

➤ **Assessment of the uptake and impact of RJC certification scheme in India**

Final Report

April 2014



Executive Summary

- **India plays an important role in the diamond value chain globally but the majority of companies in the sector are small and informal.** While India does not mine diamonds any more, it is the leading manufacturer of polished diamonds in the world. Approximately 90% of diamonds manufactured in India are exported but over the past few years, there has been a growth in domestic demand. India has also increased its share in the global jewellery manufacturing market. While there are a few large, world renowned players in both diamond and jewellery manufacturing in India, the industry remains dominated by small, informal units.
- **There are five major types of social risks in the diamond value chain and these are most prevalent in the informal sector.** These are: (i) occupational health and safety covers issues like lighting, ventilation, sanitation and evacuation measures (ii) decent work which includes issues of labour rights such as remuneration, social security and contracts; (iii) money laundering from illicit activities through companies in the diamond value chain; (iv) corruption which includes transfer pricing, tax evasion and document falsification. and (v) environmental issues although this is not a major concern for the sector.
- **The RJC's code of practices has helped the industry and member companies in a number of ways.** RJC is the only certification program that is applicable to the entire supply chain and relevant to all companies. It is also unique in being a certification program developed through multi-stakeholder standard setting specifically for the industry to help them evolve a certain transparency and accountability across a number of dimensions that is currently missing in the trade. The certification program helps instill and highlight best practices in the industry and develop an industry norm, particularly relevant for India.
- **In order to strengthen the relevance, efficiency and effectiveness of the RJC's role in India, it could undertake the following steps:**
 - **Relevance:** (i) continue to address overlap and duplication between RJC's Code of Practices and other supply chain audit schemes (ii) actively involve industry leaders to leverage the organic changes that are underway as a result of changing leadership and growing awareness to build a leadership that can encourage companies to enroll in the certification program
 - **Efficiency:** in order to provide even more efficient service, the RJC could consider (i) developing resources to provide more targeted support for member companies as they are undergoing the certification process (this is already underway); and (ii) potentially re-examining the fee structure for membership to incentivize more very large and smaller companies to join
 - **Effectiveness:** in order to grow the overall success, uptake and impact of the program, RJC could consider (i) developing even more tailored communication materials which highlight specific tangible economic and operational benefits of certification (i.e. increased access to buyer networks, time savings with regard to audits, etc); (ii) increasing awareness of membership particularly among big international buyers/suppliers who can influence Indian companies and create a demand for certification among larger companies; and (iii) developing a tiered membership system to more clearly articulate incentives for smaller, informal units (where most of the social risks lie) to become certified.
- **Finally, while there are limited short-term opportunities for synergies with the Companies Act on CSR spending, there are a number of longer-term opportunities the RJC could consider.** In its current form, the provisions of the RJC's code of practices focused primarily on compliance whereas the Companies Act seeks to go beyond compliance. In the short term, there is an opportunity to encourage companies to more strategically consider ways to do community development, this is an area mandated both by the RJC and which falls into the purview of the Companies Act. In the longer term, RJC can encourage companies to become leaders on issues such as waste management, health and well-being programs and livelihood development thus leveraging CSR activities for industry promotion.

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- **Introduction to the diamond industry in India:** value chain and overview of major social risks
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Context and scope of engagement

1

Develop a high-level assessment of the diamond value chain and the major social risks that currently exist in the industry

2

Conduct a short and sharp assessment of RJC's certification scheme in India to understand its relevance in the value chain, its efficiency in supporting its members and its effectiveness at generating change in the industry

3

Assess how the RJC's certification scheme is aligned with planned CSR activities as a result of the Companies Act

To collect relevant information for this assessment, a variety of qualitative and quantitative tools were used

1

Survey to RJC members

An online survey to RJC members to understand how companies perceive the industry, the major social challenges that exist within, their engagement and experience with RJC certification

2

Interviews with industry

Semi-structured interviews with the industry (RJC members, non- RJC members, small sub-contractors) to develop a more nuanced view of the major social risks in the industry and how companies perceive the RJC certification

3

Stakeholder meeting

Stakeholder meeting to facilitate a discussion around the role that RJC can continue to play in the industry and to validate our understanding and findings

4

Desk research

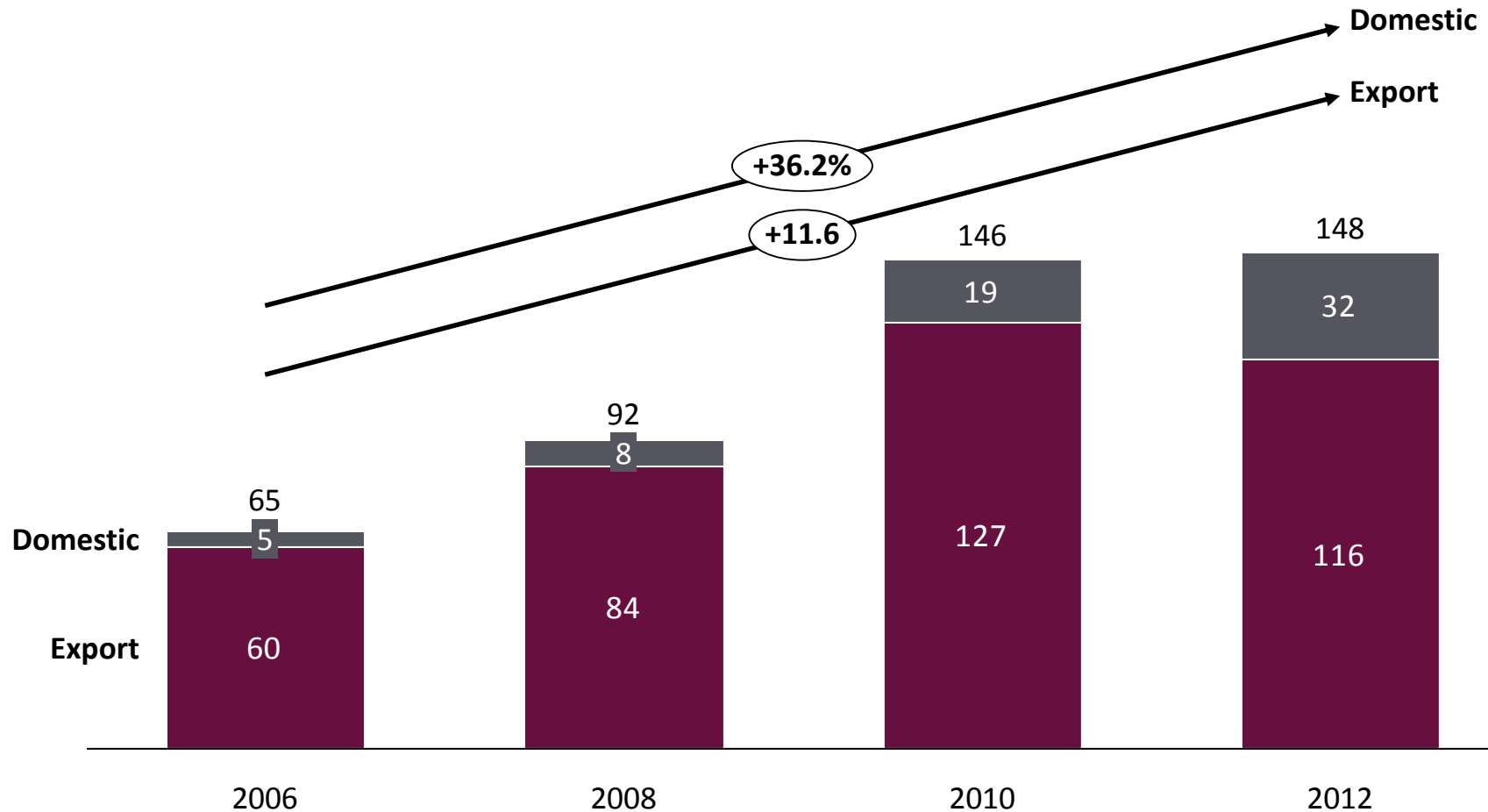
Desk research to gather information on the background and the major social challenges that exist in the industry

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Diamonds are a growing industry in India and have traditionally been driven by exports; however the domestic market is growing rapidly

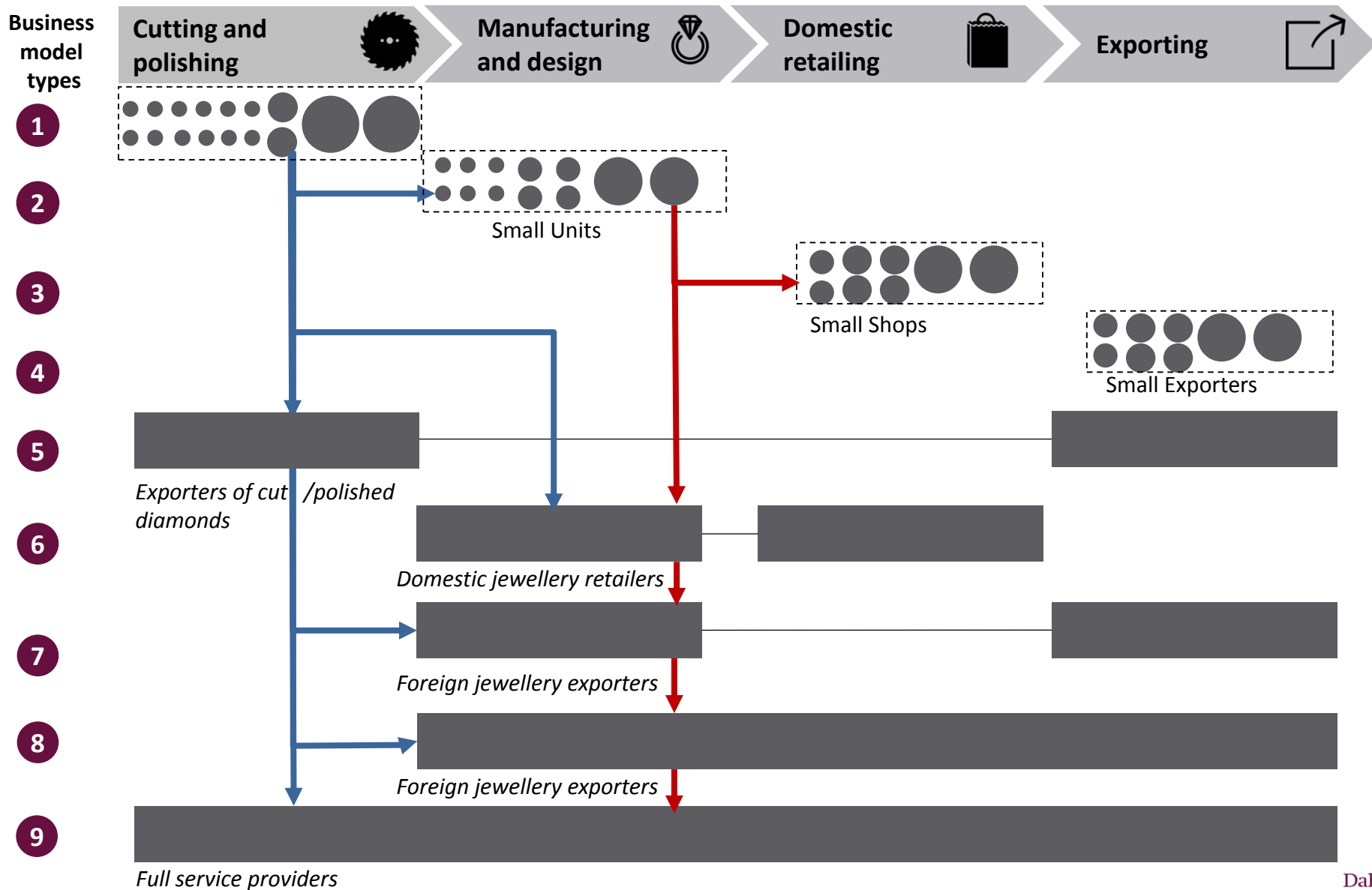
Domestic consumption of diamonds vs exports (INR '000 cr.)



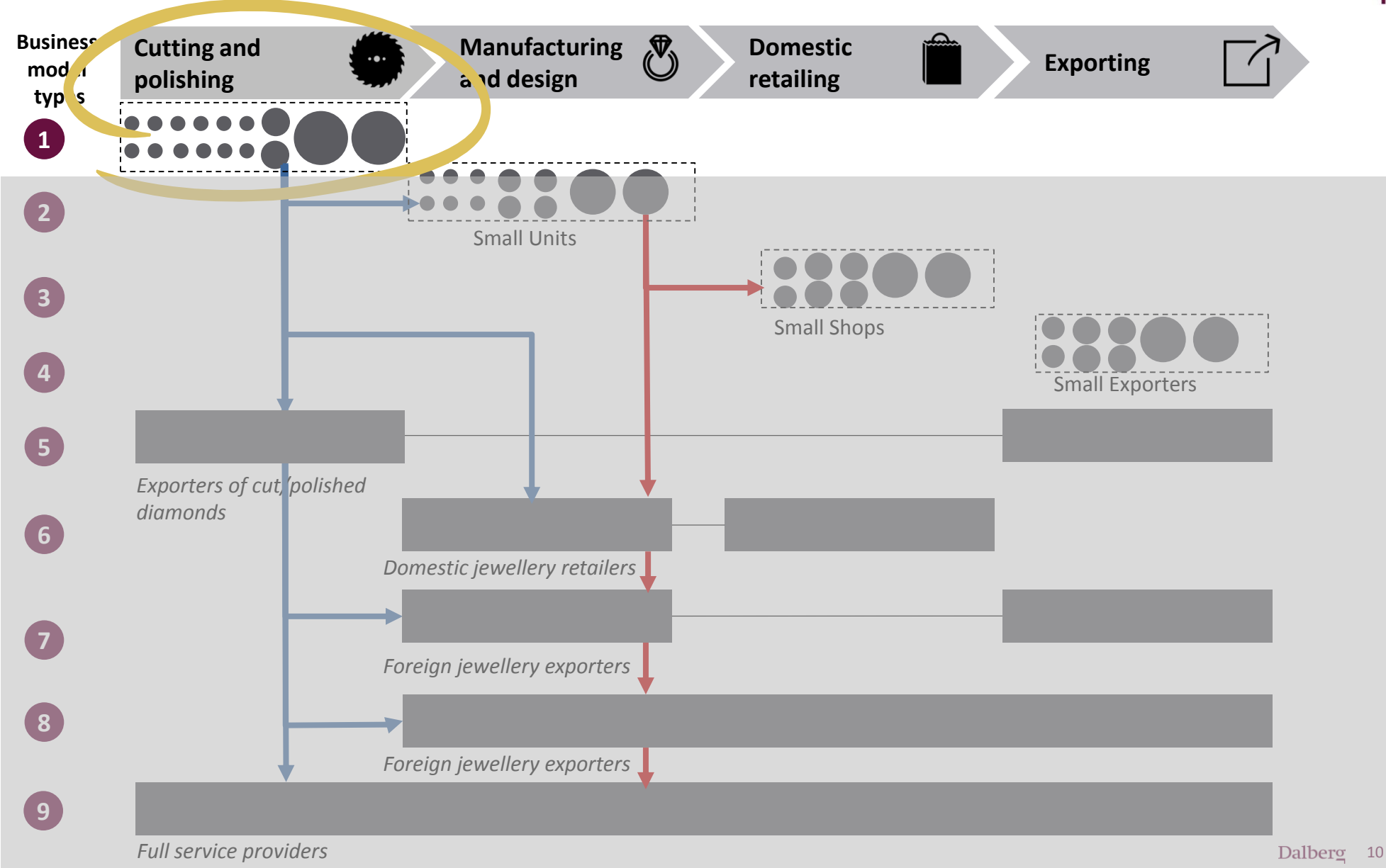
India enters the diamond supply chain at the cutting and polishing stage and is a key exporter of polished diamonds

	Exploration and mining 	Sorting 	Cutting and polishing 	Manufacturing and design 	Retailing 	Exporting 
Description	<ul style="list-style-type: none"> • Exploration is the locating diamond mines • Mining is the extracting diamonds from mines above and below the ground 	<ul style="list-style-type: none"> • Sorting is the systematically separating rough diamonds into different categories in preparation for sale 	<ul style="list-style-type: none"> • Cutting is done by diamond experts who cut diamonds into shapes like round, pear, oval, heart • Polishing follows cutting to further brighten the facets of the diamond, then diamonds are classified by their cut, colour, clarity and carat weight 	<ul style="list-style-type: none"> • Manufacturing is the process of setting diamonds into precious metals to make jewellery 	<ul style="list-style-type: none"> • Retailing is where diamonds are sold to the consumers, mostly in the form of finished jewellery 	<ul style="list-style-type: none"> • Exporting occurs at three stages of the diamond value chain – rough diamonds, polished diamonds and jewellery
Additional Information	<ul style="list-style-type: none"> • 65% diamond found in Africa (Angola, Botswana, DRC, South Africa, Australia, Russia) • Mining can occur in three ways- open pit mining, underground mining and alluvial mining 	<ul style="list-style-type: none"> • After sorting, the best quality diamonds in terms of colour and clarity are distributed to the gem market with an accompanying Kimberley certificate conflict free 	<ul style="list-style-type: none"> • The main cutting centres are in India, Israel, Belgium and USA. 	<ul style="list-style-type: none"> • Manufacturing and designing of jewellery can happen in smaller units or by in-house teams of the bigger retailers 	<ul style="list-style-type: none"> • The value of diamond jewellery sold each year is approximately US\$72 billion, which includes the cost of the diamonds, precious metals and other gems 	<ul style="list-style-type: none"> • India is a leading exporter of polished diamonds, supplying 8 out of 10 diamonds in the world

India's diamond industry is extremely complex with many small, unregistered players concentrated in the cutting and polishing segment



Small cutting and polishing units are where the majority of social risks in the value chain are found

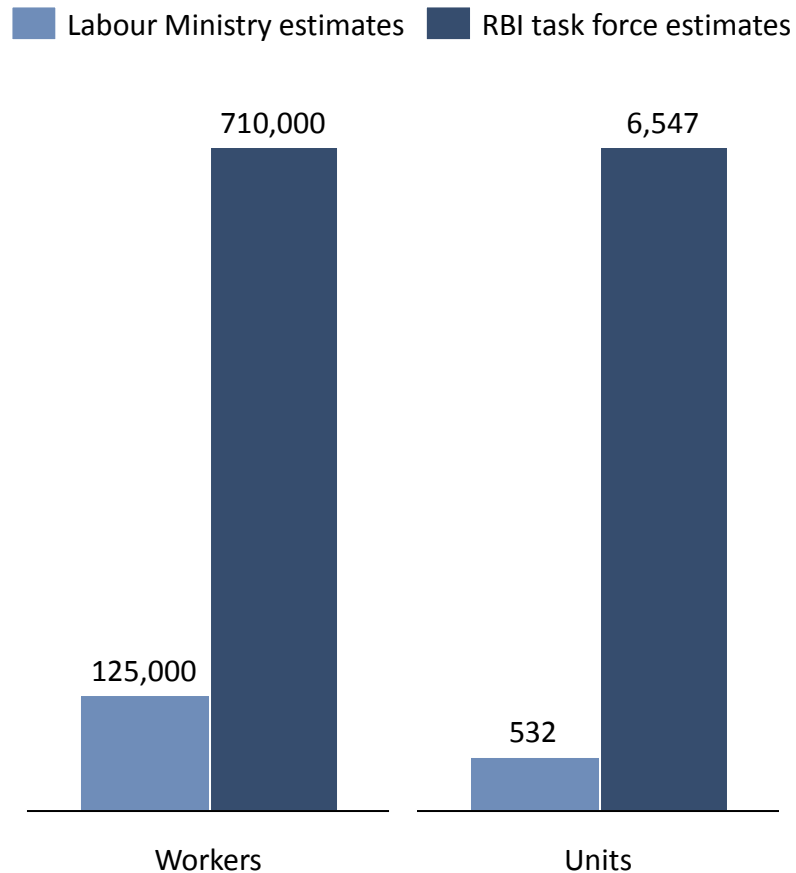


The primary reason that social risks exist, particularly in the cutting and polishing sector, is due to the informal and unorganized nature of the industry

Estimates of the number of workers vary widely – many workers are not counted and even these statistics are under-reported...

... as such, many are not afforded benefits that are due to them under the Factory Act

Estimated number of units and workers in cutting/polishing of diamonds


















Provisions of the Factory Act

- Protection for health through provisions like latrines and urinals, lighting, drinking water, ventilation, waste disposal should be provided
- Welfare mechanisms like washing, sitting, first aid, canteens, crèche and rest rooms should also be provided
- Weekly hours should be less than 48hrs/week and a weekly off should be given. Daily hours should be less than 9 hrs/day.
- There are special provisions for women like limited working hours, and no employment after night hours






Non compliance of this Act is punishable by law

There are five major types of social risks that exist in the industry and these are more prevalent in the informal sector

Social risks		Description	Prevalence of social issues in:	
			Formal sector	Informal sector
	Occupational health and safety	Safety and health at the work place specifically ventilation, lighting, sanitation, fire exits	 Medium	 High
	Decent work	Rights of the labour in terms of work hours, wages social security and contracts		
	Money laundering	Using company activities to funnel/channel funding towards illicit purposes		
	Corruption	Tax evasion, transfer pricing, and document falsification		
	Environmental issues	Environmental damage caused by leakage or disposal of chemicals and other unsustainable practices	 Low	

RJC Code of Practices (COP) 13 broadly addresses the major social risks in the diamond industry, moving beyond just legal compliance on a few issues

✓ ✓ Beyond legal compliance ✓ Legal compliance

COP 2013 provisions	Description						
General requirements (Provisions 1-4)	Legal compliance, policy and implementation, reporting and financial accounts				✓		
Responsible supply chains and human rights (Provisions 5-12)	Business partners, human rights, sourcing from artisanal small-scale mining, community development, security, money laundering and corruption	✓	✓ ✓ <i>Highlights community development, off-premises business partners</i>	✓	✓		
Labour and working conditions (Provisions 13-20)	Employment terms, working hours, remuneration, grievance procedures, child labour, forced labour, collective bargaining		✓				
Health, safety and environment (Provisions 21-25)	Health and safety, environmental management, wastes and emissions, use of natural resources	✓ ✓ <i>Promotes judicious use of natural resources</i>				✓	
Diamond, gold and platinum metal products (Provisions 26-28)	Product disclosure, Kimberly process, grading and appraisal					✓ ✓ <i>Provisions as per industry standard</i>	
Responsible mining (Provisions 29-40)	Transparency, community engagement, prior informed consent, impact assessment, resettlement	N/A to India Lack of mines in India					

Reports indicate that working conditions in smaller units are not suitable; initial observations suggest that there have been some improvements

Issues at the work place	Description in reports	<i>Initial field-based observations*</i>
Ventilation	<ul style="list-style-type: none"> • Small rooms without air conditioning or ventilation, stuffed with machinery • 8-10 workers sit crossed legged on the floor with no fresh air 	<ul style="list-style-type: none"> • Small units polishing small diamonds still do not have any air-conditioning but condition of ventilation (windows for fresh air) is better
Sanitation	<ul style="list-style-type: none"> • The unorganised clusters face extremely limited facilities for sanitation. Open sewer drainage systems, overflowing drains lead to bad working conditions 	<ul style="list-style-type: none"> • Small polishing units had washrooms for workers within the factory premises, however these were observed to be unhygienic
Housing	<ul style="list-style-type: none"> • A large number of workers in these enterprises also live in the surroundings of the cluster if not within the workshop itself. The spaces are cramped and unhygienic. 	<i>Not personally observed</i>
Evacuation/Safety	<ul style="list-style-type: none"> • Safety features like fire exists are often absent from diamond factories. In addition, the working conditions are cramped, and closed thus making movement difficult 	<ul style="list-style-type: none"> • Safety measures like fire extinguishers exist in the small factories but working spaces are cramped with little place to manoeuvre. Fire exits were likely not observed

*This is based on visits to 2 **small** factories -- further validation is required ,

Source: National Commission for Enterprises in the Unorganized Sector, 2009 http://nceuis.nic.in/Condition_of_workers_sep_2007.pdf,

Dalberg field visit to Surat factories; Dalberg analysis

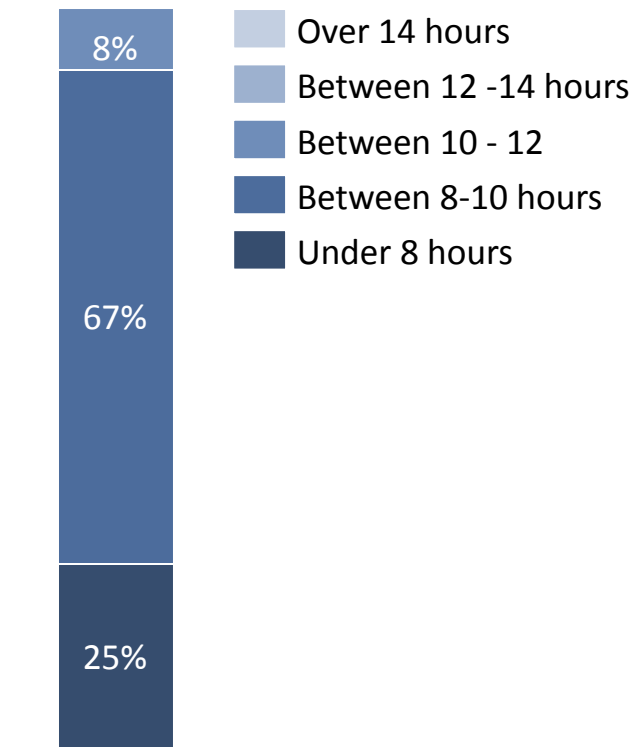


Workers in the formal sector work ~8 hours a day but those in smaller, informal factories work longer hours

Companies operating in the formal sector state that the majority of their workers are only expected to work 8 hours a day...

... but this is likely not the case in the smaller unorganized units

What are the average working hours for your staff? (n = 12)



“Contrary to regulatory norm, long working hours seem to be a normal feature of unorganised sector in India and workers are engaged in work for 10 to 12 hours a day. In some industries, the daily wage is for a fixed work day of 10 hours.”

- National Commission for Enterprises in the Unorganized Sector, 2009

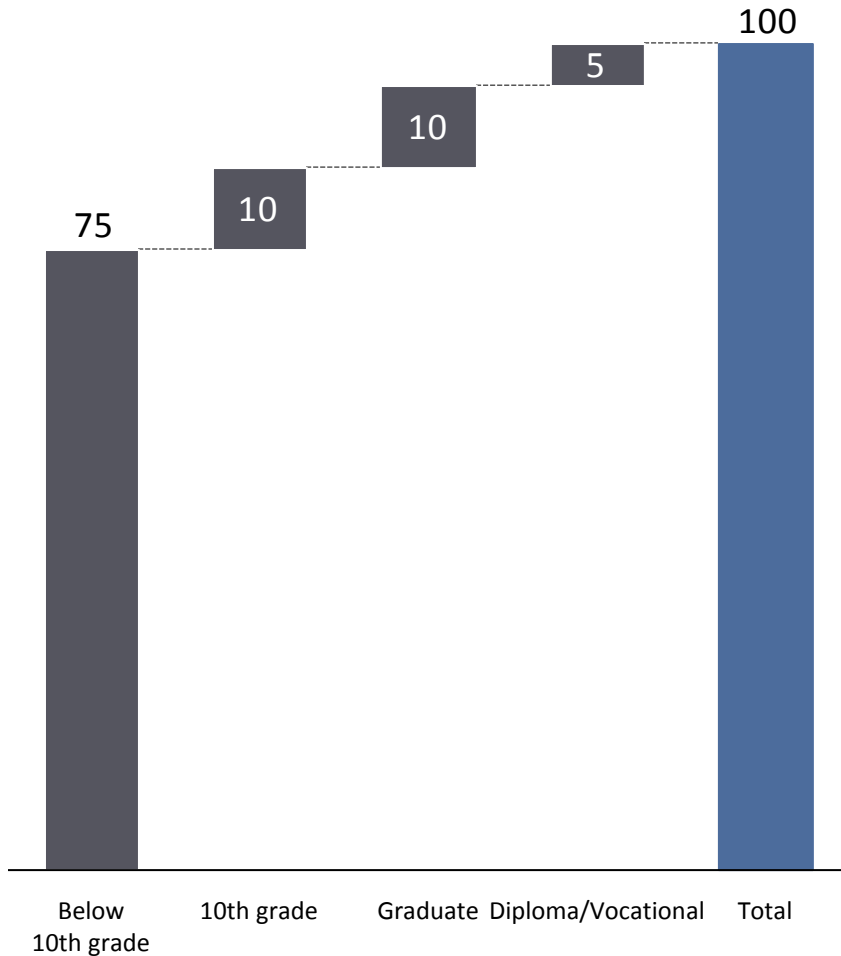
“It is common for workers polishing low value diamonds in smaller factories to work about 10-12 hours a day”

- Small factory owner

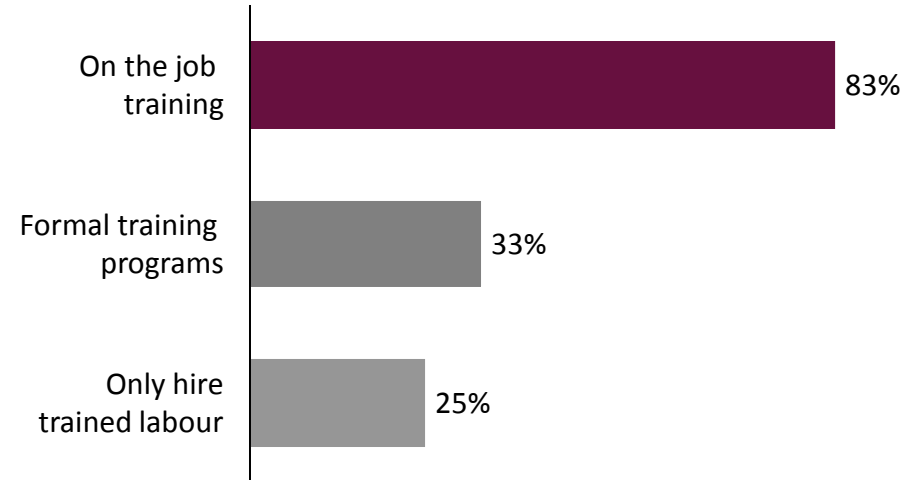


There are low levels of education in the industry; apprenticeship models are still followed

Distribution of labour of workforce by education levels (%)



How do you primarily train your employees?
(in % of respondents, n=12)

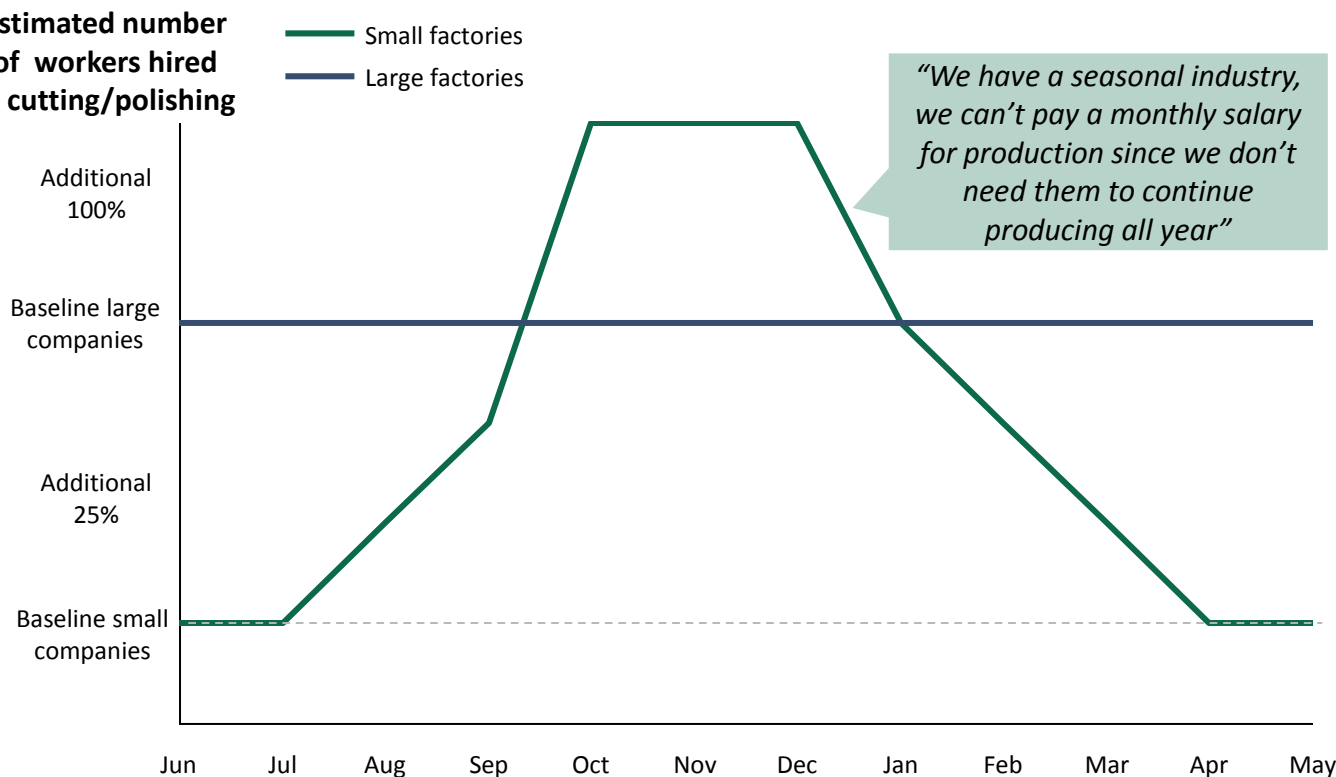


“This is a trust based profession therefore we only get workers from reference and we train them on our premises, even if it means more of an investment”
- Large factory owner



While the labour force in larger factories remains constant, smaller factories rely on casual labour during the high season

Estimated number of workers hired in cutting/polishing



There are differences in work standards of permanent and casual labour in three ways:

- 1. Method of payment:** Casual labour is usually paid daily wages or by piece rate
- 2. Access to benefits:** Casual labour is often not paid any kind of social benefits
- 3. Level of wages:** Casual labour is usually paid less than permanent workers

Casual labour is essential for the industry, however companies must ensure decent work standards for all workers and prevent exploitation of labour

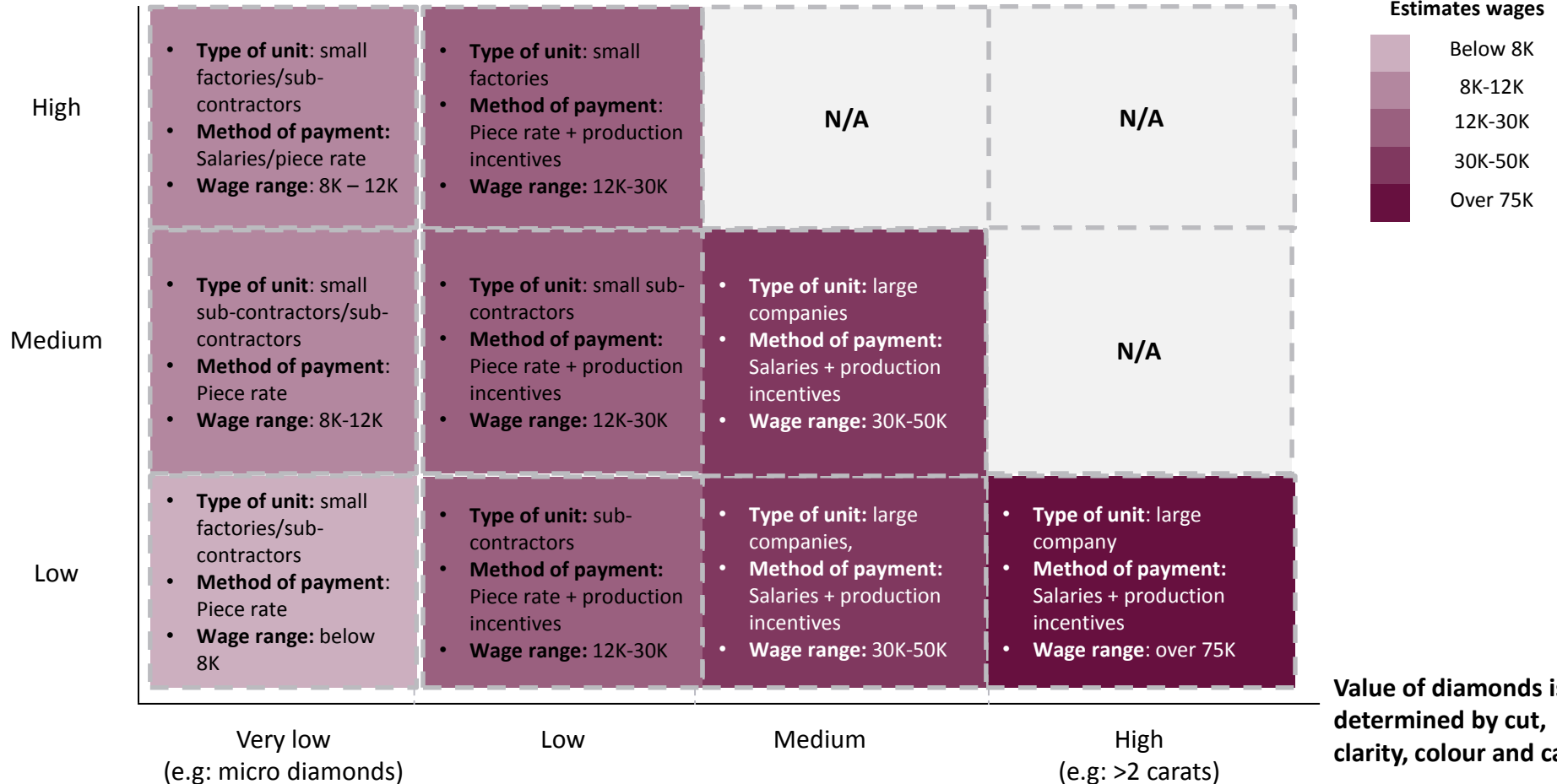


Other than seasonality, amount of wages paid and method of payment can also be driven by the value and volume of diamonds processed

Impact of volume and value of diamonds on wage structure in diamond cutting and polishing

Volume of diamonds

(# of stones polished in a specified time period)



Value of diamonds is determined by cut, clarity, colour and carat



As a result of these factors, there is significant internal variation within the industry in salaries paid; majority of workers are paid under ~10K

Wages by skill set

(Bubble size = Number of respondents)

Average monthly

wages

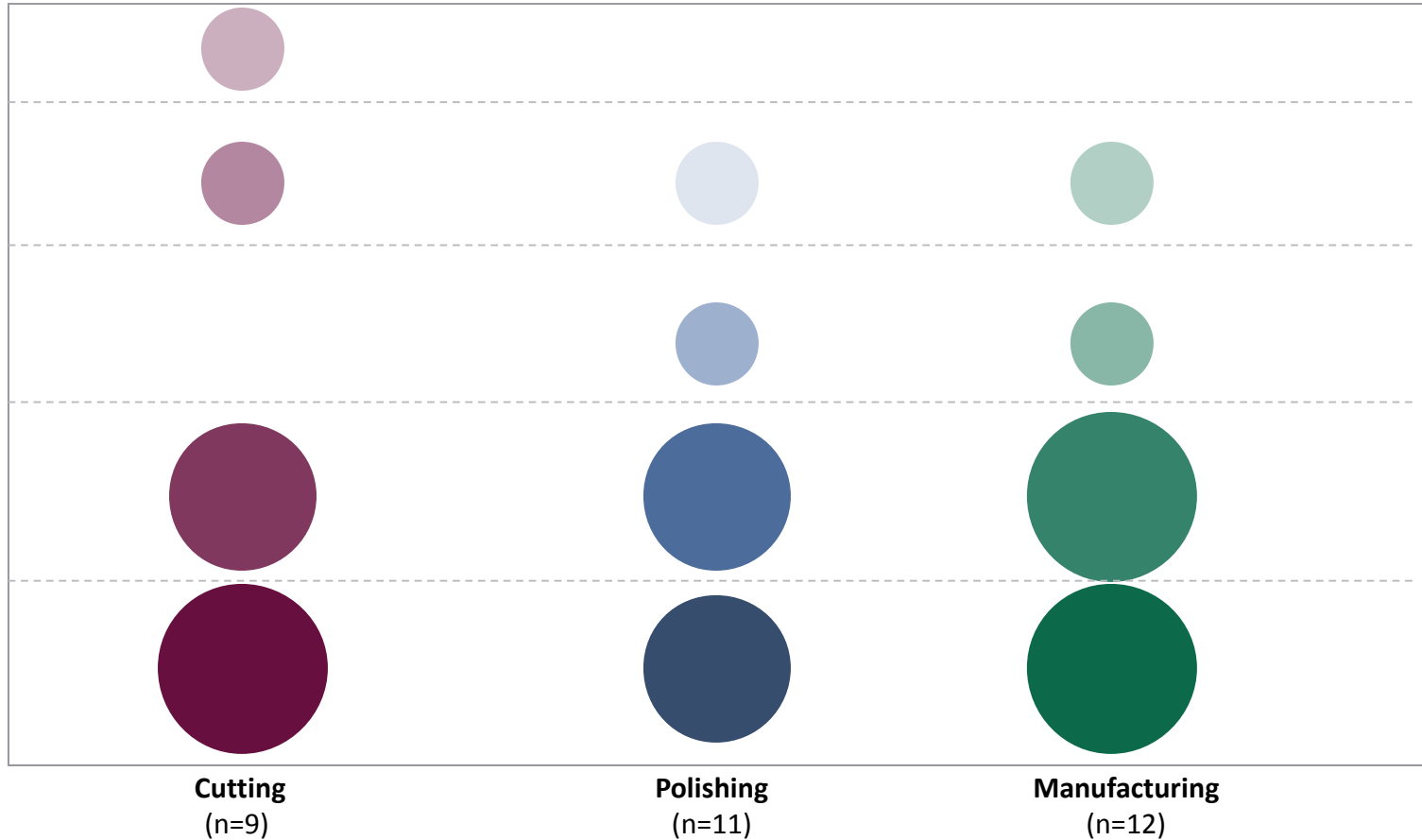
Over 75K

50K-75K

30K-50K

10K-30K

Under 10K





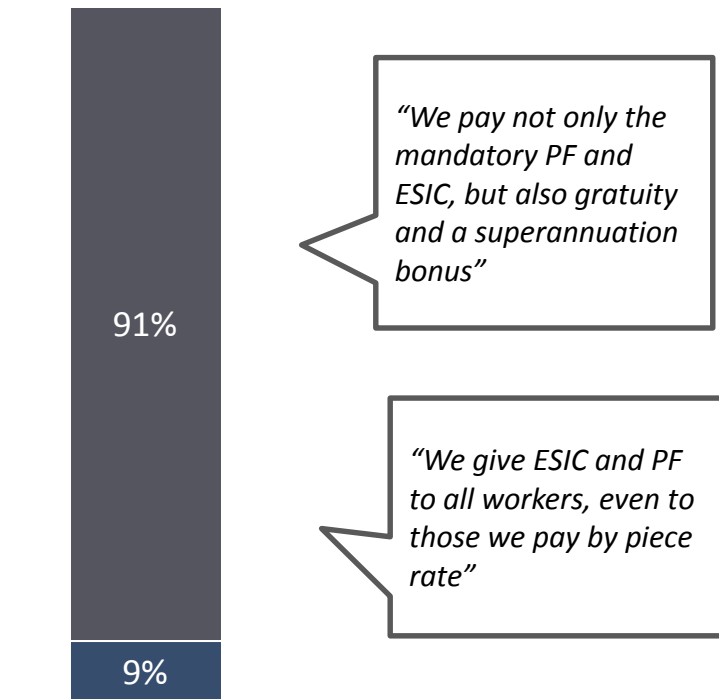
~90% survey respondents claimed to give their employees insurance however this may not be true for small companies

Most RJC members stated that they provided insurance to their employees, and this was corroborated by interviews..

...however, reports and interviews with smaller companies suggest that this may not be the case in the informal sector

Do you give your staff any kind of insurance ? (n=12)

Yes No Only to some



“Less than 4% of the workforce had provident fund, only 2% had health insurance, pension and education allowance. Almost no one had ESIC”
- UNDP, 2009

“The cost of cutting a diamond is INR 50, if we add PF to it, our cost become INR 78 per diamond; it makes little business sense”
- Small business owner

“Casual labour prefers to be paid just cash as opposed to any benefits. They come for a short period during high season, and it is impossible to get them enrolled in these programs”
- Small business owner



Money laundering is a concern in the Indian diamond industry....

Methods of money laundering

Description

Cases recorded in India

Using diamonds as an asset

- Criminals purchase diamonds as a means of laundering proceeds of crime and sell it later at a different location for cash.
- Changing “dirty” money to diamonds helps avoid seizure, makes it easier to commute across borders and it is possible to insure the value of diamonds in case of loss or theft
- Since diamonds are untraceable and not routed through financial institutions, they are used to finance armed conflict, payment to poachers

No publically recorded cases

Using enterprises in the diamond value chain as investment vehicles

- Due to the low levels of regulation in the diamond industry, it is common to use accounts of diamond dealers as a conduit to transfer funds, particularly in favour of third parties which are not part of the diamond trade.
- Amounts are often large and funnelled through the industry in favour of undeclared entities

- ✓ *Case recorded in India of a company setting up a separate account to layer funds received from illicit transactions in other industries (i.e., real estate, metal trading, etc.) and transfer it into the diamond trade to conceal its true nature.*
- FATF Report, 2013



...however, corrupt practices like overvaluation of diamonds, round-tripping and tax evasion are more prevalent

Methods of corruption

Description

Cases recorded in India

Transfer pricing and overvaluation

- The diamond industry does not have regulated or stable prices.
- As a result it is possible to overvalue price of traded goods and misinterpret transactions

- ✓ *“Four importers of diamonds located in Surat and Mumbai imported 28 packages of rough diamonds. On investigation, these importers were found to have been involved in fraudulent imports by grossly overvaluing these goods, apparently with a view to transfer huge amounts of foreign exchange outside India.” - Times of India*

Tax and regulatory evasion/manipulation

- Special economic zones have been created in many countries including India to encourage the trade of diamonds. Companies are charged lower taxes in these zones.
- Companies are taking advantage of this and there are large scale frauds, non-payment of taxes, falsification of paper work for tax fraud.
- There are also cases of “round tripping” in the diamond sector—deals in which the same goods are traded over and over to raise cheap capital.

- ✓ *“The investigators have found that in order to evade tax payment on diamonds, the consignments, despite being imported locally, were shown to be transported to addresses in Surat. Diamond transactions are exempt from sales tax levy in Gujarat. The diamonds used to be cleared from the Mumbai airport by clearing agents and then shown as dispatched to Surat.” – Times of India*

Falsifying quality/provenance of diamonds

- Adding illicit diamonds to the trade and faking Kimberly certification are common corrupt practices observed at every stage of the trade

No publically recorded cases



Environmental sustainability is not a major concern across either the informal or formal sectors

In the formalized sector of larger companies, the majority of them already use best practices

“We go through all the waste from our factory to retrieve any precious materials that may have been discarded by accident. All the waste water is collected as well to ensure that gold/diamond dust can be saved and reused. We neutralise all solid or gaseous materials before releasing them”

- **Large company**

“We have a state of the art factory. We use a water cooling technique to provide air-conditioning, we use as much natural light as we can and also have a biogas plant to process our food waste. We also ensure that no harmful material from the factory is being released into the environment”

- **Large company**

In the informal sector, the nature of the practices are not environmentally harmful

“The industry to large extent still functions as a cottage industry therefore its burden on the environment is minimal. In cutting and polishing especially, traditional methods are used and materials harmful to the environment are not really produced”

- **Small company**

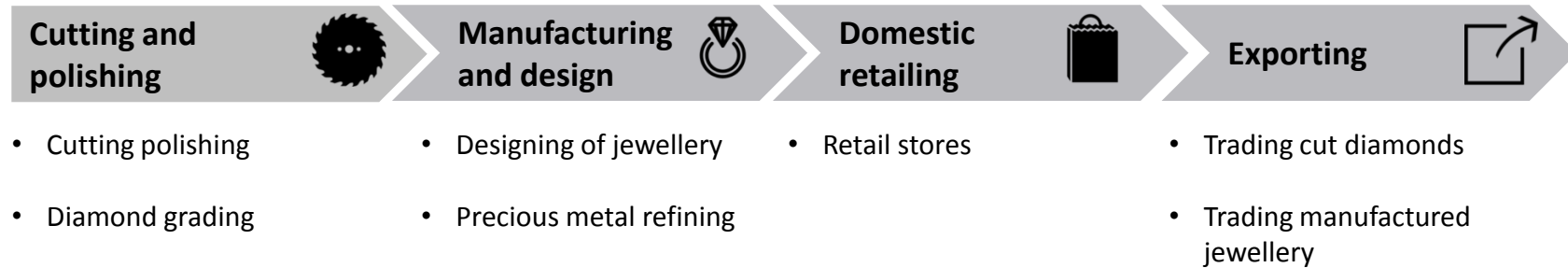
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Three main criteria were used to assess the uptake and impact of the RJC certification scheme in India

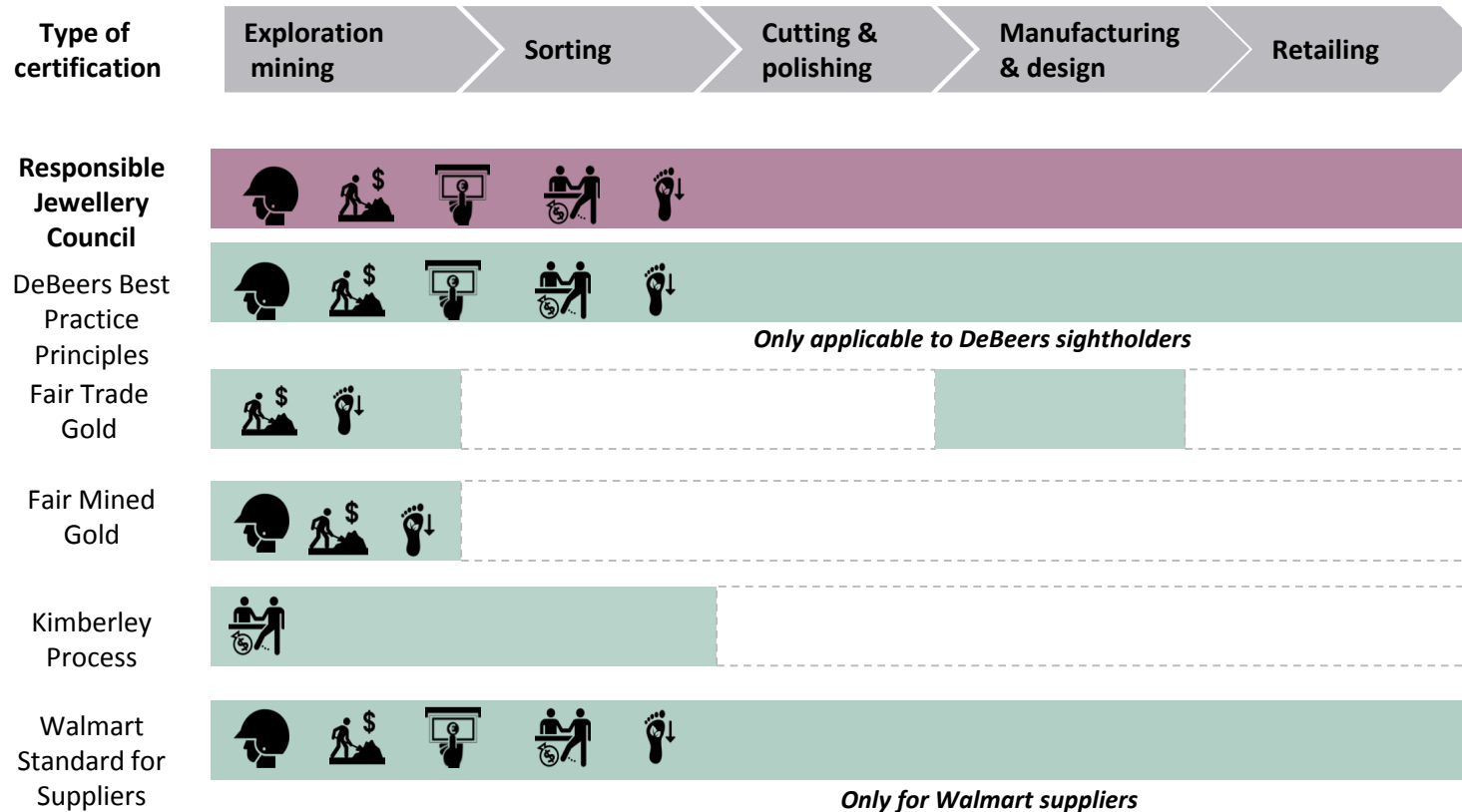
Assessment criteria	Specific research questions
Relevance	<ul style="list-style-type: none">• How well does the certification scheme map to the major social risks in the industry?• How relevant is the certification scheme to the needs and desires of companies, especially in light of other certifications?
Efficiency	<ul style="list-style-type: none">• Is the RJC set up to efficiently meet the demand for certification from member companies? (timeliness of process, adequacy of support, fees structure)
Effectiveness	<ul style="list-style-type: none">• What are the reasons for uptake of RJC certification?• What benefits do companies derive from RJC certification?• How effective has the certification been in addressing some of the major social risks within the industry?• What tangible outcomes can be traced back to the certification scheme?

The survey included RJC members across the value chain in India



The survey is designed to cover both diamond and jewellery manufacturing in India

Relevance: There are many certification and supply chain audit schemes in the industry which have overlapping provisions with the RJC COP



"I got RJC certification before DeBeers it made things easier for me"

"I am a DTC BPP compliant, why do I need other certifications?"

"We supply to Walmart, they do such a thorough audit, do I really need more?"

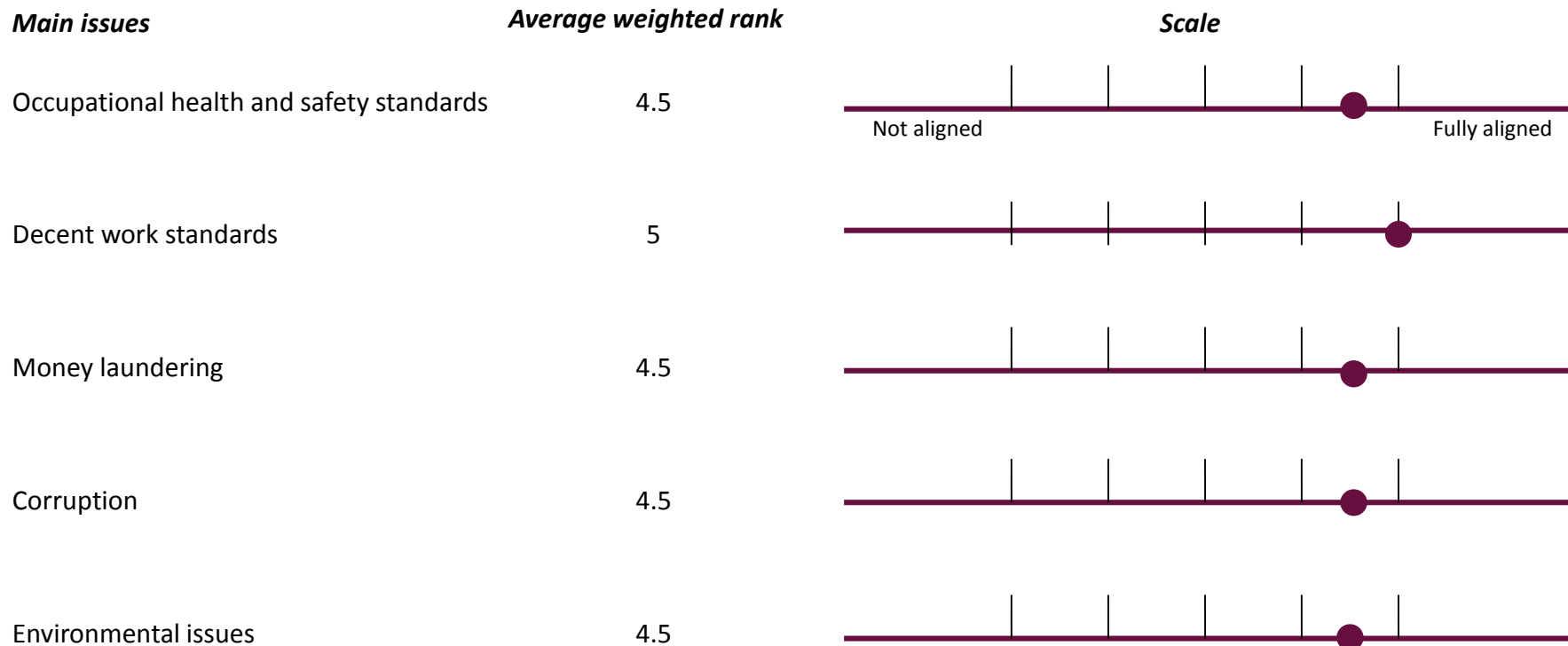
RJC should work towards harmonization between different programs to increase uptake of membership

Note: The icons signify social issues addressed by the certification programs

Source: Responsible jewellery Council website, DeBeers website, World Diamond Council website; Interviews with industry members

Relevance: Survey responses suggest that RJC is largely aligned with all the major social risks in the industry

How aligned are the RJC COP with the major social challenges in the industry? (n = 12)



Relevance: Industry has gone through some organic changes; RJC could leverage trends to build a community of people looking to make change

Changes in the industry

1

Growing awareness of social issues among industry members

2

The new generation has taken over businesses and is making changes

3

Loss of workforce after global recession

Insights from interviews

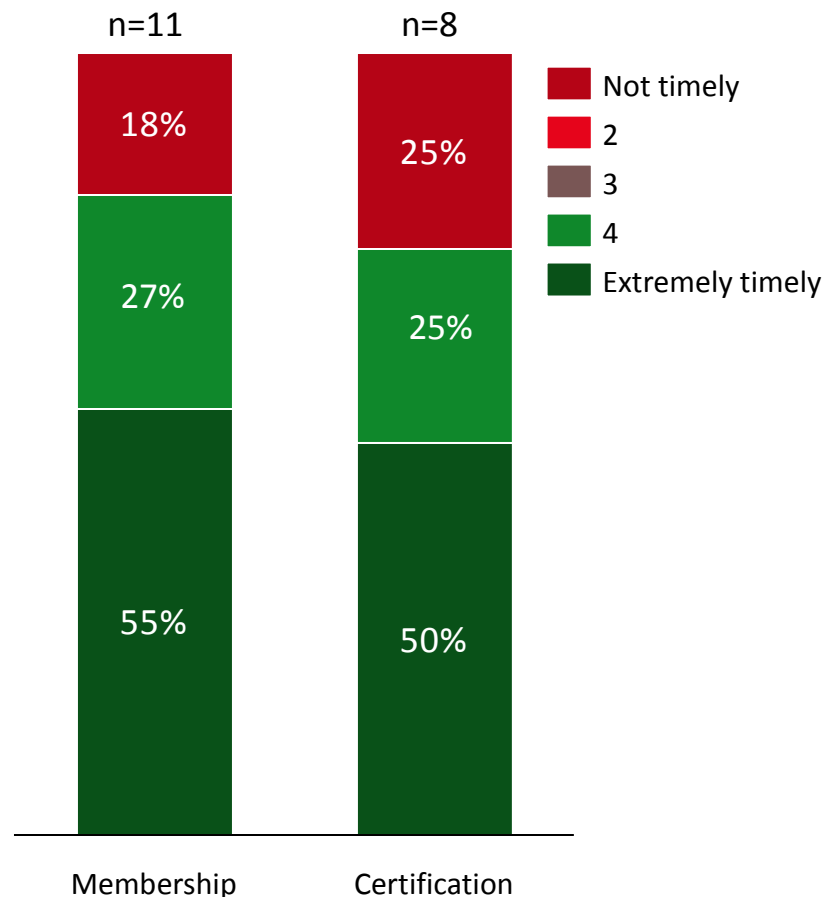
“The diamond industry is largely export oriented, we interact with foreign buyers our exposure to issues has grown and changes have been made to the working environment “

“The new generation of company owners has taken over, they have a lot of exposure to different work cultures. They want to move the factories beyond just work and institutionalise better conditions”

“In the recession of 2008-09, we lost a lot of labour. Once things got better, younger workers no longer wanted to work in cutting and polishing, so it was important to make the job more attractive for them by improving working conditions and wages.”

Efficiency: The majority of surveyed members were satisfied with the speed of RJC's response during the membership and certification process

How would you assess the speed of membership application & certification process?



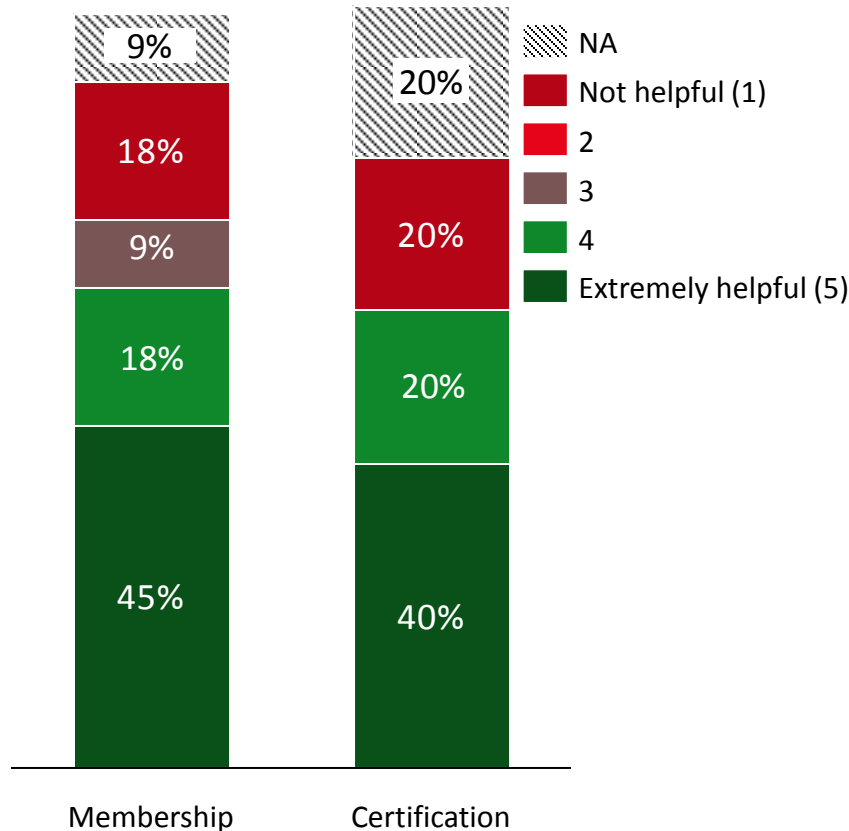
Insights from interviews

"We had already done our gaps assessment so when the auditor came for certification, the process was very smooth"
-RJC certified member

"The process of applying for RJC membership was quite straightforward, I sent in an application and a week later I became an RJC member"
-RJC member

Efficiency: While the survey indicates that members are satisfied with the support received, interviews suggest that there are areas for improvement

Did you find the level of support given by the RJC helpful? (n=13)



How can support be improved?

Provide greater in-depth information: Member suggested that more detailed guidance on the process would be helpful

"We sent RJC an email and got some material from them. We have hired an external agent to help us through the process before the RJC audit happens. Ideally, the RJC should take us through the process, step by step."

More personal communication: Members noted that more in-person communication would be better suited to the nature of the Indian industry

"RJC communicates via email, most company owners don't even use email. They are too distant"

Review the fee structure: Some members noted that the fee structure was overly burdensome for larger companies

"The fees is based on turnover, and while it is a small percentage, my company pays more because it is large. They should implement a slab fee structure to make it more fair"

RJC is adding more staff members to support its India members; it could reconsider its fee structure to attract more members

Effectiveness: Motivations for being or not being a member are linked to long-term economic benefits and/or demand from buyers and suppliers

Why did you join the RJC? (Average weighted ranking, n=11)



Why did you not join the RJC?

"I don't understand what the economic benefits of joining the RJC are, at least with the DTC BPP I know that I will have access to DeBeers' roughs, what do I get from the RJC?"

-Large company owner

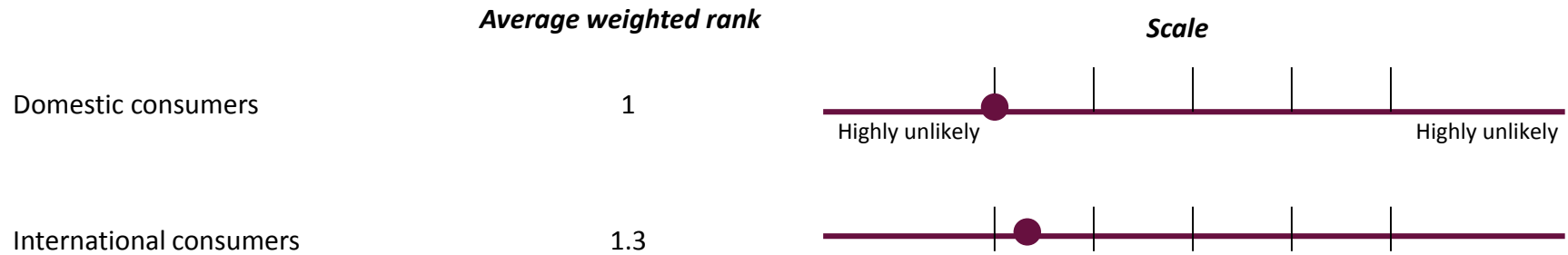
"We are a small company, we get our roughs from across the world and sell to small retailers after polishing. None of our suppliers of buyers have ever asked for any kind of certification"

- Small company owner

The RJC should build out targeted communication materials which are tailored to identify the tangible economic benefits for companies in the Indian context

Effectiveness: In order to build out “pull” for members, industry members recommend RJC to focus on buyers/suppliers rather than end-consumers

How likely are customers to seek out your company's primarily because of its RJC certification? (n=12)



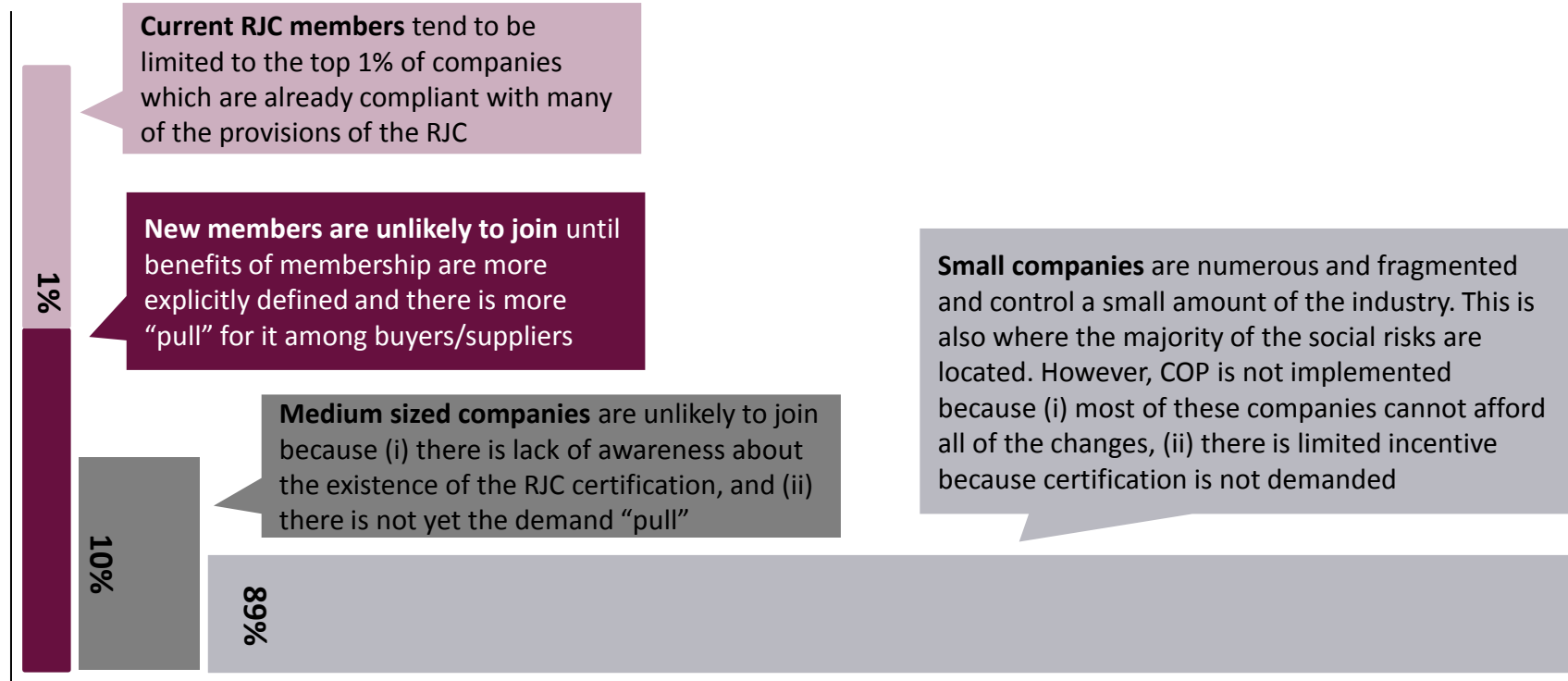
“We are a B2B business so some of our foreign buyers know about the certification, and seek out those companies that are certified by RJC”

“At the level of the consumer, in India or abroad, there is no awareness about RJC certified products so the question of seeking it out doesn't exist”

RJC should focus on promoting its name within the industry, especially among buyers/suppliers which can create the environment for additional companies to join

Effectiveness: The majority of RJC membership in India is limited to high-value companies, which is not where the majority of the social issues lie

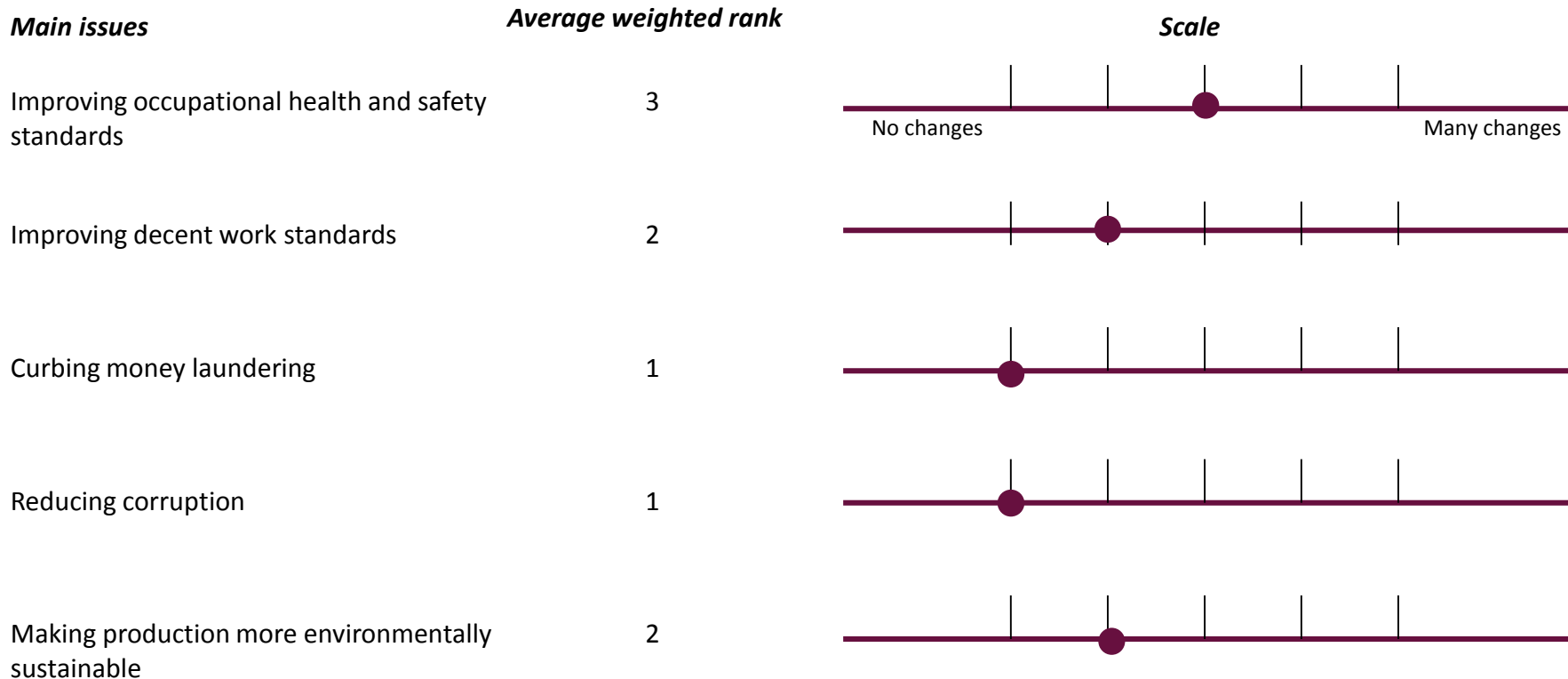
Share of the industry value



Number of companies

Effectiveness: Most members claim to be already complying to most requirements of the RJC COP and few have made changes due to certification

As a result of RJC certification, have you made any changes across the following dimensions? (n=12)



The bigger companies are observed to be more compliant; to be more effective in the long term, RJC should bring smaller companies into its fold




Effectiveness: To include new members, especially smaller companies, RJC could consider a tiered approach for its membership

Opportunity:

- This tiered membership would give RJC an opportunity to reach more members, especially smaller companies
- It would also enable RJC to build a community of members that benefit from the certification and from each other

A proposed approach:

- All memberships would only be awarded after certification has been completed. In the meanwhile, members would be termed “interim members”
- All members would be given one year to convert interim membership to full membership. If membership is not converted in given time, it will lapse.
- Membership fees for each tier would be differently designed

Associate membership 	Full membership 	Premium membership 
<ul style="list-style-type: none">• Target: Smaller companies, sub-contractors• Certification: To meet 10 labour rights, health and safety criteria for certification derived from COP 13• Advantages: Opportunity to gain some international recognition, improve factory working conditions and gain access to work with premium members	<ul style="list-style-type: none">• Target: Large and medium sized companies• Certification: Existing criteria for certification from COP 13• Advantage: Legitimacy with global buyers/suppliers, long term economic benefits	<ul style="list-style-type: none">• Target: Companies with “full” membership• Certification: Meeting all criteria of COP 13 and using only Associate members as sub-contractors• Advantages: Industry leadership through status, opportunity to influence associate members

Summary of recommendations

	Issue	Recommendations	Actions underway?
Relevance	There are many overlapping certification and supply chain audit schemes in the industry	RJC should continue to work towards harmonization between certification and supply chain audit scheme	Yes. RJC is collaborating with BPP and Signet and is recognized by Fair Trade and Fairmined. More work is planned with other programs
	There is organic change occurring in the industry which needs to be leveraged	RJC should look to capitalize on these trends and build a community of those looking to make change in the industry	Partial. RJC is reaching out to major players to bring them into the fold of the RJC and has established the RJC-India forum
Efficiency	Member companies would prefer to see more engagement with RJC during the certification process	RJC needs to increase its presence in India to be able to support its members and enrol more companies by making in-person contact	Yes. RJC now has a full-time person in India, a training specialist in the head office, and a new topic expert who will expand local independent support
	Member companies identify the current fee structure to be a disincentive for larger companies to enrol as it is a fixed percentage of turnover	RJC could rework its fees structure and adopt a “slab system based”, where companies in a particular slab are charged a standard fees (as opposed to a fixed percentage of turn over)	Not currently.
Effectiveness	The tangible benefits of RJC membership are unclear to both members and non-members	RJC needs to strengthen its communication to specify the tangible benefits of certifications to different audiences, particularly for the Indian context	Partial. RJC does have targeted communication materials in place but it is not context/audience specific for India
	Awareness of RJC certification is not perceived to be very high, particularly among buyers/suppliers who generate the pull for the scheme	RJC should leverage the interdependence in the industry and raise awareness about its certification scheme especially among big international suppliers/buyers who can encourage Indian companies and create a demand for membership	Partial. RJC attends major jewellery exhibitions to educate major buyer/suppliers about certification but can do more to target those players relevant for the Indian context
	RJC membership is concentrated with big players and is not reaching smaller companies where social issues exist	RJC can create a tiered system of membership to attract smaller players while maintaining the integrity of the current system	Not currently.


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- **Assessment of the RJC certification:** results of stakeholder surveys and strategic recommendations
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The Government of India's Companies Act 2013 mandates all businesses of a certain net worth to carry out CSR activities

Requirements of the act are to..

- 1 Establish a CSR committee.** The committee must have at least 3 Board members and establish a board-approved CSR policy.
- 2 Present an annual CSR policy.** The policy must specify sector, activities, budget and a monitoring plan.
- 3 Disclose annual progress.** A company must disclose its CSR policy in its annual report and on its website.
- 4 Disclose non-compliance.** There is no penalty for failure to conduct CSR, but a company must publicly disclose the reason.
- 5 Interpret what qualifies.** The Act's specifics are vague in defining what qualifies as CSR



While the Act specifies the process of conducting CSR activities, it does not prescribe any content for these activities.

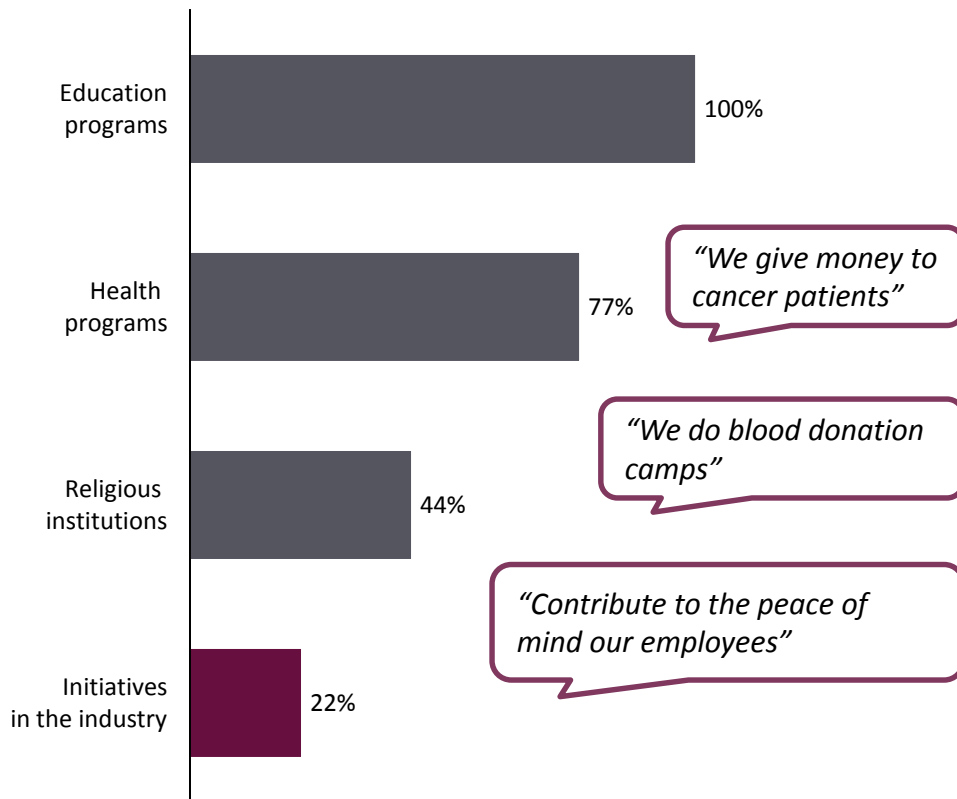
In its current form, there is limited direct overlap between the COP and the Companies Act, but there are opportunities to create synergies

	COP 2013 provisions	Description	Overlap with Companies Act
	General requirement (Provisions 1-4)	Legal compliance, policy and implementation, reporting and financial accounts	None: This section of the RJC COP 13 only refers to legal and financial compliances
Short term opportunity	Responsible supply chains and human rights (Provisions 5-12)	Business partners, human rights, sourcing from artisanal small-scale mining, community development, security	Partial: Directs members to undertake additional activities that will support the development of communities in which they operate
Long term opportunities	Labour and working conditions (Provisions 13-20)	Employment terms, working hours, remuneration, grievance procedures, child labour, forced labour, collective bargaining	None: Directives to comply with labour laws but only to levels of compliance – however, there are ways to push the agenda further in the long run.
	Health, safety and environment (Provisions 21-25)	Health and safety, environmental management, wastes and emissions, use of natural resources	None: Largely compliance based provisions about workers safety and environmental sustainability – but there are mechanisms to further this in the long term.
	Diamond, gold and platinum metal products (Provisions 26-28)	Product disclosure, Kimberly process, grading and appraisal	None: Compliance of basic protocols necessary in the mining of diamonds and metals – largely not applicable in India
	Responsible mining (Provisions 29-40)	Transparency, community engagement, prior informed consent, impact assessment, resettlement	Minimal: Members in the mining sector are encourage to engage communities affected by mining – largely not applicable in India

There is scope to realign existing CSR activities to adhere to the law and comply with RJC's provision of community development, in the short term

Only 22% of those who have CSR programs spend on initiatives within the industry

What kind of CSR activities do you do?
(% of respondents, n=9)



Potential areas for community development as part of strategic social spending, in the short term

- 1 Vocational training institute for industry related skills and abilities
- 2 Low cost housing projects for migrant labour in the industry
- 3 Area development programs to build parks/community spaces around factories

Note: 90% of survey respondents said they had a CSR program

Source: Dalberg survey to RJC members; Dalberg analysis

As RJC's influence in India grows, it can encourage its members in the long term to take some COP 13 measures and push them beyond compliance

COP provisions	Current compliance measures	Longer-term opportunities which overlap with Companies Act
Freedom of association and collective bargaining	<ul style="list-style-type: none"> Members shall respect the right of Employees to associate freely in Workers Organisations Members shall respect the right of Employees to collective bargaining 	<p>Opportunity: Support the organization of worker associations on the condition that they are also engaged in local community development and support them to identify projects and fund activities in this regard</p>
Employment terms	<ul style="list-style-type: none"> Members shall not avoid fulfilling obligations to Employees relating to labour and social security under Applicable Law. 	<p>Opportunity: Provide access to products and services beyond what is mandated to the workers (i.e., nutritional products, solar lanterns, etc.) which can help improve livelihoods which are beyond basic benefits</p>
Use of natural resources/ Waste and emissions	<ul style="list-style-type: none"> Members shall identify significant wastes and emissions to air, water and land generated in their business processes and responsibly manage waste. Members shall monitor energy and water usage in their business operations and put in place energy and water efficiency initiatives. 	<p>Opportunity: Actively manage and limit waste (through tangible and awareness building activities) and institute recycling opportunities which are beyond what is legally mandated by the law and RJC</p>