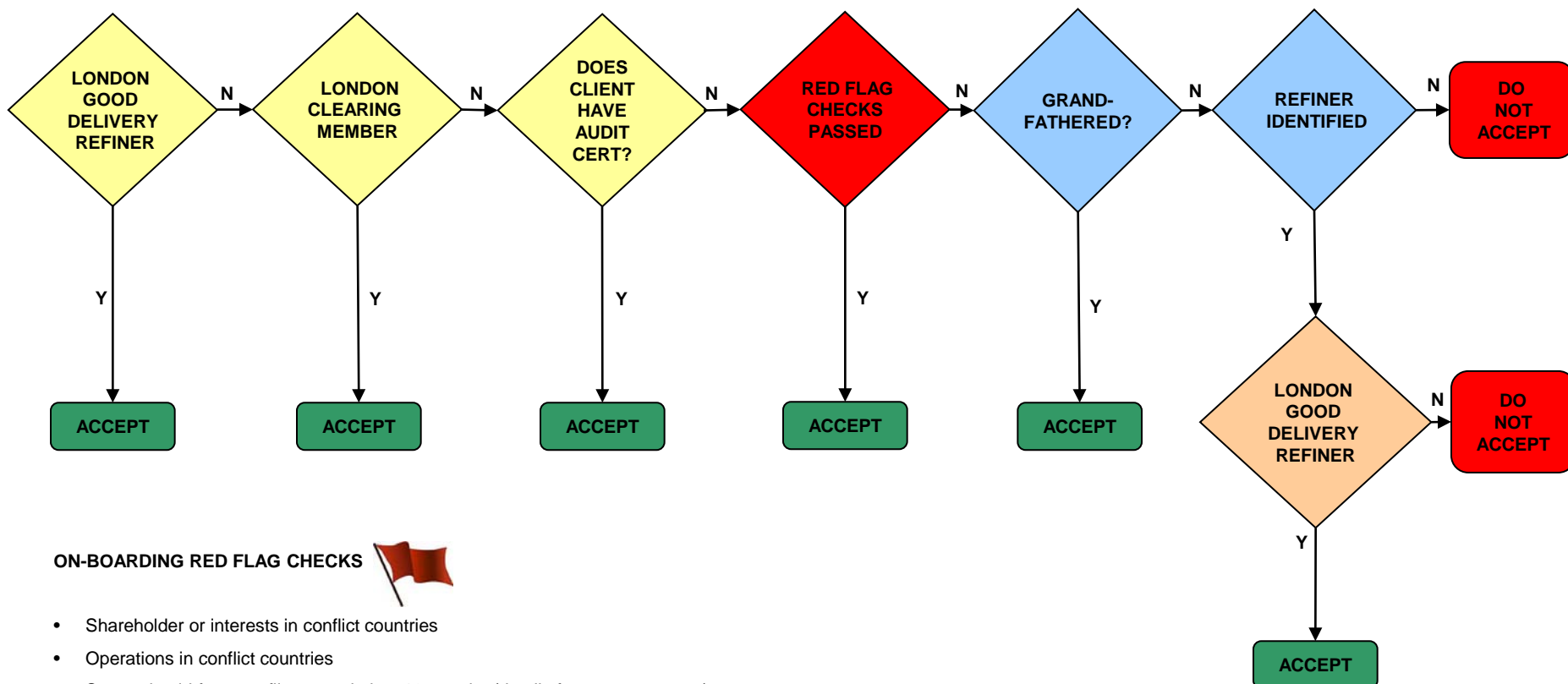
## OECD Red Flags - NEW

### Check if the following exist:

- Shareholder or interests in conflict countries
- Operations in conflict countries
- Sourced gold from conflict areas in last 12 months (details from press reports)



# PROPOSED BULLION BANK PROCESS



## ON-BOARDING RED FLAG CHECKS



- Shareholder or interests in conflict countries
- Operations in conflict countries
- Sourced gold from conflict areas in last 12 months (details from press reports)

## BUSINESS PROCESS

- Trading desk should know and understand the rules and should know which suppliers of physical gold have been categorized as 'conflict free'



# RJC Chain-of-Custody Certification

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



# Responsible Jewellery Council (RJC)



## Mission

*“To advance responsible ethical, social and environmental practices, which respect human rights, throughout the diamond, gold and platinum group metals jewellery supply chain, from mine to retail.”*

- **Member based** organisation: businesses can join the Council to support its mission; RJC will support Members in meeting its standards through training, guidance and toolkits.
- **Standard-setting and certification** organisation: RJC sets responsible ethical, social and environmental standards for the jewellery supply chain.
- **Accreditation body**: RJC accredits auditors than can independently verify a member’s practices against RJC standards.

# Responsible Jewellery Council (RJC)

Uniquely covers **all** parts of the jewellery supply chain: miners, refiners, traders, cutters and polishers, manufacturers, wholesalers, retailers.

## Membership:

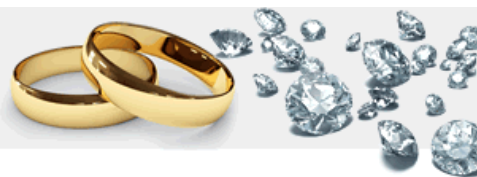
- 390+ Members
- US\$45+ billion in annual relevant sales

## Auditor Accreditation:

- 230+ RJC Accredited Auditors across 9 firms

## Certification:

- 200+ Certified Members – growing daily



# RJC Standards

## *RJC Code of Practices*

- ✓ Launched in 2009
- ✓ Assurance for Member's business practices
- ✓ Compulsory for RJC Members



## *Chain-of-Custody Standard*

- ✓ Launched for precious metals in March 2012
- ✓ Assurance metals are from responsible sources
- ✓ Voluntary for RJC Members





# RJC Chain-of-Custody Certification

- Applicable to gold and platinum group metals (platinum, palladium, rhodium). Diamonds under further review.
- Requires independent, third party auditing to achieve Certification against CoC Standard.
- Supports responsible, conflict-sensitive sourcing in supply chains.
  - RJC Code of Practices advances responsible business practices for all supply chain participants.
  - Gold refiners must apply conflict-sensitive sourcing for all sources of gold.
  - CoC gold must be conflict-free – due diligence by miners, verification by refiners, chain-of-custody through supply chain.

**First CoC Certification announced April 30**



**Metalor USA Refining Corporation**

**Metalor Technologies SA**

**Metalor Technologies Hong Kong**

- Currently 3 RJC CoC Certified entities – USA, Switzerland and Hong Kong
- First published gold refiner audits in line with OECD Due Diligence Guidance

CoC Certification for a refiner means:

- Audit of refiner's due diligence practices for all sources
- Appropriate systems to screen and segregate CoC Gold

## RJC CoC Standard and Artisanal and Small Scale Mining (ASM)

- Scope for the RJC to formally recognise comparable mining standards. Currently working with ARM and Fairtrade.
- Scope to source from legitimate ASM operating on the mining concessions of CoC Certified Entities
  - Incentive for professionalisation and formalisation of ASM.

In 2011, RJC signed MOU's with the Alliance for Responsible Mining (Fairtrade/Fairmined Gold) and Diamond Development Initiative to collaborate on standards and policy work.

## RJC Chain-of-Custody – Summary

- CoC for precious metals launched in March 2012.
- Voluntary and designed to support due diligence and chain-of-custody efforts in the jewellery supply chain.
- Controls for conflict-sensitive sourcing AND for responsible business practices in the supply chain (via Code of Practices).
- Supports chain-of-custody for mined, recycled and 'grandfathered' and/or a mix for gold and platinum group metals.
- CoC Certification for Refiners provides independent audit of their due diligence practices.
- Strong focus on harmonisation with relevant standards and initiatives.
- Involved in range of multi-stakeholder projects, and RJC provides platform for support to wider jewellery supply chain.

## For the watch and jewellery supply chain ...

### **Q: Where does your gold come from?**

- Find out the refiner/s in your supply chain
- Understand their approach to due diligence
- Determine your requirements as a customer – assurance of practices, types of sources etc

In 2012, leading refiners will be undergoing 3<sup>rd</sup> party audits to demonstrate their due diligence practices.

- LBMA
- RJC
- EICC



# **GOLD SUPPLY CHAIN DUE DILIGENCE**

Presentation on Signet's initiatives to ensure conflict-free sourcing

Philip Olden, Consultant to Signet Jewelers Ltd.  
September 2012



# Largest Specialty Jewellery Retailer in US and UK

**SIGNET**  
JEWELLERS

Total Sales \$3.749 Billion ~81% US / 19% UK



**Kay Jewelers - #1 mid-market brand**  
Sales: \$1.787B Stores: 923 in 50 states



**H.Samuel - #1 in UK**  
Sales: \$389.0M Stores: 334



**Jared - #1 Off-Mall "Destination Store"**  
Sales: \$0.956B Stores: 184 in 36 states



**Ernest Jones - #1 UK upper middle market**  
Sales: \$326.1M Stores: 197

# Context

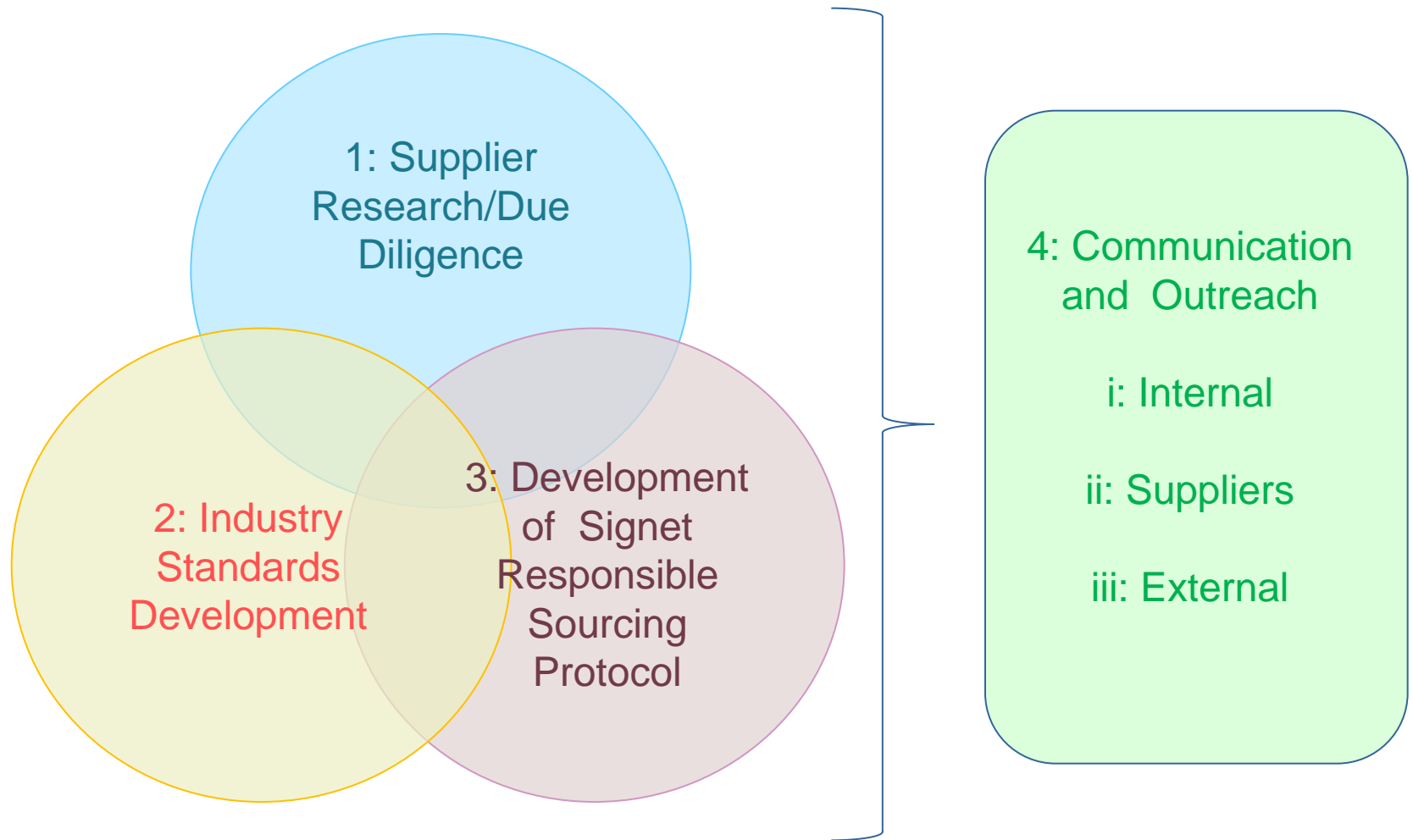
- Signet Jewelers Ltd. is required to comply with US legislation (Wall Street Reform and Consumer Protection Act, “Dodd-Frank”). Final rules confirmed August 22, applicable from 1/1/13 .
- “Dodd-Frank” applies to Signet Jewelers Ltd.’s global supply chain, for both U.S. (Sterling) and U.K. (Signet) Divisions.
- Many exporters, manufacturers, and suppliers are not aware that suppliers to the U.S. market now face a legal requirement to verify the source of their gold as “conflict-free.”
- Failure to prove the source of gold will mean that US publicly-traded companies will not be able to utilise and sell jewellery containing gold without proper proof of its country of origin.
- Signet believes it can be most effective in influencing improvements in the supply chain by working together with other industry representatives.
- Signet Jewelers Ltd. has developed its own Signet Responsible Sourcing Protocol (“SRSP”) consistent with other industry initiatives.

# Signet's Process



- Dodd-Frank compliance is imperative for Signet legal compliance.
- Conflict-free gold is first step in a broader initiative of responsible sourcing.
- Signet has undertaken a robust and detailed due diligence of its gold supply base.
- Latest phase is consultative, to allow suppliers input into the development of a draft supplier protocol ("SRSP").
- Draft SRSP is a global approach based on existing standards and guidance (esp. OECD, RJC and LMA guidance and standards).
- Focus is on ability to identify the refinery and bank source of gold
- Global or local additions may be possible.
- We understand compliance is a process of continuous improvement.

# Signet activity is in 4 inter-related areas



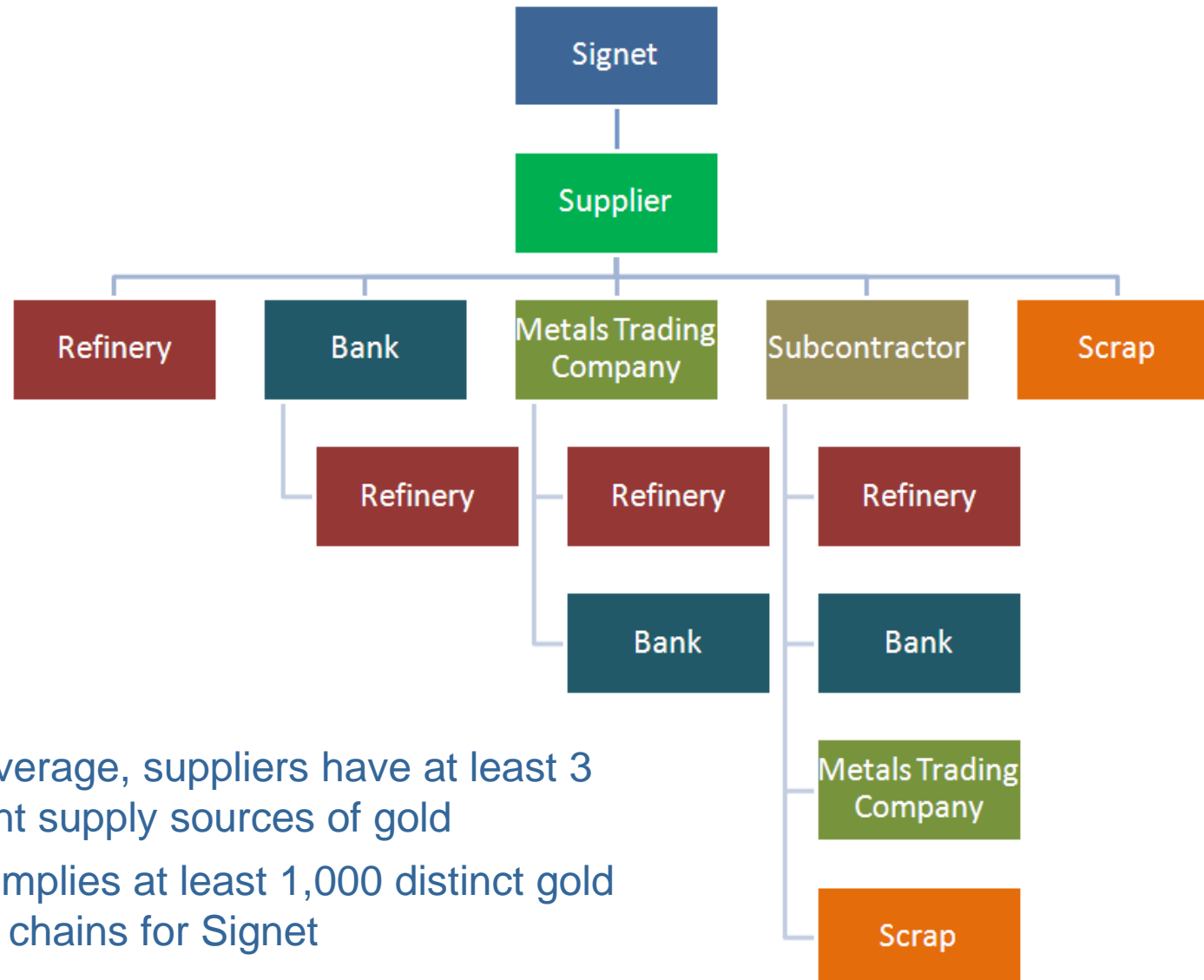
# Signet Project Summary



- Progress to date:
  - Detailed due diligence on 95%+ of Signet's gold supply
  - Completion of first 2 phases of OECD due diligence guidance
  - 100% supplier participation
  - Over time, a conflict-free supply chain is possible
- Final phase of Signet due diligence process now in place
  - Consultative phase
  - Evaluation of draft Signet Responsible Sourcing Protocol ("SRSP") for conflict-free gold
  - Detailed interviews with representative selection of gold suppliers
- Timing of elements to final phase:

■ Supplier discussions, webinars, workshops	April/May 2012
■ Supplier evaluation of SRSP	May/July 2012
■ Detailed interviews/consultations	July 2012
■ Final draft of SRSP	Q3 2012
■ Introduce SRSP	End 2012

# Signet Supply Sources (simplified)



- On average, suppliers have at least 3 different supply sources of gold
- This implies at least 1,000 distinct gold supply chains for Signet

# Supplier Requirements

- Signet's suppliers will be 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.
- Suppliers will need to pass on the same Signet Responsible Sourcing Protocol ("SRSP") requirements to all subcontractors, who will in turn need to assess this draft SRSP, ensure due diligence is undertaken on their own supply chain, and confirm a capability to certify and audit against the SRSP.
- Signet's suppliers will remain responsible and accountable for certification and external audit of supplies to Signet, based on this SRSP.
  - Signet will not certify and audit suppliers.
- Suppliers will need to certify and audit the gold supplied to Signet, either by certification of all gold manufacture and supply, or, if this is not possible, by segregating manufacture and supply of gold to Signet from manufacture and supply of gold to other customers.
- Examples of compliance by supply source.....



# Refinery Compliance

- **Gold refiners on the current LBMA good delivery list,**

(see [www.lbma.org.uk](http://www.lbma.org.uk) , “Good Delivery”, “Gold List”)

or

- Gold refiners on the EICC/GeSI conflict-free smelter list (5 gold refiners currently certified), or

(see [www.conflictreesmelter.org](http://www.conflictreesmelter.org))

- Gold refiners which are certified Members of the Responsible Jewellery Council (RJC), or

(see [www.responsiblejewellery.com/members/certified-members](http://www.responsiblejewellery.com/members/certified-members))

- Gold refiners which certify and independently audit all gold supplies as conflict-free, in accordance with;

- RJC Chain of Custody Standard for Precious Metals

(see [www.responsiblejewellery.com/chain-of-custody-certification](http://www.responsiblejewellery.com/chain-of-custody-certification) )

- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas, Supplement on Gold

(see [www.oecd.org](http://www.oecd.org), search “conflict minerals”)

- World Gold Council Conflict-Free Standard

(see [www.gold.org/about\\_gold/sustainability/conflict\\_free\\_standard](http://www.gold.org/about_gold/sustainability/conflict_free_standard))

- Banks which certify and independently audit that all gold is supplied from refineries which fulfil the SRSP criteria under “Refineries” as above (e.g. that all gold is from LBMA refiners).

or

- Banks which certify and independently audit that all gold supplies are conflict-free, in accordance with one of the following guidelines/standards;
  - RJC Chain of Custody Standard for Precious Metals
  - OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas, Supplement on Gold

- Companies which certify and independently audit that all gold is supplied from refineries and/or banks which fulfil the SRSP criteria under “Refineries” and “Banks” as above (e.g. that all gold is from LBMA refiners).

or

- Companies which certify and independently audit that all gold supplies are conflict-free, in accordance with one of the following guidelines/standards;
  - RJC Chain of Custody Standard for Precious Metals
  - OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas, Supplement on Gold

# **Subcontractors Compliance (for Components and/or Finished Products)**



In accordance with Signet's Supplier Code of Conduct, the same obligations and criteria will apply to subcontractors as apply to Signet's direct suppliers.

**Suppliers will therefore need to pass on the requirements of the SRSP to all subcontractors.**

# Subcontractors Compliance (for Components and/or Finished Products)

- Subcontractors which certify and independently audit that all gold is supplied from refineries, banks and/or precious metals trading companies which fulfil the SRSP criteria under “Refineries”, “Banks” and “Precious Metals Trading Companies”, and scrap/recycled gold.

or

- Subcontractors which certify and independently audit that all gold supplies are conflict-free, in accordance with one of the following guidelines/standards;
  - RJC Chain of Custody Standard for Precious Metals
  - OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas, Supplement on Gold

# Scrap/Recycled Supply Compliance

- Suppliers which certify and independently audit that all scrap and recycled gold is identifiable as its own production and supply, i.e.
  - Returned product from customers
  - Faulty inventory
  - Scrap and waste gold arising during manufacturing

or

- Suppliers which certify and independently audit that all scrap and recycled gold is acquired according to Know Your Customer/Counterparty principles (“KYC”)

or

- Companies which certify and independently audit that all gold supplies are conflict-free, in accordance with one of the following guidelines/standards;
  - RJC Chain of Custody Standard for Precious Metals
  - OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas, Supplement on Gold

# Reaction to Signet's Responsible Sourcing Protocol ("SRSP")



- Reaction to the SRSP has been cautiously and unanimously positive.
- Signet's industry leadership on this issue is recognised and welcomed by suppliers.
- Suppliers understand that the process will have challenges but see the SRSP as 'thorough', 'legitimate' & 'workable' – **THE SRSP WILL WORK.**
- They welcome the SRSP as providing guidance on the often complex topic of responsible sourcing.
- Suppliers welcomed the consultation process, especially personal meetings and helpful global webinars.
- Suppliers recognise the importance of compliance to Signet as well as their own businesses.
- There is still a further need for some suppliers to reach out to their subcontractors to discuss practical implications of the SRSP for their business.
- Many expressed a determination to make hard business decisions where necessary to ensure compliance, providing this doesn't affect long standing business relationships.
- Most suppliers see the SRSP becoming a "normal business" practice.



# Current Readiness for Compliance

■ Red

■ Amber

■ Green

## Not Prepared

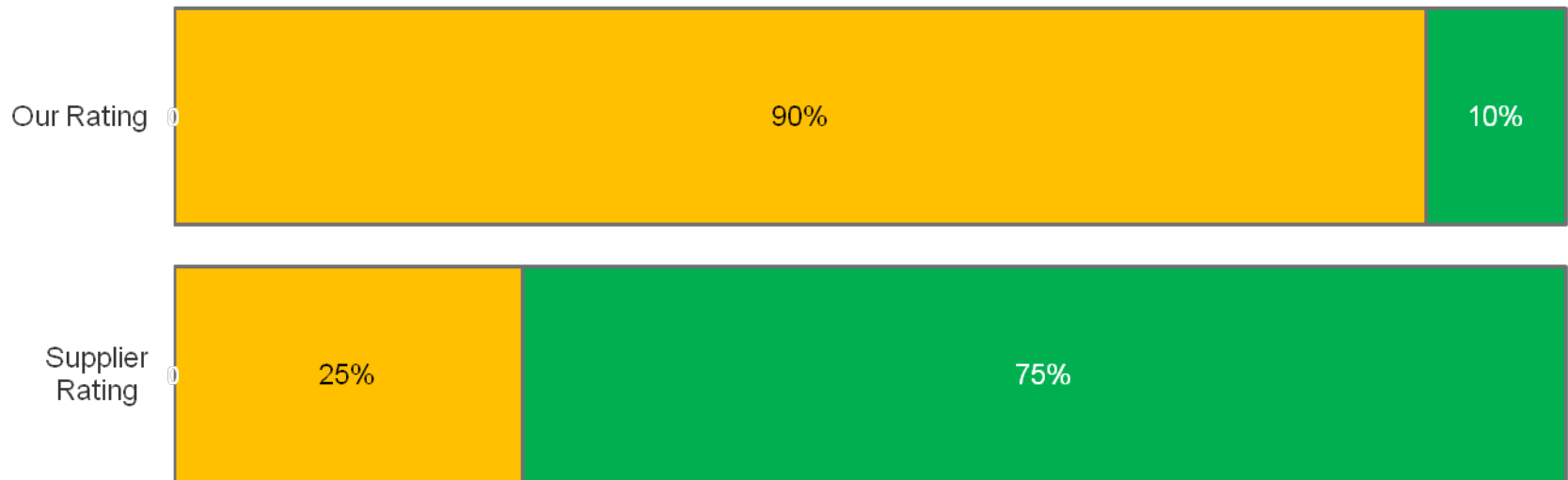
Concerns over whether  
compliance can be  
% achieved

## More work to do

Compliance achieved with  
more time and work with  
suppliers

## Almost Fully Prepared

Compliance achieved  
quickly, close now



Main reasons for differences between our and supplier ratings:

1. Suppliers' aspirations to be "green" – they want to achieve this
2. Lower level of understanding of practical realities by suppliers v Signet project team
3. Suppliers state what they think Signet want to hear

## Our suggestions to suppliers:

- Evaluate your supply chain and understand all your sources of gold, and their responsible sourcing policies (if any).
- Start discussions with banks, manufacturers, refineries now.
- Identify areas of possible compliance with conflict minerals guidance (esp. RJC, LBMA, OECD).
- Especially: identify the ability of your sources to ensure all gold is ultimately from LBMA refiners (via your bank, suppliers).
- Consider making LBMA “good delivery” refined gold a condition of business.
- Remember, it takes time to do this due diligence and put proper processes in place.
- If you do nothing, your sales to US publicly-traded companies may be at risk.

## What Signet is doing next:

- Ongoing discussions and collaboration with suppliers to help with Signet's own supplier protocol ("SRSP").
- Refine SRSP based on suppliers' input.
- Evaluate how SRSP should integrate into Signet operations.
- Continue engagement with governmental and industry organisations in standards and guidance development and harmonisation (e.g. OECD, RJC, LBMA, JA).
- Outreach at major trade fairs (IIJS, IJL, Vicenza, Basel, HK etc).



## Contacts

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