

## Summary Notes

### RJC Standards Committee Meeting

#### 8-9 February 2017, London

**Participants:** Co-Chairs : Ainsley Butler, Claus Teilmann Petersen  
Assheton Stewart Carter, Estelle Levin-Nally, Felix Hruschka, Jennifer Hillard, Jennifer Horning,  
Michele Brulhart Banyiyezako, Cecilia Gardner, Charles Chaussepied, Claire Piroddi, Eleonora  
Rizzuto, Marco Quadri, Michaël Geelhand de Merxem, Purvi Shah, Tehmasp Printer  
**RJC Management Team:** Anne-Marie Fleury, Bethan Herbert, Peter Dawkins, Andrew Bone  
**Guest:** Effie Marinos, SGS United Kingdom Ltd

**Apologies:** Alan Martin, Didier Backaert, Jon Hobbs, Tuesday Reitano, Hiren Vepari, Inga Van Nuffle,  
Katrien De Corte, Stephane Fischler, Tim Carter

**Background note:** RJC Standard Committee meeting 8-9 Feb 2017 - Agenda and background note

### 8 February 2017

#### 1. Opening remarks

Committee Members were welcomed to the London meeting by Andrew Bone. The co-chairs opened the meeting and reminded that participants of the RJC anti-trust statement and the role of the committee in the standards review.

The notes from the previous meeting (25 November 2016) were discussed. Committee members agreed to anonymise the names of the individuals in the notes and approved them on this basis.

**Action: RJC to remove references to individuals in minutes**

#### 2. Overview of the Chain of Custody Standard

The RJC Management Team presented an overview of the current Chain of Custody (CoC) standard. Participants were reminded that the greatest concentration of CoC certified members are in the refiner forum, and that the most common CoC material being traded is recycled gold.

An outline of the CoC consultation programme was then presented, noting that the first round of consultation had yielded over 50 comments submitted by 5 stakeholders through the public consultation. The bulk of the feedback has come from member consultation webinars. Most comments were clarification points and expressions of support for the priority issues. A summary of the comments was published on the website in December 2016.

Some committee members sought clarification about the RJC's strategy and its ambition to be a recognised leader as stated in its mission. The RJC management team responded linking leadership to credibility, with other committee members citing the impressive growth in membership as a sign of RJC's leadership in the jewellery supply chain. The committee also discussed the potential impact that the changes to the standard could have on current and potential members, with preference stated for practical solutions that can be easily implemented by the industry.

#### 3. Overview of changes

The following key changes to the CoC standard were presented to the committee:

1. Moving the conflict sensitive sourcing requirements in the CoC to the COP under a new provision on 'Due Diligence'
2. Moving the current 'Know Your Customer' requirements from the CoC to the COP under a new provision on 'Know Your Counterparty'
3. Clarifying eligible types of recyclable material and introducing a 'recyclable by-product' category
4. Developing an approach for refiners to make eligibility declarations on mined material

RJC's ongoing support for initiatives supporting artisanal and small scale mining (ASM), such as Fairmined and Fairtrade, was discussed. Concerns were raised by committee members on the limited amount of certified ASM gold available. The committee discussed whether RJC could play a role matching ASM certified supply with demand.

## **5. Proposed changes – Due Diligence (DD)**

The co-chairs asked members to consider key stakeholders to be consulted on the proposed changes related to due diligence.

The rationale for moving the provision on conflict sensitive DD from the CoC to the COP was discussed, noting that it will be updated to better align with the OECD Due Diligence Guidance and that requirements for different types of companies along the supply chain will be different. The Dodd Frank Act and the upcoming EU Conflict Minerals legislation were discussed in terms of their scope and their applicability to companies in the jewellery supply chain. The RJC management team confirmed that the OECD Due Diligence is the de-facto normative framework for this issue globally.

Participants supported the need to make this change for RJC to remain a 'best practice' organisation. Alignment with the UNGC and evolving consumer interest in this issue, driven by the advancements made by the electronics industry in this area were also cited as drivers. The importance of developing accessible and comprehensive guidance and tools for members, particularly SMEs, was emphasised. This is needed to help companies understand how to implement and operationalise DD within their businesses. Similarly, guidance will need to inform auditors on assessing that efforts are proportional to a company's size and scale.

The definition of conflict and high risk areas and the 5-step framework as defined by the OECD was discussed, and the differing requirements for companies along the supply chain. Questions were raised regarding the risk of disengagement of member companies because of challenges implementing DD. The topic of tools and guidance was again discussed, particularly in the context of the increased value members could derive if the right tools and support is made available to them.

The role of the Kimberley Process and the System of Warranties (KP & SoW) in enabling diamond companies to carry out DD was discussed. Limitations of the KP certificates in providing information on country of origin were noted, as well as the KP definition of conflict. The RJC management team reiterated that the OECD does not require full traceability and neither would the new COP provision on DD. A participant signalled that the World Diamond Council is currently reviewing the SoW, with a view to broadening the scope of the definition of conflict and to improving implementation. Signet's D-SRSP was cited as enabling good progress for the industry on this topic. One member emphasized that implementing OECD DD is not as complicated as people think. The importance of communication and engagement with diamond stakeholders was emphasised. Consultation with WDC as part of the review was also recommended.

There was consensus to make DD a compulsory COP requirement.

The onus on refiners to carry out due diligence was discussed. It was noted that many of the large refiners are LBMA certified for their due diligence, and that greater risks may lie with smaller refiners who may not have the resources to implement DD. One participant highlighted work currently being carried out with GIZ on the implementation of OECD DD guidance for small and medium enterprises (SMEs).

The introduction of DD requirements in the COP will have a knock-on change to provenance claims. Most of the current Provenance claims are about “conflict free” gold, and to a lesser extent, diamonds. RJC’s approach is to only accept claims on issues which are not addressed by other COP provisions (eg, ‘compliance with KP’ is not accepted). Conflict free claims will therefore have to be in alignment with the new DD provision and won’t be accepted as Provenance Claims unless they cover different risks or go beyond the DD provision. One committee member said this was a good thing and highlighted the importance of provenance claims only being certified if sufficient systems are in place.

The RJC confirmed that there is no proposed change to expand the scope of the CoC to include diamonds at this time.

In order to address the gap between the CoC completion in 2017 and COP completion in 2018, a 'bolt-on' to the COP on the DD provision was discussed as a way of ensuring this key issue is covered for CoC certification during the transition. The timing for mandatory implementation of the DD provision as part of the COP (and therefore for all members) was discussed. Sufficient time to implement the new requirements is needed, however the ‘normal grace period’ of 12 months after the completion of the new COP could mean companies are not certified against the new DD requirements till 2022 – a delay that is too long, particularly in the context of the timelines for the new EU Conflict Minerals legislation. The exact transition timings still need to be developed.

## **9 February 2017**

### **6. Know Your Counterparty & eligibility of recycled material proposed changes**

The co-chair introduced Effie Marinos, Global Technical Governance Manager, Supply Chain Assessment & Solutions at SGS.

Current KYC requirements in RJC standards were described, including COP10 Money Laundering and Financing of Terrorism and CoC 5.1 Sourcing Recyclable Material. The proposal was put forward to combine these into one provision on “Know you Counterparties” in the COP and thus broaden beyond risks of financial malpractice, to include all relevant business partners.

The need for guidance to provide clarity to members and auditors how KYC should be applied, in a way proportional to the size and type of company, was stressed. LBMA’s KYC questionnaire was described as a useful resource.

A new related requirement to check that counterparties are not named on any government sanctions lists was discussed. Existing resources to support this exist, such as the website of the Jewelers Vigilance Committee ([www.jvclegal.org/](http://www.jvclegal.org/)) and private service providers like Bureau Van Dyke. AWDC’s work supporting member compliance with stringent Belgium KYC laws was cited as an example.

There was a question on whether the COP and CoC standards should be combined given the current poor uptake of CoC. The RJC management team noted significant differences between the two standards, including the requirement for full traceability and segregation of material.

The group discussed whether the enhanced KYC requirements will discourage new members from joining. Some said and that this is unlikely to be a barrier to membership as most companies are already doing some form of KYC.

Effie went on to present proposed changes on eligible recycled material. The committee questioned the name of the new category of recyclable material coming from e-waste and commercial waste (“by-

products”). Other potential names were discussed such as “recovered content”, “industrial” and “post-consumer”, there was also a suggestion to reference the ISO definitions.

**ACTION: RJC management team to consider a new name for the recycled ‘by-product’ category.**

The requirements related to sourcing this new category of recycled material was discussed. The idea of piloting enhanced due diligence for these sources was put forward. The potential to recognise existing audit programmes (such as SCS Recycled Standard) was also discussed.

## **7. Eligibility of mined material proposed changes**

The co-chair introduced Michele Brulhart Banyiyezako, Head of Auditing at RCS Global, an RJC accredited auditing company. Michele presented proposed changes to recognise comparable responsible mining standards aimed at large scale mining. As no mining standard is fully equivalent to the COP, a ‘patchwork’ approach was presented. The IRMA standard was discussed as potentially being fully equivalent, but as it is not yet operational it is not considered at this time.

RJC’s challenges improving uptake of its standards with gold mining companies were discussed, including the lack of value perceived by LSM and the lack of influence by downstream players. The proposed change was described as aligned with RJC’s general approach to minimize audit burden, and also as a way to increase RJC’s profile with gold mining companies. The potential to eventually do joint audits with mining standards was also discussed.

The committee debated the effectiveness of this proposed change in reducing audit burden, for example if multiple refiners ask to carry out third party audits of a single mine. This concern also extended to the financial burden on the refiners who would be responsible for conducting the ‘validation’ of the LSM sites. Using tools such as LBMA’s questionnaire for DD on mined gold was supported. The need for third party audit in all cases was considered excessive by some. One suggestion was to take into account national regulatory frameworks, Chile for example.

One participant considered that the proposed approach would undermine RJC’s ability to have an impact on mining communities and recommended that RJC establish a joint fund for engaging with smaller mines and enabling certification to which downstream members can contribute (thus addressing bottlenecks in the supply chain).

Other participants questioned whether this approach was in line with RJC’s strategy. The RJC Management Team shared the view that it is. Some committee members requested a more fulsome discussion on RJC’s overall strategy from ExCo in order to inform future discussions on the standards revision.

**ACTION: Co-chairs to collate questions to the ExCo on RJC’s strategy, particularly relating to outreach and engagement with mining companies.**

It was noted that the challenge of engaging and certifying producers is shared with other standards systems such as ARM, and solutions to lower the burden without lowering the quality of the assessment are being explored by all. One participant recommended looking at how other sectors have addressed these issues.

Ultimately, there was consensus from the committee for this change to be put forward as part of the CoC consultation, noting that the need for third party audit should be revisited.

## **8. Collecting country of origin data and other changes**

The RJC management team presented the proposal to collect data on country of origin of gold from refiners. Participants confirmed that this is already common practice for larger refiners (eg as part of LBMA and CFSI), however smaller refiners may struggle with the new requirements. The group discussed whether auditors will be responsible for collecting the data only or also validation. As the role of the auditor has not yet been defined, the RJC Management Team was encouraged to consult with the other certification schemes to determine the cost/benefit of auditor validation. Similarly, the RJC Management Team was encouraged to look at CFSI's data collection policy.

## **9. Consumer claims on partial CoC products**

The proposal for guidance on claims where the end-product is not 100% CoC material was discussed. There was agreement to proceed. It was also recommended that consultation is done with the brands and their consumer marketing representative to better understand the key issues with communicating CoC. Policing of claims and auditor interpretation of what is acceptable claims were other issues discussed.

## **10. Summary of the agreed changes**

The co-chairs summarised the changes agreed by the committee over the course of the meeting:

- Agreement for a new DD provision in the COP, consultation with the diamond industry to be a priority. Bolt-on to be developed until new COP finalised.
- Agreement for a new Know Your Counterparty provision in COP. Tools on government sanctions lists should be considered. Provision to be included in DD bolt-on.
- Agreement to proceed with clarifications on recycled material. Rename 'by-product' category and consider links to other recycling standards.
- Agreement to proceed with changes to eligibility of mined material, re-examining the requirements for 3rd party audit of mines
- Questions to be shared with co-chairs on RJC strategy for gold mining companies

The next steps in the standards revision process were presented and future meeting dates discussed. The co-chairs thanked committee members for their input and closed the meeting.