



RJC Chain-of-Custody (CoC) Standard Consultation Webinar

13 September 2017

Agenda

Objective: consultation on proposed changes to the Chain-of-Custody (CoC) standard

See the revised CoC Standard, including key guidance sections available [here](#) on RJC website for more information.

1. About RJC
2. Overview of the CoC Standard
3. CoC review process
4. Overview of revised proposed changes
 - i. Due Diligence & Know Your Counterparty (KYC)
 - ii. Eligible Mined Materials
 - iii. Eligible Recycled Materials
 - iv. Product claims and Intellectual Property
5. Next steps

RJC vision and mission

Our **vision** is a responsible world-wide supply chain that promotes trust in the global fine jewellery and watch industry.

Our **mission** is to be the recognised standards and certification organisation for supply chain integrity and sustainability in the global fine jewellery and watch industry.



RJC membership

 **1024**
MEMBERS

 **668**
CERTIFIED MEMBERS

 **8,606**
CERTIFIED FACILITIES

 **390,357**
EMPLOYEES COVERED BY
CERTIFICATION



RJC membership



PRODUCER



REFINER



SERVICE
INDUSTRY



DIAMOND TRADING,
CUTTING & POLISHING

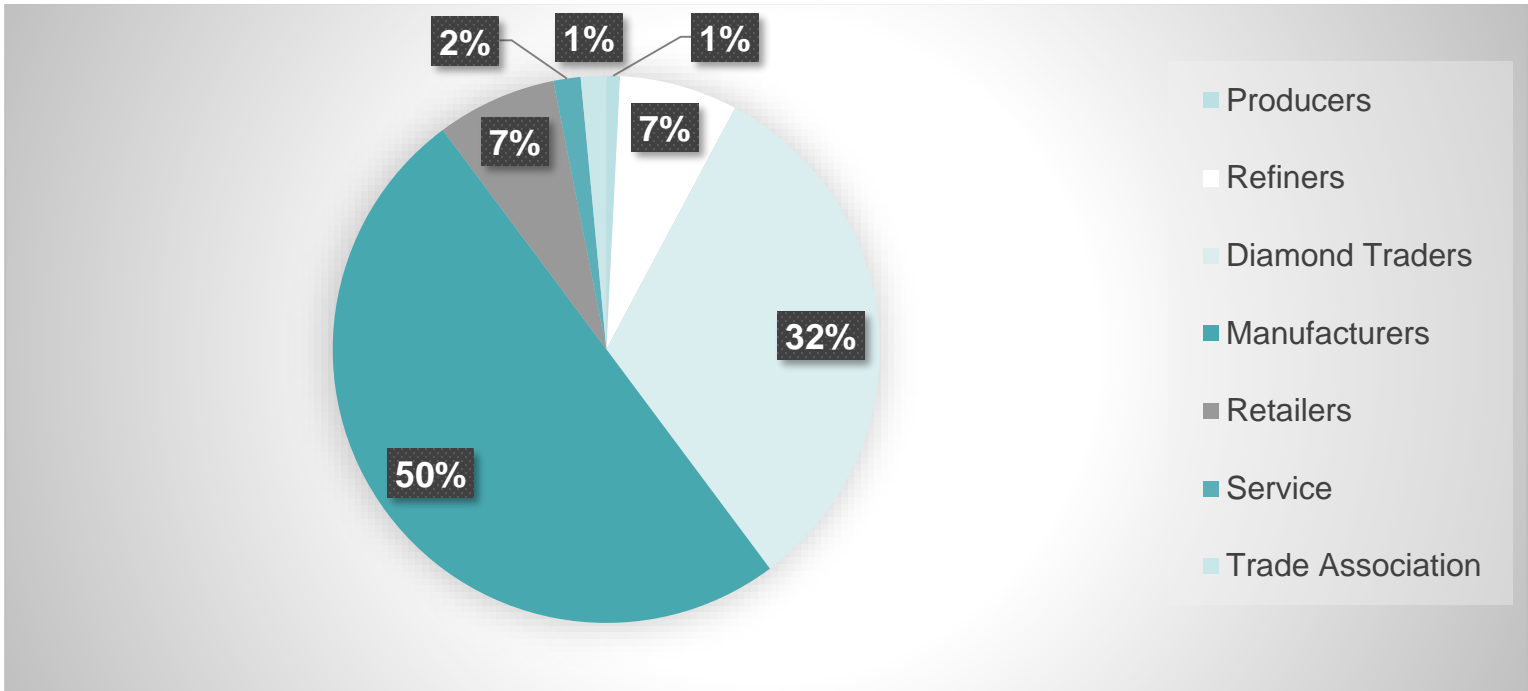


MANUFACTURER



RETAILER

0.8%	7.1%	1.6%	32%	50%	7%
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RJC standards

RJC Code of Practices

- Launched in 2009
- Assurance of a company's business practices
- Compulsory for RJC members



Chain-of-Custody Standard

- Launched for precious metals in 2012
- Assurance that metals are from responsible sources and certified at every stage of the supply chain
- Voluntary for RJC members



CoC Certification (as of 31 Dec 2016)

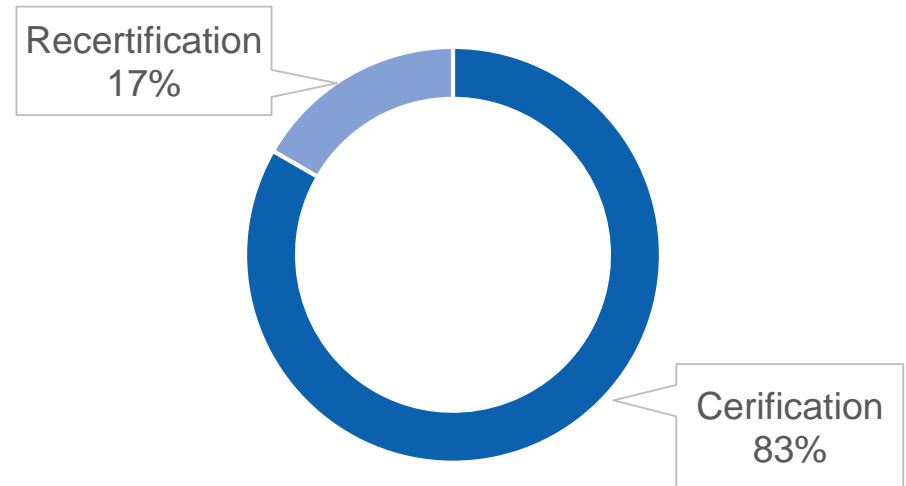
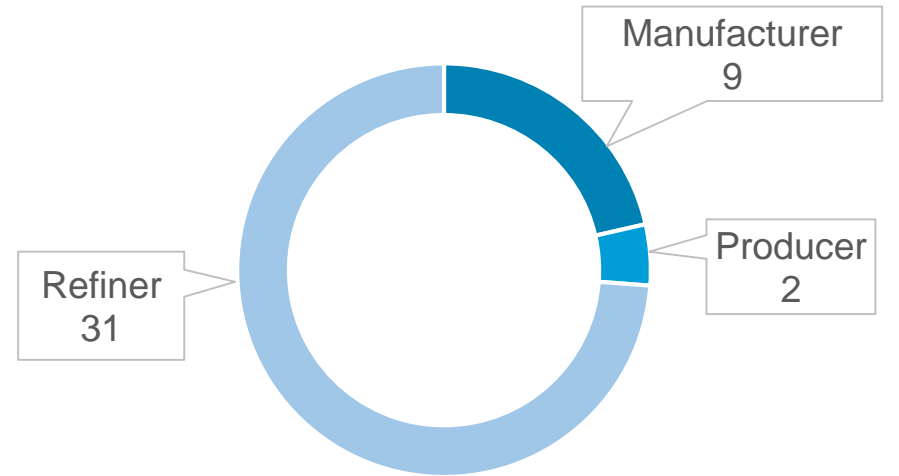


42
CERTIFIED MEMBERS



74
FACILITIES

14
COUNTRIES



Scope of CoC certifications issued



50

CoC certificates issued

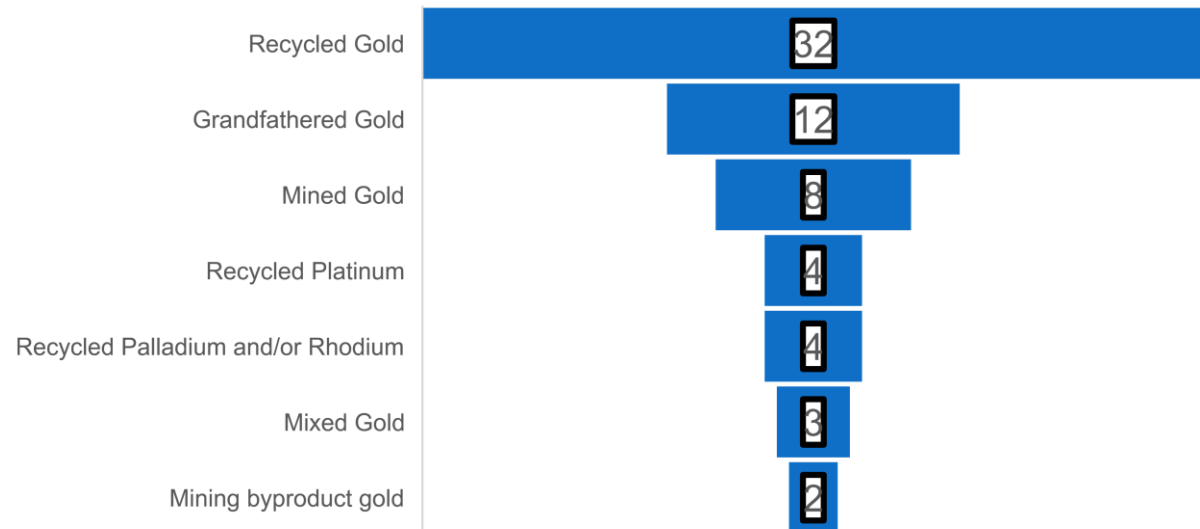


100%

Gold in scope

(Platinum = 32%, PGM = 24%)

Eligible material declarations:



Overview of the CoC Standard



- For gold and platinum group metals
- Starts with responsible sources & is responsibly produced and certified at every stage of the chain
- ‘CoC material’ is segregated along the supply chain
- Relevant information is shared in the chain
- Conflict-Sensitive Sourcing
- Certification is voluntary for RJC members
- 3 year certification with surveillance audit at 12-18 months



Overview of the 2012 CoC Standard

A. CoC management

1. Management systems
2. Internal material controls
3. Outsourcing contractors

B. Systems to confirm eligibility of material

4. Mined
5. Recyclable
6. Grandfathered

C. Issuing CoC documentation

7. Eligible material declarations
8. Transfer documents
9. Consumer claims

D. Conflict-sensitive sourcing

10. Conflict-sensitive sourcing



RJC standards review

The purpose of the review is to ensure that the RJC standards remain aligned with evolving best practice, and are clear and accessible



Review of standards follows ISEAL code

- Member engagement and public consultation

RJC Code of Practices (COP)

- Standard launched in 2009
- Compulsory for RJC members
- First review completed 2013
- Current review from Q2 2017 to Q4 2018

Chain-of-Custody Standard (COC)

- Standard launched 2012
- Voluntary for RJC members
- First and current review from Q3 2016 to Q4 2017

Process for reviewing standards

Round 1

1. Planning phase – what topics do we need to review?

- Log of issues, questions from helpdesk, non-conformances
- Publish a 'Public Summary' with plan for the review

Round 2

2. Review and consultation phase – what changes will we make?

- Commissioned and in-house research on key topics
- Consultation with members and stakeholders (workshops, webinars, email campaigns)
- Draft of proposed changes
- Optional additional revised changes and consultation

Round 3
(optional)

3. Finalization phase

Approvals

- Standards Committee, ExCo and Board
- Legal review

CoC review – overall status and document links



Round 1
Obj: review of scope

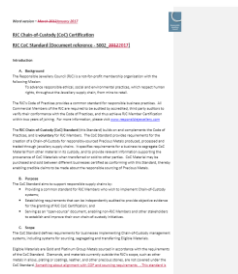
CoC documents

- 1 Aug-1 Oct 2016
- [1. Public Summary](#)
 - [2. Comment report](#)



Round 2
Obj: propose changes to standard

- 28 Feb–8 April 2017
- [1. Proposed changes](#)
 - [2. Comment report](#)



Round 3 (optional)
Obj: revise changes to standard

- 14 Aug–15 Sept 2017
- [1. Revised changes](#)
 - [2. Comment report](#)

Approval drafts: Standards Committee, Exco, Board

Approvals
Obj: approval and finalise

Final documents: editorial review and layout

Version 2 of Standard



Overview of main changes to CoC

1. Due diligence and KYC
2. Eligibility of mined CoC material
3. Eligibility of recyclable CoC material
4. Claims on jewellery products that contain both CoC and non CoC material

Due Diligence and KYC - background

- CoC 10 covers conflict sensitive and high risk sourcing for ALL material handled by a CoC certified entity
- CoC 5.1 and 5.2 cover 'Know Your Customer' systems and procedures
- Due diligence and KYC are management system requirements and not specific to CoC material
- Intention to move these requirements from the CoC to the COP where they will be mandatory for all RJC members.
- Requirements to be defined through COP review (July 2017-Dec 2018). Any duplicated requirements to be removed from CoC after.

Due diligence and KYC – main changes

Main changes to CoC provision are:

1. Due diligence and KYC is moved to beginning of the standard
2. Requirements are aligned with, and reference, the OECD Due Diligence Guidance
3. A requirement for public reporting on due diligence
4. A requirement for refiners to carry out material controls
5. A requirement for refiners to share data with RJC on mine of origin on an annual basis
6. For KYC, a new requirement to verify relevant government sanctions lists



What does it mean to align with OECD guidance?

- ✓ Step 1 Establish strong company management systems
 - A. Have a policy
 - B. Internal management to support due diligence
 - C. System of controls / transparency on the supply chain. Identify upstream actors
 - D. Engage with suppliers
 - E. Have a grievance mechanism
- ✓ Step 2 Identify and assess risk in the supply chain
- ✓ Step 3 Risk mitigation
- ✗ Step 4 Independent 3rd party audit (for auditors)
- ✓ Step 5 Report on supply chain due diligence

Due diligence requirements for different types of CoC companies

Due diligence step	Downstream: retailer, manufacturer, wholesaler	Refiner: gold & PGM
Step 1: System of controls / transparency on the supply chain. Identify upstream actors	<ul style="list-style-type: none"> • All gold from assured refiner • Identify PGM refiners 	<ul style="list-style-type: none"> • Systems to identify mine origin • Collect information from suppliers
Step 2: Identify and assess risk in the supply chain	<ul style="list-style-type: none"> • Identify 'red flags' based on refiners due diligence and evaluate risks 	<ul style="list-style-type: none"> • Identify 'red flags' • Map factual circumstances of red flagged supply chains
Step 3: Devise and adopt a risk management plan to respond to identified risks	<ul style="list-style-type: none"> • Focus on engagement with refiners • Undertake additional fact finding and risk assessment where applicable 	<ul style="list-style-type: none"> • Engage with suppliers • Establish traceability systems from red flagged supply chains • Undertake additional fact finding and risk assessment where applicable

Collecting mine of origin data



- RJC to request data from CoC certified refiners on mine of origin data for all mined gold material on annual basis
- At certification, this data will be provided to the RJC as part of the summary report from the auditor and include:
 1. A list of mines and countries of origin for gold material received during the audit period;
 2. Identification of conflict-affected and high risk areas among the mines of origin disclosed;
 3. Summary of the criteria applied to determine which countries are considered conflict-affected and high risk
- Mine list updated on an annual basis after certification

Eligibility of mined material Background



- New provision that allows CoC entities to source mined material that is the product of responsible, formal large-scale mining.
- Sources of eligible mined material will conform with the COP standard and will have undergone a comparable level of third party assurance.
- The validation process applies in three cases:
 - Case a. When a mining facility is COP certified, but not CoC
 - Case b. When a mining facility is subject to existing mining assurance programmes identified as having significant alignment to the Code of Practice:
 - The ICMM Sustainable Development Framework - **where the mine has been included in the assurance site sampling within the last three years**
 - The Mining Association of Canada's "Towards Sustainable Mining Program" (TSM) - **where the mine has achieved a TSM verification Level A or higher across all the indicators.**
 - Case c. Other cases where neither of the above applies.

Eligibility of mined material – main changes

4 step validation approach to assess material that is the product of responsible mining (as defined in COP) and which is subject to 3rd party assurance:

1. Enhanced KYC - initial assessment collecting data.
2. Desktop review of the mine source using the RJC self-assessment workbook.
 - Use of simplified workbook for TSM & ICMM mines
3. Research on existing certifications and legal compliance
4. In person verification or 3rd party audit depending on existing certifications and level of risk

Eligible material declarations are issued by the entity sourcing directly from the mining facility, normally a refiner

Eligibility of mined material Validation approach

Validation Process	Existing assurance schemes		
	Case a RJC COP certified	Case b TSM (level A) ICMM (assured site)	Case c Other
Step 1: Enhanced KYC	Required	Required	Required
Step 2: Desktop review - using RJC Self-Assessment	Not required	Limited review required	Required
Step 3: Additional Research on compliance	Not required	Required	Not required
Step 4: Verification – in person or third party as applicable	Not required*	Mine site visit required	Third party audit required

*Unless the mining facility sources material from other mining operations.

The CoC entity shall make an eligibility decision on the material from the mining facility in order to start issuing eligibility declarations

Eligibility of recyclable material Background



- Need to define the acceptability of recycled material from e-waste, catalysts and other industrial sources outside the jewellery supply chain
- Need to clarify and simplify the approach for assessing the eligibility of this material

A simplification of the types of eligible recyclable materials in the standard:

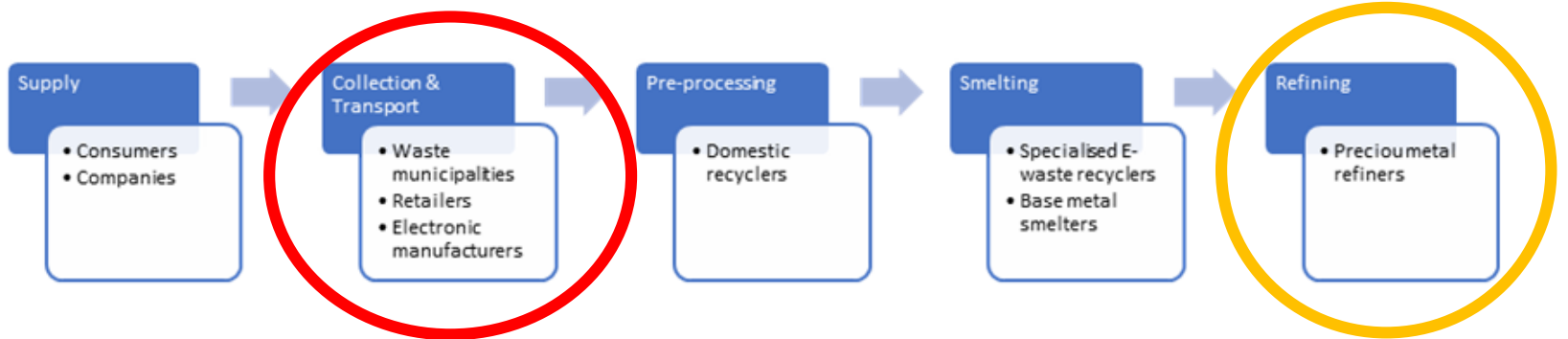
- **High value gold and PGM** – scrap, waste precious metals from the jewellery and manufacturing process or post-consumer precious metal products such as jewellery, bars and coins
- **Industrial gold and PGM** – waste electrical and electronic equipment (WEEE), industrial components such as spent automotive catalysts, spent industrial catalysts and fuel cells

Eligibility of recyclable material – main changes

High value gold recycling:



Industrial gold recycling:



Origin of recycled gold in red

Start of CoC recycled gold chain in orange

Eligibility of recyclable material – main changes



- Same approach for assessing eligibility for high value and industrial gold/ PGM based on (as in current CoC)
 - Define criteria for acceptable sources of COC
 - Approve procedures for new commercial suppliers
 - Monitor procedures for existing commercial suppliers

New requirements:

- Approval of new commercial suppliers through KYC includes:
 - Establishing the beneficial ownership and principals of all suppliers, not just high-risk suppliers
 - Reasonable determination of the origin of the recyclable material
- Monitoring of commercial suppliers includes
 - Maintaining an understanding of the origin of recyclable material
 - For high risk suppliers, reviewing the due diligence and KYC and carrying out site visits to verify the supplier's systems and records

Eligibility of recyclable material – main changes

Bullion bank gold not eligible as CoC material

- Bullion banks source gold, including ‘newly’ mined gold, and make it available to financial markets under Good Delivery status. Although the Good Delivery status provides assurance of meeting due diligence practices, the bullion banks make no distinction between what is from mined or recycled sources.
- Feedback to the consultation in Round 2 indicated concerns with inclusion of this material as eligible **recycled** CoC material.
- The proposal to include bullion bank gold as eligible recycled CoC has therefore been removed.

Claims on jewellery products that contain both CoC and non CoC material



Clarification needed on provision 9 (consumer claims) with regards to claims on products that contain both CoC and non-CoC parts.

New provision developed:

- Claims can be made on jewellery products that have some components made entirely of CoC material and others made of non CoC material. A description of the CoC components within the product must be clearly communicated to the customer or consumer.

Transitioning

- New CoC released in 2017
- Throughout 2018, members can choose to be certified against 2012 or 2017 CoC standard
- In 2019, certification against 2012 version will no longer be an option



Next steps

Deadline for comment on Round 3: 15 Sept

1. Review and publication of comments from round 3 **(Sept 2017)**
2. Feedback consolidated into final CoC for approval by the RJC Standards Committee **(Oct 2017)**
3. RJC Executive Committee and Board to approve final CoC standard **(Nov 2017)**
4. Publication of revised standard **(Dec 2017)**

Round 3 – please comment!

- **Summary of changes to CoC available [here](#)**
- **Full revised CoC Standard, including key guidance sections available [here](#).**



Thank You

For further information:

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