



**Responsible Jewellery Council (RJC)**  
**Chain-of-Custody (CoC) Standard – Discussion Paper 2**

**Report on public comment period and stakeholder consultation – September 2010 to February 2011**  
***First draft – 22 February 2011***

Inquiries please contact: Dr Fiona Solomon, RJC Standards Development Director, [fiona.solomon@responsiblejewellery.com](mailto:fiona.solomon@responsiblejewellery.com)

**1. Background**

From September, 2010 to February 2011, the RJC sought feedback on a second discussion paper on Chain-of-Custody (CoC) from individuals and organisations interested in the jewellery supply chain. The discussion paper included the first draft of a CoC standard for diamonds, gold and platinum metals. The proposed RJC CoC standard is to be complementary to RJC Member Certification, and voluntary for RJC Members. The RJC aims to publish a final CoC standard, and associated documentation, in early 2012.

The CoC standard is being developed via a multi-stakeholder consultation process during 2010-2012 – see <http://www.responsiblejewellery.com/chain-of-custody.html> for background on the process so far. RJC's standards development process aims to conform to the ISEAL Code of Good Practice for Setting Social and Environmental Standards and is documented at <http://www.responsiblejewellery.com/standards.html>.

In summary, the RJC commits to:

- be open and transparent in its standards development process
- encourage input from a wide range of interested and affected parties

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- treat input from interested and affected parties with integrity and respect, and
- report publicly on feedback provided, including how comments have been addressed in subsequent drafting.

## 2. This Report

This Report summarises the roundtable discussions, comments and submissions received during the comment period for RJC’s Discussion Paper 2 (available at: [http://www.responsiblejewellery.com/downloads/RJC\\_Chain\\_of\\_Custody\\_discn\\_paper2\\_230910.pdf](http://www.responsiblejewellery.com/downloads/RJC_Chain_of_Custody_discn_paper2_230910.pdf)), and how these are proposed to be addressed in the next stage of standards development.

## 3. Summary of Input Method

A broad range of stakeholders were notified by email and through discussions lists of the opportunity to comment on the RJC discussion paper. Interested parties could respond via an online survey, by fax, post or in an email. A total of 25 submissions were received by 22 February 2011.

In addition, twelve roundtable discussions were organised in Vicenza, Geneva, Paris, Antwerp, London, Birmingham, Washington DC and New York during January-February 2011. Small groups were convened to enable more in-depth discussions, and participants were invited on the basis of prior expressed interest and engagement in chain-of-custody issues. A total of 185 people participated in RJC’s roundtable sessions on chain-of-custody.

Method of input	Number of individuals/organisations
Participation in roundtable	185
Emailed comments	25

## 4. Analysis of Input – Summary of Themes and Key Points

The Table below summarises the analysis of issues raised, which have been grouped into 9 main themes. The issues have been consolidated into key points for RJC to consider during the next round of standards development.

Theme	Key Points
Standards harmonisation	<p>Continue engagement and/or harmonise standards with these initiatives:</p> <ul style="list-style-type: none"> <li>• Conflict minerals: Dodd-Frank Act and SEC rules (to be finalised in April 2011); EICC smelter validation program; OECD due diligence guidance (gold supplement to be developed in 2011).</li> <li>• Artisanal mining initiatives: ARM-FLO standard (Fairtrade gold launched February 2011); DDI Development Diamond standard (under development). Progress review of ASM standards equivalence for RJC CoC standard, first developing detail on review process and participation.</li> </ul>

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Responsible practices	<p>In-principle support for requiring RJC Member Certification (or equivalent) as a pre-requisite for CoC Certification, though some concerns about practical implementation.</p> <ul style="list-style-type: none"> <li>Review requirements linking evidence of responsible practices to CoC Certification. Some stakeholders see priority for requiring responsible practices at production as part of a phased approach to implementation; others see importance of responsible practices through entire chain, to support integrity of the CoC standard and RJC's mission.</li> <li>Continue to review anti-trust dimensions of CoC standard as it develops.</li> <li>RJC Board should consider a timetable for expanding the scope to silver, and other materials in future.</li> </ul>
Outsourcing	<p>Feedback that outsourcing exemptions should be tightened, to avoid risks.</p> <ul style="list-style-type: none"> <li>Add requirements for more oversight by Member / auditors of outsourcing contractors, though not necessarily requirements for certification.</li> <li>Consider temporary exemptions for outsourcing in some conditions, for example to enable small business to initiate participation.</li> </ul>
Transition to critical mass	<ul style="list-style-type: none"> <li>Provide more detail on how a CoC system could be initiated by a business with its customers and suppliers, and examples of critical mass and sequencing in a supply chain.</li> <li>Provide more detail/guidance on basic elements of management systems, and implementation of physical segregation of tracked material, in different types of businesses.</li> <li>Consider pros and cons of allowing mass balance model under CoC standard, perhaps as part of transition.</li> <li>Consider how to encourage and support small and/or low margin businesses, especially manufacturers.</li> <li>Consider costs of implementation.</li> <li>Consider whether the auditing frequency is sufficient, and define the scope and methodology of any surveillance audits.</li> </ul>
Product labelling	<p>Feedback that focus of CoC standard should be on management systems certification, not product certification: CoC Certification should be of the company's material tracking systems, not jewellery product. This would avoid the need for 'Minor Components' provisions for products: companies would decide which materials they wish to track, and these systems would be audited for certification.</p> <ul style="list-style-type: none"> <li>Consider connection and differentiation between RJC Member Certification and CoC Certification / logos.</li> <li>Develop rules/guidance for communication CoC certification to business partners and customers, within a framework for companies to decide their own marketing strategies.</li> <li>Develop training materials/support for salespeople.</li> </ul>
Statements of Provenance	<ul style="list-style-type: none"> <li>Consider generic or standardised Statements of Provenance, including support for Dodd-Frank conflict-free reporting.</li> <li>Develop rules for continuous processing: periods to measure material flow for Statements of Provenance.</li> </ul>
Recycled Gold and	<p>Support for Know Your Customer (KYC) requirements for refiners/recyclers, and suggestions for additional detail.</p>

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Platinum Metals	<ul style="list-style-type: none"> <li>• Add requirement for KYC policy, compliance officer, training, and audit of procedures.</li> <li>• Add requirement to monitor unusual transactions and report suspicious activity to relevant authorities.</li> <li>• Consider requirement for due diligence of suppliers to avoid conflict minerals, to align with Dodd-Frank rules.</li> <li>• Consider a transition period for LBMA refiners – for example, two year period to become compliant.</li> <li>• Clearly define acceptable scrap sources.</li> <li>• Consider bench-level recycling by small businesses.</li> </ul>
Marked Bullion	<ul style="list-style-type: none"> <li>• Consider range of stakeholder views on including Marked Bullion as tracked material under CoC standard. <ul style="list-style-type: none"> <li>○ General support for inclusion of Marked Bullion expressed in roundtables and submissions. Main reasons for inclusion are to lower the cost of initiating CoC systems, for example by increasing potential volume of tracked material, and continuing access to existing stocks and gold leasing relationships provided by bullion banks. Using previously mined gold of known refining origin and date of manufacture should not be seen as ‘irresponsible’.</li> <li>○ However some concerns were also raised about unknown mining provenance, incentivising mining companies to participate in CoC and promoting responsible practices for newly mined gold, and oversight of sourcing to cut-off dates particularly during manufacturing.</li> </ul> </li> <li>• Review SEC’s final rules for Dodd-Frank Conflict Minerals Provision, its treatment of Marked Bullion and align RJC’s CoC standard.</li> </ul>
Diamonds	<ul style="list-style-type: none"> <li>• Consider allowing recycled diamonds under CoC standard, if similar records of provenance and KYC for transaction apply.</li> <li>• Consider whether Kimberley Process Certification can provide sufficient origin information, perhaps as part of a transition, and whether existing stock could be grandfathered.</li> <li>• Consider whether mass balance model could be specifically used for diamond melee, in consideration of trading practices.</li> </ul>

**Next steps:**

The RJC will progress the key points identified in this Table with the Standards Committee and Consultative Panel, during discussion, drafting and consensus-building for the next stages of standards development.

A 3<sup>rd</sup> discussion paper will be prepared by RJC for public comment by mid-2011. This will include:

- a summary of how the key points in the above Table have been addressed, and
- a revised draft CoC standard for public consultation.

The remainder of this Comments Report documents the issues raised during the consultation period in significant detail. Section 5 summarises each of the roundtable sessions, and section 6 documents the written submissions received.

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RJC acknowledges the diversity of interests and warmly thanks all who have provided input for their perspectives, suggestions and feedback.

## **5. Roundtables**

RJC's CoC roundtables sought to convene small groups of interested parties to discuss the draft standard. The sessions were facilitated by Fiona Solomon – RJC Director of Standards Development, and Catherine Sproule, RJC Chief Operations Officer. A powerpoint presentation led into a number of discussion points and open discussion with participants. A copy of the presentation can be downloaded from:

<http://www.responsiblejewellery.com/documents/RJCChainofCustodyRoundtablesJanuary-February2011Presentation.pdf>

This section of the report provides an overview of key points raised in each roundtable session.

### **(a) Vicenza – January 18, 2011**

A brief 1 hour roundtable session was held at the Vicenza Fair, with 34 participants attending the Fair. The focus of this session was to brief the Italian industry on the CoC initiative.

- The President of Confindustria Federorafi noted that the Italian industry supports this concept, and should do all it can to ensure the whole supply chain is informed from the start to end about the evolution of this initiative.
- Questions and discussion explored including other jewellery materials under the standard in future, for example coloured stones; and the relationship between RJC Standards and other standards, for example SA8000.

### **(b) Geneva – January 19, 2011**

A 2 hour roundtable session was held at the Salon International de la Haute Horlogerie (SIHH) in Geneva, with 12 participants attending the Salon. The focus of this session was on the luxury watch sector.

- While there may not be much consumer interest currently, CoC is of interest as a tangible way to demonstrate commitment to responsible practices in the luxury industry.
- The standard will need to find a balance between the extremes of requiring a company to take 10 years to develop the perfect system vs something less ambitious to serve immediate needs eg to meet the USA Dodd-Frank legislation. The balance should be somewhere in the middle.
- A CoC message needs to be simpler and clear, not complicated. A product label is not necessary in the standard, instead RJC should focus on rules for how the Certification is to be communicated to business partners and consumers.

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- Availability of supply is important. This suggests an approach where a company can start with having one part of the supply chain 'clean' and work towards the rest.
- There was support for the proposal that a CoC chain should be RJC Member Certified.
- Gold will be the largest challenge.
  - Gold used in own production factories goes back to the refinery for recycling – not currently sure if we get our own back when buying new supply from the refiner.
  - Because of the specific alloys used in watch manufacturing, a mix of eligible sources will be important to achieve the right quality.
  - Recycled gold is not a good fit with the luxury watch industry, so newly mined gold and marked bullion will be important.
  - Know Your Customer (KYC) is a requirement in Swiss anti-money laundering legislation, though its specific implementation can vary across companies and in other jurisdictions.
  - Because of strong KYC regulations, there were few concerns about illegitimate sources in recycled gold from Swiss refiners.
  - There was support for including Marked Bullion as defined in the draft standard. The cut-off date could be the launch of the CoC standard. Refiners can support date information via serial numbers. There are management issues, for example refiners also deliver alloys and semi-finished product, and the risks of mixing when gold is consigned to suppliers, however solutions should be possible.
- Other jewellery and watchband materials would be of interest in future too – eg titanium, steel, leather.

**(c) Geneva – January 20, 2011**

A 3 hour roundtable session was held at Richemont's Geneva offices, with 12 participants from Argor-Heraeus, Cartier, Cookson Clal, Metalor, Richemont Group, Piaget, UBS, and Van Cleef and Arpels. The focus of this session was on the gold supply chain.

- Discussion of the current SEC rule-making process noted some uncertainty around implementation, and what requirements publicly-listed US retailers may place on suppliers.
- Other relevant CoC initiatives discussed were the World Gold Council's, OECD, and EICC-GeSI smelter validation program. RJC confirmed its commitment to standards harmonisation and noted its participation in the OECD process and engagement with EICC. RJC continues to review published material and look for common ground.
- The group were invited to reflect on what critical mass for a chain-of-custody initiative might look like. Numbers of RJC Members is as important as the kinds of Members – being able to link a chain.
- The RJC CoC standard is an important, concrete initiative and should have strong integrity. While it won't be 100% perfect (people can evade any requirement or law), as long as there are consequences for those actions, this can be addressed.

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- A CoC claim could refer to a business having audited chain-of-custody systems, rather than the detail at the individual product level. Just establishing CoC is important, and for those customers/stakeholders who are more inquisitive, the company can provide more detail via their website. This will be more relevant than product labelling.
- Gold refining
  - Refiners noted that recyclable material can include industrial scrap, old jewellery, small bars, coins, so criteria for eligible material should be clear. Scrap has sufficient volume to build an economic model, whereas volumes from mines to European refiners are small. Some European refiners don't source from mines at all.
  - Refiners described their formalised assessments for new customers, including a mine visit where sourcing from mines. Refiners monitor physical quality and quantity of shipments to identify any variability, which will trigger a review of that customer. Overall, the AML processes are very strong and already manage risks of illegitimate precious metals sources into refining.
  - Existing FINMA (Swiss Financial Market Supervisory Authority) requirements for Swiss refiners, eg annual auditing, provide a good starting point for compliance with a CoC standard.
- Marked 'historical' bullion
  - Participants supported its inclusion under the RJC CoC standard.
  - It was noted that gold bullion did not have serial numbers before the 1950s. Some refiners don't exist anymore, and closed refiners would indicate an 'on or before' production date – the London Bullion Market Association (LBMA) have list of all refiner marks.
  - A future cut-off date for Marked Bullion under the RJC CoC standard would give a signal to the market and provide time to adjust. For example, the date could be December 2011 to coincide with the first RJC Member certification deadline.
- Participants found the opportunity to discuss and better understand the flow of material through the supply chain very useful.

**(d) Paris – January 21, 2011**

A 2 hour roundtable session was held at the Union Francaise de la BJOP, with 15 participants from BA Asscher, BJOP, Cambour, Cartier, Christian Dior, Cookson Clal, Groupe AUCHAN, Louis Vuitton, LVMH, Orest, Solidaridad, S&P Trading/Alliance for Responsible Mining. The focus of this session was on the French jewellery supply chain.

- Labelling
  - The proposed labelling approach in the draft CoC standard was questioned, as RJC is not promoting a jewellery brand. The certification message has to be simple to understand by consumers, backed by the standard. A message about responsible practices and tracking

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sources fits with most brands. An individual company's CoC claim, based on certification, would vary depending on its own brand and position.

- The RJC draft standard was compared with Fairtrade, which is a brand with consumer awareness and that markets Fairtrade products across a range of categories. Fairtrade product has to be labelled, making it hard for small pieces. Rationale for requiring a hallmark was that a certificate can be lost. Fewer risks with hallmark, but challenges for implementation. 100% secure process doesn't exist.
- It was recommended that the RJC standard create a framework for companies to decide their own marketing and communication strategies, when they have achieved CoC certification.
- There are practical difficulties with labelling at the point of sale, so would want some flexibility in the standard. If RJC becomes better known, then less information is needed. If the standard is complex (eg mixed sources), then it will need more communications. Training of salespeople will be important.
- For example, some brands use small leaflets as part of the 'authenticity' packaging – this is a better way to talk about the work behind a small piece of jewellery than a standardised label.
- With the aluminium industry, there has been lots of communications on recycling which leads consumers to think that it is a highly recycled (and therefore environmental) material. In fact, mining is a much larger part of the supply. Gold is the opposite, recycling is a large proportion of supply, but the public perception is the reverse.
- Tracking Eligible Material
  - When there is a sufficient pool of CoC certified suppliers, it becomes easy to comply as companies will want to buy 100% eligible material. However the transition needs to be considered under the CoC standard.
  - Refiners need sufficient volume to carry out tracking, as refining margins are very small. Several refiners are already starting to track recycled gold. Europe has become a net producer of gold – recovery of 135% from recycling means that Europe produces more than is used. At the moment claims for recycled are 'self-certified', so refiners are very interested in 3<sup>rd</sup> party certification via RJC.
  - Findings are fabricated in so many places, so tracking is more difficult. It is easier to track in short supply chains eg casting. However a batch process, for example every Friday a supplier casts Fairtrade metal to order, won't work for those who need more volume.
  - The Fairtrade standard does allow non-ARM-FLO gold by weight 15%, and only if the business can't source Fairtrade material elsewhere. The restriction is by weight, not by value, because materials such as diamonds can distort the calculation and introduce a loophole. Asking 100% of a product to be tracked material is too hard.
  - Participants in the jewellery supply chain in Europe will depend on refiners to initiate eligible sources for gold.

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- Outsourcing
  - The draft RJC CoC standard proposed an exemption for outsourcing under certain conditions. Participants saw this as a loophole because:
    - It did not encourage minor companies to comply;
    - Some jewellery brands outsource everything, so this is a major risk;
    - Could lead to unfair competition;
    - There is insufficient accountability: does auditor have access to the contractor, who is keeping records, how are they exchanged?
    - Practically, material segregation and other conditions (e.g. no sub-contracting) may be difficult to enforce without proper oversight;
    - While material may be tracked, poor conditions (e.g. contractor's labour conditions) would undermine the standard's intent.
    - While the location of the contractor may determine the risk, any exemptions should only be temporary.
  - However it was acknowledged that small companies and artisans may find it hard to achieve CoC, and a transition period may be warranted. Could be a requirement that the auditor looks at outsourcing/sub-contracting as part of the Member's CoC audit, or that the Member oversees it to their satisfaction. The more companies certified the better, but how to get there, and encourage small companies and artisans to participate.
  - There was also the perspective that it is easier to certify a small company than a big company as there is more control over practices, processes and purchasing.
- Other points raised
  - CoC is very important because good practices for self not enough: they need to be spread wider.
  - Companies are very dependent on suppliers – how to be sure that suppliers are working right, and providing true information.
  - Costs of implementation should be considered – will tracked material cost more.
  - Certification is a means to an end, a tool to see how products can improve standards at the origin. Solidaridad have conducted a review of standards for mining – RJC ranked the highest. Solidaridad have identified the development potential of mid-scale industrial mines at the national level. They are initiating a pilot at a Peru mine, will ask them to adopt the RJC Code of Practices.
  - It is complicated to build confidence in this kind of system, and can destroy it in one second. Thus loopholes need to be watched carefully.

**(e) Antwerp – January 24, 2011**

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A 3 hour roundtable session was held at the Antwerp World Diamond Centre, with 13 participants from BHP Billiton, Bonas & Co, Eurostar, Gembel, Rosy Blue, Rio Tinto, HRD, IDH Diamonds, International Diamond Council, and International Economic Strategy. The focus of this session was on the diamond supply chain.

- Statements of Provenance
  - Preference for generic or standardised statements of provenance, with the ability to give further details if desired. Example – country of origin; or compliant with track-and-trace or bulk commodity models.
  - Note that some regulations governing ‘origin’ claims relate it to the last place of manufacturer, or the highest value-add rather than the mined source of the material.
  - RJC Forum name for mining companies is ‘Producers’, this could be confused with manufacturing.
  - Keeping track of who would be certified would be supported by current information on the RJC website (as per Member Certifications currently).
- Outsourcing
  - Participants would like to see outsourcing exemptions tightened, to avoid risks. Ideas included guidelines for determining the importance of the outsourcing relationship (for example, the percentage of business that depends on that client); requiring external/internal audits of the contractor by the Member on critical issues.
  - Flexibility is important, because barriers to entry should be considered, but flexibility could be phased out over time.
- Diamond melee
  - Participants thought that physical segregation of tracked melee would not be an issue during manufacturing. However, trading may present issues where trading to meet orders, unless there is critical mass of participation by diamond miners.
  - Constraints on available tracked goods could restrict available quality, for example for the watch industry.
- Labelling
  - Proposed labelling standard sounds like a branded line of jewellery, which is not where RJC wants to be. The RJC standard will be certifying Member’s systems, not the products that come out of it. RJC CoC certification should assure that systems are in place for CoC, and recognise that business won’t do, or start with, 100% traced material.
  - Didn’t think retailers would want to use product labels. Retailers unlikely to move to 100% CoC, but it may not make commercial sense to do isolated lines as it could create questions about the rest of the retailer’s range. Since a label is meant for consumers, the retailer perspective is important.

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- Needs to be clear that CoC certification is not making a claim about the quality of the product (for example diamond cut quality).
- Needs clear differentiation between RJC Member certification and CoC / product claims. RJC Members will need to clearly understand the difference, and be able to differentiate to consumers.
- RJC Member and CoC logos need to be linked, while differentiated. The CoC standard should not inadvertently lower the commitment to, or value of, RJC Member Certification. While CoC certification as proposed also requires RJC Member Certification, that's a mouthful of a message.
- Possibility to use CoC certification and/or claims on diamond grading certificates.
- Pre-labelled product proposal in standard: retailers should be RJC Members at a minimum, else elevates CoC above responsible practices.
- Other issues
  - Recycling diamonds is an increasing business which may need to be considered. Market is largely between end-consumers to retailers/dealers, which limits flow and therefore concerns. In Japan, recycled diamonds represents about 10% of the market. In the US, recycled jewellery is now being broken up, rather than re-sold as estate pieces, so some diamonds are going into the wholesale market. Low volume now, but may grow.

**(f) London – January 26, 2011**

A 3 hour roundtable session was held at the De Beers Charterhouse Street offices, with 8 participants from the De Beers group. The focus of this session was on the diamond supply chain.

- Voluntary aspect of the proposed CoC standard is important. Legal and anti-trust dimensions should be carefully considered as standard develops.
- Keep it simple and focused on the RJC Mission.
- Anticipate that large retailers will be interested and have the influence. Shorter supply chains will be easier to work under the CoC standard, which is why the Kimberley Process works well at the rough diamond supply end.
- Fragmentation of jewellery sector at retail level, what will be the incentives to participate? Question as to whether there is consumer pull for this standard, particularly for diamonds where KP currently suffices from a consumer perspective.
- There are clearly strong drivers for a CoC standard for gold. However diamonds end up set in gold and platinum as jewellery, they are not stand alone products.
- Product labelling is very problematic. Retailers more likely to note CoC certification in their general brand marketing.

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- Several participants noted growing interest in India and China about CSR issues for brands, particularly for luxury products. Wrapping CoC into brand values now could translate to competitive advantage in future in these markets.
- Could add a standard to the RJC Code of Practices governing CoC claims, for example that they can't be made without assurance.
- Evasion of laws, let alone voluntary standards, can't be avoided (for example, cigarette smuggling across customs in spite of all the resources of the UK government to stamp it out). RJC should work from the 'what's in it for me' factor, and educate businesses on the benefits of being sincere.
- CoC should be optional for diamonds.
- Tracking is easy for large diamonds because systems are already in place.
- Mixing of melee will be impossible to monitor, and segregation of melee would drive up prices.
- Diamonds are commoditised in the cutting sector, which is separated from the consumer. This needs a paradigm shift, and this sector should be encouraged as partners in a CoC effort, rather than feel like it is being imposed on them.

**(g) London – January 27, 2011 (morning)**

A 3 hour roundtable session was held at the De Beers Charterhouse Street offices, with 13 participants from AngloGold Ashanti, Brinks, Johnson Matthey, London Bullion Market Association, Metalor, National Association of Goldsmiths, the Platinum Guild, Rand Refinery, and World Gold Council. The focus of this session was on the gold and platinum metals supply chain.

- Participants discussed the accelerating activity for gold because of the US Dodd-Frank legislation on conflict minerals. Many businesses will be interested in a "Dodd-Frank compliant" label or certification. Keen to see various initiatives (eg RJC, WGC, EICC, OECD) harmonise and/or integrate.
- Retail jewellers are aware they are vulnerable to adverse comments about sourcing, and there is a pent up desire to sell ethical product. Numerous claims in the marketplace which lead to confusion, and some inertia. There is a desire to give assurances to customers, but looking for handholding: an RJC CoC standard would be a turnkey solution and shares responsibility through the supply chain. Oblique questions are being asked by customers, essentially 'is this ethical' but not using those words – consumer focus depends on what's in the papers.
- Concern to also support the reputation of newly mined gold, responsibly extracted. Gold supply chain is complex, and CoC standard should be as inclusive as can be while assuring responsible practices are in place. Dodd-Frank legislation is a critical driver. Underlying economies of the gold market should be considered, to avoid stigmatising large part of gold supply chain.
- Other materials potentially of interest eg silver, copper used in alloys.
- Statements of Provenance

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- Over what period would you measure material flow for Statements of Provenance, eg for continuous processing.
- Minor components
  - Findings could be 100% of a piece – how detailed will the rules be, and can conversions be consistent?
- Role of refiners
  - Refiners don't accept material from informal miners, to minimise risk of money laundering and conflict sources.
  - Could propose a transition period for LBMA recognised refiners, for example 2 years, to enable time to become compliant.
  - Refiners have multiple sources, but a single refining process so there will be costs depending on how high a bar is set by the standards. Refiners can't cope with everyone wanting to do their own audit, so that's why support development of RJC's CoC standard, to reduce cost and complexity issues of multiple audits.
- Recycling and KYC
  - Recycling is important stream for gold and platinum metals (post-industrial eg auto-catalytic converters). One refinery looking at streaming into 2 processes, separating newly mined and scrap/recycling.
  - DRC gold is not coming through the top tier refiners, as these have had anti-money laundering policies and procedures in place for a number of years. There are other avenues eg the scrap business in Saudi Arabia.
  - If material is in fact recycled, it can't support DRC conflict, it can't have an additional environmental impact at extraction. Anti-money laundering (AML) and Know Your Customer (KYC) procedures focus on the transaction and preventing illegal sources, it is trying to stop the recycling from being illegitimate, not the material itself which is now divorced from mining. The only problem is with cheating, someone taking DRC gold and pretending it has been 'used'. KYC is strongest at the refiner to avoid this.
  - For small collectors, for example 'cash for gold' operators, refiners go to the physical presence of the collector as part of their due diligence, but not to every individual who went to the pawn shop. Refiners deal with no one without a KYC account and apply AML principles to ensure they are legitimate business people. Refiners monitor the supply quantity and quality and expect to see recurring provenance.
  - Each business develops its own KYC procedures and doesn't share them, to avoid helping the 'bad guys'. There is no detailed international KYC program, and company approaches need to mould to various legislative requirements. In Switzerland, for example, refiners comply with Swiss banking regulations.
  - Melted scrap is a form of security, so should be accepted under the CoC standard. If melted scrap contained illegitimate sources, this would be by deliberate deception, not by accident – at some point in the chain, someone has seen that it is artisanally mined gold.

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- The CoC standard could include or refer to an additional requirement for refiners to monitor unusual transactions, as is done for AML legislation – this may already be covered under RJC Code of Practices.
- Marked Bullion
  - General support for grandfathering eligible marked bullion. The Dodd-Frank legislation, and also the RJC CoC standard cannot be retrospective on practices or origin, it can only be prospective to prevent future problems.
  - A potential cut-off date could be 1 May 2011, to coincide with introduction of SEC rules for Dodd-Frank conflict minerals legislation.
  - London Bullion Market Association (LBMA) governs marks on bullion, and only one mark per refiner will be registered. Extra marks may be stamped on bars, but they will be recorded by the LBMA or banks. Bullion banks keep only 4 pieces of data for each London Good Delivery bar: weight, manufacturer, year, assay.
  - Since 2008, LBMA have required dates to be stamped on bars. Some bullion bars have dates, some don't; some have serial numbers so could theoretically identify date from refiner, but not easily. Kilo bars are not necessarily dated. The refiner is always clear, the date is not always clear before 2008. After 2008, all London Good Delivery bars will have a date.
  - Unmarked bars could be eligible material under the standard by requiring a similarly certain record of provenance / date. While banks may have records, if an undated bar is traded this information may no longer be known.
  - Bullion banks could potentially support requests for 'conflict-free' bullion, but one would expect at a cost. It is the seller's option, as the principle of fungibility is that all London Good Delivery Bars are equal. Based on bar information, banks could provide customers with a particular refiner's bar, but would be unlikely to provide a list of 'compliant' bars.
  - Physical segregation in the bank would not be necessary. However in practice it is easier to take out gold 'near the door', which might become an issue to reach older stock later.
  - What is the status of gold produced after the set cut-off date – how could a manufacturer prove it was using eligible marked bullion?
  - Are other types of bullion eg coins, a kind of scrap? Refiners treat coins etc as scrap in refining. If a jeweller has a 1 kilo bar in their vault they wish to use, it would have provenance if had serial number, else would come under KYC if it was to be recycled. Refiners do reject unmarked 1 kilo bars if don't think the jeweller should have them.
- World Gold Council (WGC) initiative
  - The WGC advised they are doing some initial work with their members on assurance around gold. Coming from same principles as RJC, so agree it is important to collaborate. If initiatives excluded a lot of newly mined gold, this would affect the whole market. WGC discussing with their members what responsibly mined gold would mean.

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- Potential issue of legitimising vast proportion of world's gold automatically, while miners have to go to a big effort to demonstrate responsible production. However it was also noted that 60% of annual gold production is newly mined, and gold's reputational issues are around production.

**(h) London – January 27, 2011 (afternoon)**

A 3 hour roundtable session was held at the De Beers Charterhouse Street offices, with 22 participants from AngloGold Ashanti, Argos, Catherine Jones Jewellery, De Beers, Dennis & Lavery, Fair Jewellery Action, Fairtrade UK, Harriet Kelsall Jewellery, Historic Futures, John Lewis, KPMG, Metalor, Rio Tinto, SGS, Signet, Sustainable Responsible Solutions, Track Record. The focus of this session was on multi-stakeholder perspectives on chain-of-custody.

- Small businesses / producers
  - Questions were raised as to whether the cost of auditing would be too much for small businesses, with a chain-of-custody standard potentially pushing them out of the market, and benefiting only larger businesses. Auditors noted that the cost of auditing is relative to the business, and auditors look to see that the controls in place are relevant and achievable for the size of the organisation. The CoC standard needs to be achievable and feasible for a wide range of businesses.
  - Questions were also raised about artisanal and small-scale mining (ASM), how it can be included. RJC noted that the CoC standard would look to recognise similar standards, such as ARM-FLO for gold, as eligible material to track under the RJC CoC standard. RJC is also working with the Diamond Development Initiative (DDI) on a Development Diamonds standard for artisanal diamond miners. All standards institutions are interested in harmonisation and have been engaging for some time.
- Interest in a CoC standard
  - Diversified retailers already use chain-of-custody certified products eg FSC timber, MSC fish. Provenance and supply chain integrity is becoming more important in the UK social, ethical and environmental agenda.
  - US Dodd-Frank legislation is a major driver, focusing attention on mine-sourced and recycled gold. Important that RJC standard can help support Dodd-Frank implementation – SEC rules will be published in April 2011.
  - Concern about how CoC might affect the diamond industry.
- Recycling
  - Recycled diamonds, particularly for large fancy diamonds, is becoming more important. Recycling of precious metals and recycling of diamonds should be treated equally in the CoC standard. For example, if a diamond's/jewellery piece's provenance information is available

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through records and KYC principles for the transaction apply, this would be equivalent to the current proposals for gold and platinum metals.

- Recycling at small business level is important too, where post-consumer jewellery and own scrap material is recycled at the bench.
- Established refiners use rigorous and well established systems for anti-money laundering (AML)/ Know Your Customer (KYC) verifications, including escalations for suspicious transactions. In Europe and the US, refiners are regularly audited against these systems.
- Question whether recycling was as 'good' a claim as production standards such as Fairtrade, which aim to have a positive social and environmental impact on the ground.
- Question whether recycling industrial scrap vs recycling post-consumer scrap had a risk of greenwashing. Other participants noted examples of industrial scrap included watch casings – the stamped rejects, and at a small business level – bench sweepings, which they argued should be included. Refiners noted that people aren't going to 'fake' industrial scrap, it is not an easy route for laundering gold.
- Product labelling
  - RJC discussed how previous workshops had identified some potential blurring of management systems certification vs product certification in the draft CoC standard published for comment.
  - Other points raised included:
    - Importance of supporting materials for salespeople to clearly explain claims.
    - Rules to cover reselling certified products.
    - Differentiating between RJC Member Certification and CoC Certification.
    - That a product label is important for consumer differentiation.
    - Question raised as to whether consumers are interested in CoC claims.
- Marked Bullion
  - Some participants believe that tracking historical gold bullion is a loophole, which could undermine the CoC standard and RJC's effort on its Code of Practices.
  - Other participants noted that marked bullion in the London Good Delivery system does have some records, including serial numbers etc which identify the refiner. While it would help miners and refiners if existing gold were excluded, RJC's CoC initiative is part of a much larger effort to change the gold supply chain – not punish conquistadors or stigmatise IMF gold stocks. RJC could decide to do this, but it seems to be better to aim for a longer-term and larger goal of responsible practices.

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- It would be up to each jeweller what they wanted to source. The narrower the sourcing parameters, the cost will increase. Volume will be important, and marked bullion enables volume. For some refiners, approximately 5% of their output goes to jewellery, 95% goes to London Good Delivery bars, so it would be hard to get traction for CoC without including this historically produced bullion.

**(i) Birmingham – January 28, 2011**

A 2 hour roundtable session was held at the Birmingham Assay Office, with 7 participants from Anna Loucah Fine Jewellery, Aurum, Birmingham Assay Office, British Jewellers Association, Chaos Jewellery, Cooksons, Michael Hall Designer –Jeweller, and Saretta. The focus of this session was on the jewellery supply chain.

- Participants wished to see the CoC standard have integrity and responsible practices. Businesses are interested in promoting responsible suppliers and sourcing, and being able to back up claims.
- Questions were raised about applicability of the CoC standard by small business and concerns around audit costs – both for CoC and the existing RJC Code of Practices. Individual designers noted that if enough of the supply chain participates, it should be possible to buy a bit of chain from a reliable CoC source without filling out lots of paper each time. The challenge will be in the transition to a critical mass of supply chain participants.
- Proposal to phase out any exemptions (for example, outsourcing, minor components), which could be signalled for 2014 with clear indications of how it will be reduced.
- Interest in coloured stones also being addressed by the CoC standard in future.

**(j) Washington DC – February 1, 2011**

A 3 hour roundtable session was held at the Army and Navy Club, with 18 participants from ENOUGH Project, Fund for Peace, Intel, International Cyanide Management Institute, Metalor, Partnership Africa Canada, PACT, Resolve, Tetra Tech ARD, US State Department, US Treasury, US Geological Survey, World Gold Council. The focus of this session was on multi-stakeholder perspectives of chain-of-custody.

- Artisanal mining
  - Important not to equate conflict-free with artisanal-free.
  - RJC proposal in the draft CoC standard is that standards for practices need to apply at production, not just information about where it is from.
  - Artisanal mining participation in standards needs a premium or price incentive to encourage standards to be applied at the local level, and rewards miners' efforts.

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- Question as to whether Kimberley Process would suffice until DDI Development Diamond Standard is delivered, as this could then potentially accommodate ASM diamonds.
- Gold stocks in US
  - Roundtable were advised that there are 8000 tonnes of London Good Delivery bars; 190 tonnes per annum recycled gold produced, which meets all US recycling needs for the jewellery sector.
  - Investment stockpile is not considered ‘consumed’ under other US legislation.
- Recycled gold
  - Question whether recycled gold is a loophole for laundered/conflict gold?
  - Noted that scrap jewellery comes largely from jewellers, pawnshops, collectors. Established refiners don’t vet suppliers until they have visited their operation to verify that it is a legitimate business. Melt is supplied to refiners for security and commercial reasons – mainly to know how much is in there for assay purposes. Refiners document their expectations of suppliers in AML/KYC procedures, which are audited externally. Variations in supply are monitored.
  - Support for KYC requirements in RJC CoC standard. In addition, could explicitly require that refiners have a policy, have a compliance officer, carry out training and audit procedures. Standard could also require dealers to report suspicious activity to relevant authorities.
  - Participant also noted that standards can’t control illegal behaviour that goes on outside the CoC.
- What should RJC CoC achieve
  - Lift all attempts at CoC to achieve best practice, and provide a lens to analyse other systems.
  - Help support government policy objectives.
  - Validating conflict-free is an imperative, irrespective of what consumers want. As for EICC, RJC should continue to approach the initiative not from the perspective of competitive advantage, but to develop a standard that can work for all companies in the supply chain.
  - Standards harmonisation is important to reduce the audit burden on business. RJC can also consider harmonising with Financial Action Task Force (FATF) risk-based guidance.
- Questions to consider
  - Transparency in publication of audit reports – sufficient? Or can transparency introduce security risks for high value commodities like diamonds and precious metals?
  - Distribution of economic benefits – this is addressed by Fairtrade in its standard, whereas RJC leaves it to the market?
  - Consumer benefits are envisaged, but are the costs of CoC passed on to consumers?

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- How would a business start a CoC, and where, to best implement the standard?
- What would RJC recognise as equivalence in other standards?
- Is the proposed auditing frequency enough?

**(k) New York – February 3, 2011 (morning)**

A 3 hour roundtable session was held at the Yale Club, with 11 participants from Fair Trade Jewellery Company, Harry Winston, International Diamond Manufacturers Association (IDMA), Julius Klein, Lazare Kaplan, Lux Bond and Green, Richline, Rio Tinto Diamonds and Signet. The focus of this session was on multi-stakeholder perspectives of chain-of-custody.

- Diamonds
  - Will old diamond inventory be grandfathered, as it was under the Kimberley Process (businesses had 6 months to get their stock on invoices), and seems to be for gold bullion? How will old inventories become traceable?
  - Is KP sufficient for consumer confidence? Some views were yes, others no.
  - Mixed melee will be very challenging to support under CoC, though the bulk commodity model could apply. Melee is huge part of the jewellery business, but no one can track back to source for 1 point and under. Only place melee is cut profitably is in places with low labour rates.
  - How can small diamond traders deal with chain-of-custody demands?
  - Some diamond provenance claims can be confusing. Are they mined there, and/or cut and polished? (For example, Canadian, Botswanan claims).
- Implementation
  - CoC could be daunting for a small company, there is a threshold to participate. However larger companies with international sourcing also have challenges, and the issues won't go away.
  - Don't want to be restricted in purchasing decisions, concerns about cost.
  - Early adopters will help down the chain to have critical mass of 'good suppliers'.
- Dodd-Frank legislation
  - US publicly listed companies have 2 months to establish CoC systems for reporting of gold sourcing. 'Reasonable inquiry' under Dodd-Frank not yet defined.

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- Even if a large retailer can source all their gold from a certified place, there is still the problem of segregation with potentially hundreds of manufacturers. Critical mass of jeweller participation will be needed to change the industry.
- RJC's timing to initiate CoC in 2010 was very good.
- Product labelling
  - Jewellery is a visual industry – message about a beautiful product needs to be presented without tickets.
  - CoC is shareholder/stakeholder rather than consumer driven.
  - Focus is on store brand, not RJC. RJC Product labels on some stock would stigmatise the rest of the stock – wouldn't use it.
  - There is also a legislative driver for publicly listed companies. These companies would be seeking a conflict-free label, not RJC label.
  - How is the CoC claim/s to be presented to consumers? Particularly where the CoC standard proposes flexibility for less specific claims? Frontline salespeople should be able to answer these questions.
- Outsourcing
  - While a business may know where most material comes from, when outsourcing to workshops couldn't be sure that physical segregation is maintained.
  - Will be difficult when manufacturing outside the US.
- Experience of other initiatives
  - Fairtrade gold launch will provide useful lessons. CoC gold and diamonds can open up new markets for consumers who previously would not have bought these materials because of negative values-association.
  - Starbucks is an example of addressing the volume question with a mix of Fairtrade coffee and internal CoC for the remainder.
  - Supermarkets carry a mix of certified organic and non-organic products.
- Other issues:
  - Silver is a fast growing market because of gold price – should look to include. However it does not yet have the same legislative imperatives as gold.
  - Should tungsten also be included, because of Dodd Frank? Or leave to EICC smelter validation initiative?
  - How will this work for alloys?
  - Could mass balance be considered for melee, to help with manufacturing issues. However for gold this wouldn't meet Dodd Frank requirements.

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### **(I) New York – February 3, 2011 (afternoon)**

A 3 hour roundtable session was held at the Yale Club, with 7 participants from Manufacturing Jewelers and Suppliers of America (MJSA), Kennecott, Signet, STR Responsible Sourcing and Tiffany Foundation. The focus of this session was on multi-stakeholder perspectives of chain-of-custody.

- Interest in CoC varied:
  - Keen to participate and demonstrate what we do.
  - Concern CoC will be costly and complicated.
  - Sourcing is okay, but segregation during manufacturing is the problem. A lot of book-keeping will be required under Dodd-Frank.
  - Would like to see RJC work closely aligned with final SEC rules for Dodd-Frank Act.
- Mass balance model:
  - Track and trace and bulk commodity models would be best for claims, but mass balance would help reduce costs. Mass balance approach suggests you're working on CoC, which may be an important first step for consumers.
  - However mass balance model would not support Dodd-Frank reporting. Also the mass balance doesn't translate to consumers because jewellery is personal.
  - Should mass balance apply to diamond melee?
- Labelling
  - RJC is not a consumer facing organisation. Retailers tell the story of their own products, so RJC should avoid labelling.
- Questions:
  - How to build critical mass with a voluntary standard?
  - Do auditors have to verify that material is recycled? Do they have to verify sourcing mixes, statements of provenance?
  - How to deal with breaks in the chain? Does a retailer need to make sure the links in the chain go all the way back?
  - How to bring manufacturers into a CoC approach when they are focused on cost?
  - What if KP failed?

## **6. Submissions**

RJC published its CoC Discussion Paper 2 inviting written feedback and comments. The Table below documents the submissions received by February 22, 2011.

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Name	Date	Key issues	Summaries / Extracts from submissions
Deanna Kemp, Centre for Social Responsibility in Mining	13/09/2010	Consumer	<ul style="list-style-type: none"> <li>• Need to balance the high level of complexity in establishing a CoC scheme with simplicity at the consumer end.</li> <li>• One unintended consequence could be that there will be consumer frustration that this certification scheme remains partial (in some instances). The counterpoint is that some assurance is better than none.</li> <li>• Another unintended consequence could be that the CoC scheme reduces the opportunity to expand the 'universe' of responsible business because participating companies decide to do business with already responsible businesses/certified business. Is there potential that the scheme may serve as a disincentive for businesses to work with suppliers that may currently be performing poorly, but have potential to improve?</li> </ul>
Garry Holloway, Holloway Diamonds	24/09/2010	Small business, complex supply chains	<ul style="list-style-type: none"> <li>• It might work for a few very large focused mining and manufacturing companies, but most companies have far too complex models. Some gold manufacturers for example accept fine gold from customers – yet they would not always be able to assure provenance – and a clients gold is rarely streamed exclusively into that clients products. Diamonds are an even bigger puzzle.</li> </ul>
John Bullock	6/10/2010 8/11/2010 31/1/2010	<ul style="list-style-type: none"> <li>• Gold recycling , Minor Components, Marked Bullion</li> </ul>	<ul style="list-style-type: none"> <li>• Recycling: There are very strong and legitimate reasons to melt collections of scrap jewelry as soon as possible in the refining supply chain before delivery to a refiner. A collection of many pieces of scrap jewelry is awkward to handle, and is very vulnerable to loss or theft of one or a few pieces. More importantly, a collection of many pieces of jewelry cannot be accurately sampled and assayed, so the metal value is uncertain. Melting creates a mass that is homogeneous, so a representative sample can be taken, and the value of the mass can be accurately determined by assay. Customers of refiners can then be much more sure of receiving appropriate compensation for their products.</li> <li>• Refiners: The initial statement of provenance by a refiner of recyclable materials may be insufficient if a very high level of due diligence is necessary. A refiner may need to verify that its suppliers of recyclable gold-bearing materials are not mixing in conflict gold, and a company that purchases gold from that refiner may feel the need to verify that in turn through an audit of those suppliers.</li> </ul>

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			<ul style="list-style-type: none"> <li>• The 5% minor component exception may be too large. For manufacturers of computers or automobiles, which will be required to disclose under Dodd-Frank, the value of included gold is far below 5% of the total value, and so they would not need any verification. Instead, they will need to be much more strict, probably 100%.</li> <li>• Minor Components: The exemption is discussed in the context of “minor components” but that term is not well defined, and it still deals with diamonds, gold and platinum, the points of conflict and concern. I recognize the tension involved in the RJC program. The purpose of the supply chain certification is to “demonstrate rigorous assurance” (Discussion Paper p1) of benign provenance. On the other hand, the program needs to recognize “commercially realistic requirements” (Discussion Paper p2). I do not believe that this tension can be resolved, however, with a simple declaration of a 5% exemption, which may be seen as a loophole, or at least may not be seen as rigorous. We should recognize that the entire gold production of the Democratic Republic of the Congo, spread among jewelry manufacturing, could be within the scope of such an exemption if it were so applied.</li> </ul> <p>The difficulty arises in part because the Discussion Paper leaves some uncertainty as to exactly how the exemption is to be applied. At one point it says that an entity “may specify Minor Components in a Jewellery Product as exempt from the requirements for Chain-of-Custody control and labelling for Diamonds and/or Gold and/or Platinum Metals” (Discussion Paper p23). That seems to say that no due diligence need be done at all by the specifying entity, that there are no pre-conditions to qualify for the exemption. An entity simply declares that 5% of the components of its product are exempt from supply chain due diligence. At another point, however, the Discussion Paper seems to say that some initial effort at supply chain due diligence must be made, and only if that effort is unsuccessful may an exemption be claimed: “Minor components containing diamonds, gold and/or platinum metals that cannot be sourced with Statements of Provenance and are less than 5% of the value of a jewellery product can be exempted from the business’ tracking systems” (Discussion Paper p8).</p> <p>The second approach seems much better to me, but with additional conditions. I think that there must be</p>
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			<p>some measure of due diligence applied to 100% of the supply chain, without exception. Inquiry must be made of every supplier of every component. If a Statement of Provenance is not or cannot then be given, the reasons should be evaluated. The RJC program might then recognize that Statements of Provenance can be difficult to obtain because of the complexity of some supply chains, as well as because of somewhat unique characteristics of the jewelry industry: the need for commercial secrecy, both as a matter of security and of competition; and reliance upon trusted personal relationships, often longstanding, perhaps existing for generations. RJC may therefore want to allow acceptance of a qualified Statement of Provenance, such as that, upon inquiry, information and belief, the source has not been completely tracked but should not be from a prohibited origin. If there are no red flags associated with such a source, and no reason to believe that there has been a violation of RJC principles, a small risk might be deemed acceptable by a jewelry manufacturer.</p> <p>For comparison, there is a recognition of commercial reality and acceptance of risk in the United States requirement that dealers in precious metals have anti-money laundering programs, which are know-your-customer programs with a focus upon the possibility that precious metal transactions might be used to hide and launder criminal proceeds. Dealers in precious metals are called upon to apply their special knowledge and experience to the circumstances, and to make judgments that admittedly may subsequently prove to have been imperfect. The fact that private dealer programs cannot perfectly accomplish their AML goal is recognized from the outset; in the initial notice of the U.S. Federal regulation, the U.S. Treasury and its Financial Crimes Enforcement Network (FinCEN) made the following statements:</p> <p>“The Treasury and FinCEN recognize that even the best of anti-money laundering programs cannot guarantee that a dealer will not be used by a money launderer.” 70 Federal Register 33709, June 5, 2005</p> <p>“FinCEN does not expect that this program can prevent all potential money laundering. What is expected</p>
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			<p>is that your business will take prudent steps, with the same kind of thought and care that you take to guard against other crimes, such as theft or fraud.” 70 Federal Register 33714, June 5, 2005</p> <p>The RJC supply chain due diligence program, while rigorous in its intolerance of bad provenance, might similarly recognize the possibility or even likelihood of imperfection, and might tolerate some small degree of it as a commercial reality. If qualified statements of provenance are few (less than 5% of value), they may then be acceptable to an auditor, and to the RJC, as not compromising the overall integrity of the system. If that is so, then the RJC certification should be unqualified.</p> <ul style="list-style-type: none"> <li>• <b>Marked Bullion:</b> I think that bullion should be considered in the same manner as any other product or intermediate product that is already past the process stage at which its detailed origin can be determined, or efficiently determined, on some date certain at which such determination of origin is required. For example, a jewelry manufacturer's current inventory of unsold jewelry should not require retrospective supply chain due diligence, because the industry infrastructure has not been established by which such due diligence would be carried out, at least not efficiently. A great deal of cooperation is going to be required, with education and understanding throughout a supply chain. Looking backward through the chain of production, other final and intermediate products, such as existing findings, metal feedstocks in process and gold alloys, are also probably not now efficiently traceable to a particular origin, if they are traceable at all, until the full supply chain due diligence model is in place. And because any amount of DRC-sourced material will contaminate a larger batch, indeed any amount of non-provenanced material will contaminate a larger batch, it will be necessary to have a full certification program in place before requiring full compliance. In that context, gold bullion is just another intermediate product, like copper, silver and zinc, sitting on a warehouse shelf and waiting for use. The negative side of an exemption for bullion is that because there is so much more stockpiled gold than of other industrial materials, a manufacturer could conceivably use such exempted gold forever. But from the point of view of a raw material supplier I see no reason why a date certain should be different for gold than for other industrial raw materials. RJC might want to collaborate with other supply chain due diligence initiatives upon a common date certain.</li> </ul> <p>An RJC chain-of-custody certification is intended to be an extraordinary and positive step, above and</p>
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			<p>beyond membership and internal certification, to demonstrate concern and action for the external impacts of business activities. With this purpose in mind, and particularly in light of some comments made in the London workshop, I have thought a bit more about existing stocks of gold. If all that is necessary for a jewelry manufacturer, with regard to the origin of its gold, would be to ask a bullion bank for gold produced prior to a certain date, of which there are many thousands of tonnes, that is not much of a demonstration. So existing stocks do not fit well into affirmative purpose of the RJC chain of custody program.</p> <p>This differs from exemption of existing stocks of gold from the application of the Dodd Frank Act. In that case, the only goal is to cut off finance of future conflict, and continuing use of existing stocks has no bearing upon that goal. RJC, however, is promoting a much broader set of goals thorough affirmative actions of its members upon current and future production of gold. Continuing use of existing stocks does nothing to advance those goals.</p> <p>On the other hand, I think that RJC cannot ask that a jewelry manufacturer cease dealing with bullion banks, and acquire gold only from RJC-certified refiners. The reason is financial; refiners typically do not extend credit for their sale of gold, but instead require immediate payment. This is difficult for a jewelry manufacturer because the products that will contain that gold may not be made, sold and produce revenue for a long time. A bullion bank, on the other hand, may lease gold to that jewelry manufacturer, at favorable interest rates, and then require payment for the amount of gold that is subsequently put into product, when it leaves the controlled inventory of the manufacturer. This financial relationship, built upon trust between the parties and complex evaluation of financial risk, is very important and not easily replaced.</p> <ul style="list-style-type: none"> <li>• There should be ways of moving beyond this dilemma, perhaps with a temporary exemption for existing stocks during a transition. There are some three-sided supply relationships, in which a bullion bank purchases newly-manufactured gold from a refiner for immediate delivery to a customer of the bank rather than to the bank itself. In such a relationship, an RJC-certified supply chain could be initiated by the refiner with gold that truly met RJC guidance, rather than an exemption, while preserving the customer's financial relationship with its bank. Refiners may be better direct suppliers for small manufacturers, because they can supply relatively small quantities of grain, in kilo bottles, which are more easily managed and used than 400 ounce bars. Some buyers of gold grain from refiners in turn sell much smaller</li> </ul>
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			quantities of that grain to very small jewelry manufacturing operations, perhaps on credit with the security of manufacturing scrap from those operations.
Jack Ogden, Gem-A	15/10/2010	Minor components, labelling	<ul style="list-style-type: none"> <li>I see the 5% rule (or whatever percent is chosen) as almost impossible to apply up a supply chain and, if it is applied, it provides loopholes where none might be desired. We need to avoid opportunities for things to change 'state' as they pass up the supply chain. For simplicity's sake let's call these states 'good' and 'bad' – even though I don't suggest being pejorative about components/materials without CoC credentials. An obvious case would be a 'good' gold mount with 'bad' diamonds set in its hoop and which make up more than 5% of the mount's value. The retailer then sells this mount plus a large diamond which is set into the mount forming a complete item in which the 'bad' diamonds now make up well under 5% of total value. Similarly, might there be cases where selling a pendant with a 'good' chain changed the credentials of the pendant? As a more complex example, a retailer might purchase a diamond-set ring – good diamond, bad gold – for \$1000. Who is to say whether the gold represents \$49 or \$51 of that total? And how are manufacturing costs included in the price distributed between the 'values' of the gold and the diamond? I can't imagine many manufacturers being happy to list the individual costs of the different components of an object – and the manufacturing costs. Let's say a retailer buys a 'bad' gold mount for \$49 and a 'good' diamond for \$951. In line with usual trade practices he might mark-up the mount 2.5 times, thus giving a retail price of \$122.50, for the mount, and mark-up the diamond 0.5 times, giving the diamond a retail price of \$1426.50 and a combined total retail price for gold + diamond of \$1549. The 'bad' gold now represents some 8% of the whole. Or does the retailer simply say that the gold plus diamond cost \$1000 in total, it sells for \$1549 and by assuming an average mark-up, the gold remains at 4.9% of total? See what I mean? This sort of freedom of choice can occur at several stages up a supply chain. I see no robust way to apply a 5% (or any other agreed percentage) exemption rule - acknowledging also that if there is room for interpretation, it will be used. This is not to say that more</li> </ul>

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			<p>than a small (5% maybe!) of the trade is dishonest, but I think we have to work on the assumption that the majority will certainly apply a positive interpretation to help sales whenever there is the slightest opportunity to do so.</p> <ul style="list-style-type: none"> <li>• The only foolproof way I can see would be to clearly state which components are ‘good’ and have the CoC records to prove it. It doesn’t matter if the ‘bad’ components represent 1% or 99% of overall ‘value’ just as long as the buyer is aware of which bits wear the halo. It needs to be made clear that non-CoC-provable components are not necessarily ‘bad’, but it is simply the case that there are not the records to prove they are ‘good’. Such an approach would also facilitate the inclusion of coloured gems and pearls in due course. This approach might also help mitigate negative comment when necklaces appear (as they will) bearing a proud RJC label because, despite the fact that the bead materials were mined using slave labour and cut by workers who died of silicosis whilst still in childhood, they are threaded on a small but ‘good’ gold clasp. You could argue that this approach would allow too many items to bear the RJC label – for example when just the fourteenth diamond down on the left was ‘good’, but if it is clear to buyers what the CoC halo applies to, where’s the harm? Only cynics would suggest that this was a good way to help achieve critical mass quickly! That said there have to be some limits – bearing a RJC halo when the only ‘good’ component is the copper used in the solder alloy is clearly not in the spirit of things. The Rules would have to apply to the primary components, the parts that a reasonable person would expect to see listed or named on an appraisal – but just how that Rule might be stated needs thought.</li> <li>• The definition of ‘Diamond’ in the glossary needs changing to align with the proposed EU Standard for diamond nomenclature.</li> <li>• The details that could or should be put on a ‘ticket’ need thought (and not just by the seller at point of sale). There is enough crammed onto tickets as it is, including prices, inventory refs, stone weights and maybe gem treatment codes. Shop staff can be as confused as customers and separate ‘certs’ are not always the answer (ask any retailer how often a wrong Rolex guarantee, for example, is handed out with a Rolex sale on a busy Saturday...). Clearly individual sellers up the supply chain have overall responsibility for dealing with the records of their own pieces, but some uniformity will be a necessity and some guidance from RJC will be needed.</li> </ul>
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Chikashi Miyamoto, Rosy Blue	11/09/2010	Retailers with pre-labelled product	<ul style="list-style-type: none"> <li>Proposed exemption for retailers with pre-labelled product may end up creating 2 classes of retailers. Outsourcing of manufacturing that can happen to keep up with supply when jewellery lines become popular could further complicate the audit process and oversight.</li> </ul>
Charles Chaussepied, Piaget	11/09/2010	Minor components, outsourcing, equivalent systems, recycled gold, marked bullion, diamond melee, labelling.	<ul style="list-style-type: none"> <li>The “Swiss made” standard system for the watch industry could be a good model for RJC CoC standard – see <a href="http://www.fhs.ch/en/swissm.php">http://www.fhs.ch/en/swissm.php</a></li> <li>Minor components proposal: The business practices and guidelines followed by the companies involved in the supply chain are far from the standards required by a “track and trace” or “bulk commodities” based CoC. Getting to the stage required in the CoC draft will demand an incredible effort and drastic changes in the supply chain organisation and will affect the industrial organisation of the industry of the watches and jewellery. Some key suppliers, many Mines or refiners are not yet members of the RJC. Supplying the right component at the right time at the right quality and the right price are the golden rules in a very complex and competitive industry. Adding the constraints of a “track and trace” system will not be possible for most of them.</li> <li>Outsourcing: The “memo” business” is usual in the retail and the diamond trade, the “Confié” business is usual in the manufacturing process. In case of broken pieces, lost diamonds, the subcontractor is exchanging the missing/lost piece for a similar one. Exemptions will be huge and difficult to trace. Best solution would be having everybody RJC certified.</li> <li>Equivalent systems: We support the RJC proposal to review the “equivalent” systems for responsible jewellery. The review process could also be used to open discussion with the other Certification systems. Collaboration will be necessary to cover all the chain and avoid the loopholes. Adding environmental and ethical claims will be more and more necessary for all the certification systems to appear as consumer friendly and /or to meet the NGO’s requirements.</li> <li>Recycled Gold: The “KYC principles” are already implemented and followed by refiners in most countries. “Recycling scrap” is part of the business model of the refining industry. Therefore we support the idea of having most of the refiners RJC certified and looking in a first step for a reasonable target of “eligible gold”, with this target/percent being slowly upgraded.</li> <li>Marked Bullion: We agree with the RJC proposal of including the Marked Bullion minted before the CoC system as eligible material.</li> <li>Diamond melee: Critical mass of sight holders is a prerequisite in the diamond business before starting a CoC certification system. Adding new criteria while sorting the diamond Melee rough or polished is a real</li> </ul>

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			<p>practical challenge. As written in the text by Fiona “Over time commercial arrangements should result in a natural settling point that balances the supply and demand for CoC diamonds”. A CoC certification system will be more attractive to this industry if the traders can show their improvements bit by bit.</p> <ul style="list-style-type: none"> <li>• Labelling: “Keep it small and simple”. In our opinion, the Brand/company should be labelled, not the product. If the product is labelled, all the product should be, not part of it. The branded products wear already 6 different indications engraved inside the ring/ necklace/watch. An additional one would be possible but should certify all of the product. Risk of misuse of the label are high, labelling the Company of the Department of the Company is a solution.</li> </ul>
Chris Horsley, Rand Refinery	20/09/2010	Segregation / flexibility	<ul style="list-style-type: none"> <li>• By far the most difficult part of the exercise is the steps from refinery through metal trader / bullion bank through manufacturer to retailer and consumer. I think the RJC discussion paper addresses all the pertinent issues, however, it does seem to try and be too flexible and allow too much latitude for choice.</li> <li>• For a scheme of this nature to be effective, there needs to be more emphasis on compliance to laid down rules and standards which are not negotiable, otherwise the scheme falls flat as there are too many opportunities in the supply chain for non- responsible metal, stones and base metals to be introduced.</li> <li>• Containers and seals are essential if the integrity of the metal in transit is to be maintained.</li> </ul>
Ryan Taylor, Fair Trade Jewellery Company	3/09/2010	Labs CoC	<ul style="list-style-type: none"> <li>• Certificates of origin for diamonds have become an interesting branding opportunity for some. Labs/Orgs have begun certifying mine of origin and applying a 'conflict free' labels to diamonds. Without suggesting foul play, the industry desperately needs a minimum set of (global) guidelines for chain of custody documentation required to verify origins. I trust this will be addressed as mines are certified, in the mean time should this not be identified as a potential deterrent to certification? It's cheaper, existing, easier, and consumers rarely question it.</li> </ul>

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Kathy Pine, WorldWise Jewellery	1/09/2010	Labeling; Creating a chain - how to start	<ul style="list-style-type: none"> <li>• RJC Certified Products Label/Logo, the document says “A Chain-of-Custody certified company would be able to apply the label to a finished jewellery product, and then sell or transfer the product with the label attached to a non-certified retailer for final sale to the consumer, providing the label is integral to the product or protected from tampering.” I’m not sure how the label could be protected from tampering. Has there been any discussion around this?</li> <li>• In the Appendix, the Note at the end of item #4 says “To create a Chain-of-Custody under this Standard, Eligible and/or Tracked Material must be sold or transferred between CoC Certified Entities.” I’m wondering how this would work initially when the number of CoC Certified Entities would be limited?</li> </ul>
Shawn Blore, Nadim Kara, Partnership Africa Canada (teleconfere nce)	21/10/2010		<ul style="list-style-type: none"> <li>• ICGLR regional certification project is planning pilot projects starting in 2011. Key features include a regional ‘conflict minerals’ standard, a CoC tracking system to export, government issue of certification, regional database to track mineral flows, and third party auditors’ review of exporters and mine site production.</li> <li>• Gold is one of the conflict minerals identified for the project, but all agreed that the supply chain has more complexities than the 3Ts. The ICGLR project is finding it harder to get buy-in and establish tracking systems.</li> <li>• RJC is engaging with ASM production via Alliance for Responsible Mining and Diamond Development Initiative, providing input into their standards/certification programs, and through their involvement in the RJC Consultative Panel. The RJC CoC discussion paper flags the question of how to include ‘legitimate’ ASM production as a tracked stream into the RJC CoC system.</li> <li>• Shawn noted the importance of transparency for audit reports; urged strong consideration for CoC Certification system.</li> <li>• General discussion of the role of private industry in financing improvements in internal controls in countries like DRC, Sierra Leone, Liberia. Nadim noted that during his engagements with officials from these countries, a recurring theme is frustration at how the cost of implementing global governance regimes often falls onto them, despite the fact that the tax revenues generated by a diamond at their part of the supply chain are often miniscule (e.g. Liberia gets around \$300,000/yr on legal exports of \$10M, plus some licencing revenues). However leveraging greater investments from the private sector in developed countries would likely only arise from some kind of diamond tax levied by governments on all of them, which is extremely unlikely.</li> </ul>

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Cecilia Gardner, Jewelers Vigilance Committee	26/10/2010	Material control systems	<ul style="list-style-type: none"> <li>Is there capacity in manufacturing facilities for physical segregation, or to create such segregated facilities? How would this be defined? And implemented? Does it have to be a different room, or vault? Or a different building? Would it be up to the member, and then audited for integrity? No standardization pertaining to the concept of “segregation”?</li> </ul>
Massimo Megazzini	20/1/2011	Consumer engagement	<ul style="list-style-type: none"> <li>There are two aspects of the process, one concerning the organization that should adopt and apply the principles (through standards, guides and reference manuals), the other concerning the traceability of the product, they traveling side by side even if one precedes the other and support each other. But what allow at the whole system to proceed in the desired direction is the market, that is the choice of final consumer, who pays all us. The President Zucchi has appealed to journalists asking them to help convey these values and it is right, but we need that the consumer can recognize the difference between transparent and opaque ; Fiona Solomon asked more questions about how to develop procedures for control and instead we asked only what can be done for colored stones and silver.</li> <li>We must act on the consumer, as in the arts there are those who can play and paint and there are those who only knows listen and watch but understands the differences between an original and a copy trivial, even in the jewelry we should cultivate the culture, the knowledge. If the consumer will be able to recognize and prefer the ethical product then the whole supply chain will align. So: adoption of ethical values -&gt; Transparency -&gt; Traceability -&gt; Training.</li> <li>On ethical values and transparency we are at a good point, but we need to find a good way to track the product, but also allow consumers to recognize them, but attention Ethics can not be reduced "Etiquette".</li> </ul>
Michèle Brühlhart, STR Responsible Sourcing	21/1/2011	Standards harmonisation, auditing, consequence on suppliers	<ul style="list-style-type: none"> <li>Under Section 4.2. Policy of the RJC certification, Members are required to “adopt a policy that is endorsed by senior management, supports achievement of this Code of Practices”. In accordance with OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, companies are recommended to “adopt, and clearly communicate to suppliers and the public, a company policy for the supply chain of minerals originating from conflict-affected and high-risk areas”. A model of such policy is annexed to the OECD Guidance Document. The chain of custody programme could include under Section 1, Management Systems and Responsibility, a requirement for companies to adopt and publish a conflict-mineral policy based on the recommendations of the OECD as well as the requirements set forth in Section 4.2. of the RJC certification standard.</li> </ul>

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			<p>be possible unless the smelter and upstream suppliers used by the manufacturer are already certified and thus entitled to issue SoPs. The RJC may want to consider a phased introduction of its chain of custody programme, starting with producers, smelters and only gradually extending throughout the supply chain.</p> <ul style="list-style-type: none"> <li>• As regards to supplementary requirements for Entities that outsource processing or manufacturing to contractors, the RJC requires that explicit procedures be included in the management system and shared with the relevant contractor to ensure tracked material is not mixed with any other material. It is not clear though how the implementation of such procedures by the contractor would be monitored. Would the RJC Member be required to conduct spot-checks? Should contractors be included in the scope of the third-party audit and/or interim surveillance audit?</li> <li>• Finally, the RJC standard makes provisions for “interim surveillance audits” to be conducted during the three year certification period. What would be the scope of these audits? In what intervals should these be conducted? Should surveillance audits, similarly to certification assessments, focus on the systems established by the Member for the implementation of the standard or serve as an external verification of Statements of Provenance (SoP) issued? As SoPs are issued directly by certified Entities, there is no control mechanism that Statements indeed describe tracked material truthfully, clearly and accurately. Should interim surveillance audits serve to verify the authenticity of SoPs, the RJC would need to provide additional guidance and assessment tools outlining the scope and methodology of such audits.</li> <li>• The RJC does not intend to prescribe a chain of custody system for its Members, however, it may be helpful for its Members to define some basic elements of management systems required to track eligible material. As outlined above, the OECD Due Diligence Guidance could serve as a minimum standard for companies’ efforts to address the issue of traceability in their supply chain.</li> <li>• According to the RJC Discussion Paper 2, only certified Members are allowed to issue SoPs (p.8). However, the standard refers to Members’ systems in place regarding SoPs issued (Point 4.1.). On what basis would these systems be assessed by auditors in order to provide a recommendation for certification if no SoPs have been issued yet?</li> <li>• The RJC proposes to include recycled gold and platinum metals, starting its chain of custody at the refiner. It is widely recognized that recycled material cannot be traced back to the source of origin of the ore. Consequently, the RJC refers to the “know your customer” principle detailed in the Code of Practice as a minimum requirement for refiners to accept scrap and post-consumer gold. This principle, however, aims at detecting issues related to money-laundering and requests companies to maintain records of high-value transactions as well as to report any suspicions regarding illegal activities. The requirements would</li> </ul>
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			<p>need to be complemented to address the potential risks related to illegal mining or the funding of conflict. For scrap material received from another refinery, mine and/or country of origin documentation should be requested for the ore used to produce the material supplied. When receiving recycled metal from other sources, reasonable efforts should be made to verify if the customer obtained the material through legitimate channels. Such efforts could include, as a minimum, checks if the customer has any known links to individuals or companies listed by the UN Security Council under Resolution 1596 and/or named by the UN Group of Experts latest report on the Democratic Republic of Congo.</p> <ul style="list-style-type: none"> <li>• Lastly, the standard proposes that minor components be exempt from the requirements for chain of custody control, if constituting less than “5% of the value of a Jewellery Product”. Provided that other metals or precious stones are not covered by the RJC chain of custody standard, further definition of this threshold would need to be included in the Standard Guidance and/or Assessment Tools. For instance in the case of a jewellery product mixing gold and other precious stones, does the limit of 5% of the value refer to the total value of the product or only to the value of the gold parts? Does the value refer to the market price of the total amount of diamond, gold or platinum metal at the time of production, the price of the finished product or to its retail price?</li> <li>• As mentioned in the feedback to the RJC chain of custody Discussion Paper 1 by the Fair Jewellery Action, the RJC standard does not consider small and artisanal mining (SAM), thereby de facto excluding a significant number of producers from its certification programme. Should this be the intention of the RJC, it is recommended to include explicit reference in the standard document that SAM operations are not within the scope of the RJC programme. Alternatively, guidance should be included on the type of documentation RJC Members are required to furnish to proof origin of material sourced from SAM.</li> <li>• The provisions of the RJC standard require Members to establish a bulk commodity tracking system, regardless of their type of operation. Members are not required to track and trace their material, and there does not appear to be a requirement for Members to only purchase tracked material or to work towards exclusively purchasing tracked material. In the absence of such requirement, there might be little incentive for upstream suppliers to join the RJC certification scheme. In accordance with Section 6 of the RJC standard, refiners would still be able to issue Statements of Provenance for the recycled material used and would be free to purchase diamonds, gold or platinum metals from un-certified sources. To strengthen the RJC chain of custody certification, as well as to provide more incentives for upstream producers to participate in the programme, an explicit provision could be included requiring Members to only purchase tracked material after an initial transition period.</li> </ul>
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Anonymous	27/1/2011 29/1/2011	Small business	<ul style="list-style-type: none"> <li>• We are bespoke jewellers so each product is often individually sourced. Whilst we do buy our metal from only about 4 or 5 different places, we have about 20 regular stone dealers and many others from time to time. This would be very hard to get all of those chain-of-custody sources and I would say probably impossible. They are other companies – not mine – so how can I possibly influence this when I am just one small business. I notice too on the chain of custody document that you are talking again about auditors – how are small companies to afford this?</li> <li>• What about alloys. Our customers often quite like unusual alloys like 9ct rose/red gold for example. This is obviously only 37.5% gold. I can't see how that could possibly fit in with your model? Whilst I understand the 5% model – how would this apply to 9ct white, yellow or red gold which are alloyed with, for example, copper and silver etc? If my customers want me to use 9ct gold for their product, they should be allowed to and if this is what they like and can afford there should be a way to get this certified too.</li> <li>• You talk a lot about recycled metal from refiners. We often recycle metal for our customers at the bench. This may be melted up jeweller from their family or gemstones removed from their mum's old engagement ring, for example. This, I guess, would not be chain-of-custody certifiable which isn't really okay in my opinion. Whilst it is important for recycled metal/stones not to be a 'loophole' to allow things into the chain, I do think there needs to be a process to be 'allowed' to do this on a smaller scale. If a piece of jewellery is presented to us to be melted down or for the stones to be reused, then if, for example, it has a hallmark which is older than, say, 2010, then this hallmark could be recorded/photographed as proof of existing as a hallmark before a certain time, (ie not so recent as to be a 'way in' for corrupt materials) . Then if this hallmark is recorded as proof then surely it could then be 'okayed' to be used as recycled gold to be used. Because even if the original source of the gold may not be clear, then this gold 'in the hand' is fresh gold to use and is surely an okay way to start the making process...is it environmentally better to use this than to use fresh gold from a mine. And if it is hallmarked before a specified time then this could be deemed as not a recent 'way in'.</li> <li>• Also with stones – if I buy a brooch at auction now which my own expertise tells me is, say, Victorian and the mounts and stones are intact and have not been replaced, then why should I not be able to use the diamonds as 'recycled diamonds'? I can photograph the mount before I take the diamonds out as proof or its antique form. Even if 120 years ago they were mined and we can't be sure where or how, it will be clear that they are of that age by their mount and their cut. Why can't I then re-cut them in Belgium and use them as 'recycled' diamonds? As above, if the date is before a certain time so as not to allow this to</li> </ul>
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			<p>be a modern loop-hole and if the jeweller is expert in antique jewellery – what is wrong with this?</p> <ul style="list-style-type: none"> <li>• In general, my overriding comment for the both the RJC certification and also for the Chain-of-Custody certification is that is NOT OKAY to make this an impossible goal for small companies and it is not oaky for a group of larger companies to make it work for them and therefore give themselves a market advantage whilst companies like mine and the numerous other small companies get left behind.</li> <li>• 29/1/2011</li> <li>• Following the meeting yesterday, and having slept on it all, my opinion is that the RJC should not be trying to go ahead with Chain of Custody at the moment.</li> <li>• I think that this is an almost unreachable goal for a large majority of the jewellery industry in this country (namely the smaller independent businesses, who may each be small individually but who make up a large proportion of the jewellery industry in the UK en masse). We for example, as bespoke jewellers, use different suppliers all the time and need to continue to do this. Some of the suppliers certainly tick my own ‘ethical box’ but who would never be able to make this chain of custody certification (eg our contact who visits various gemstone mines around the world and checks he is happy with the conditions and buys from them and brings back stones for us....but he is just a one man operation who I know won’t ever consider being part of the RJC or anything).</li> <li>• I think that if you do go ahead with this in the near-ish future, then larger companies like DeBeers, Tiffany etc will obviously find it very easy to quickly identify or even label their products with some kind of ‘responsible jewellery council chain of custody ‘stamp’ so they would very easily achieve this because they own the mines and retail the jewellery. I think that despite what some people said in the meeting, consumers would see this label as a very good thing even if they don’t understand it properly. This would allow these large companies to make claims about their products which would give them a competitive advantage. This would quickly give them an unfair advantage because smaller businesses would not be able to achieve this easily, if at all and so even if the independents’ products may actually be just as ethical (if not more so, historically), they may be seen by consumers as being less ‘responsible’ for not bearing such a mark. Even if there isn’t labelling, this still applies.</li> <li>• I don’t think the RJC should be looking into this now. I think that the RJC should instead be focussing the energy it is clearly taking to look into this difficult subject into getting people though the RJC certification process. Country specific legislation guidance, more examples and financial help for auditing for small companies, to name but a few important things.</li> </ul>
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Patrick Schein, S&P Trading	27/1/2011	Gold	<ul style="list-style-type: none"> <li>• We believe that an independent recycling label is a must for the industry. Therefore, RJC initiative for the CoC is long-awaited by us and as a refiner, we could be interested to join in order to benefit from a certified third party label. We think the jewelry industry in Europe would be pleased to be decoupled of the mining industry and today this is easily achievable and needs a reliable recycled label with no loopholes. As you might not know our company is the first french refiner proposing recycled 100% post-consumer material to the industry. (See : <a href="http://goldbygold.com/or-goldbygold-en.php">http://goldbygold.com/or-goldbygold-en.php</a>)</li> <li>• =&gt; ON THE FABRICATION SCRAP. The main problem here to our view is that you have to separate the "new scrap" from the "post consumer scrap" the later having passed through a consumer life cycle. The problem with the fabrication scrap is that it can have been mined 1 week before in DRC or any other mine and most of all, you can fabricate it. For years some of latin american countries fabricated "jewelry scrap" in order not to pay the mining tax for example or to cash export incentives. A refiner could use DRC gold, which will sell at discount, and then fabricate scrap that will not sell at discount. Scrap generation is important specially in the minted products where it can go up as high as 50% in weight (skeleton scrap). By not including fabrication scrap you would eliminate one possible important loophole. The cost of such is not high as selling price of recycled gold is the same than non recycled. One who would want to label its fabrication scrap "recycled" would simply source his gold from recycled sources.</li> <li>• =&gt; ON OLD BULLION and FINANCIAL GOLD. We do not think that using "financial gold" is adequate because 1- financial gold is in majority not a "consumer product", (it is a wealth protection tool) and 2- you can buy new coins anywhere even from a state mint with almost no premium and melt it right away converting them into scrap. Accepting all existing bullion before a specific date would mean that 1- you occult the past practices and implicitly accept them 2- new mined gold might be undermined by the jewelry industry as they want to be decoupled from the mining industry. Recycled will be very cheaply and easily sourced as there is more than 20 year of jewelry consumption in existing above the ground bullion. We recommend that Fabrication scrap and Financial gold should be excluded from the recycled standards in order to be stronger at time of launch. Those products could be included only if fabricated from post-consumer sources.</li> </ul>
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Philip Olden, RJC Adviser	29/1/2011	Marked Bullion	<p>Potential reasons for including historical marked gold bullion in the proposed Chain of Custody:</p> <ul style="list-style-type: none"> <li>• The RJC chain of custody relates to the future responsible practices of producing, manufacturing, and trading of gold through the jewellery supply chain. Gold already held in bullion form (mainly held by banks) is effectively the start of the supply chain for the production of new jewellery, in the same way as newly mined gold, or recycled gold from previously manufactured products such as jewellery.</li> <li>• The RJC chain of custody standards are intended to take effect from a future date, yet to be determined: it is therefore both inappropriate and impractical to apply the chain of custody to any form of gold or jewellery produced before the implementation date.</li> <li>• Gold held in bullion form constitutes the largest holding of gold (by investment, retail and central banks) and is subject to anti-money laundering legislation in the same way as currency. Banks are therefore obliged to keep records of the details of each bullion bar, including serial numbers, refiner/manufacturer, and, in some cases, date. Even without date marks, banks can verify the dates of receipt of each bar through the serial number (this applies to 400 oz “good delivery” bullion bars as well as kilo bars, which are mostly used by jewellery manufacturers). This enables the banks to ensure that existing stocks of gold (to which the chain of custody will not apply) and any new production of gold bullion (to which the chain of custody will apply) can be easily identified.</li> <li>• Incorporating existing marked bullion as eligible material will establish immediate critical mass into the RJC’s chain of custody, and reduce the barriers for gold jewellery businesses to initiate the chain of custody system (by requesting gold bullion from banks with a manufacturing or storage date prior to the implementation of the CoC system).</li> <li>• Including marked bullion will facilitate the inclusion of major bullion banks in the chain of custody system; these banks are major participants in the supply chain and RJC wishes to ensure they are included, otherwise the chain of custody will be difficult to maintain.</li> <li>• Excluding existing gold bullion would be inconsistent with other established policies and systems in the jewellery industry, such as the Kimberley Process (KP), which allows all diamonds certified before 2003 to be excluded from KP certification. This policy was supported at the inception of the Kimberley Process by the United Nations.</li> </ul>
Frank Miller, Track Record	31/1/2011	Labelling	<ul style="list-style-type: none"> <li>• An area of the RJC’s programme that I think needs clarification is the relationship between Product Labels – Chain-of-Custody Certification – RJC Member Certification. I think there is a dilemma for any programme that addresses an entire value chain. Track Record, through our involvement with the Responsible Aluminium initiative, faces the same issues.</li> </ul>

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			<ul style="list-style-type: none"> <li>• I think that there are 2 overarching but very different ‘benefits’ that potentially accrue to each participating value chain operator. The first benefit is the consumer perception that the certified organisation is ‘responsible’ in terms of its management processes. The second benefit being that the raw materials/products being processed by the certified company are imbued with a ‘responsible’ quality – but of course in reality only if there is CoC.</li> <li>• The large scale businesses at the raw material end of the value chain principally want a certificate that says ‘we operate according to responsible sourcing best practice’. That’s good for brand, good for shareholder confidence and good for staff. The raw material processors are a long way from consumers (in terms of the value chain) and therefore less interested in their raw materials carrying a ‘responsible’ quality – although it’s a benefit if they do.</li> <li>• The businesses at the market end of the value-chain, however, want a certificate that allows them to conceptually add an additional value to a product that says ‘this product was responsibly sourced’. That’s key for market differentiation and selling more of what is effectively a ‘new’ product line.</li> <li>• These two business objectives are not the same. One makes a statement about how a business operates and the quality of its management processes. The other is about the (intangible) qualities a product holds. The end of market businesses succeed or fail by the amount of product they sell. Whatever ‘value’ the RJC certification process imbues them with, they are going to leverage that into selling more product (or selling higher value product) in any way that they can.</li> <li>• I think RJC certification clearly delivers the ‘responsibly managed business’ benefits. The CoC certification has the potential to identify products with ‘responsible’ quality – if structured appropriately. A product label is the logical expression of ‘responsible’ quality. Obviously the meeting we had on Thurs will help the development. But I think you can sense that those selling to consumers want that ‘responsible’ product quality.</li> </ul>
Felix Hruschka, Alliance for Responsible Mining (ARM)	1/2/2011		<ul style="list-style-type: none"> <li>• We would like to focus our comments mainly on possible future synergies and compatibilities between your certification scheme and the Fairtrade and Fairmined certification scheme for gold from artisanal and small-scale mining, which ARM started to develop five years ago and which we are now implementing in partnership with FLO; but also to comment on a few issues with potential of becoming loopholes.</li> <li>• We believe, the broad sector approach of RJC and the specific development approach of our system are highly complementary, and are confident regarding future equivalency (chapter 7) between Fairtrade and Fairmined certification and the RJC certification. In order to achieve this, we would like to bring the</li> </ul>

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		<p>following issues to your attention:</p> <ul style="list-style-type: none"> <li>• RJC proposes as CoC models exclusively the “bulk-commodity” and the “track-and-trace” scheme.</li> <li>• Fairtrade and Fairmined Standards demand in any case full “documentary traceability” as well as “physical traceability”, however allow under exceptional circumstances for “mass balance” in order to not jeopardize the development opportunity for the ASGM producers. The example shown in the images below can help to fully understand such circumstances (for example, at industrial desorption plant for gold impregnated activated carbon from a number of artisanal producers). The decision among our stakeholders to allow for such exemptions from full physical segregation was not an easy one. However, we consider the consensus reached as the right decision for achieving our development goal, and are very confident that consumers will understand this (as they also understand this for other Fairtrade products). We are also confident about a shared vision between ARM and RJC about a fair contribution of mineral raw materials extraction to local development. We therefore wish to approach RJC with the request to allow in equivalent standards for exemption from full physical segregation, if such exemption is justified by their development goal. This would not affect RJC compatible provenance claims, as for example “Fairtrade and Fairmined Gold”, if these apply.</li> <li>• On page 9, under “b) Auditor Accreditation and Verification”, the draft indicates: <i>“To become CoC certified, the company’s internal systems would have to be audited by an RJC accredited, independent third party auditor ...”</i>, and on page 9, first bullet point of chapter 5, the draft indicates: <i>“All entities in the supply chain for the jewellery product are Chain-of-Custody certified and are Members of the RJC (or participants in equivalent systems for responsible business practices)”</i> From our point of view, the equivalency of Standards should not only substitute membership of the RJC, but allow for recognition of certification status. In case of equivalency, ASGM producers already certified against the Fairtrade and Fairmined Standard should not be required a second audit by an RJC auditor.</li> <li>• On page 12 chapter 7, the draft indicates: <i>“The RJC will establish a formal and transparent process of review, including public comment periods, to judge equivalency.”</i> The procedure of a formal and transparent review process is welcome. The draft does not yet specify the composition of the review team, and how such a review is initiated and performed: at initiative of RJC or at request of the equivalent certification system? We are confident about RJC’s intents to establish this review process under a rights based approach, including the “right” to request evaluation of equivalency and by considering an appeals mechanism if such equivalency is not granted.</li> <li>• The approach to allow for exemptions for minor components is – from a pragmatic point of view</li> </ul>
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			<p>– an important element for start-up. It is unrealistic to expect all components to be available from the outset. The composite rules of the Fairtrade and Fairmined Standard contain for similar reasons similar exemptions. Our advice would be to limit the allowance for 5% (or any percentage deemed appropriate) not to “5% of the value of a jewellery product” but to 5% of each component’s value (gold, diamonds). Otherwise, in an example like table 3 (US\$ 10,200 diamond ring), all precious metals might qualify for exemption ... which is surely not RJC’s intention.</p> <ul style="list-style-type: none"> <li>• The requirements for outsourcing processing or manufacturing to contractors are in principle suitable to assure the integrity of the chain of custody in terms of materials’ ownership, but might be insufficient to provide consumers with the level of assurance and confidence which RJC aims for. Outsourcing to contractors starts at the mine site (operators handling ore) and occurs throughout the entire supply chain up to the final point of sale. In principle almost the entire process from mine to market can be outsourced. For the credibility of a future RJC label, article 4.3 of the current Code of Practices, which requires that “Members will use their best endeavours, commensurate with their ability to influence, to promote responsible business practices among their Business Partners”, by commensurate promotion of responsible practices, might not be sufficient. Consumers will demand an assurance that an RJC Chain of Custody labelled jewellery item has been responsibly produced under the custody of the entire supply chain. Potential misbehaviour of contractors is an enormous reputational risk. In our opinion, the CoC Standards are a great opportunity to close this potential loophole, by requiring all contractors handling Tracked Material to adhere to the RJC Principles and to act according to the RJC Code of Practices. For practical reasons, this should not require all contractors to become RJC Members and become certified, but the practices of contractors would need to be audited under the responsibility of the contracting RJC member applying for certification.</li> </ul>
Greg Valerio, Fair Jewelry Action	1/2/2011	Roundtables	<ul style="list-style-type: none"> <li>• I am very happy that RJC have engaged with CoC issues and whilst I am aware they are complex, I am also aware that they are key to building consumer confidence.</li> </ul>

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<p>Anna Loucah</p>	<p>1/2/2011</p>	<ul style="list-style-type: none"> <li>• I think the future for the proposals the RJC are putting in place is very exciting and marks a hugely positive change as the jewellery industry moves forward over the coming years.</li> <li>• From the perspective of the independent designer maker in the RJC plans, my concern is as I mentioned at the table that the cost of audit and the time involved may exclude many independent makers who, with all the best will in the world, would love to become members. It is no secret that the life of an independent maker is a busy one and that the time versus cost balance is always extremely tight. It involves being solely responsible for designing, making, accounting, PR, promotion, purchasing, sales, webs design etc etc all on an often ridiculously small budget. However we are the big business's of the future and in my mind independent designers are what keeps the industry so buoyant and fresh, providing a consistent flow of new ideas and designs. As we are also solely responsible for our own purchases and an awareness of provenance is something of increasing importance and interest within the community.</li> <li>• With the information about the not so sparkly side of the jewellery industry being thankfully, so well documented these days, nobody wants to turn a blind eye. When you have such knowledge you have a responsibility to do something about it. However, any barriers that are put in place to being able to act on this knowledge can be very frustrating and leave you feeling powerless to create any noticeable change. My point is that membership to the RJC or becoming CoC certified could really help to create a sense of change and of being part of something special where as being an independent can often be quite isolating. I do feel that all efforts should be made to not make certification feel like another monumental mountain to overcome on a time / cash starved business.</li> <li>• Also on the same note is it essential that a business becomes an RJC member before becoming CoC certified? Could the two not be run along side each other or grouped together as one strong 'ethical business' statement?</li> <li>• If you could, as we discussed work something out with the BJA to assist this journey, helping monitor each step, maybe even breaking the audit down into steps, make the costs involved clear and also allow for the size of the enterprise when considering what to ask of it then that would be a huge step in the right direction. There are a lot of us out there that really want to do it so perhaps breaking it down into chunks, and numerous deadlines rather than a broad 2 year plan would help it to become digestible and not let those 2 years fly by with nothing been done towards it.</li> <li>• Also clarity on the auditing. I think its a great idea that we could share the cost of an auditor but I would like to just check that if we shared an audit, we would all be checked independently. Not that if one fails we all fail, we would have to keep it all very separate.</li> </ul>
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			<ul style="list-style-type: none"> <li>• Having said all that I do believe very strongly that neither the RJC membership or the CoC certification should be made 'easy' to achieve. Both should become clear indicators of a strong stance taken on the issues facing our industry and that definite change has taken place to achieve them. That way the certified status will come to represent a positive message of trust and confidence.</li> <li>• For this to work to the amazing scale it has the potential to then no part of the chain can be broken and but sensitivity needs to be applied to the members, be it a factory in China or a bench worker in the UK. I believe we could all work together to achieve this and it could be fantastic.</li> <li>• Also one other thing on that note that I would like to raise is about those artisanal miners / gem cutters/ small scale business in countries less wealthy than ours. What can be done to ensure the membership and certification is available to them where the cost of an audit or even general literacy is an unrealistic expectation?</li> <li>• My hope is that this proposed certification will have a kind of trickle-down effect to all parts of industry in all corners of the globe. But this will of course take many years to achieve. I see a very bright future here and think that the passion that you as the RJC team have is truly inspiring.</li> </ul>
Assheton Carter, PACT	2/2/2011	Certification claims, Recycling	<p>Main issues are:</p> <ul style="list-style-type: none"> <li>• How will the COC standard be used in whose system and to claim what. I'm still thinking that through especially as you are also looking at cross recognition.</li> <li>• Recycling is the other big issue: what we should expect now and how fast to tighten the standard over time.</li> </ul>
Jamie Clark, De Beers	7/2/2011		<ul style="list-style-type: none"> <li>• One of the most important conditions for a business to be eligible for Chain of Custody certification is the need to ensure that all supply chain business partners must all be RJC certified members as well as Chain of Custody certified. This condition is not clearly highlighted on the discussion paper and should be made more prominent.</li> <li>• Chain of Custody may only work only for short supply chains and vertically integrated Businesses: The maintaining of accurate Statements of Provenance (SoP) in a large, global and complex industry consisting of different businesses which each have constantly changing inventories will be very difficult. For example, the CoC cannot work in diamond dealer or market purchased situations as most of the time the seller prefers to stay anonymous and in many circumstances will not provide even a KP Certificate(if the diamonds were exported). Diamond parcels sold via dealers or on the market will be unsealed and all</li> </ul>

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			<p>identifying markers taken off. The parcels in nearly all cases have been picked for goods which the diamantaire can work with and then mixed with stock of similar goods but from various unidentifiable sources. They may have a WDC System of Warranties statement on the invoice but this is no real assurance of provenance either. This scenario accounts for a large percentage of diamond trading transactions. Therefore, a SoP will most likely not accompany traded goods in this situation and all traceability will be lost. So, this means that the SoP will only really work all the way to retail in vertically integrated supply chain businesses or short supply chains. Most of the diamond industry is very complex and widely dispersed, consisting of inordinate routes/hands a diamond can take from mine to retail. SoP can be issued at source by mining groups, but its continuing success downstream will very much depend on the benefits and incentives which industry stakeholders can gain from it, for which it would appear CoC is providing none.</p> <ul style="list-style-type: none"> <li>• Melee: The RJC is considering an exemption for minor components such as Melee and gold butterfly clips for earrings. Melee is a difficult area due to their size and low price which results in them being manufactured mostly by the contracting sector - diamond polishing cottage industry operating in places such as Surat, India. This is where most issues such as poor working conditions and very low wages occur. Capturing this sector within the CoC would be impossible and general membership to the RJC would be improbable. However, Melee is used in many jewellery pieces and it is of some concern that exemption from CoC will lead to confused messaging around claims of responsible sourcing would be further confusing for consumers.</li> <li>• No consumer pull-through for CoC at retail: General research shows that diamond jewellery consumers want only to have top line assurances of the origins of their jewellery piece but do not want to know the details. While conscious consumerism is on the rise, even in western countries, responsible sourcing is still not an overwhelming differentiator between jewellery brands or a motivating factor for consumers to buy. This is why it's important to combine the right "feel good" luxury touch factor in store, a good price and the right level of responsible sourcing key messages as a back-up. If there is little or no consumer demand then there will be no motivator for the middle of the supply chain and direct suppliers in to retailers to comply with the CoC. This could result in being very costly and generally unworkable for diamantaires and jewellery manufacturers, depending on where they sit in the supply chain, who their suppliers are and who their customers are.</li> <li>• Product label issue: There seemed to be confusion and inconsistency of communication around the</li> <li>• Product Label from the RJC as it was stated at the De Beers session that a Product Label would be</li> </ul>
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			<p>“abandoned” while at the Multi-stakeholder Session this idea was completely dismissed. Due to this, many questions have arisen for which we seek clarification:</p> <ul style="list-style-type: none"> <li>○ How will consumers distinguish between statements made by RJC certified members about their Code of Practices compliance and RJC certified members claims around their CoC supply chain?</li> <li>○ What sort of consumer marketing strategy would be employed to avoid consumer confusion and to get the message across?</li> <li>○ Would there be carefully crafted guidelines for RJC members with respect to consumer advertising and promotion of their RJC association?</li> <li>○ Can companies actively market product labels to consumers and its association with the RJC?</li> <li>○ Who will monitor the RJC IP usage and rights?</li> <li>○ Can any jeweller stock eligible jewellery products? Is there a criterion for stockist other than RJC membership?</li> <li>○ Would the RJC charge for use of a product label?</li> <li>○ +/-65% of US trade is through independent jewellers. How will they be brought in to the system, be catered for long term and kept within compliance?</li> </ul> <ul style="list-style-type: none"> <li>● Without clear, good, consistent and potentially expensive communication around a product label, there is huge potential for it to become void within a short time and for consumers to pay only lip-service to it which will disengage retailers and then lead to a fall in demand for CoC along the supply chain. It is our view that the RJC should not stray from its focus to become an organisation promoting itself as a quasi consumer brand but should remain a standard’s harmonising body concentrating on the B2B sector of the jewellery industry.</li> <li>● Potential to divide the industry and drive away consumers: With the CoC there is great potential to inadvertently drive consumers away from purchasing jewellery. The main competitors to diamond jewellery, such as <i>‘that extra family holiday’</i>, suffer far less from ethical or responsible sourcing issues. If some of the jewellery industry manage to adopt CoC throughout their supply chains and use some form of RJC backed Product Label at retail, then what will this mean for the jewellery which doesn’t have it? Will consumers see jewellery pieces with a CoC product label are “good” and the rest all “bad”? This could be difficult for a retailer who sells multi-brands and may have the affect of confusing the consumer. A retailer will not stock CoC product label jewellery if they feel that it may have a detrimental affect on their other stocked brands. Importantly a confused consumer would rather stick to what they are sure about and book <i>‘that extra family holiday’</i> or by a flatscreen TV rather than take the ‘risk’ with jewellery. Effectively,</li> </ul>
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			<p>CoC may divide the industry and drive consumers to competing luxuries.</p> <ul style="list-style-type: none"> <li>• Certifying systems ‘v’ certifying products: The RJC CoC caters for the certification of 2 types of systems: Track and Trace and Bulk Commodity. During the roundtable discussions it was made clear that CoC was not a standard that certifies products, however the CoC discussion paper and round table presentation describes one of the aims to ‘support credible corporate and/or on-product claims to consumers.’ Please could we have some further clarification around this point and any update on the RJC’s direction with this following the global round table session?</li> <li>• Conclusion: From a purely academic angle, the Chain of Custody appears to be a system which could work and would be a ‘nice to have’. However, the realities of industry norms &amp; practices, geography and well established business relationships means that the CoC will be a tough sell and may do more to polarise the diamond industry and put off consumers more than to attract them. The RJC have yet to truly test their base-line Code of Practices (CoP) in countries such as India, where small, cheap gem are manufactured in high volumes and most high street jewellery manufacturing is performed. This continues to be a concern as CoC will need to capture much of the Indian diamond industry which currently sits outside RJC membership for it to truly work.</li> <li>• Recommendation: It is recommended that a second round of consultation on the Chain of Custody is considered. This should be performed only once all information has been gathered and solutions to potential issues be found.</li> </ul>
Andrew Parsons, AngloGold Ashanti	21/2/2011	Other commodities ,	<ul style="list-style-type: none"> <li>• In order to extend the chain of custody standard’s reach and thus its effectiveness and impact, there should be greater flexibility. This can be achieved by sacrificing a little or even no purity in the system.</li> <li>• Silver and possibly copper should be included as both metals are commonly produced by gold mines and are often alloyed with gold in jewellery. In particular, silver is often included in the doré bar sent to the refinery so little, if any, additional effort would be required to assure its chain of custody. By including these metals, the chain of custody statement/label attached to a piece of jewellery would include more of the metal in the piece. This approach would admittedly complicate the label slightly because the silver and copper’s chain of custody but not its production would be assured, but that seems a small price to pay for strengthening the chain of custody. It is not clear to us why silver is not part of the RJC code of practices system, given the extent to which it is used in jewellery. Silver jewellery sales have growth tremendously given the high gold price, strengthening further the case for its inclusion.</li> <li>• If every single member of the chain of custody has to have RJC member certification and thus be a member of the RJC, this restricts the reach of the chain of custody system and is potentially a restrictive</li> </ul>

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			<p>trade practice. If non-members could be part of the chain of custody system the chain of custody could be certified even though the practices (except those in relation to chain of custody) of non-members would not be. The first member of the chain should be an RJC member as the most important concern in the entire jewellery chain is how the diamonds and metals were produced. The need to allow such flexibility is particularly acute in regard to gold. At present AGA is the only major gold mining member. As far as we are aware, the only gold refineries that we use that are part of the RJC are the one that we own ourselves and Argor. The others (Rand Refinery, Johnson Matthey and Perth Mint) are not RJC members. Thus, as matters currently stand, the only RJC chain of custody certified gold potentially available is that mined by AGA in Brazil and Argentina.</p> <ul style="list-style-type: none"> <li>• The system should include coins (perhaps it does already?). A number of refineries produce coins so including them would not require making any changes to the system.</li> <li>• Inclusion of recycled gold and marked bullion immediately adds a vast amount of gold to the system, the ultimate origin of which cannot be determined. By doing so, the RJC could be labelling as ‘responsible’ gold which has in fact been produced or obtained using the worst methods imaginable, while mining members have to go to all the effort of certifying their production processes. However we understand that there is consumer demand for recycled gold and we do not want to label recycled gold or bullion as ‘irresponsible’. Therefore we support their inclusion as long as the standard requires refiners to carry out detailed checks on the origin of recycled gold and marked bullion and their sellers’ identities and business practices as part of their KYC programmes. There must also be a clear distinction made in the label in regard to the gold’s origin.</li> <li>• The exemptions from the chain of custody standard are of concern, particularly service industries and outsourcing contractors. They may not change material but they could add to it, creating laundering opportunities. Thus it seems advisable that they are included in the chain of custody standard, even if they are not included in the code of practices (see the comment on flexibility above).</li> <li>• The requirement for an interim surveillance audit seems unnecessary and inappropriately increases costs for all in the chain. We recommend that certification lasts for three years unless an entity in the chain has issue and then that entity and only that entity is re-audited.</li> <li>• Page 18 - §2.2 specifies document retention “shall be at least five (5) years.” That seems excessively long and should be reduced to a maximum of three years to align with longevity of the certification.</li> </ul>
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