

Responsible Jewellery Council (RJC)

Chain-of-Custody Certification – Overview

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Agenda

1. Introduction about the RJC and the CoC Standard
2. Key Elements of the CoC Standard
3. OECD Due Diligence Guidance
4. How to use RJC's CoC Standard

Responsible Jewellery Council (RJC)



Mission Statement:

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

The RJC is a:

- **Member based** organisation: businesses can join the Council to support its mission; RJC will support Members in meeting its standards through training, guidance and toolkits.
- **Standard-setting and certification** organisation: RJC sets responsible ethical, social and environmental standards for the jewellery supply chain.
- **Accreditation body**: RJC accredits auditors than can independently verify a member’s practices against RJC standards.

Responsible Jewellery Council (RJC)

Membership: Uniquely covers **all** parts of the jewellery supply chain: producers, refiners, traders, cutters and polishers, manufacturers, wholesalers, retailers.

- 350+ Members: grown 4.5% per month since July 2005.
- £27+ billion in annual relevant sales

Auditor Accreditation:

- 230+ RJC Accredited Auditors across 8 firms

Certification:

- 130+ Certified Members – growing daily
- 75% Members made the first 31 December 2011 deadline
- 25% have been granted short extensions to complete audits underway or scheduled.



RJC Standards

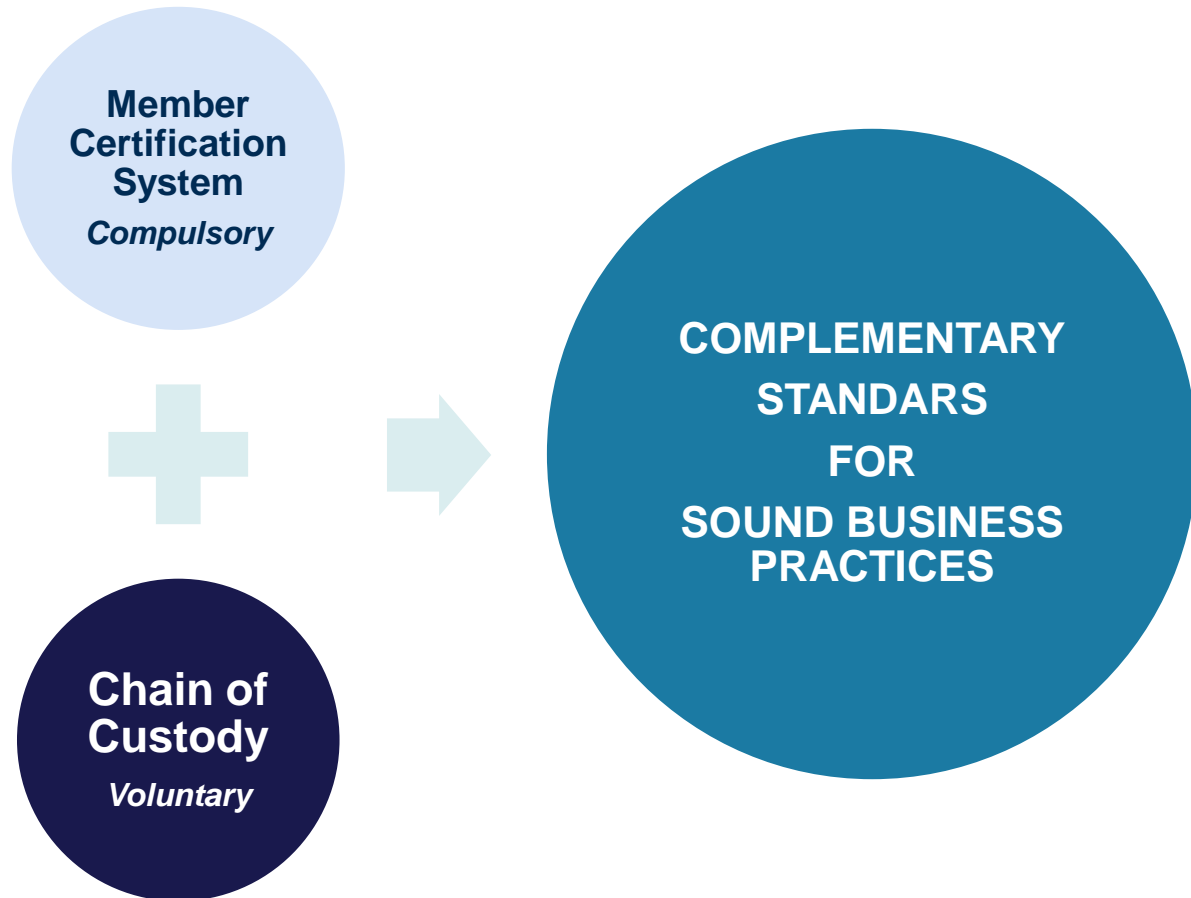
RJC Code of Practices

- ✓ Launched in 2009
- ✓ Focus is on assurance of the Member's business practices
- ✓ Compulsory for RJC Members

Chain-of-Custody Standard

- ✓ To be launched for precious metals in Feb-March 2012 (gold, platinum, palladium, rhodium)
- ✓ Focus is on assurance that metals are from responsible sources
- ✓ Voluntary for RJC Members

RJC standards are complementary





RJC Chain-of-Custody Certification

- Applicable to gold and platinum group metals from 2012, diamonds under further review
- Requires independent, third party auditing to achieve Certification, but also available as guide to good practice
- Certification voluntary and flexible as to which parts of business and which materials
- Supports responsible, conflict-sensitive sourcing in supply chains
- Requires RJC Membership to advance responsible business practices in the supply chain through Code of Practices: more than conflict
- Will support implementation of OECD Guidance and Dodd-Frank Conflict Minerals legislation

Chain-of-Custody and Diamonds

Concerns recently expressed about the feasibility of the CoC Standard for the diamond supply chain.

A sub-committee of the RJC Standards Committee has been formed to consult further with the diamond sector. Comment from other stakeholders may also be submitted to RJC during this time.

The RJC expects to finalise the CoC Standard for diamonds once the sub-committee has completed its consultations and made its recommendations to the RJC Standards Committee.

This does not affect plans to launch the Standard for gold and platinum in early 2012.

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CoC Certification Elements

- ✓ Auditable Standard
- ✓ Accredited auditors (ISO 17021)
- ✓ Certification Handbook
- ✓ Standards Guidance document
- ✓ Assessment toolkit
- ✓ Training (workshops and webinars)
- ✓ Entitlement to on-product use of the RJC CoC certified logo
- ✓ Complaints mechanism



Structure of the CoC Standard

Provisions 1 – 3.

Management system requirements, Internal material controls to ensure segregation, Outsourcing contractors

Provisions 4 – 6

Controls for the sourcing of Eligible Materials (Mined, Recycled, Grandfathered)

Provisions 7 – 9

Documentation and Consumer Claims

Provision 10

Conflict-sensitive sourcing



How it works

- ✓ Identifying Eligible Material: Standard defines Eligible Gold/Platinum Group Metals for CoC.
 - Can be Mined, Recycled or Grandfathered.
 - Must be responsibly sourced and conflict-free.
 - Entities can start a chain-of-custody with Material that meets the Standard, or receive it from their suppliers.

- ✓ Segregating CoC from non-CoC Material: Entities must have:
 - Management systems and controls in place to ensure segregation of CoC Gold/Platinum from any non-CoC Gold/Platinum.
 - Outsourcing contractors who aren't CoC Certified can be audited under your scope for segregation controls.

- ✓ Transferring CoC Material to your customers: Eligible Gold or Platinum is declared by a CoC Certified Entity, and may be transferred to other CoC Entities with required documentation (CoC Transfer Document).

Eligible Mined Gold / Platinum Group Metals

Must be Conflict-Free, and mined:

- by a CoC Certified Entity (who must comply with the Code of Practices, thereby responsibly mined); or
- by ASM on the concession of a CoC Certified Entity; or
- under a Recognised Responsible Mining Standard; or

Documented due diligence by the mining entity is required to confirm mines are not in Conflict Affected Areas, or if in Conflict Affected Areas, did not benefit Illegal Armed Groups.

A copy of this due diligence is provided to refiners.

Mining Byproduct (eg processing residues from copper smelting) is also Eligible where refined by a CoC Certified Refiner.

Eligible Recycled Gold / Platinum Group Metals

Must be previously refined gold / PGM, and includes:

- End-user, post-consumer eg old jewellery, e-waste
- Investment products eg coins
- Scrap and waste arising during refining and from product manufacturing, which are returned to a refiner for recycling.

Suppliers must be screened according to the CoC Standard's Know Your Customer requirements to avoid Illegitimate Sources (eg conflict gold, money laundering, proceeds of crime, illegal mining etc).

Eligible Grandfathered Gold / Platinum Group Metals

Existing 'historical' stocks of Gold / Platinum Group Metals:

- Can be in the form of bars, ingots, coins, or similar, or within a sealed container (e.g. grain, powder or sponge).
- Must have been refined before 1 January 2012
- Must have a reliable record demonstrating its date of ownership, extraction and/or manufacture.

For example, the refining date permanently shown on bars, verified by a serial number, or determined through bank depository or inventory records.

Conflict-Sensitive Sourcing

Provision 10 sets out requirements for conflict-sensitive sourcing practices, draws from OECD Due Diligence Guidance, support for Dodd-Frank Act.

Requirements:

- A formal policy for the supply chain of Materials from Conflict Affected Areas.
- Consideration of risks of non-compliance with the supply chain policy by suppliers, and actions to prevent or mitigate the risks.
- A complaints mechanism.
- For Gold Refiners:
 - KYC procedures for all sources of Gold.
 - Conflict-sensitive Due Diligence for all sources of Mined Gold.

Building bridges with Artisanal and Small Scale Mining (ASM)

Enhanced focus on due diligence in gold supply chains is raising concerns for possible consequences for ASM producers.

The RJC CoC Standard aims to build bridges with legitimate ASM production via including the following under the CoC Standard:

- Providing scope for the RJC to formally recognise comparable mining standards.
- Providing scope for ASM operating on the mining concessions of CoC Certified Entities, as part of an initiative to support professionalisation and formalisation of ASM.

RJC has also signed MOU's with the Alliance for Responsible Mining (Fairtrade/Fairmined Gold) and Diamond Development Initiative.

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OECD Due Diligence Guidance – Gold Supplement



The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas:

- Provides a framework for detailed due diligence as a basis for responsible global supply chain management of minerals, including gold.
- Focus is on minerals that have, or may have been extracted from “conflict-affected and high risk areas” and to all uses of those minerals, all process steps, and all transactions, from initial extraction to retail sale of a consumer product.
- Observance is voluntary and not legally enforceable.
- Following the OECD Guidance may provide a template for due diligence required by the Dodd Frank Act.

What the OECD Guidance means for downstream companies (manufacturers, retailers)

Step 1 – Organise a search for the source of gold.

- Identify refiners via suppliers (upstream manufacturers, bullion banks, or direct sourcing).

Step 2 – Assess due diligence practices of refiners against OECD Guidance

- Check that refiners comply with OECD Guidance on due diligence.
- If cannot identify refiners after best efforts, develop risk mitigation plan (Step 3).
- If red flags in refiners' supply chains ...

Step 3 – six month timeframe for risk mitigation.

Step 4 – audit of refiners with red flags (via industry programmes).

Step 5 – reporting on engagement with red-flagged sources.

How can CoC Certification help?

OECD responds to uncertainty in supply chains, to try and address conflict. If you don't know whether there are red-flags in your supply chains, follow OECD to structure retrospective inquiry.

CoC provides certainty, by linking the actors along supply chains, with due diligence carried out at the point of extraction / recycling.

CoC Certification can be used to:

- Identify CoC Certified refiners – verified due diligence practices.
- Source CoC gold from CoC Certified suppliers – conflict-free (and implements Code of Practices in supply chains).
- Verify your own due diligence practices and continue the chain-of-custody of CoC gold.

Other initiatives

There are also other initiatives underway to support due diligence re conflict in gold supply chains.

- 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**): developing Conflict-Free Standard for large-scale gold mining companies operating in conflict-affected areas.
- Electronics Industry Citizenship Coalition (**EICC**): developed audit protocol for gold refiners to assist the electronics sector with Dodd Frank reporting.

RJC is working with all of the above to support harmonisation between the initiatives.

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Mining companies

CoC Certification should be relatively straightforward for most mining companies.

For gold, will assist customers' compliance with OECD and Dodd Frank.

CoC avoids retrospective inquiries otherwise required by OECD and Dodd Frank, by:

- identifying and tracking gold starting with the mine of origin;
- Requiring conflict-free due diligence to be conducted by the miner;

Precious metals refiners

CoC requires conflict-sensitive practices for all sources.

Standard does not prevent sourcing from non-RJC mining entities, but any non-CoC gold must be kept segregated.

CoC supports claims for responsibly mined gold, recycled gold or grandfathered gold, or a mix of the above.

Supports OECD Due Diligence Guidance and Dodd Frank compliance:

- Auditable standard for refinery audits.
- CoC Transfer Document mechanism provides records to support Dodd Frank reporting.

Jewellery manufacturers and retailers

Key to CoC compliance will be segregation of CoC from non-CoC material.

Many manufacturers may have the basic systems already in place.

Many options for sourcing CoC gold, including from CoC refineries, and grandfathered supplies.

If retailers make claims to consumers, the Standard governs what is allowed.

CoC Certification will support customers who demand CoC gold:

- Can identify CoC sources as part of a responsible sourcing program.
- Identify CoC Certified refiners – which have independently audited and verified due diligence practices as per OECD.
- Provides evidence that gold is conflict-free, as per Dodd Frank.

Summary

- RJC CoC Standard is voluntary and being designed to support due diligence and chain-of-custody efforts in the jewellery supply chain.
- Controls for conflict-sensitive sourcing AND for responsible business practices in the supply chain.
- Supports chain-of-custody for mined, recycled and 'grandfathered' and/or a mix of these for gold and platinum group metals.
- CoC Certification for Refiners provides independent audit of their due diligence practices.
- Strong focus on harmonisation with relevant standards and initiatives.
- Aim to launch CoC for precious metals in February/March 2012.

More information



Website:

Discussion papers, presentations, comments and submissions:

www.responsiblejewellery.com/chain-of-custody.html

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