

ARM comments on:

**RJC Chain-of-Custody certification for the diamond, gold and platinum jewellery supply chain
– Discussion Paper 2 – September 2010**

We highly appreciate the opportunity to participate in RJC’s consultative panel on CoC certification, as well as the extended period for public feedback, which allowed for a thorough analysis. The draft certainly represents progress in the right direction, although a few issues still carry the risk to become “loopholes” in the system.

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.

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 following issues to your attention:

- RJC proposes as CoC models exclusively the “bulk-commodity” and the “track-and-trace” scheme.
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.



Gold impregnated activated carbon at a desorption plant, physically segregated per artisanal producer.	Desorption tanks of a processing plant serving artisanal producers, where activated carbon is processed to recover the impregnated gold.
Very small batches of a few kilogram of activated carbon (left picture) cannot be processed technically and economically in processing plants designed for batch jobs in the order of one ton (right picture); in case of attempting, gold losses would be extremely high and processing costs would exceed by far the benefits of Fairtrade and Fairmined certification.	

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.

- On page 9, under “b) Auditor Accreditation and Verification”, the draft indicates:
“To become CoC certified, the company’s internal systems would have to be audited by an RJC accredited, independent third party auditor ...”, and
 on page 9, first bullet point of chapter 5, the draft indicates:
“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)”
 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.
- On page 12 chapter 7, the draft indicates:
“The RJC will establish a formal and transparent process of review, including public comment periods, to judge equivalency.”
 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.

Apart of the above issues, which are of direct interest to ARM and its Fairtrade and Fairmined certification scheme, we would like to contribute with comments on “*Minor components*” (page 8 and Standards chapter 13), as well as on “*Outsourcing*” (Standards chapter 12):

- The approach to allow for exemptions for minor components is – from a pragmatic point of view – 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.
- 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 commensu-

rate 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 RCJ 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.

Again, we wish to thank RCJ for the opportunity to comment on the Standards draft. The above comments have been consulted with the ARM Board's Executive Committee.

Yours sincerely,

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