Due Diligence in the Jewellery Supply Chain

Due diligence to support conflict-sensitive and responsible sourcing practices is of increasing importance to jewellery supply chains, particularly gold. The Responsible Jewellery Council is working with a range of stakeholders on due diligence initiatives and has developed auditable standards that support responsible business practices.

The OECD Due Diligence Guidance
In 2010, the Organisation for Economic Cooperation and Development (OECD) released the Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. In 2012, a Supplement on Gold was released. RJC participated in the multi-stakeholder drafting committee which developed the Supplement.

The objective of the Guidance is to help companies respect human rights and avoid contributing to conflict through their mineral sourcing practices.

What is due diligence for conflict-free supply chains?
Due diligence is an ongoing process that businesses should undertake to ensure that the extraction and trade of mineral ores support peace and development, not conflict. The OECD Due Diligence Guidance comprises:

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

Who does it apply to?
The Guidance is voluntary and is applicable to all downstream and upstream companies in the supply chains for these minerals.

Applying the Guidance can help assure business partners that you have taken measures to prevent or mitigate the risks of directly or indirectly contributing to conflict and associated serious human rights abuses.
Where do I fit in the gold and jewellery supply chain?

In the OECD Due Diligence Guidance, the gold supply chain is categorized into ‘upstream’ and ‘downstream’. Some of the recommendations in the Guidance apply generally, whereas other recommendations depend on whether the company is in the upstream or downstream category. All entities after gold refiners are considered ‘downstream’ in the supply chain.

- **Upstream**
  - Mining companies and artisanal mining enterprises
  - Mineral processors
  - Traders and exporters
  - Gold refiners

- **Downstream**
  - Banks, gold traders and gold suppliers
  - Jewellery manufacturers
  - Jewellery wholesalers and importers
  - Jewellery retailers

A first step is to work out where your business activities fit within the above framework. There are specific recommendations in the Supplements for different supply chain activities.

Where do I start?

The Supplements contain a lot of detail that may seem overwhelming at first. However, the key principles of due diligence are laid out in the 5 step framework and can be summarized below for the gold supply chain.

The most important first steps are to review the OECD Guidance and establish a company supply chain policy for gold (and tin, tungsten and tantalum, if also used in your business). Model policies and templates to help you get started are available in the OECD Guidance and in the RJC Chain-of-Custody Standard Guidance.

Steps 3 to 5 are only triggered when risks (known as ‘red flags’) are positively identified in Step 2.

- **Step 1**
  - Adopt a supply chain policy for minerals from conflict-affected and high-risk areas
  - Engage with suppliers and understand your supply chain through data collection and control systems
  - Establish a grievance mechanism as an early-warning risk awareness system

- **Step 2**
  - Identify and assess risks in your supply chain:
    - Upstream - control your activities and gold inputs/outputs to avoid financing conflict
    - Downstream - map your supply chains to identify refiners and assess their due diligence

- **Step 3**
  - Where risks are identified:
    - Devise, adopt and implement a risk management plan
    - Strategy can elect to mitigate risks, temporarily suspend trade and/or disengage from supplier

- **Step 4**
  - Refiners should have their due diligence practices audited by independent third parties
  - Other upstream/downstream entities can participate in industry programmes and/or support the independent third party audit of the refiner’s due diligence practices

- **Step 5**
  - Report on your implementation of the Guidance in the interests of transparency and sharing good practice, with due regard of business confidentiality, competitive or security concerns
  - Can integrate due diligence reporting in sustainability, corporate social responsibility or annual reports

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What ‘red flags’ should I be looking for?
Red flags are indicators of risk. There are three types of red flag situations identified in the OECD Guidance – location-based, supplier-based, and circumstantial. Risks are amplified where there is weak enforcement of anti-money laundering or anti-corruption laws, customs controls, or other relevant laws. Informal banking systems and extensive use of cash also indicate heightened risk.

**Red flag locations of gold origin and transit**
- Gold is from or has been transported through a conflict-affected or high-risk area.
- Gold from recyclable/ scrap or mixed sources has been refined in a country where gold from conflict-affected and high-risk areas transits.

**Supplier red flags**
- Suppliers operate in a red flag location.
- Upstream companies have business interests in gold suppliers from a red flag location.
- Suppliers / upstream companies have sourced gold from a red flag location in the last 12 months.

**Red flag circumstances**
- Step 1 indicates anomalies or unusual circumstances that reasonably suggest that the gold extraction, transport or trade may contribute to conflict or serious abuses.

What industry programmes are available to help?
There are many initiatives working to address conflict in gold supply chains. At first this might seem confusing, but each is being developed to support particular issues, geographies and/or parts of the supply chain. Many of the initiatives are working at harmonisation and cross-recognition. Some address a broader range of issues than conflict, as shown in the table below.

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* With regard to ASM formalisation & professionalization, and or grievance mechanism.
** If it comes from a conflict area, further checks on the current level of security and political stability are required.
1 Presently operational in Latin America but being expanded to Africa and Asia in 2012/2013.

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The Responsible Jewellery Council is the trading name of the Council for Responsible Jewellery Practices Ltd.
The Council for Responsible Jewellery Practices Ltd. First Floor, Dudley House, 34-38 Southampton Street, London, UK, WC2E 7HF.
The Council for Responsible Jewellery Practices Ltd is registered in England and Wales with company number 05449042.
Assistance available from the Responsible Jewellery Council

RJC’s mission is to support businesses in the jewellery supply chain to implement responsible business practices.

- RJC provides a comprehensive free training program to its Members to support the RJC certification process, with general interest webinars also made publicly available, including recorded webinars about the OECD Guidance (see below).
- All RJC standards and guidance are developed through multi-stakeholder processes and published for open access.
- RJC Chain-of-Custody Certification is harmonised with the OECD Guidance where possible, and can assist you to implement the OECD Guidance, through a framework of strong management systems, risk assessments and a chain-of-custody standard.
- RJC CoC Certified businesses have been independently audited for their conflict-sensitive sourcing practices and can supply gold with a responsible, conflict-free chain-of-custody.

More information on the OECD Guidance and initiatives

Fairtrade-Fairmined (FT/FM) Standard: [http://www.fairtrade.net/gold.html](http://www.fairtrade.net/gold.html)
International Conference on the Great Lakes Region (ICGLR) Regional Certification Mechanism: [https://icglr.org/spip.php?article94](https://icglr.org/spip.php?article94)

RJC Recorded Webinars

These training webinars are available for viewing at any time – allow 1 hour. Click the link to be taken through to the GoToTraining platform.

- [OECD Due Diligence Guidance Training Module – Upstream](http://www.responsiblejewellery.com/chain-of-custody-certification/)
- [OECD Due Diligence Guidance Training Module – Downstream](http://www.responsiblejewellery.com/chain-of-custody-certification/)

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