



RJC Member Workshop

Guidance for Implementation of the RJC System in India

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Attendees are kindly reminded that the RJC is committed to complying with all relevant antitrust and competition laws and regulations and, to that end, has adopted an Anti-trust Policy Statement, compliance with which is a condition of continued RJC membership. Failure to abide by these laws can potentially have extremely serious consequences for the RJC and its members, including heavy fines and, in some jurisdictions, imprisonment for individuals. You are therefore asked to have due regard to this Policy today and indeed in respect of all other RJC activity.

Agenda

1. **About the RJC**
2. Overview of the RJC Certification System
3. Training and Guidance
4. The Code of Practices
5. Non-conformances and corrective actions
6. Implementation in India - concerns and responses



Objectives

Understanding the RJC and the RJC System:

- Governance
- Code of Practices
- Non-conformances
- Corrective Actions

Relationship of the RJC System with:

- Applicable Law
- Accepted industry practices
- Other systems



The Responsible Jewelry Council (RJC)

The Responsible Jewelry Council is the trading name of the Council for Responsible Jewellery Practices Ltd.

Mission Statement:

“To advance responsible ethical, social and environmental practices, which respect human rights, throughout the diamond and gold jewellery supply chain, from mine to retail.”

The Council’s focus is on the RJC Certification System, officially launched in December 2009.

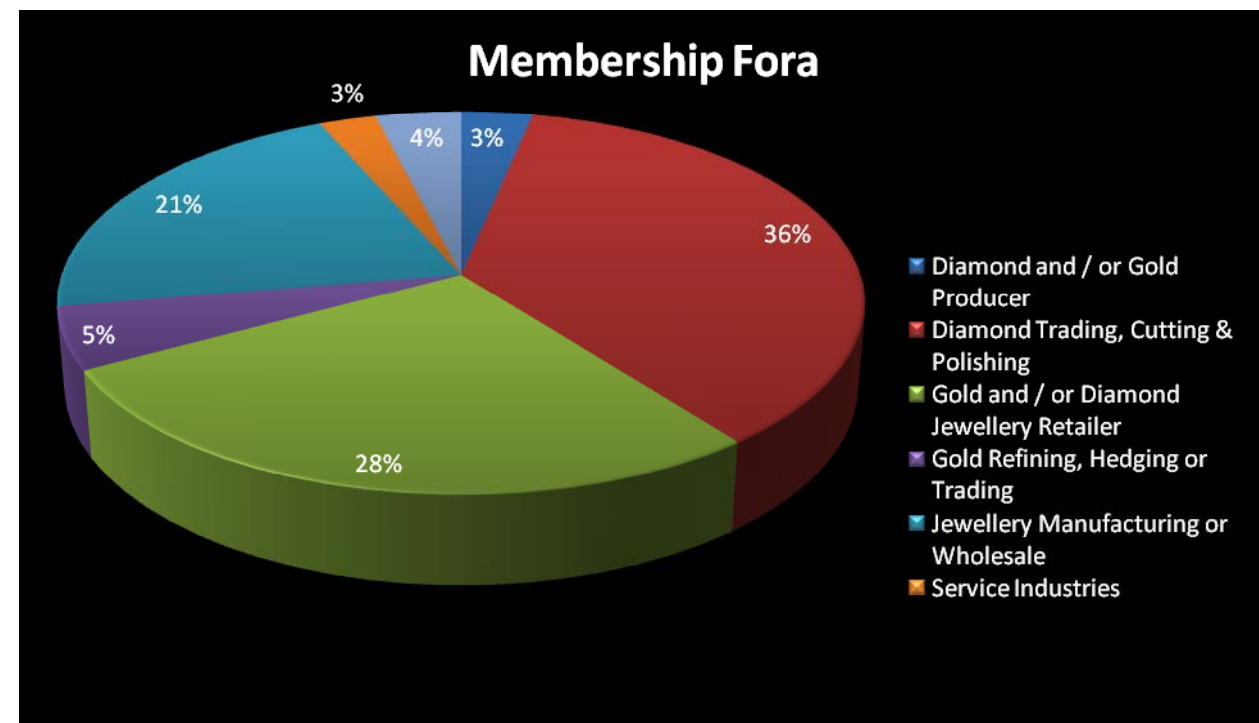
Membership

Eligibility: all businesses and associations participating in the diamond and gold jewellery supply chain and / or engaged in activities that have a potential impact on consumer confidence in diamond or gold jewellery.

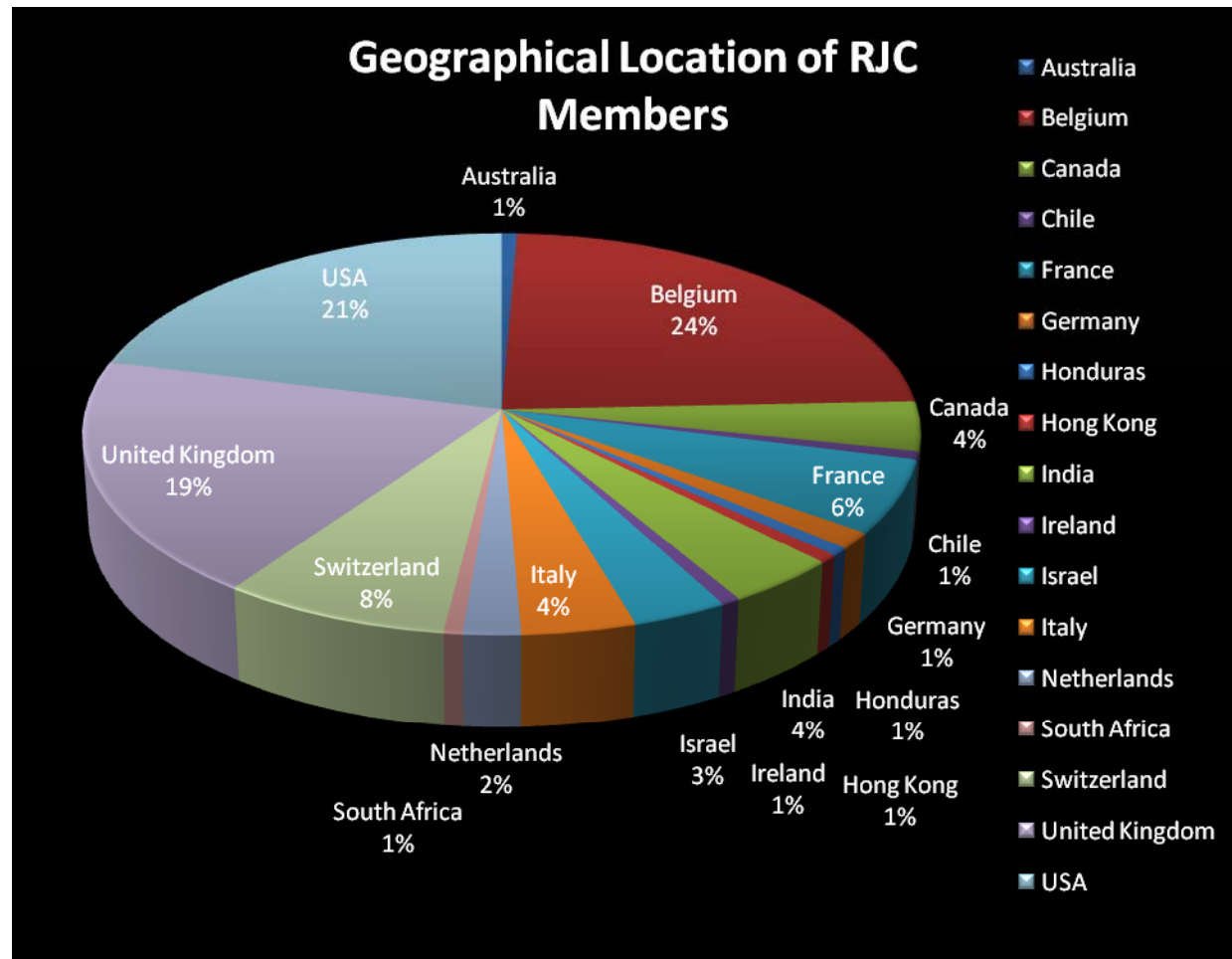
Approx. 150+ Members, 25 in India.

Wide range of size, location, type of business.

RJC Membership – Fora (Feb 2010)



RJC Membership – Geography (Feb 2010)



Governance of the Council

Officers of the Council

Chairman: Matt Runci – Jewelers of America

Vice-Chairman: John Hall – Rio Tinto Diamonds

Honorary Secretary: Mark Jenkins – Signet plc

Honorary Treasurer: James Suzman – De Beers Group

Committee Chairs

Executive Committee: Matt Runci – Jewelers of America

Standards Committee: Rob Headley – Jewelers of America + Mick Roche – BHP Billiton

Communications Committee: John Hall – Rio Tinto Diamonds

Membership Committee: Pamela Caillens – Cartier

Legal Committee: Mark Jenkins – Signet plc

People Committee: Geoff Field – British Jewellers Association

Finance Committee: Ruth Batson – American Gem Society

Accreditation and Training Committee: Gérard Satre – Chanel

Management Team

The Executive functions and day-to-day management of the Council are carried out by the RJC Management Team under the direction of Michael Rae, CEO

Business Case

Common standard – opportunity to avoid duplication.

Credible System – third party auditing, stakeholder involvement and consultation.

Support – tools and guidance, training.

Consumer recognition – a badge of confidence.

Cost effective - one cost of development of the standard and system for all; large competing pool of auditors.

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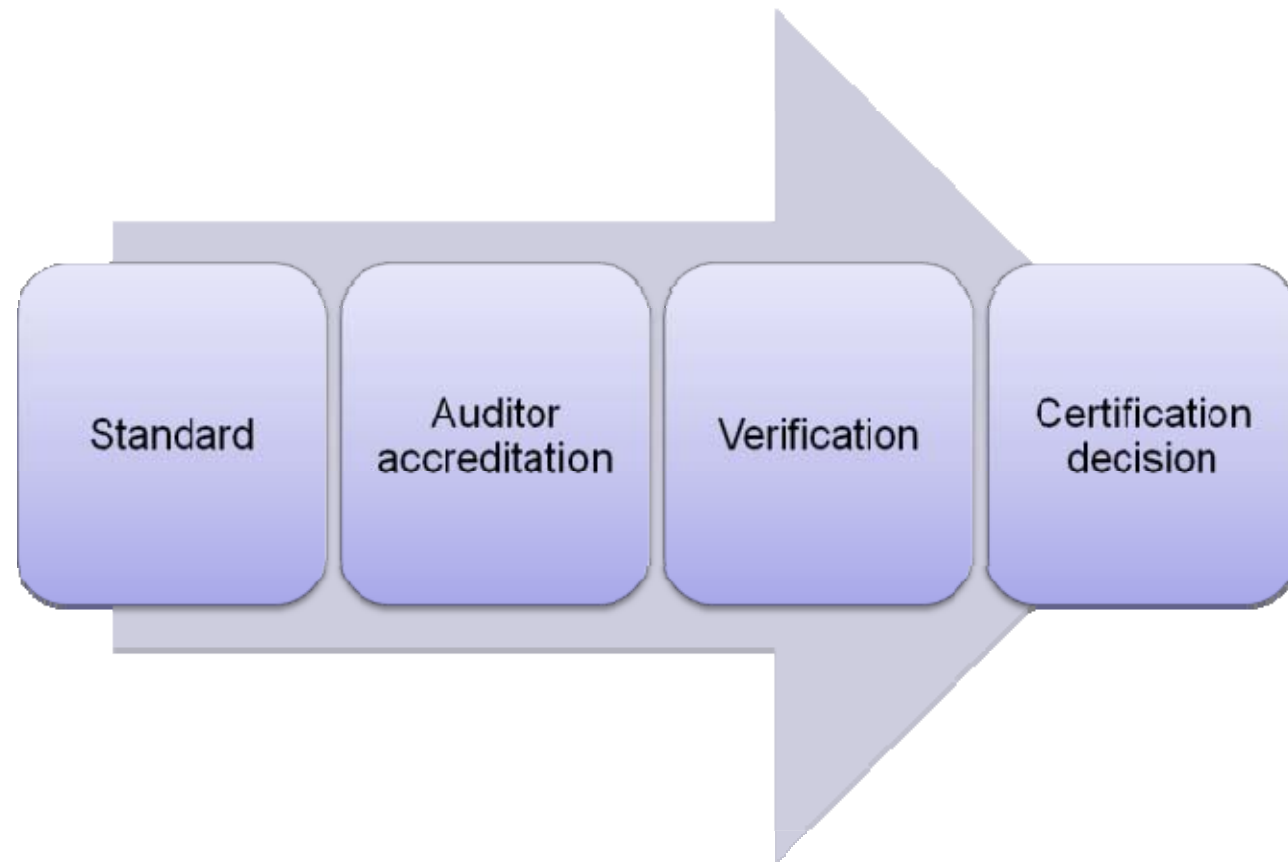


The RJC System

Under the RJC System, all Commercial Members must be audited by accredited, third party auditors to verify that their performance and management systems conform with the Council's Code of Practices.

- The system audits management systems and performance.
- Companies are certified, not individual sites.
- The RJC System does not seek to certify individual *jewellery components*.

Certification System Elements



Steps to Certification

Self Assessment

- Conducted by the Member
- Define the Certification Scope
- Corrective actions as needed

Verification Assessment

- Member engages an Accredited Auditor
- Auditor defines the Verification Scope
- Audits Facilities

Corrective Action Plans

- Required for non-conformances

Reports

- Detailed report to Member
- Recommendation to RJC

Certification

- Valid three years if no Major non-conformances

What RJC Members need to do - Overview

To achieve certification, RJC Members will need to:

- Become familiar with the core system documents and participate in RJC System training;
- Conduct a Self Assessment and address any non-conformances arising from it;
- Engage an Accredited Auditor for a Verification Assessment;
- Prepare and implement a Corrective Action Plan to address any non-conformances found during the audit.

RJC Certification - Focus on Improvement

The RJC's focus is on **improving** business practice.

Following an audit, Members with non-conformances are eligible for certification, providing corrective action plans are in place and there are no Critical Breaches.

The number of non-conformances does not affect certification eligibility.

Auditor Accreditation

Accreditation reflects the RJC's endorsement of an auditor's competence, credibility, independence and integrity in carrying out its Verification Assessments on RJC Members.

Selection criteria includes experience in the relevant business sector and certification under ISO 17021.

Must take additional training on the RJC System.

Firms providing existing services to Members are encouraged to apply.

Accreditation is provided by the RJC Management Team.

RJC Guidance for Auditor Time on Site

Number of Workers	Base Time Person Days	Local and Simple	Local and Complex	Regional / Global Simple Processes	Regional / Global Complex Processes
1 - 25	2	-1	+1	+2	+3
25 - 100	3	-1	+1	+2	+3
100 - 500	5	-1	+2	+3	+5

As a rule of thumb, the total time required by the Auditor for the whole Verification Assessment is likely to be double that spent on-site at the Member's premises.

Checks and balances

Quality control

- Standardised forms for assessing and verifying conformance;
- Guidance on standards and certification;
- Formal training and accreditation of auditors;
- Peer reviews of auditing quality;
- Member training and support.

Complaints mechanism

- RJC will investigate and resolve complaints relating to certification assessments and outcomes.

Sanctions

- Disciplinary proceedings against Members or auditors will be triggered by actions or omissions that affect the integrity of the RJC system

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Member and Auditor Training

The RJC is providing training for Members and Auditors.

Many issues and concerns about the implementation of the RJC System in India may involve misunderstandings about:

- The actual provisions of the Code of Practices; and
- The meaning of non-conformances and the role of corrective actions.

Important that Members familiarise themselves with the Core System documents and take part in the available, web-based training.

Core System Documents

Mission

Standards

Guidance

Forms and Toolkits

1. *The RJC Principles and Code of Practices*, under which Members are to be Certified.

2. *Certification Handbook*: overview of the System and requirements for achieving certification.

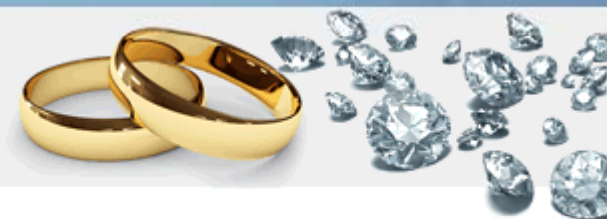
3. *RJC Standards Guidance*: information and advice about the Code.

4. *RJC Assessment Manual*: instructions for members and auditors.

5. *RJC Assessment Workbook*: forms and detailed questions for assessments and audits.



Reinforcing confidence in the diamond and gold supply chain



Welcome to the Responsible Jewellery Council

The Responsible Jewellery Council is an international not-for-profit organisation bringing together over 140 member companies across the jewellery supply chain.

RJC Members are committed to promoting responsible ethical, human rights, social and environmental practices in a transparent and accountable manner throughout the industry from mine to retail. Their commitment aims to reinforce consumer and stakeholder confidence in jewellery products.

The Council has developed the RJC System, a certification system – which applies to all Members' businesses that contribute to the diamond and gold jewellery supply chain. Under the RJC system, all Commercial Members of the RJC are required to be audited by accredited, third party auditors to verify their conformance with the RJC's Code of Practices, and become certified under the RJC System. The Council began operating its system in December 2009.

The Responsible Jewellery Council has been officially registered as Participant to the United Nations Global Compact on January 15th, 2009. RJC makes a commitment to set in motion changes to business operations so that the Global Compact and its ten principles become part of strategy, culture and day-to-day operations; to publicly advocate the Global Compact and its principles via available communications channels; and to communicate annually and publicly on progress made in implementing the Global Compact principles.



NEWS & MEDIA

[Click here for the latest RJC Statements and News updates](#)



DOWNLOADS

[RJC Certification: Core System Documents Updated December 2009](#)
[RJC Brochure](#)



CHAIN OF CUSTODY

[RJC's work on product tracing](#)



Suggested Management Approach to Standards

Outlined in the *RJC Standards Guidance*.

Usually includes, for each Standard:

- A Risk assessment;
- A senior manager or officer being assigned responsibility;
- Written policies and procedures;
- Record keeping;
- Training.

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RJC Code of Practices

Defines responsible ethical, human rights, social, and environmental practices for businesses in the Diamond and/or Gold Jewellery supply chain.

Based on national and international law, established international and industry standards, and sound business practice.

Establishes objective and verifiable standards against which RJC Members may be certified.

Content will be updated over time.

Scope of the Code of Practices

Business Ethics: - upholding ethical business practices.

Human Rights and Social Performance: - upholding fundamental human rights, treating workers fairly and with respect, encouraging a diverse workforce, and provision of a safe working environment.

Environmental Performance: - promoting efficient use of resources and energy, and reducing and preventing Pollution.

Management Systems: - compliance with Applicable Law, establishing policy, and managing business Risks including Contractors, Suppliers and Partners.

Applicable Law

Compliance with Applicable Law is required under the RJC Code of Practices.

Many of the concerns raised with implementation of the RJC System in India involve compliance with the Applicable Law.

Auditors will seek evidence that Members have management systems in place to ensure legal compliance, and evidence that Members are in compliance with laws that are within the scope of the assessment.

Auditors are not expected to conduct detailed legal compliance audits.

Governance of the Code of Practices

Essential that the standards are respected and followed.

Any changes to the Code must follow due process, through an open and transparent process with multi-stakeholder consultation.

Managed by the RJC Standards committee, reporting to the RJC Board.

The Board is responsible for authorising any future revisions or additions to the system.

Governance of the Code of Practices

RJC will not sanction special cases, exemptions, relaxations, or provide guidance or training to Members or Auditors that changes the meaning of any of the provisions of the Code of Practices.

Either the Code is applied as written, or it is changed, with any changes following due process.

RJC will monitor areas and extent of non-conformances during the initial 3-year certification cycle and consider changes to the Code if warranted.

Reminder – non-conformances are not a bar to certification.

Interpretation of the Code of Practices

Members and Auditors must rely on the plain reading of the provisions of the Code.

Accepted industry practices do not override the Code.

However if the Code is not clear, the following may be used for interpretation:

- RJC Standards Guidance document;
- Other recognised systems that do address the subject;
- Accepted responsible industry practices.

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Objective Evidence

Rating of performance must be based on the relevant Objective Evidence.

Defined as verifiable information, records, or statements of fact and can be qualitative or quantitative.

Typically based on interviews, testimonials, documents, observation of activities and conditions.

Must be relevant, traceable, clear and unambiguous.

Performance Ratings

Possible ratings for each applicable provision of the Code:

- Conformance;
- Minor Non-conformance;
- Major Non-conformance; or
- Critical Breach.

A minor or major non-conformance only means there is a need for a corrective action, and does not affect certification eligibility.

The RJC does not recognise different levels of certification; either a Member is certified, or is not certified.

Non-Conformances with the Code

Major – not conformant

- Total absence of implementation;
- Systemic failure;
- Legal non-compliance;
- Related, persistent minor non-conformances; or
- Possible Critical Breach.

One year certification

Minor – not wholly conformant

- isolated lapse in performance, discipline or control; or
- potential inadequacy in the Member's business practices during the Certification Period.

Three year certification

Corrective Actions

Any non-conformances found during the Verification Assessment require formal Corrective Action Plans:

- Developed by Members, agreed with the Auditor;
- Must be realistic and pragmatic;
- Must have set milestones;
- Subject to follow-up evaluation by the Auditor.

Longer time periods to implement a plan may be allowed if it is not realistic to complete it within the certification period.

RJC Management Team is available to assist if issues arise where the Auditor and Member cannot agree.

Critical Breach

Applies to any Major Non-conformance against a Provision deemed critical to the integrity of the RJC System.

Disciplinary proceedings will commence if a Critical Breach is identified by the auditors.

Standards that include Critical Provisions:

- Kimberley Process
- Child Labour
- Health and Safety
- Waste
- Product Integrity
- Forced Labour
- Discipline and Grievance
- Hazardous Substances

Review



Legal compliance is a fundamental principle of the RJC.

The Code of Practices must not be re-interpreted to align with common industry practices.

Any changes to the Code must follow due process.

The RJC's focus is on improvement – non-conformances do not prevent certification, but do require corrective actions.

Corrective actions must be timely, realistic and achievable.

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Issues to be discussed

- Compliance with Applicable Law
- Bribery
- Anti-money laundering
- Child Labour and Young Persons – documentation
- Collective bargaining
- Provident Fund and Employees' State Insurance
- Factories Act
- Health and safety – fire exits
- Working hours
- Remuneration – piece rate workers
- Remuneration – apprentices and trainees
- Contract workers – general employment terms

Common Concerns: Compliance with Applicable Law

“The Applicable Law in India is often contradictory, onerous, and not enforced, therefore instances of legal non-compliance can frequently be found. Full legal compliance is not realistic.”

RJC Members must comply with the Applicable Law. This is stated clearly in the Principles and the Code of Practices.

Auditors will not conduct detailed legal compliance audits, but will seek evidence that Members have systems in place to ensure compliance.

Impediments or difficulties in complying with Applicable Law can be addressed through appropriate corrective actions.

Common Concerns: Bribery

“It is very difficult to obtain necessary permits and authorisations in India without paying bribes to government officials, yet the Code of Practices prohibits bribery.”

Bribes involve paying to obtain something that you are not otherwise entitled to receive. This is prohibited.

If the payment is to receive something the business is entitled to, then it would be considered a **Facilitation Payment**. This is permitted under the Code of Practices.

Common Concerns: Anti Money Laundering

“The Code of Practices requires Members to follow the FATF 40 + 9 Recommendations if there is no anti money-laundering legislation. India’s Prevention of Money Laundering Act does not apply to gemstone dealers, so do Members in India have to follow the FATF?”

The Code stipulates that Members must adopt the FATF Recommendations where no Applicable Law exists.

The PMLA is not considered to be Applicable Law.

The Code also requires Members to operate according to the principles of “know your customer”.

Common concerns – Child Labour and Young Persons, Documentation



“It is difficult to prove what a person’s age is because workers come from small villages and often do not possess a birth certificate.”

The Assessment Question asks whether effective systems are in place to prevent the employment of Children, including an effective mechanism for verifying age.

For example an effective system could include a written policy, written agreements with contractors, and written procedures for assessment and authorisation of employment, acceptance of other official documents showing age, etc.

Common concerns: Collective Bargaining

“Unions in India are frequently political and militant. There should not be requirements for particular forms of representation or formal agreements.”

The Code requires that Members not prevent employees from associating freely or collective bargaining.

There are no requirements regarding how such employees associations might be formed ,or that agreements must be in place. However any collective bargaining agreements must be adhered to.

Common Concerns: Provident Fund and Employees' State Insurance

“Diamond companies in India often do not pay the required contributions under the Provident Fund and the Employees' State Insurance Act.

- *Compliance is time consuming and bureaucratic*
- *High cost*
- *Workers don't want to accept the deductions*
- *Parallel programs are sometimes provided instead”*

Some diamond companies do comply with these requirements.

These are legal obligations and therefore required under the Code of Practices.

Non-conformance would be a major breach as it would be a situation of legal non-compliance.

Common Concerns: Factories Act, 1948

“The Factories Act is obsolete and overly prescriptive (floor space, spittoons, lighting, paint, etc). It is not followed by the industry and there is little enforcement by government.”

The Factories Act is part of the Applicable Law and must be followed.

Compliance with the Act is particularly important to the RJC System because it covers employment conditions and worker health and safety.

Auditors will seek evidence of compliance, such as an inspector’s report or certificate, but will not investigate compliance at the level of another inspector.

Common Concerns: Health & Safety – Fire Exits

“Several major buildings used by the diamond industry do not provide sufficient fire exits to meet current legal requirements. Compliance would require new construction and may not be in the Member’s control.”

This situation would be a non-conformance with Applicable Law.

Under the RJC Code, fire exits must also be unlocked and unblocked.

Corrective Action Plan must be reasonable and realistic, and should take into consideration cost and timing issues.

Common Concerns: Working Hours

“Workers in the diamond industry typically work 60 hours or more per week, particularly during the peak season. This exceeds the legal limits.

Workers want to work longer hours to earn extra income.

Legal overtime is often not paid.”

Working hours that exceed legal limits, and failure to pay legal overtime, are non-conformances and must be corrected.

The Code requires that overtime not exceed 12 hours a week.

Seasonal averaging is not provided under the Code of Practices, and does not appear to be allowed under the Applicable Law if it exceeds the maximum number of hours per week.

Common Concerns: Remuneration – Piece Rate Workers

“The Code requires workers to be paid at least the legal minimum wage, but it is common for workers in the diamond industry to be paid on a piece rate. Less experienced workers may not earn the minimum.”

The use of piece rate schemes, or conversion of piece rate to time rate, should not result in workers being paid less than the applicable minimum wage.

The Applicable Law requires all workers, including piece rate workers, to be paid at least the minimum wage.

Common Concerns: Remuneration, Apprentices and Trainees

“It is common practice to pay trainees below the minimum wage. New employees must be trained and there are no training institutes. It is legal to pay apprentices below the minimum wage.”

The Code requires Members to pay at least the legal minimum wage plus associated statutory benefits.

Trainees are not necessarily apprentices, who must be formally documented in accordance with the Apprentices Act.

The practice of paying trainees below the minimum wage is open to abuse and does not comply with Applicable Law.

Common Concerns: Contract Workers – General Employment Terms

“The diamond industry relies extensively on contractors and contract workers. Use of contract workers should not be considered a non-conformance.”

The use of contract workers would not constitute a non-conformance, providing that it is not done for the purpose of avoiding legal obligations to employees.

Members are responsible for ensuring that contract workers working on their premises are paid correctly.

Review

Several key areas at risk of non-conformance in India (and other countries):

- Legal compliance (Factories Act, PF, ESIA)
- Working hours
- Remuneration

Non-conformances are to be expected and do not affect eligibility for certification.

The focus will be on the corrective actions.

Goal is to improve business practices and consumer confidence, for the benefit of the industry and its stakeholders.

Next Steps

The RJC will continue to provide guidance and training for Members.

Monitor results of assessments during the initial 3-year certification cycle and consider changes to the Code if warranted.

Facilitate the sharing of information amongst Members to assist in developing and implementing corrective actions.

Reinforcing confidence in the diamond and gold supply chain

