**RJC Due Diligence – Supplier Support & Information – V1.1 – December 2020**

**Introduction**

In April 2019 the RJC introduced a new provision that requires member to conduct due-diligence on their supply chains regardless of the material or sources. To some members this new provision generated a unique set of challenges one of which was engaging with their suppliers to provide them with the information needed.

The purpose of this toolkit is to support members in how they can communicate the requirements of due diligence to their suppliers, re-assure supply chains that the requesting of this information is not to their detriment and to inform suppliers about the benefits of due diligence.

**How to communicate RJC due diligence to suppliers – why they should conduct due diligence**

For many customer / supplier relationships these are long established and often based on trust with no formal or documented agreements between the two. If a supplier has been providing materials that can be linked to human rights abuses, known or suspected, or contributed to conflict this could have serious implications, both legal and reputational to your business.

Suppliers often determine customers having new questions / queries / demands as the norm, however when they are expected by their customers to provide information on the source of the materials sold to them, this can be met with distrust and uncertainty. Therefore it is important to communicate effectively the expectations and reasons why due diligence information is being requested.

**What is in it for me?**

Your supplier may be uncertain or unwilling to provide due diligence information, but below are some pointers on how to explain RJC due-diligence and how to engage your suppliers in a positive way.

**How to explain RJC due-diligence – (copy/paste the below text to send to suppliers)**

Due diligence is when a company takes reasonable steps to identify and manage risks, all companies regardless of size will understand that there are risks in sourcing materials, especially those from uncertain supply chains. The objective of due-diligence is to help companies to respect human rights and avoid contributing to conflict.

The process of due diligence is intended to help make supply chains more transparent and prevent the extraction and trade of minerals from becoming a source of conflict, human rights abuses, and insecurity.

Due diligence for RJC purposes refers specifically to the reasonable identification and assessment of risks related to sourcing from conflict-affected and high-risk areas (CAHRAs). The OECD Guidance is the international benchmark system for companies to manage these issues and conduct due diligence which is why RJC requirements are based on it.

The risks are outlined in Annex II of the Organisation for Economic Co-operation and Development’s (OECD’s) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (the ‘OECD Guidance’).

The risks outlined in Annex II of the OECD Guidance are:

* Serious abuses associated with the extraction, transport or trade of minerals
* Any forms of torture, cruel, inhuman and degrading treatment
* Any forms of forced or compulsory labour
* The worst forms of child labour
* Other gross human rights violations and abuses such as widespread sexual violence
* War crimes or other serious violations of international humanitarian law, crimes against humanity or genocide
* Direct or indirect support to non-state armed groups (covered by the KPCS for diamonds)
* Direct or indirect support to public or private security forces
* Bribery and fraudulent misrepresentation of the origin of minerals
* Money laundering and non-payment of taxes and royalties due to governments.

These risks may seem far away from where you and your suppliers may be in the supply chain, but the goods or materials you buy and sell came from somewhere. Due diligence requires that to reasonably assess whether the goods/materials have come from or passed through anywhere where it is possible or likely that any risks found in Annex II occurred. If supply chain includes goods or materials that came from or passed through a CAHRA, some work will need to be done to understand what the potential risks are and mitigate them.

So why should suppliers help their customers with finding out information they have requested?

1. Customers aren’t trying to cut out suppliers and lose a valuable business relationship, customers need to ensure that they are managing their risks not only those listed above, but also reputational.
2. Discovering this kind of information is a positive for both customer and supplier, knowing the source of your material can be used for other purposes other than due diligence such as marketing.
3. Building stronger business relationships, is a clear outcome of this process, supporting each other will ensure greater transparency and a more secure business relationship, the trust that was earnt is now formalised ensuring your business relationships are stronger, more transparent and ultimately longer lasting.
4. Getting ahead of legislation is key and starting out this process whilst there are no additional legal ramifications, or penalties, will ensure that when (and it is mostly like when, not if) due diligence becomes a mandatory legal requirement you already know the process and your business wont be heavily affected.

Further Information, including a short video is available on the RJC website: <https://www.responsiblejewellery.com/support/cop-2019-walkthrough/provision-07/>

**What’s in it for me? (compact version)**

Due diligence is designed for the following:

* Take steps to identify and manage risks.
* Assist companies to respect human rights and avoid contributing to conflict.
* Intended to help make supply chains more transparent and prevent conflict, human rights abuses, and insecurity.

Due diligence for RJC purposes refers to the identification and assessment of risks related to sourcing from conflict-affected and high-risk areas (CAHRAs). The OECD Guidance is the international benchmark system for companies to manage these issues and conduct due diligence which is why RJC requirements are based on it. The risks are outlined in Annex II of the OECD’s Due Diligence Guidance. The risks outlined in Annex II of the OECD Guidance are:

* Serious abuses associated with the extraction, transport or trade of minerals
* Any forms of torture, cruel, inhuman and degrading treatment; forced or compulsory labour
* The worst forms of child labour
* Other gross human rights violations and abuses such as widespread sexual violence
* War crimes or other serious violations of international humanitarian law, crimes against humanity or genocide
* Direct or indirect support to non-state armed groups (covered by the KPCS for diamonds)
* Direct or indirect support to public or private security forces
* Bribery and fraudulent misrepresentation of the origin of minerals
* Money laundering and non-payment of taxes and royalties due to governments.

The risks may seem far away, but goods or materials come from somewhere. Due diligence requires that the goods/materials are assessed to see whether they have come from or passed through anywhere where it is possible or likely a risk. If they have came from or passed through a CAHRA, some work will need to be done to understand what the potential risks are and mitigate them.

So why should suppliers support customers with due diligence?

1. Customers are just managing the risks, this is a positive process to ensure no harm.
2. Stronger business relationships, supporting each other, greater transparency, trust and more formalised.
3. Getting and staying ahead of legislation.

Further Information, including a short video is available on the RJC website: <https://www.responsiblejewellery.com/support/cop-2019-walkthrough/provision-07/>

**Supplementary information**

Just telling your supplier about due diligence may raise other questions so it can be worthwhile to have prepared either a presentation or talking points that cover most eventualities. To answer queries before they happen, we suggest informing your suppliers about the following:

* RJC membership – what this entails, Code of Practice 2019 compliance, third party audit every 3 years (at a minimum) and certification.
* What issues do the Code of Practice 2019 cover: legal compliance, KYC & AML, due diligence, provenance claims, product disclosure.
* What is OECD due diligence
* Why you are asking questions relating to OECD due diligence
* Reassurances that the enquiries are only related to OECD due diligence and other RJC provision requirements and do not reflect on the supplier’s conduct.
* Reassurances that the enquiries are only related to OECD due diligence and other RJC provision requirements and are not to reduce business or seek alternative suppliers.
* Providing the requested information will strengthen ties as a customer / supplier and provide formal assurances that can be subject to third party audit.

**Annex 1**

Use the below checklist to ensure that you have fully prepared to communicate with your suppliers about your due diligence and other responsible business practices:

|  |  |
| --- | --- |
| Tool 1A.1 – Checklist for Communicating with your suppliers | |
| Have you shared your approved supply chain policy with your suppliers? |  |
| Have you shared your supply chain policy and supporting letter / communication? |  |
| Has the supplier confirmed receipt of your supply chain policy and supporting letter / communication (if applicable)? |  |
| Have you offered or your supplier requested further engagement on the impact of the policy and the subsequent follow up actions? |  |
| Have you shared the training / educational material available for suppliers? |  |

**Glossary**

**Conflict-affected and high-risk areas (CAHRAs)** are areas identified by the presence of armed conflict, widespread violence, including violence generated by criminal networks, or other risks of serious and widespread harm to people. Armed conflict may take a variety of forms, such as conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation or insurgencies, civil wars, etc. High-risk areas are often characterised as areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure and widespread violence. Such areas are often characterised by widespread human rights abuses and violations of national or international law. A CAHRA can be a region, a country, an area within a country or an area that crosses one or more national boundaries. Operations are not necessarily complicit in conflict if they are located in a CAHRA. A high-risk activity is associated with extracting, trading, handling and exporting minerals and gemstones from conflict-affected and high-risk areas. It is possible to source from a CAHRA pending appropriate due diligence is implemented.

**Conflict diamonds** are rough diamonds used by rebel movements or their allies to finance conflict aimed at undermining legitimate governments, as described by the UN Security Council (UNSC) and as recognised by the UN General Assembly (through resolution A/RES/55/56).

**Control points** (also known as ‘choke points’) are stages in the supply chain with generally higher visibility and control over upstream stages. Where identified, they become a key focus area for the collection and sharing of information on the circumstances of upstream production and trade.

**Downstream diamond/coloured gemstone companies** include jewellery manufacturers and retailers.

**Midstream diamond/coloured gemstone companies** include international rough stone traders, cutters and polishers, bourses and exchanges, and polished stone traders.

The **origin** of minerals is the mine, country, region or company where material was extracted.

A **red flag** is a warning or an indicator of a potential risk or problem (threat). In the context of due diligence a red flag can be a location, supplier, or circumstance that triggers a need for enhanced due diligence (i.e. further investigation). When a red flag is identified, it is necessary to do further investigation on the matter.

**Risk** is the potential for adverse impacts which result from a company’s own activities or its relationships with third parties, including suppliers and other entities in the supply chain. In the context of due diligence high risk relates to the potential for:

1. Serious abuses associated with the extraction, transport or trade (including: any forms of torture, cruel, inhuman or degrading treatment; any forms of forced or compulsory labour; the worst forms of child labour; other gross human rights violations and abuses such as widespread sexual violence; and war crimes or other serious violations of international humanitarian law, crimes against humanity or genocide)

2. Direct or indirect support to non-state armed groups

3. Direct or indirect support to public or private security forces, engaged in illegal mining and/or profiteering from it

4. Bribery and fraudulent misrepresentation of the origin of minerals

5. Money laundering and non-payment of taxes and royalties due to governments

**Reasonable** is to be objectively determined by members and auditors. Reasonable is contextually defined by having regard to the nature and purpose of what is being done, to the circumstances of what has been done and to any relevant restrictions and constraints.

**Risk-based due diligence** is a level of supply chain scrutiny that is commensurate with the identification of real or potential risks.

The **source** of material can be mined, recycled, or grandfathered (material / products in stock which was produced prior to the introduction of this provision). The source of extracted material is:

* For diamonds/coloured gemstones: the furthest upstream point in the known supply chain. (i.e. the mine of origin / place of extraction and producing company if possible, otherwise the further upstream entity (e.g. rough stone trader)

**Upstream diamond/coloured gemstone companies** includes miners/ producers, domestic collectors and traders, rough stone exporters and importers.