

RJC Chain of Custody Review Comment Report on Round 3 Consultation

A summary of comments received on the 'Revised proposed changes' document of the CoC review
19 October 2017



Comment, submissions and inquiries welcome: Please contact

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1. Purpose

The Responsible Jewellery Council (RJC) is reviewing its [Chain-of-Custody \(CoC\) standard](#). In August 2016, RJC shared a [Public Summary](#) of the CoC review which outlines the objectives, scope, process and timeline of the review and invited feedback from all interested stakeholders. This first round of consultation closed in October 2016. In February 2017, RJC launched round 2 of the consultation process by sharing a [Proposed changes \(draft 1\)](#) document for review and comment. In August 2017, RJC shared a [Revised proposed changes](#) document as part of the third and final round of consultation which closed in September 2017. The purpose of this document is to share comments received during the third round of consultation.

2. Comments

Our consultation on proposed changes to the CoC standard was carried out through an email campaign using the full RJC stakeholder list (over 2,300 recipients) and posting of the revised proposed changes to our website. Recipients include RJC members, audit firms, NGOs, industry press, trade associations, and government representatives. In response, we received over 40 written submissions from 7 submitters.

A summary of key points raised by stakeholders during the second round of consultation is below:

- Eligible Mined Material – Concern with the validation approach (6.2) inclusion of non ICMM or TSM mines as potential sources of eligible CoC
- Eligible Mined Material – Questions on the definition of 'conflict-free' (6.3)
- Eligible Recycled Material – concerns that exclusion of bullion banks as source of recycled material will seriously impact the quantity of CoC material
- Eligible Recycled Material – need to include coverage of human rights and environmental risks in recycling supply chain
- Data - need to gather and publish data on CoC material
- Due diligence reporting requirements - require CoC entities to release names of upstream suppliers

- Product claims – questions on whether claims on products that are not 100% CoC should be allowed at all

Table 1 in the annex has each of the individual comments received from the third-round consultation, verbatim. We greatly appreciate the time and insightful contributions from the submitters.

3. Next steps

The RJC has now produced a final draft of the CoC standard based on the feedback and comments received during the 2016-2017 review period. These revisions have been presented to the RJC Standards Committee for approval and will now be presented to the Executive Committee and Board for final approval.

Annex

Table 1 – Comments on the Chain-of-Custody Standard from Round 3

These comments were received between August and September 2017 and are copied here as they were received.

	CoC Provision	Name	Comment	Proposed change
1	1 – Due diligence	Richemont	Environment may be an important topic mainly for mines, so it should be part of the risks to be assessed.	Environment to be part of the risks to be assessed.
2	6 – Eligible mined material (Guidance Annexe)	Richemont	The list of “Case b” mines needs to be publicly available. It is the case with MAC (available on MAC website), but not with ICMM => RJC to clarify, as it is important to have transparency to assess the global volumes of eligible CoC gold (e.g. for MAC, it represents between 40T and 50T) and to know who are the potential players in terms of physical mines (not only global companies names) to avoid any loss of credibility of the standard.	
3	6.2d – Eligible mined material (Guidance Annexe)	Richemont	“Case b mines: There may be a risk that refiners will not conduct due diligence / KYC processes deeply enough, especially because they do not have the expertise to do so. The expertise required is indeed high = risk of dilution of the standards’ strict requirements. Therefore, the validation process for case b mines must be reinforced. ”	Step 3 and step 4 should be conducted by an independent third-party auditor accredited by the RJC (or step 4 should include the verification, by the auditor, of the research conducted by the CoC entity during Step 3).
4	6 – Eligible mined material (Guidance Annexe)	Richemont	“Case c mines: This case is even more risky than case b mines in terms of open doors to mines with bad practices.”	Case c mines to be deleted from the annexe.
5	7 – Eligible recycled material	Richemont	Many references in the standard and the annexe to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas which is dedicated to mining gold => RJC to make sure that it is applicable for recycled materials.	Clarification needed about whether OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas is fully applicable to recycling materials, especially if due diligence applies to all the steps in the supply chain (e.g. risks of Human Rights abuses in the manufacturing/ recycling of a product)?

	CoC Provision	Name	Comment	Proposed change
6	7 – Eligible recycled materials (Guidance Annexe - Background)	Richemont	Origin and start of the CoC must be clarified, as well as input/output at each step of the supply chain and state of the material at each step (Recyclable / recycled / eligible recycled / COC material)	"Scheme on page 26 to be amended with the following to be mentioned for each step of the 2 supply chains: o Origin of recyclable gold o Input / output for each step (mix of plastics and metals / metals compound / gold...) o Recyclable / recycled / eligible recycled / COC material (which state at which step)"
7	7 – Eligible recycled materials (Guidance Annexe – implementation)	Richemont	"In the case of e-waste recycling industries, in some cases the same company realises all the activities circled in purple but is not CoC certified as gold for jewelry is only a very small part of its business: In such cases, our proposal would be to initiate the CoC at the step just after the refiner of the original scheme (that is to say, the green box). "	"To complete the "Implementation" 1st paragraph with : If the gold refiner includes the complete supply chain from the origin of gold through the refining activities, the fine gold purchaser can be the CoC initiator: Due-Diligence has thus to be performed as it is done for High value gold recycling. This proposal is conditional upon the reasonable determination of the origin proposal 7.3.a.iii (herebelow)"
8	7.3.a.iii – Eligible recycled materials (Guidance Annexe – implementation)	Richemont	Approval of new commercial suppliers: "reasonable determination of the origin" should be more detailed, especially to ensure that illegitimate sources have not been introduced in the upstream supply chain. This is to avoid any loss of credibility of the standard.	"reasonable determination of the origin" to be more detailed in terms of what needs to be done, especially to ensure that illegitimate sources have not been introduced in the upstream supply chain.
9	11.2 – Product claims	Richemont	Any claim should be simple and easy to express and understand. The bar of the standard should be raised.	Claims should be possible only if 100% of the gold contained in the product is CoC gold. No claim is allowed for products with some components made of CoC gold and some made of non-CoC gold.

	CoC Provision	Name	Comment	Proposed change
10	7 – Eligible recycled materials	Bauer-Walser AG	<p>on receiving your email with the Round3 RJC-CoC Standard Draft August 2017, I noticed that material from bullion banks, contrary to the proposition in Round2, would no longer be considered as eligible recycled material. However, precious metal from manufacturing processes, bars and coins generally sourced from private or commercial suppliers who have passed RJC-defined KYC-procedures are seen as eligible recycled material. In Round2, point 5.4, recyclable material sourced from a bullion bank was to be accepted as eligible if " an understanding was maintained of a) the legal requirements in the country related to illegitimate sources of precious metals; b) third party certifications on due diligence that the bank may have". In my opinion, these rules were sensible and took into account the fact that not all bullion bank-material is automatically eligible but only if the bank itself could be verified as a reliable, ethical source.</p> <p>How, then, would you now define precious metal with a fineness > 99,5% sourced from either a bank with (certified) adherence to COP-Standard or from a cfsi/LBMA Responsible Gold-certified refiner, neither of whom can send a RJC-CoC Transfer Document with the material? Material with a fineness> 99,5% in the form of granulate or bars has obviously been through a manufacturing process, thus it is not eligible mined material, and smaller bars mostly do not have a number, but are only stamped with the manufacturers sign, so cannot really be identified as newly manufactured or grandfathered. However, the certified suppliers as mentioned above have undergone a third-party audit which requires them to follow strict ethics/conflict free rules, KYC procedures with their suppliers in turn, and/or the OECD guidance, and/or to follow European laws concerning support of conflict / money laundering etc., ruling out illegitimate sources. Also there is, after all, the cross-recognition between RJC-CoC, LBMA ResponsibleGold and cfsi/EICC certification.</p> <p>In my opinion, this should be seen as comparable to the recognition of mined material from other equivalent ethics-certifying schemes which will also be accepted as being "eligible mined material", according to the new provisions 6.1d and 6.2 in the Round3 RJC-CoC review. So if fine gold (or fine PGM) is from such a reliable commercial supplier, is neither eligible mined material nor eligible grandfathered material, what else but eligible recycled material should it be called? The only other possibility I can see would be to define a new category for eligible material in the gold/PGM supply chain which is sourced from reliable suppliers.</p>	

	CoC Provision	Name	Comment	Proposed change
11	3.2 - Management system and responsibilities	SGS	I think there is a word missing - should this be a senior staff member? Senior member of staff?	The entity shall assign authority and responsibility to a senior staff member for the entity's compliance with all applicable requirements of the standard
12	6.1d – Eligible mined materials	SGS	Is there guidance on what independent validations would be acceptable? 6.2 refers to an in-person visit being acceptable – this would not be considered independent?	
13	7 – Eligible recycled material	SGS	There is no 7.1	
14	7.2b – Eligible recycled material	SGS	Is there some text missing? Industrial Gold and PGM - recovered from WEEE.....for example? There is no mention of private individuals etc but then 7.3 mentions companies making their policies to such people.	
15	11.1 – Product claims and intellectual property	SGS	The suggested claims are rather vague and not specific enough - surely the claims should be product related rather than generic like this?	
16	1.1- Due diligence (Guidance Annexe - Implementation)	SGS	Policy being public via website or available on request – if no mention how would someone know to make a request to see it? There needs to be a requirement for the existence of the policy and how to get it to be made public	
17	6.1d – Eligible mined material (Guidance Annexe - Implementation)	SGS	the guidance does not explain what would be considered acceptable independent verification	
18	6.2 – Eligible mined material (Guidance Annexe - implementation)	SGS	case a – needs to be clear that there must be systems to ensure that the mine s only selling material from its own mines, it is referenced in the table in case b but could be emphasised further here	
19	7 – Eligible recycled material (Guidance Annexe – implementation)	SGS	On page 26 there is the following statement - "Recycled material is not itself a concern for contributing to conflict or human rights abuses". However, there are a number of concerns in the public domain about human rights in the industrial reclamation of precious metals including child labour, modern slavery etc.	
20	7.3 – Eligible recycled material (Guidance Annexe – Implementation)	SGS	On page 29 - commercial supplier is defined as: "The term commercial supplier refers to person, organisation or entity that regularly furnishes goods". This states that it applies to companies that regularly furnishes goods - what if this is iregular? This might provide a loophole for not conducting the necessary checks. Only a requirement for KYC and enhanced due diligence for commerical suppliers? No further validation as for mines?	

	CoC Provision	Name	Comment	Proposed change
21	11.2 – Product claims and intellectual property	SGS	assume there will be examples of acceptable and unacceptable statements in the guidance? This could become as confusing as provenance claims currently are on COP	
22	1.3 – Due diligence	UNICEF	Transparency in the gold supply chain is very important to us to be able to encourage actors in the supply chain to take responsibility for human rights violations, including children's rights, in and around the mines.	
23	1.3b – Due diligence	UNICEF	UNICEF welcomes that RJC is going to collect the information on the mine of origin. However, this should not become an obstacle to transparency. Therefore we recommend RJC to clarify what it will do with this information. Will it be publicly available?	
24	2 – Know Your Counterparty (KYC)	UNICEF	the KYC policy is limited to money laundering, fraud or involvement with prohibited organisations and/or those financing conflict. Although we recognize the importance of these issues, we this KYC should be extended to verification of human rights violations, including in the recycling of industrial gold.	
25	6.3 – Eligible mined material	UNICEF	high risk areas are defined by the OECD guidance. To be able to make this declaration the entity needs to know where the gold comes from.	
26	6.3b – Eligible mined material	UNICEF	As it is seen as progress of the OECD guidance that conflict and high risk areas are not de facto boycotted, but the company does everything in its power to not contribute to improvement of the situation by doing due diligence. Therefore it is not enough to be able to confirm that the production, processing and transportation of the material did not directly or indirectly finance or benefit illegal armed groups... but also to confirm that appropriate actions are being taken to address potential human rights risks.	
27	7.4b(ii) – Eligible recycled material	UNICEF	under ii, it assumes that the only risk of recycled material is that it comes from illegitimate sources. The entity should also ensure that the recycled material has been recycled with respect for human rights and the environment and that the suppliers have done due diligence on human rights and have taken appropriate measures where needed (e.g. to address child labour in the recycling business).	
28	1 – Due diligence (Guidance Annexe – Implementation)	UNICEF	"Step 2: From this test, it is not clear that 'red flags' in the supply chain are related to the origin of the gold, which can also be from high risk areas. The OECD guidance does not say that if a refiner in the supply chain is certified there is no red flag. This only confirms that the refiner is managing the potential risks. You only know if there are red flags, when the origin of gold is known throughout the supply chain." "	

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29	1 – Due diligence (Guidance Annexe – Implementation)	UNICEF	"Step 3: suspension of suppliers where reasonable risks are identified of child labour is not a good idea. UNICEF and others have been successfully encouraging companies not to phase out from their suppliers when a high risk is identified. Rather we encourage companies to take their responsibility and use their leverage to mitigate the risks. And engage suppliers to understand the causes of child labour and work with others to address the issue. Only when the supply chain partners are not willing to cooperate at all and there it is not possible to increase leverage, it is justified to suspend the relationship. Taking into account the consequences for the children. This is also in line with the UNGP and the Children's Rights and Business Principles. "	
30	6 – Eligible mined material (Guidance Annexe – Implementation)	UNICEF	Although it is appreciated that RJC recognizes some of the other certifications to avoid duplication of audits, it is important to not only look at the issues the other schemes are addressing, but also at the due diligence process certified entities are required to do, which might be less rigorous. It also runs the risk of becoming very intransparent for (affected) stakeholders to understand how the issues are addressed and by whom. A certification often does not mean automatically that the human rights violations are addressed.	
31	6 – Eligible mined material (Guidance Annexe – Implementation)	UNICEF	Identifying focus areas through provisions where a non-conformance is flagged in the self-assessment, this is a very limited assurance. Usually there is no incentive for suppliers to flag non-conformances.	
32	General comment	Solidaridad	Publish volumes of CoC-certified material on an annual basis. We recommend that RJC and its CoC-certified members publish at least once per year the volumes of certified material passing through the system. This is an essential indicator for the uptake of responsible, traceable gold and the overall success of the RJC system. Since this volume is expected to grow over time, this would benefit RJC and serve as inspiration to other parties to join the system. If the volume does not increase over time, RJC and its members could examine why this is and, together with other stakeholders, aim to clear bottlenecks.	

	CoC Provision	Name	Comment	Proposed change
33	General comment	Solidaridad	Increase awareness of system in major gold-producing countries. We recommend that RJC offer workshops on its system as a whole, and on the CoC standard in particular, in gold-producing countries of important to its members. This would increase awareness among potential members of RJC and increase the likelihood that new gold-producing members will join the system. This may be seen as a service that RJC can offer its gold-buying members.	
34	General comment	Solidaridad	Require CoC entities to release names of upstream suppliers. This will enhance transparency in the sector as a whole. While privacy concerns are important, many governments (e.g. Peru) and major companies (e.g. Apple) already publish some form of list on gold transactions or trading partners. RJC and its members should be leading in this regard.	
35	2.3 – Know Your Counterparty (KYC)	Solidaridad	A timeframe for “regular reviews” must be provided. We recommend, at a minimum, once every two years.	
36	2.4 – Know Your Counterparty (KYC)	Solidaridad	The guidance should provide indicators of what may signal “unusual or suspicious activity.”	
37	3.6 – Management system and responsibilities	Solidaridad	A timeframe for “regular reviews” must be provided. We recommend, at a minimum, once every two years.	
38	6.1b – Eligible mined material	Solidaridad	We are pleased that the ASM sourcing provision has been retained. This is an important provision to encourage greater collaboration between larger, professional mining companies and ASM.	

	CoC Provision	Name	Comment	Proposed change
39	6.1d & 6.2 – Eligible mined material	Solidaridad	<p>"Solidaridad strongly opposes these provisions as written. Any equivalency should be granted by RJC only after completion by RJC itself of a benchmark evaluation and approval of an alternate system(s). We recognize the need for greater volumes in the system and for streamlining audits and would support cross-recognition of recognizes equivalent procedures. However, this provision as written raises serious credibility issues for RJC. Our concerns around 6.1d and 6.2 primarily relate to the fact that the process for determining equivalency is not defined in the standard itself (versus guidance). Who decides, and when? Can systems be proposed at any time, not just during standards review? Is there a minimum threshold for ""conform in all material aspects""?</p> <p>Also, the definitions that are in the standard itself are rather loose. For instance, who independently validates? What is considered a ""material aspect""? These are not defined in the glossary to the existing CoC standard.</p> <p>What does ""taking into account existing mining assurance programmes"" mean? How should it be taken into account? Does this relate to the auditor's recommendations and noted deficiencies in another system's audit?</p> <p>6.2.c is also open to interpretation on its face. How much additional research should be undertaken? Is this risk-based and at the discretion of the CoC auditor? Or, related to gaps between RJC and the other standard?"</p>	
40	Sampling	Bureau Veritas	<p>Regarding possible scenarios of allegations, I believe to build a sampling criteria for audits based on the level of risk of transactions and supplier-counterparties could be an additional very useful tool that could bring a homogeneous approach. Within a possible revision of RJC assessment workbook, and not only for the case of allegations, a sampling criteria could guide through different scenarios, so in case allegations would be in place, and the audit firm informed about this issues before the audit, this could trigger a stronger sampling criteria that would be defined within specific guidance and would be used in the same way by the different accredited bodies, indicating specific percentage of transactions and supplier counterparties files to be verified. Moreover, as shared today, guidelines would need to include also approach related to allegations and possible mutual recognitions as can be the case of LBMA audits</p>	

	CoC Provision	Name	Comment	Proposed change
41	7.2 – Eligible recycled material	Argor-Heraeus	<p>"1. We do not agree with the statement In Round 2 there was also a proposal to include material from bullion banks as eligible recycled material since the Recyclable Gold meaning has already been defined in the 2012 Standard,.</p> <p>2. Therefore Definitions (for example in section 7.2 a) have to be changed / updated accordingly. At the moment they are not consistent.</p> <p>3. this will seriously change the quantity of CoC material available with consequent reduction of supply to the market"</p>	
42	1 & 2 – Due diligence and Know Your Counterparty (KYC)	Simone Olmo	<p>In my opinion, availability of some sources which are approved or recommended by the RJC where to find information about conflict zones areas, counterparties, PPE and other relevant information for KYC would provide broader basis for to verify management system effectiveness other than management systems strength and implementation of RJC requirements.</p> <p>That means that there should be some sources (websites, news, ...) which are approved or recommended by the RJC committee where to find information about the counterparty that is being audited or that is in business with the member.</p> <p>Maybe it is not necessary to have lists continuously updated by the RJC management if approved sources have fresh news about suspicious companies or beneficial owners or shippings, ...</p> <p>The outcome of this further control can be added to the final audit report as a support of the evidences.</p> <p>In case of an anonymous allegation of a suspicious company or business, the RJC could alert all accredited certification bodies that will share the warning to their auditor who will target it during the verification activity without informing the audited company.</p>	