



Responsible Jewellery Council (RJC)

Mining Supplement – Meeting with stakeholders – London, Monday 8 December, 2008

Participants

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|---------------------|---|--|
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| Cristina Echavarría | Alliance for Responsible Mining (ARM) | cechavarría@communitymining.org |
| Matt Runci | Jewelers of America – RJC Board Chair | matt@jewelers.org |
| Mick Roche | BHP Billiton – Co-Chair of RJC Standards Committee | Michael.T.Roche@BHPBilliton.com |
| Michael Rae | Responsible Jewellery Council | michael.rae@responsiblejewellery.com |
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Meeting Purpose

- To update participants on the release of the first stage of the RJC System
- To discuss the development of the Mining Supplement, in terms of both content and process
- To identify opportunities for additional improvement

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Summary of discussion

- Michael Rae welcomed participants and noted that the meeting took place at a useful time in advance of RJC meetings that week in London. It was agreed to adopt the Chatham House Rule for the meeting.
- Fiona Solomon gave a presentation on the RJC System (to be circulated with this document to participants and available on request).
- The issue of chain of custody was extensively discussed. It was explained that RJC's initiative is focused on responsible business practices, and not product certification through an industry chain of custody system. There are several reasons why this decision was made:
 - Other chain of custody models, for example the Forest Stewardship Council, has two components to this kind of certification. The first is the certification of management systems and practices of the business eg the forest. This first component is the parallel of the RJC system. The second (and optional) component is then certification of product tracking systems to certify the chain of custody through to the consumer.
 - RJC as a Membership organisation would breach anti-competition laws if it were to **require** chain of custody relationships between its Members, by stipulating for example that Members could only buy from other Members. However Members themselves are free to make their own business decisions as to their suppliers and customers and can choose to create their own chain of custody initiatives and/or require business partners to comply with the RJC system.
 - A current industry example is the creation of the Love, Earth range of jewellery at Walmart. This model has the product tracking systems, but does not have independent verification of responsible practices at each of the suppliers. This is in fact the component that the RJC system offers.
 - RJC has decided to focus initially on certification of responsible business practices. This was to encourage uptake of the system by large and small businesses, without imposing additional requirements about product labelling. Once the RJC system has been successfully implemented, the RJC may in future consider developing optional chain of custody certification, as per the FSC model.
 - It was also noted that the RJC Code of Practices contains provisions around supply chain management, whereby Members are required to use best endeavours to encourage their customers, suppliers and business partners to adopt similar standards.
- It was agreed that clear communications to consumers and the general marketplace will be required to explain that the RJC system was not a product labelling initiative, and therefore

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does not seek to trace products through the supply chain. This is already part of RJC's Communications strategy, and guidelines to Members on the use of the logo etc have been prepared.

- The question was asked as to what the RJC would do if information was brought to it that a Member was being supplied by a business that had very bad practices eg had fired union leaders. It was noted that if it was a non-Member, there may be nothing that the RJC could do. If they were a supplier of a Member company, and due diligence should have shown up these problems, then the RJC would alert the Member and/or their auditors. There will be a complaints process by which these kinds of matters could be alerted to the Council.
- The question was raised as to whether the RJC system really was third party certification because the standards development process was not multi-stakeholder in nature. The RJC responded that in their view this point relates to Michael Conroy's book 'Branded' where he links the type of certification to verification by independent third parties, as well as suggesting that standards setting should also be by a multi-stakeholder process. This definition was contested. While standard setting processes are important, there was a view that ultimately the focus should be on whether the standard is good and the system is credible. Third party certification refers to who does the assessments, with the existence of a standard as a given, however developed.
- Meeting participants expressed a preference for multi-stakeholder ownership / decision making in standard setting (as in IRMA and ARM), over the RJC model of multi-stakeholder consultation and Member-based decision-making.
- It was questioned whether there was a timeline for the RJC to expand into other jewellery relevant commodities and alloys. It was noted that the timing will depend on how robust the system is, and the appetite from the industry. Currently the Madison Dialogue may be building forums for future developments in this area.
- There was valuable discussion about the artisanal and small scale mining standards in development by the Alliance for Responsible Mining (ARM) and the Diamond Development Initiative (DDI). ARM has established a formal agreement with the Fairtrade Labelling Organisation (FLO) to take forward Standard Zero for fair trade gold and associated silver and platinum, which aims to improve livelihoods for artisanal gold miners on the ground and by tapping into the conscientious consumption market. The proposed Development Diamond standards are focused on beneficiation to artisanal miners as the starting point. The business case is more difficult, and governments are identified as key partners. While ARM, DDI and RJC have different ends, they have mutual interests and it was agreed that collaboration would be very valuable. Some RJC Members will want fair trade provenance – the RJC system will be a foundation to make certain claims and increases the likelihood of interest in fair trade products.

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- ARM noted that artisanal miners do not need to form cooperatives¹ to come under a fair trade scheme, there just needs to be some type of formalised organisation, which can include associations, family units, companies, and so on. However chain of custody is critical to the ARM-FLO system. It was stressed that ARM won't be a silver bullet for artisanal mining issues, as RJC won't be for the corporate world.
- It was noted that artisanal diamond miners eg in Sierra Leone are not as organised in an institutional or professional sense as appears to be the case for artisanal gold mining in the ARM pilots in Latin America and may be resistant to organising in cooperatives. However this and other forms of organisation may be possible with the right support. In either case, artisanal diamonds are reaching the market. There is a resistance to cooperatives among many small producers because they usually go against the traditional and established forms of organisation and have become rigid organisations. As with technological innovation, change must build on the pre-existing situation. Another thing is to be able to SEE these forms of organisation, and to understand how they work, even if they are not immediately apparent. They are there.
- It was suggested that RJC could hold consultative meetings about its Mining Supplement in the developing world eg Africa or Latin America, looking for events that already attract key stakeholders and communities. RJC should also invest in translation of key materials. It was noted that face to face meetings are important for legitimacy and credibility, and to make RJC known. RJC agreed to consider these proposals, and how it could allocate resources in difficult financial times. There is also a desire to balance the desire to get the system started, while having a credible consultation process. It was suggested by an external participant that the RJC could plan expanded multi-stakeholder consultations for future iterations, and allocate resources in future years.
- The relationship between RJC and IRMA was queried. It was explained that while there was an initial idea in 2006 to adopt the IRMA standard under the RJC system, the IRMA process has been slow to develop draft standards and has unclear governance to even complete the drafts, let alone operate an assurance system. It was agreed that NGOs have also been frustrated by the slow progress of IRMA. However meeting participants wanted to see stakeholders have more influence over RJC standards as per the IRMA model; or would like to see meaningful consultation by the RJC with civil society, if a multi-stakeholder approach is not possible. Michael Rae noted that the RJC want to get to a timely first release of credible additional mining standards in the RJC System. The RJC is keen to have an agreement with stakeholders to review and improve the standards.

¹ Cooperative is a specific legal form of organisation that is usually linked with a complex legal system. ASM sometimes prefer other legal forms that are more akin to their traditional forms of organisation.

- It was suggested that IRMA is looking at a broader range of issues including Free Prior Informed Consent (FPIC). However RJC noted that it already covers many issues, such as labour, human rights and a range of other core CSR areas in its Code of Practices that applies to the full supply chain. So the RJC Mining Supplement is not a full mining standard under development, as is the intent with IRMA, and is focused on only two commodities – diamonds and gold. CAFOD advised that NGOs involved in IRMA will be sending the RJC a formal letter shortly. The RJC agreed to consider the letter in the Council meetings being convened that week.
- It was noted that under IRMA, participating organisations were expected to lend their name to the final product. The RJC by contrast was asking for input as stakeholders into an industry standard. The RJC is not demanding signoff on its standard, though the system will be transparent and open for public comment. The RJC is preparing to launch its system in 2009 and could not credibly launch while remaining silent on key mining issues, in a possibly forlorn wait for IRMA. The RJC standard will continue to evolve.
- It was questioned as to whether the RJC system would be open to small-scale (junior) miners. It was noted that the system aimed to be flexible to the nature, scale and complexity of different business models, arguably including small-scale mining operations.
- It was questioned as to whether the RJC system will be field tested before launch. RJC replied that Members can now start self-assessments, and the RJC are in dialogue with auditors about strategies for implementation of new standards. We expect feedback over the next 6 months before the Mining Supplement component is incorporated. The RJC may assist smaller Members to ground test the system to gain useful feedback on implementation by small business to enable development of additional guidance and toolkits. ARM noted that the pre-assessments made by FLO-cert were very useful in helping the miners to identify the gaps still to be addressed before inspection and certification.
- It was queried whether NGOs, unions, communities can be involved in audits. The RJC noted that Members can choose to invite external parties to participate in audits as observers, as appropriate. However any organisation would need to meet objective criteria for relevant auditing competence and experience to be accredited as an RJC auditor. Auditors will definitely speak with workers and communities as part of the process of seeking objective evidence of implementation of the Code of Practices. It was noted that the RJC system is designed as a limited assurance model.
- The issue of artisanal and small scale mining (ASM) in the RJC standard was discussed. In the first draft of the Mining Supplement there is a draft provision which focuses on the relationship between Members and ASM in their area of operation. Issues raised included:
 - ASM are often the barefoot explorers of LSM, indicating where the interesting values are to be found.

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- Exploration licences are often granted in places traditionally occupied by ASM, automatically making those ASM illegal (even though they may have been requesting mining licences)
 - Often countries/companies remove ASM with the assistance of national armies.
 - The provision should accommodate responsible initiatives of Members with ASM, in collaboration with governments and other stakeholders.
 - ASM is often a social legacy of LSM, given that upon lay-off many mine-workers turn to ASM for a livelihood.
- It was noted that the RJC cannot tell governments how to run countries – the influence of the RJC system is over Member companies and their business practices. It was also noted that LSM companies, via the World Bank or via bilateral technical cooperation have exercised influence over mineral policy reform projects in many developing countries to further the interests of LSM. Therefore a new discourse could be considered that signals to governments the interest of the LSM industry in ensuring the rights of ASM and the development benefits of promoting a responsible ASM sector alongside a responsible LSM sector. It was agreed that guidance and case studies would be helpful.
 - It was also mentioned that enlarging RJC membership to include companies operating in the South, state-owned companies inclusive, would lead to desirable practices in those countries.
 - RJC advised that they are considering a consultative panel type model to create an additional engagement mechanism for the development of the Mining Supplement. The RJC would consider proposals at its Council meetings that week in London and develop the details in the coming weeks.
 - It was agreed that the meeting had been very valuable to increase understanding of the RJC system and key issues. Participants were thanked for their time and input.

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