

Summary Notes

RJC Standards Committee Meeting

21-22 March 18, London

Participants: Ainsley Butler, Charles Chaussepied, Jennifer Hillard, Cecilia Gardner, Michèle Brulhart, Didier Backaert, Estelle Levin, Assheton Carter, Purvi Shah, Peter Nestor, Michael Geelhand de Merxem, Marco Quadri, Claire Piroddi (day 1 morning only)

Dial-in: Alan Martin, Jennifer Horning

RJC Management Team: Anne-Marie Fleury (Standards and Impacts Director), Andrew Bone (Executive Director), Andrew Cooper (Standards Specialist), Bethan Robson Herbert (Certification and Impacts Manager), Peter Dawkins (Assurance and Standards Coordinator)

Guest Speakers: Nawal Ait-Hocine, Kate Harcourt, Erin Lyon, Jessie Fisher

Apologies: Tim Carter, Tehmasp Printer, Marijke Achten, Felix Hruschka, Hany Besada, Jon Hobbs, Eleonora Rizzuto

Materials circulated prior to meeting: Summary minutes from previous meeting

DAY 1

1. Opening remarks

Co-Chair Ainsley Butler welcomed participants to the meeting and reminded them of the RJC anti-trust policy. Ainsley also noted that Charles Chaussepied had been appointed as an interim co-chair of the Standards Committee. The purpose of the meeting is to review proposed changes to the COP before moving to the second phase of public consultation. A short introduction to the meeting agenda was given and the minutes from the previous meeting were then approved by Jennifer Hillard and Cecilia Gardner.

2. Report from Executive Director, Andy Bone

The Executive Director provided the Standards Committee with an update on RJC's response to the recent report by Human Rights Watch (HRW). It was noted that the RJC have a history of proactive and positive engagement with HRW. A member of HRW was also invited to join the Standards Committee, however this invitation was declined. At the launch of the HRW report, RJC participated in a panel discussion, where we were able to report positive progress on many of the recommendations identified in the report.

With regards to the questions concerning the RJC governance structure, the Executive Director announced that the Exco has approved a project to inform RJC on how to improve our engagement structures with civil society, including possible alternative governance systems. This research will be based on a comparative analysis with other relevant initiatives and programmes. The Executive Director responded to a question on the role of the Standards Committee in designing the project by stating that the process will indeed be inclusive and that the input of the Standards Committee would be most welcome.

Another member enquired as to how the RJC will respond on other recommendations made in the report, such as greater responsibility for the diamond sector. It was noted that the RJC had just held very positive talks with the diamond industry with regards to the inclusion of due diligence requirements in the COP, and that a small panel of experts (to include the OECD) will be formed to guide this.

A member asked RJC views on the quality of the HRW research, expressing concerns with its accuracy. The Executive Director noted the importance of working collaboratively with HRW to address the recommendations rather than focussing on the quality of the report.

3. RJC statistics update

The Certification and Impacts Manager provided an overview of RJC's membership and non-conformance statistics. One member remarked on the relatively high number of non-conformances in Belgium despite strict legal requirements there. There ensued a discussion on inconsistencies in audits across different countries. The Standards Director acknowledged these facts and pointed out that the non-conformances presented in the statistics are minor ones. She also outlined the audit oversight project being carried out under the Assurance Committee to strengthen consistency and quality of audits across the whole membership.

4. Background to the COP review

The Standards Director provided a brief overview of the Code of Practices (COP) standard and noted some changes to the review timeline. Most notably, the current plan is to design Round 2 of consultation so as to minimise the need for a third phase of public consultation. This will be decided during the July standards committee teleconference meeting and will depend on whether there are still unresolved questions which require public consultation.

A member asked if the issue of certification scope (fig leaf issue) will be discussed during this meeting. This was noted as a serious issue which falls under the remit of the Exco as a membership topic. It will not be covered as part of the standards review.

Action: Co-chairs to share with Exco concerns raised about RJC members only including (the least risky) parts of their group of companies within RJC certification scope (fig-leaf issue).

5. Coloured stones

Nawal Ait-Hocine provided an overview of the work to expand the scope of the COP to include coloured stones and noted that most of the proposed changes are to the guidance rather than the standard itself. There followed a discussion on which coloured stones to include in RJC's scope, the proposal being to start with emeralds, sapphires and rubies and within 2 years expand to all stones. The Standards Director described this as a step-wise approach for engaging with the coloured stones sector. She noted that many coloured stones stakeholders are quite resistant to RJC and described widely held misconceptions about COP requirements for full traceability and certification of stones. One member noted the role of larger brands in coaching smaller companies to help dispel some of these misconceptions. Another member commented on the complexity of the coloured stones supply chain, agreeing with a cautious approach.

COP provision 26 on disclosure was discussed:

- The use of the term 'country of origin' for disclosure requirements for coloured stones should be replaced by the CIBJO term 'place of origin'. There is a need to clarify the difference between this and provenance claims (COP 12).
- The reference to treated stones should specify that this includes heating.
- Disclosure requirements should include disclosure on any special care needed for stones (as recommended in CIBJO Blue Book).

COP provision 7 on direct sourcing from ASM was discussed:

- Should the provision be expanded to include direct and indirect sourcing from ASM? The provision as currently written covers things like mercury use and gender issues, which are

not covered under due diligence requirements (so there would not be duplication of requirements). Several participants expressed a view that direct sourcing of stones from ASM occurs sufficiently often to warrant its own provision in the COP. Overall there is value in keeping the ASM sourcing provision as it is.

- What is meant to be covered by assessing risks of gender inequality? If this is found to exist, what should the buyer do? This requirement should be reviewed.

6. OECD Alignment Assessment

The Standards Specialist provided an overview of RJC's participation in the OECD Alignment Pilot Assessment, the methodology designed to assess how closely aligned a given standard or program is with OECD Due Diligence Guidance and assesses the standard and the implementation (auditing).

RJC's Chain of Custody (CoC) standard has now been awarded a rating of 'partially aligned' following a recent reassessment (RJC received a 'not aligned' rating in the first assessment). The reassessment took into account changes made to the standard and guidance material following the CoC review, which was completed in December last year. Only minor gaps in order to reach full alignment on the standard now remain and will be addressed through the COP review.

Achieving a 'fully aligned' rating is important so that our standards are recognised by the upcoming EU Conflict Minerals Regulation. Additional work will be required on auditing capacity on due diligence to achieve the 'fully aligned' rating on both the standard and the implementation.

A member asked how the 'partially aligned' rating will be perceived by external stakeholders given the recent HRW report. The Standards Director noted that RJC participation in the Alignment Assessment is clearly positive with valuable learning gained and significant progress in alignment with OECD. The other programmes participating in the pilot assessment have also been awarded a 'partially aligned' rating. The industry Co-Chair also remarked that the two-year horizon for the 2019 launch of the EU regulation should provide the RJC with sufficient time to become fully aligned.

7. Due Diligence

The outcome of a meeting held the previous day with the World Diamond Council (WDC), OECD, and RJC was discussed. The purpose of the meeting was to develop understanding of the application of OECD due diligence to the diamond supply chain. The Standards Director remarked on the positive and constructive nature of the discussions and confirmed that participants had agreed to work together within the current COP review window. There was agreement to form a small technical panel of experts from WDC and OECD to input on an OECD aligned due diligence approach for diamonds in the COP.

The proposed due diligence provision was discussed (COP 6):

- There was agreement to separate the Human Rights provision from the Due Diligence provision.
- Requiring members to 'observe' the UN Guiding principles (UNGPs) under provision 6.1 is quite weak, this should be changed to 'commit to' or 'implement'.
- There was agreement to do more 'road mapping' of the different elements of the UNGPs under the provision, listing under the standard "including, but not limited to: a) a Human Rights policy, b) ... etc "and including in that list 'reporting' and 'access to remedy' requirements.
- The word 'adhere' in 6.3a on the OECD guidance should be changed to 'implement'.

- Is it overburdensome to expect all gold refiners to disclose mine of origin information to RJC under provision 6.4b? There was agreement to keep the current approach on ‘mine of origin’ and see what consultation feedback is.

It was noted that there are many cross-cutting requirements in the COP, for example for policies, reporting, training, impact assessments, or grievance mechanisms on various topics. A matrix should be developed for members to understand all their cross-cutting business practice requirements (e.g., when developing company policies, include Human Rights, Due Diligence, Health & Safety, etc).

8. Know Your Counterparty (KYC)

The Standards Director provided an overview of the proposed new KYC provision noting revised financial thresholds for maintaining records of cash transactions (from \$15,000 to \$10,000).

Discussion points were:

- Provision 10.1a) should specify that establishing the identity of counterparties be done by checking government issued identification (eg, personal identification for individuals and licences for entities).
- 10.1 should be changed from “...suppliers or customers” to “...suppliers and customers”.
- 10.1 c) should be changed to “... maintaining an understanding of the nature and legitimacy of their business.” (removing the rest).
- There was also a discussion as to whether 10.1a should require the identification of ultimate beneficial owners in addition to beneficial owners, however it was noted that this may be too ambitious at this stage.

9. Diamond detection and disclosure

The need for developing a COP provision on the detection and disclosure of synthetic diamonds was presented by the Standard Specialist. Proposed changes to the COP are based on the De Beers BPP and Signets SRSP.

One member noted that that DeBeers is significantly changing its guidance and that this should be reviewed to ensure industry alignment on requirements. Several members noted that the updated DeBeers standard could set the bar too high for many RJC members.

The committee discussed the potential challenges related to sampling and testing for companies, particularly with regards to the associated costs. One member noted that occasional sample testing could act as an effective deterrent to mixing of synthetics.

The DPA guidelines (Project Assure) on testing equipment was noted as important industry reference once it is completed.

The committee discussed COP 26.3 on disclosure of synthetic diamonds.

- There was consensus on including sub provisions a (obtain written warranties), b (have a policy, training, etc), and c (identify risks in supply chain).
- The detailed testing approach outlined in (d) should be removed and a more flexible requirement designed, with detail included in the guidance. The requirement should be for testing that is “robust”, “credible”, “transparent” and which incorporates a random sampling approach. It should also include a requirement for disclosing the testing protocol to buyers.
- There was a recommendation to adopt the DPA’s Diamond Terminology Guidelines. The Assurance and Standards Coordinator confirmed that its definitions already align with these guidelines.

DAY 2

10. Working Hours

Guest speakers Erin Lyon, Ian Spaulding and Jessie Fischer from Elevate joined the meeting to provide an overview of the key issues and gaps identified in the COP related to working hours. Ian presented data collected from social audits conducted by Elevate related to average working hours in China, India and Thailand. It was noted for example that in China it is common practice for people to work beyond the legal limit. In India average working hours per week are high and in Thailand the law allows longer working hours. The data presented was generic and not specific to the jewellery industry.

Elevate interviews with jewellery supply chain companies revealed issues with excessive working hours in all of these countries which are consistent with the generic data presented. The study benchmarked the RJC against other relevant standards. Elevate made recommendations of changes to provision 14:

- 14.1 (limit the normal working week not including overtime to 48 hours). Members agreed to put forward this proposed change.
- 14.2 b (include additional exception criteria for when overtime limits can exceed 60 hours) There was agreement to make clear distinctions in the Guidance between routine excessive working hours and isolated instances of excessive hours using a non-conformance rating table. It was recommended that RJC checks that the proposed guidance is compatible with the current guidance on overtime in India. The definition of exceptional circumstances should be changed to “~~unexpected~~ production peaks”, with production peaks defined in the guidance. This change is to account for expected production peaks in jewellery that cannot be accommodated with temporary work force (because of skilled nature of labour).
- 14.3 (broadening the exception criteria for rest days), members agreed with the change
- 13.1 (provision of a written contract of employment terms worker) member recommended changing the reference to ‘native language’ to ‘language which is understood’.

11. Mining provisions

Guest speaker Kate Harcourt provided an overview of work carried out to review the COP mining provisions, noting that RJC standards in this area are relatively strong but the guidance material is lacking on some specific topics.

Provision 29, Extractive Industries Transparency Initiative

- The suggested addition to commit to EITI ‘in implementing countries’ could be perceived as a weakening of the standard. It was agreed to remove this addition. The guidance specifies that the requirement is only in EITI implementing countries.
- One committee member pointed out that the OECD Guidance does not specify that EITI only applies in implementing countries. There was a discussion on whether EITI should be required in all countries, but it was agreed this goes counter to the EITI model which requires both state and government disclosure.

Provision 30, Community Engagement

- The COP does not currently include a specific requirement for mining companies to contribute to community development (different to community engagement (30) and stronger than COP 8 (on community development for all members)). There was a suggestion

that we consider developing an additional requirement on community development for mining companies in order to align better with other mining standards.

- 30.1c (identify affected communities) should include identifying vulnerable groups and the full diversity of stakeholders.
- Remove 'including women' from 30.1f as the addition does not add to the requirement which is about ensuring diversity of the community is represented. The guidance should specify that this includes women, but also migrants, youth, etc.
- Add to the guidance a definition of 'key mining decisions'
- Consider adding a reference to provision 32 on impact assessment.
- 30.2 (grievance mechanism) should reflect the language to be added to provision 6 on Human Rights about appropriate grievance mechanisms.

Provisions 31-40 (mining section)

- Provision 31.2 (seeking to obtain broad-based support of affected indigenous peoples), the language used in the provision should be compared with ICMM position statement.
- Provision 32.1 (environmental and social impact assessment) should include Human Rights impact assessment as this is an important topic that merits singling out.
- Provision 33.1 (ASM), the guidance needs to be updated to includes reference to ARM, DDI, SBGI, CRAFT, etc.
- Provision 36.5 (tailings disposal in deep sea areas), the guidance should define 'deep sea' and 'sufficient scientific knowledge'. The guidance should specify that understanding potential impacts requires a biodiversity impact assessment (reference to provision 32)
- Provision 40.3 (estimating mine closure costs). The guidance should define 'periodic' and appropriate '3rd parties' for reviewing closure costs.

Provisions 22 (environmental management)

- Provision 22.3 (providing environmental training). The addition of 'sub-contractors' is potentially confusing, the provision requires that any contractors on-site be provided with training, this does not apply off-site.

12. Sourcing from informal recycling

The Standards Director presented a proposal to include a new provision that aims to address environmental and health and safety issues in the informal recycling sector.

- The committee agreed to include this provision.
- The title should be changed to something like 'Sourcing industrial recycled precious metals'
- The specification about 'sourcing directly from informal recyclers' should be broadened to sourcing from informal recyclers.
- Part c (ensure suppliers comply with the law) should be removed as inappropriate for informal activities.
- The reference to 'worst forms of child labour' should be replaced with 'child labour'.

13. Gender

The Standards and Assurance Coordinator provided an overview on work that RJC had carried out with BSR to strengthen the COP's coverage of gender issues and women's empowerment. Most suggested changes were relatively minor improvements.

- Provision 16 (Harassment, discipline and grievance procedures) should include 'and non-retaliation' in the title

- A new provision (16.5) was agreed outlining a requirement to have a policy and management systems to avoid retaliation for individuals filing complaints or engaging with the grievance mechanism.
- Provision 8 (community development), there was agreement that the additional language (designing initiatives with a gender lens in mind) fits better in the guidance than in the standard.
- Provision 20.1 (non-discrimination). Add to the section on “...any form of discrimination” “sexual harassment and/or retaliation in the workplace.”. There was also a suggestion to use the phrase ‘protected categories’ to deal with anti-discrimination.

The BPP guidance was referenced as having some gender related guidance (eg, on appropriate first aid provision) which could be used to supplement the changes to the COP.

14. Silver

The Standards Specialist outlined changes to COP to include silver in scope. Only minor changes to certain provisions (cyanide code and disclosure) will be made and some additional guidance will be provided

15. Impacts and evaluation update

The Certification and Impacts Manager provided an overview of work carried out by RJC on impacts evaluation. The study measured perceived benefits of RJC certification by members in the manufacturing forum. It was noted that improved reputation was seen as a key benefit. In contrast, productivity and efficiency improvements were not regarded as particularly important. Member companies also noted several areas of the COP where more guidance would be useful, and much of this will be addressed in the current COP review.

Committee members were informed that it is a requirement of ISEAL membership that the report is made publicly available, in full or in summary. The report will be shared with the Committee with plans to publish the full report, noting that the content is not particularly contentious in any way.