



United States Department of State

Washington, D.C. 20520

*Assistant Secretary of State for
Economic and Business Affairs*

December 15, 2011

Michael Rae, CEO
Matthew Runci, Chairman
Responsible Jewellery Council
First Floor, Dudley House
34-38 Southampton Street
London
UK WC2E 7HF

Dear Messrs Rae and Runci:

Thank you for the opportunity to comment on the Responsible Jewellery Council's (RJC) draft proposal for a Chain of Custody based on the RJC Standards.

As you know, the United States has been and remains a strong supporter of many of the initiatives that the RJC Standards and RJC Chain of Custody build upon, e.g. the Kimberley Process, the Extractive Industries Transparency Initiative, and the Voluntary Principles on Security and Human Rights. These multi-stakeholder initiatives have done much to advance governance, accountability, and economic development in the extractive sector, and we are pleased to see industry-led initiatives like RJC working in meaningful ways to both secure the gains they have made and also build upon them.

We recognize that each of these initiatives is only a piece of the larger work of providing consumers with the choice to pursue products that stand for responsible, ethical purchases. We acknowledge that, for any new effort to be successful in building upon this important foundation, the industry must take a lead role in the design, implementation, and oversight of the effort. Although other stakeholders have and will continue to play critical roles in the RJC, it is industry leaders from across the diamond supply chain, and from mining, manufacturing, and consumer centers throughout the world, who must take ownership.

In that light, we would like to commend the RJC for the impressive work undertaken to develop and implement the Standards and, perhaps more critically, the potential for the Chain of Custody (CoC) framework under development in recent years. We are encouraged to see the substantial number of companies joining RJC and look forward to seeing further progress on the CoC and its subsequent launch following further consultation. We also applaud your effort to achieve full ISEAL membership.

The State Department is committed to working with you and the members of RJC to promote respect for human rights along with sound social and environmental practices in the gold and diamond sector so that responsible, ethical choices are available for consumers. In light of this commitment, we stand ready to assist you in engagement and outreach to other governments and stakeholders to advance these goals through the launch and implementation of a system like the CoC.

Similarly, in order to demonstrate our shared commitment to these goals, we would like to raise a number of policy issues; we know you are aware of them, but want to highlight them as critical concerns.

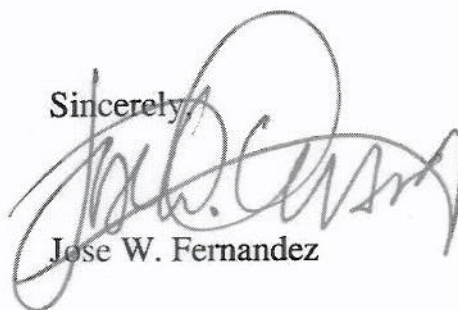
- **The role of the artisanal sector.** RJC should continue to seek to minimize the extent to which artisanal miners are further disadvantaged by aspects of the CoC that are, by their nature, more easily implemented by major mining and trading companies. The United States strongly supports innovative programs designed to promote economic development in the artisanal sector, such as the USAID-developed Property Rights and Artisanal Diamond Development (PRADD) program and the Diamond Development Initiative. We were pleased to hear that RJC is proceeding with individual Memoranda of Understanding with the Diamond Development Initiative and the Alliance for Responsible Mining to ensure these development and governance gains are not eroded, and to consider how alternative mechanisms (such as through locally-organized systems or cooperatives) could achieve recognition by RJC or another verifiable and auditable method.
- **The small business sector.** The gold and diamond sectors also include substantial numbers of small businesses. It is critical that RJC help small businesses recognize the benefits of the Standards and the CoC, and also identify methods for small businesses to implement initiatives in a cost-effective, practical, and implementable manner. The challenge and opportunity of offering responsible, ethical products to consumers do not belong solely to

large companies; rather, companies of any size, in any location, that are willing to undertake challenging but reasonable steps to organize their businesses to meet these goals should be able to engage with RJC. We are heartened to see that a significant proportion of the RJC's 330-plus members are small- and medium-sized companies.

- **The meaningfulness of audits.** As demonstrated in a number of contexts in the extractives and manufacturing sectors, certification and chain of custody systems depend on meaningful audits. We urge the RJC to ensure that, like the RJC Member Certification System, its CoC Standard includes independent and credible protocols and systems that will lead companies and auditors to implement audit systems that withstand public scrutiny. Although we do not seek to dictate how RJC members companies carry out their businesses, we reiterate what RJC has heard from other stakeholders, i.e. that the success of the system will only extend as far as the credibility of the audits.
- **The role of other stakeholders in the RJC systems.** As indicated, we recognize that the success of the RJC will be based on the leadership of industry in the ongoing structuring and management of the RJC. At the same time, the credibility of any such effort depends on an ongoing and credible mechanism for those outside the industry to engage with the decisions made by RJC. We look forward to further elaboration of the prospects for this engagement in the near future.

Thank you for this opportunity to comment on your work, and we look forward to continued cooperation. My staff is available should you wish to discuss more specific issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Jose W. Fernandez", written over the printed name below.

Jose W. Fernandez