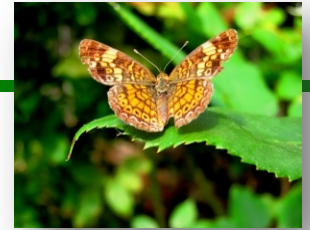


FIERA DI VICENZA

20/01/2014

**SEMINAR ON
CONFLICT MINERAL LEGISLATION IN EUROPE AND THE UNITED
STATES: HOW IT IMPACTS ON BOTH THE DOMESTIC AND EXPORT
JEWELRY BUSINESS**

**ORGANISED BY
FIERA DI VICENZA, CIBJO, RJC, AND FEDERORAFI**



**Maria Benedetta Francesconi
Italian Ministry of Economic Development (MED)
NCP for the OECD Guidelines**

THE ITALIAN MED IS NCP FOR THE OECD GUIDELINES

The OECD “Guidelines for multinational enterprises” are a set of **recommendations** on **responsible business conduct** addressed by governments to MNEs operating in or from adhering countries.

They **cover all production sectors** and goes beyond multinationals **to extend to the entire supply chain of companies and to SMEs**.

The Guidelines are the only existing **multilaterally agreed** corporate responsibility instrument that adhering governments have committed to promoting in a global context.

*Observance of the Guidelines by enterprises is **voluntary and not legally enforceable**. Nevertheless. MNEs (and other businesses) are **expected to fulfil the recommendations** set out in the Guidelines and the countries adhering to the Guidelines make a binding commitment to implement them. The underlying idea behind this approach is to focus on building an atmosphere of **mutual trust** between all stakeholders in order to overcome global corporate responsibility challenges.*

Adhering Countries are:

ARGENTINA - AUSTRALIA - AUSTRIA - BELGIUM - BRAZIL - CANADA - CHILE - COLOMBIA - COSTA RICA - CZECH REPUBLIC - DENMARK - EGYPT - ESTONIA - FINLAND - FRANCE - GERMANY - GREECE - HUNGARY - ICELAND - IRELAND - ISRAEL - ITALY - JAPAN - KOREA - LATVIA - LITHUANIA - LUXEMBOURG - MEXICO - MOROCCO - NETHERLANDS - NEW ZEALAND - NORWAY - PERU - POLAND - PORTUGAL - ROMANIA - SLOVAK REPUBLIC - SLOVENIA - SPAIN - SWEDEN - SWITZERLAND - TUNISIA - TURKEY - UNITED KINGDOM - UNITED STATES - EUROPEAN UNION (observer) (46)

Countries adhering to the Guidelines set up **National Contact Points (NCPs)** that are tasked with **furthering the effectiveness of the Guidelines** by undertaking **promotional activities**, handling **inquiries**, and providing a **mediation and conciliation** platform for resolving issues that arise from the alleged non-observance of the *Guidelines*.

The *Guidelines* are the only government-backed international instrument on responsible business conduct with a **built-in grievance mechanism – specific instances**. Specific instances are **not legal cases and NCPs are not judicial bodies**.

Under this mechanism, any **interested party** can submit a specific instance to an NCP regarding the **alleged non-observance** of the *Guidelines* and NCPs offer **good offices** and facilitate access to consensual and non-adversarial procedures (ex. conciliation or mediation).

OVERVIEW

- **OECD Guidelines for Multinational Enterprises on Responsible Business Conduct**



- **OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas - Supplement on Gold - Downstream supply chain – Jewellery**

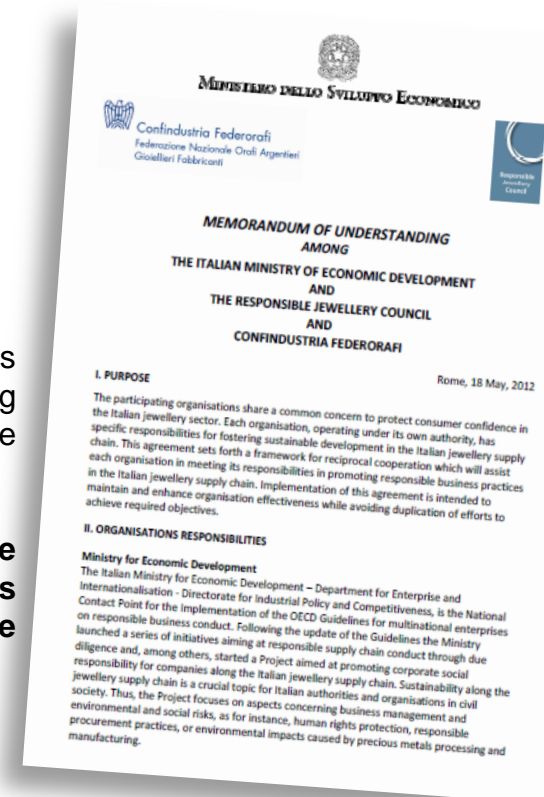
- **National Contact Point (NCP) for the Implementation of the OECD Guidelines – Italian Ministry of Economic Development**

- **Memorandum of Understanding among the Italian Ministry of Economic Development, The Responsible Jewellery Council and Confindustria-Federorafi**

✓ Signed in May 2012, to collaborate in order to advance partners' shared objectives of improving social, environmental and labour practices and good governance **in the jewellery sector.**

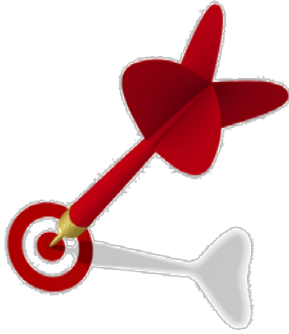
✓ Activities focus on a seminar series and awareness raising initiatives designed for companies belonging to the main Italian gold manufacturing clusters, as well as on initiatives to give guidance on due diligence in the supply chain

✓ **The MoU states that all initiatives will be complementary to the spreading of responsible principles contained in the OECD Guidelines for multinationals and in the Due Diligence Guidance for responsible supply chains of minerals from conflict-affected and high-risk areas.**



Challenges for Italian downstream SMEs in the jewellery sector

- **Large number of SMEs**, of very limited size, operating in the sector:
 - limited human and financial resources
 - limited knowledge of OECD and other international initiatives and standards on RBC
 - weak company management system in due diligence in the supply chain
- **Difficulties in the supply chain:**
 - Difficulty to drive backwards from end-products to sourcing of minerals
 - Small “leverage” of SMEs in the supply chain vs larger or far away companies
- **Risk of overlapping of actions and requirements** with reference to national and international standards and rules (ex transparency, human rights, specific conflict minerals, etc)



OBJECTIVES

- **Raise awareness** among Italian jewellery companies
- **Foster** the implementation and management of due diligence

ACTIVITIES CARRIED OUT

- **Survey** on the level of knowledge and implementation of CSR/RBC within the jewellery sector and interviews to virtuous companies in order to codify the best practices
- **Awareness raising seminars** addressed to actors in the gold industry and technical training schools
- **Building the capacity to conduct due diligence:** handbook aimed at SMEs helping them to implement guidance and standards (simplify the message with examples, suggestions of practical actions on how to assess the risk etc.)

WHAT TO KEEP IN MIND FOR THE FUTURE

- Growing request from suppliers and consumers internationally on responsible gold
- Work more in awareness raising of both companies and market (consumers) on responsible business approaches
- Continue to build on existing frameworks: OECD Guidance and international industry harmonised sector standards (e.g. RJC)
- Place conflict-minerals due diligence within an overall due diligence governance system to make it a strategic approach and avoid overlapping of requirements and higher costs
- Consider the characteristics of jewellery sector (e.g. the difficulty in the traceability of gold during its life)
- Keep in mind the limited resources of SMEs and the difficulties for them to assess and manage risk in the supply chain thus: try to extrapolate from existing standards (for ex: RJC) in order to adapt them to SMEs on “conflict minerals”; maintain flexible approach

THANK YOU



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Dipartimento per l'impresa e l'internazionalizzazione
Direzione generale per la politica industriale e la competitività
PUNTO DI CONTATTO NAZIONALE
Via Molise, n. 2 - 00187 Roma, Italy
E-mail: pcn1@sviluppoeconomico.gov.it

SIGNET RESPONSIBLE SOURCING PROTOCOLS ("SRSP"s) for gold and "3Ts"

VicenzaORO, January 2014



Largest Speciality Jewellery Retailer in US and in Europe

Total F2013 Sales \$3.983 Billion

82% US / 18% UK



Kay Jewelers - #1 mid-market brand
Sales: \$1.953B Stores: 949



H.Samuel - #1 in UK
Sales: \$387M Stores: 318



Jared - #1 Off-Mall "Destination Store"
Sales: \$1.003B Stores: 190



Ernest Jones - #1 UK upper middle market
Sales: \$322M Stores: 193

Context for Supplier Research and Due Diligence



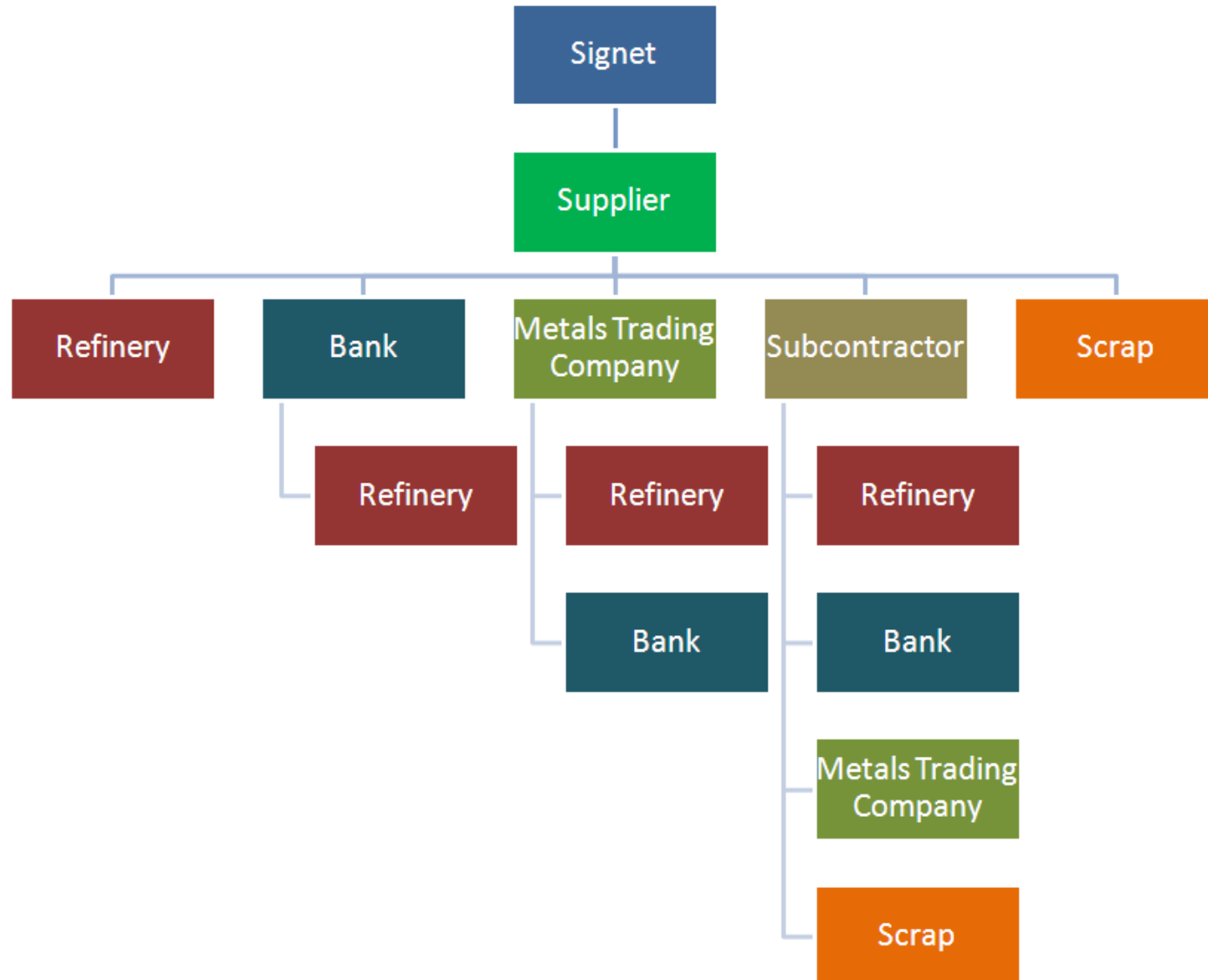
- Signet Jewelers Ltd is legally required to comply with US legislation (Wall Street Reform and Consumer Protection Act, “Dodd-Frank”) relating to “conflict minerals” - gold, tin, tantalum and tungsten (“3Ts”)
- “Dodd-Frank” applies to Signet Jewelers Ltd’s global supply chain, for both U.S. (Sterling) and U.K. (Signet) Divisions
- Signet Jewelers Ltd is also active in the development of harmonized industry guidance and standards (OECD, RJC, LBMA, EICC, DMCC etc.). LBMA’s “Responsible Gold Guidance” is a core reference
- The SRSP for gold can be aligned with the RJC’s new “Provenance Claim” provision
- 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 supported by government-backed trade bodies (RJC, LBMA, DMCC, OECD) and Reserve Bank of India

Project Timeline of “SRSP”s



<u>Year</u>	<u>Key Activities</u>
2011	Research suppliers to understand supply chains Identify focal points in supply chain (esp. smelters/refiners, banks) Map Signet’s supply chain
2012	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
2013	SRSP compliance reporting (quarterly) Identify and support any non-compliant suppliers Establish audit criteria and test SRSP compliance report for full year 2013
2014	Audit of SRSPs, preparation of Form SD, annual report Establish ongoing operational procedures

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.
- Some suppliers must provide an independent audit of compliance in Jan/Feb 2014 to validate their 2013 compliance claims

Supporting evidence required to validate compliance claims



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/Provenance Claims 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

SRSP Audit Procedures



- Signet have provided a list of accredited auditors and full guidance for auditors and suppliers
- Audits are done on representative sample basis, to be completed in January and February 2014 for calendar year 2013.
- Auditor list is aligned with RJC, plus some local specialist companies with harmonized standards/audits (e.g. SCS Global Services)
- SRSP audit is to be mutually recognized and harmonized with RJC, SCS, CFSI, LBMA, DMCC etc. audits, to reduce costs and duplication
- The SRSP audit can be harmonised in future with the RJC “Provenance Claim”
- 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 (possibly desk) audits, depending on quality of documentation and complexity of the supply chain, estimated < \$2,000/day.

Summary and Next Steps



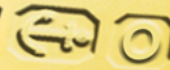
- Signet expects to be able to make a “conflict-free” statement under US Law.
- All Italian suppliers must be compliant with the SRSPs; new suppliers must complete a compliance report before being confirmed.
- Some Signet suppliers do source gold/3Ts from DRC and neighbouring countries, all of which is certified as “conflict-free”.
- Signet expects likely European Community legislation to align with OECD guidance, so Signet and Signet’s suppliers will be well prepared.
- Signet believes that a responsible supply chain is fundamental to the reputation of the jewellery industry and its future.
- Conflict-free gold is first step in a broader initiative of responsible sourcing.

Thank you





BAO 750



Addressing Responsible Sourcing

The Challenges

Michael Allchin



A lifetime in the Jewellery Industry



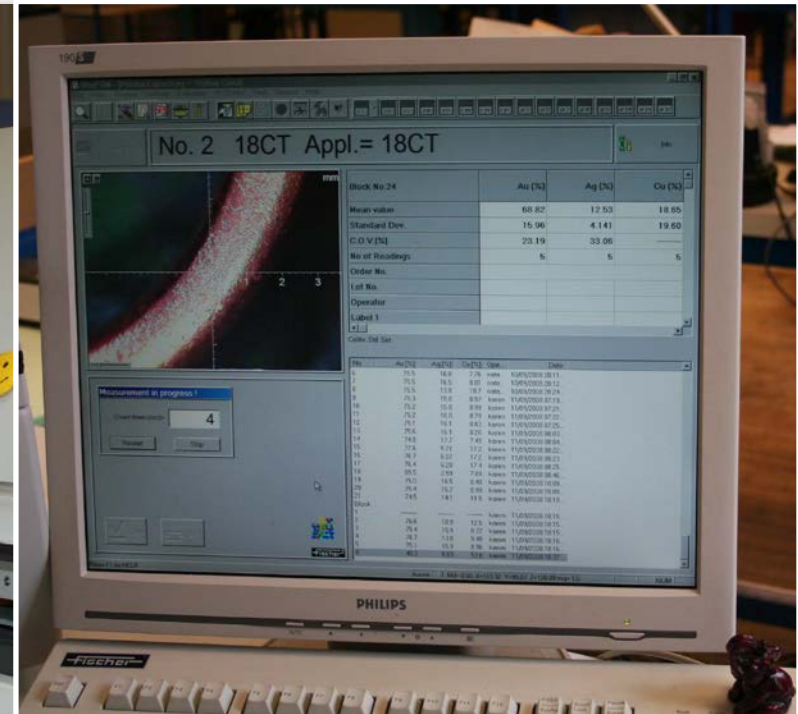
The Birmingham Assay Office



Assaying - Traditional



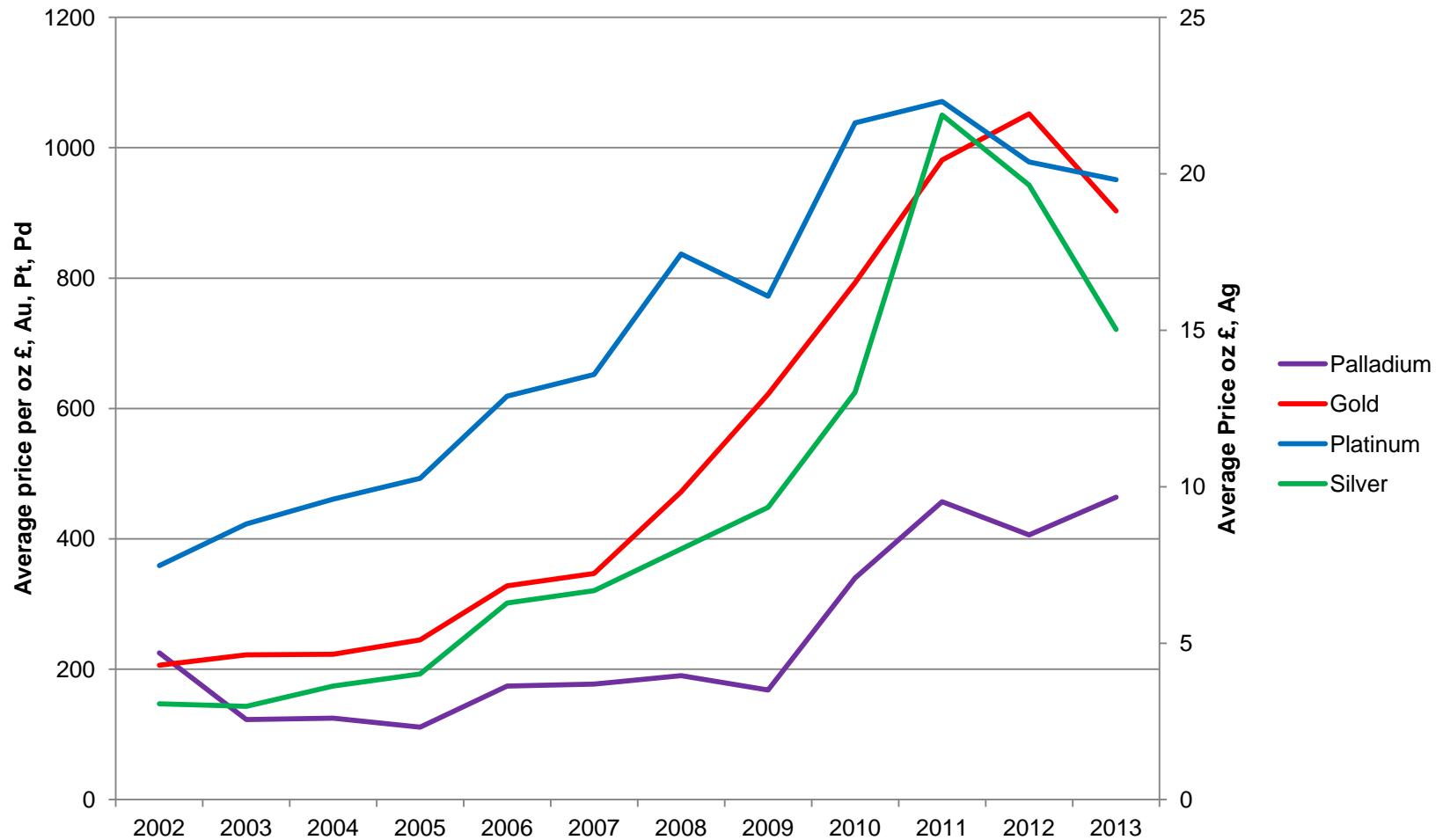
Assaying – changing demands



Hallmarking



Average Prices £/oz 2002-2013



Gold Jewellery Fabrication (tonnes inc scrap)



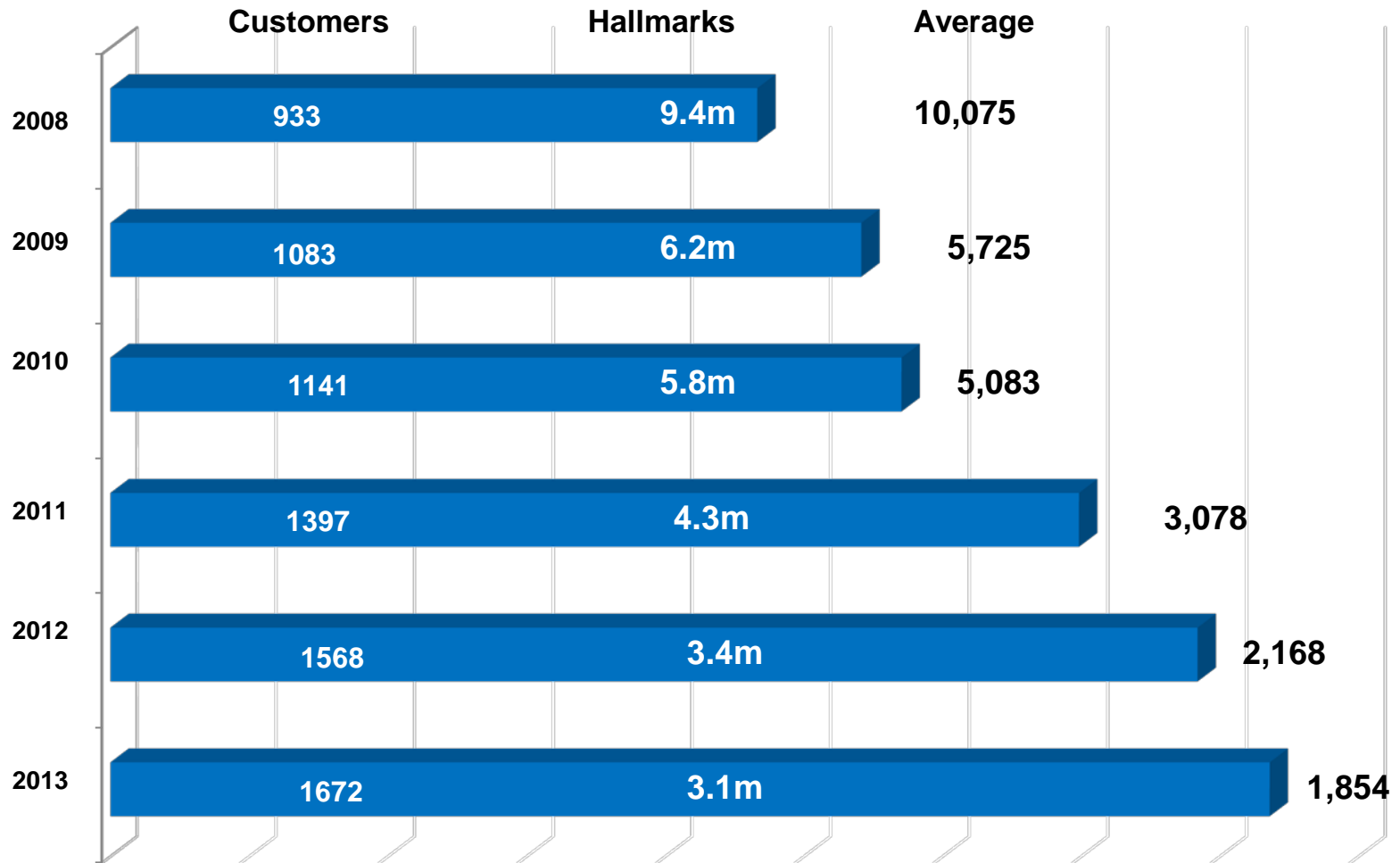
Country	2003	% World 2003	2006	2009	2012	% World 2012
Italy	323.8	13.0	224.4	123.3	86.2	4.6
Germany	20.4	0.1	19.9	14.8	14.7	0.8
France	19.5	0.1	13.4	10.1	7.6	0.4
UK	29.3	1.2	19.6	9.2	6.7	0.4
Europe	494.0	19.9	369.8	215.7	169.8	8.9
N. America	161.3	6.5	121.3	72.8	61.9	3.3
Latin America	79.9	3.2	69.5	49.4	40.4	2.1
Middle East	542.1	21.8	470.8	290.8	228.8	12.1
India	575.8	23.2	622.5	545.6	649.6	34.3
East Asia	538.3	21.7	540.8	560.9	650.2	34.3
Africa	37.3	1.5	31.9	24.4	19.0	1.0
World Total	2484.4	100	2299.8	1815.8	1892.9	100.00

Source: Thomson Reuter GFMS

Global Supply



Active Hallmarking customers





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 .

Unintended Consequences



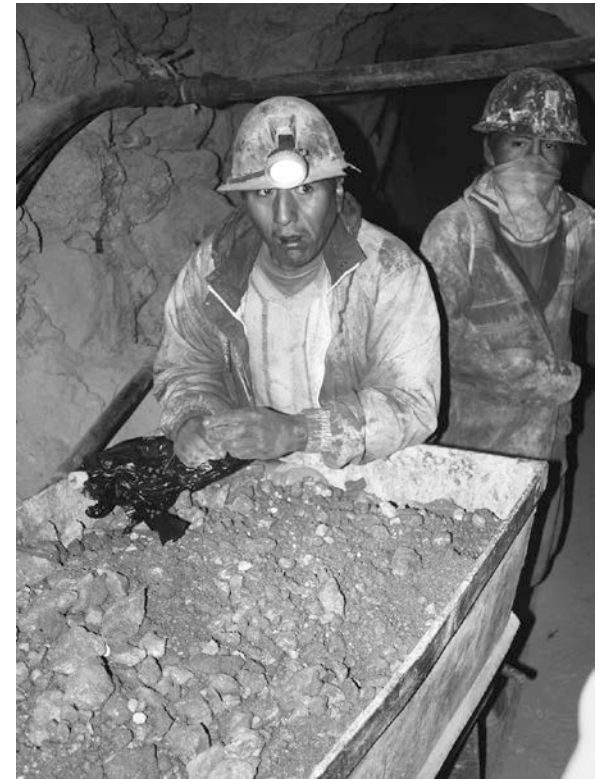
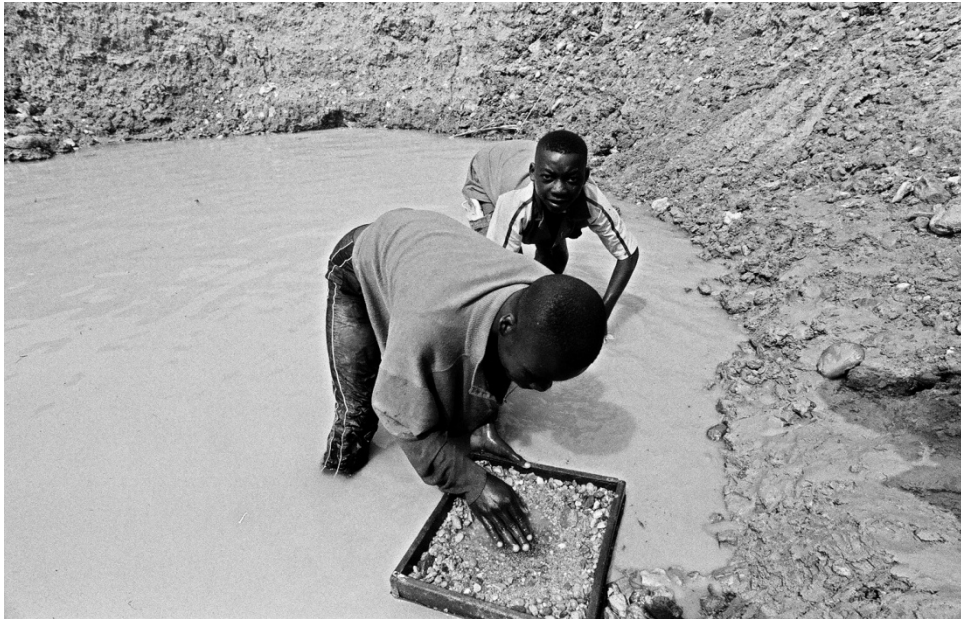
- Sourcing moves to wealthy, “non conflict” areas:- Australia, Canada, Russia, USA



Unintended Consequences



- **Vulnerable workers in “Conflict areas” lose only possible livelihood**
- **Future beneficiation gone**



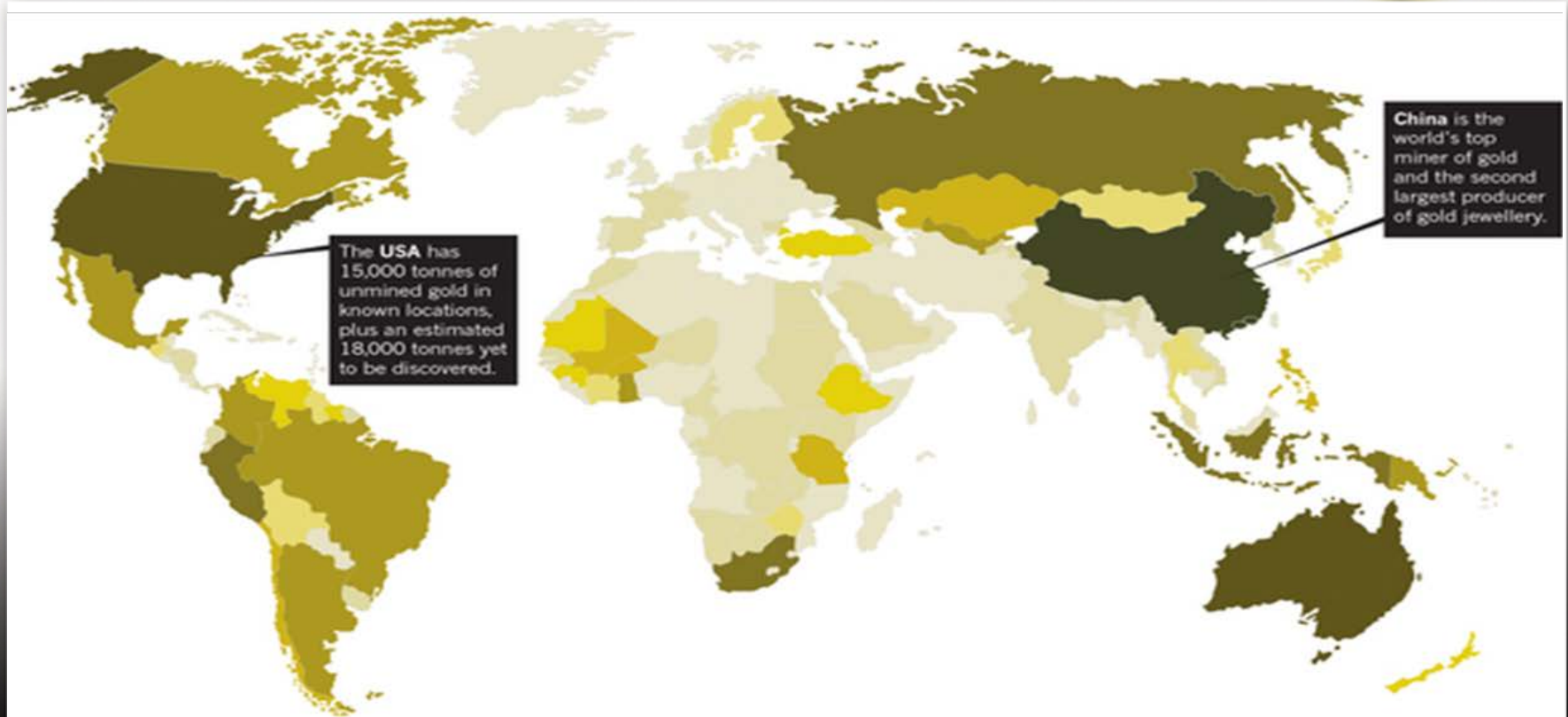
Supporting Ethical Initiatives



THE WORLD JEWELLERY CONFEDERATION



World Gold Production 2010



Gold is not a conflict mineral

Source

http://www.nature.com/nature/journal/v495/n7440_supp/full/495S2a.html



Responsible
Jewellery
Council

RJC Certification: providing support for supply chain due diligence

Fiera di Vicenza – 20 January 2014

**Marieke van der Mijn
RJC Standards Coordinator**

Agenda

1. Supply chain due diligence for conflict
2. OECD Due Diligence Guidance
3. Dodd-Frank Act – Section 1502
4. RJC support: Code of Practices 2013 (Provenance Claims) and Chain-of-Custody Standard



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?

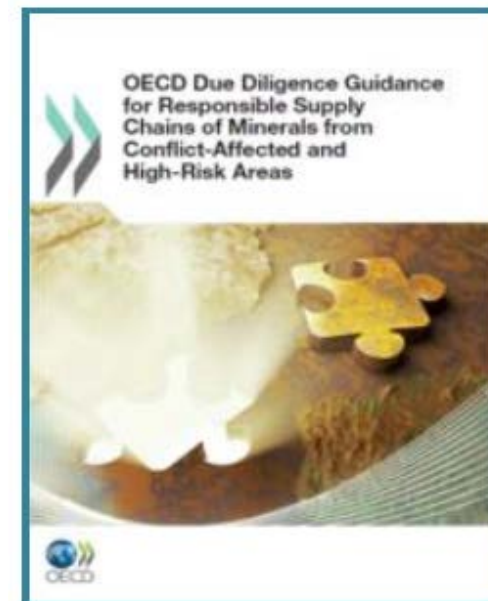
What is supply chain due diligence for conflict?

- Ongoing process that businesses should undertake to ensure that the extraction and trade of mineral ores support peace and development, not conflict
- Applies to all businesses in the supply chain, from mining through to retail
- Involves knowing your suppliers & potentially their suppliers
- Creates a shared supply chain responsibility for good practices



OECD Due Diligence Guidance

- OECD Guidance 5 steps:
 - Step 1 – Strong Management Systems
 - Step 2 – Assess Sources for Risk;
If ‘Red Flags’, Added Due Diligence
 - Step 3 – Respond and Mitigate Risk
 - Step 4 – Audit Refiner Due Diligence
 - Step 5 – Report to Public



Dodd-Frank Act – Section 1502

- Companies that are ‘issuers’ (file reports to the SEC) are required by law to carry out due diligence:
 - Conduct ‘reasonable country of origin inquiries’ about the gold (and tin, tungsten and tantalum) in their products
 - Involves tracking minerals back through supply chains, often through multiple tiers
 - Suppliers of gold and gold products to issuers will be asking to provide information in each calendar year, starting with 2013
 - OECD Due Diligence Guidance has been recognised as an appropriate due diligence framework
 - SEC filing dates are imminent, issuers are working to these timelines

EU Initiative on Conflict Minerals

- Last year consultation period for very similar piece of legislation possibly in the EU
- EU legislative decision delayed and intended in the coming months

Dodd Frank – what suppliers may be asked

- Can you provide a representation or warranty that gold used in the issuer's products does not come from the DRC or an adjoining country, or comes from recycled/scrap sources?
- Are there any 'red flags' potentially associating the gold with conflict or known trading routes for conflict gold, or otherwise raising suspicion?
- Can you identify the refiner/s or supplier/s of the gold used?
- Have the refiners of the gold been independently audited under a 'conflict-free' program by a recognised industry group like RJC, LBMA, DMCC or EICC?

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 3rd party audits as per OECD Guidance Step 4 to demonstrate their due diligence practices.
- Sourcing from audited refiners is the most reliable representation under Dodd Frank Act
- **Q: Where does your gold come from?**
 - Find out the refiner/s in your supply chain
 - Understand their approach to due diligence



Initiatives for due diligence in gold supply chains

- **Conflict-Free Sourcing Initiative (CFSI-EICC):** audit protocol for gold refiners to assist the electronics sector with Dodd Frank reporting.
- **Dubai Multi Commodities Centre (DMCC):** is requiring third-party audit of all accredited refiners of gold bullion who are on the Dubai Good Delivery list.
- **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.
- **World Gold Council (WGC):** developed Conflict-Free Standard for large-scale gold mining companies operating in conflict-affected areas. Can support refiner due diligence.

Support to RJC



Confindustria Federorafi
Federazione Nazionale Orafi Argentieri
Gioiellieri Fabbricanti



MINISTERO DELLO SVILUPPO ECONOMICO



RJC Certification – supporting responsible supply chains



Chain-of-Custody Certification

- Aims to support claims for responsibly-sourced jewellery materials (known as CoC Material) produced, processed and traded through the jewellery supply chain
- Uptake mainly with refiners at present (7) and more in the pipeline
- Cross-recognition with other initiatives to reduce duplication
- Covers more than conflict



Code of Practices 2013 – Provenance Claims

- New Provision that enables Members that make Provenance Claims to have these audited as part of RJC COP Certification
- Flexible approach that can be used to answer customer requests
- Bolt-on module for 2009 COP has been developed



Contacts – RJC Management Team



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