



## **RJC Chain-of-Custody (CoC) Certification for the diamond, gold and platinum jewellery supply chain**

### **Draft CoC Certification Handbook and Standards Guidance**

**Comment period – Friday 24 June to Monday 22 August, 2011.**

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#### **Comment welcome:**

Feedback is warmly invited from RJC Members and stakeholders on RJC's proposed Chain-of-Custody Certification. Please contact us at:

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Please note that this is a companion document to *RJC Chain-of-Custody draft Standard + Discussion Paper 3*, which contains Part 1 (Discussion Paper 3) and Part 2 (draft RJC Chain-of-Custody Standard). See [www.responsiblejewellery.com/chain-of-custody.html](http://www.responsiblejewellery.com/chain-of-custody.html)

Part 3	RJC Chain-of-Custody Handbook – draft 1	An overview of CoC Certification and the process for achieving it.
Part 4	RJC Chain-of-Custody Standards Guidance – draft 1	Additional guidance for implementing the CoC standard at the business level.
Appendix 1	CoC Material Transfer Document – template example	
Appendix 2	Example Policy for draft CoC Standard provision 10.2	

## PART 3 – CERTIFICATION HANDBOOK – Draft 1

### 1. Responsible Jewellery Council (RJC) Certifications

With the development of RJC Chain-of-Custody (CoC) Certification, the RJC will offer two complementary forms of assurance for the jewellery supply chain.

Table 1 summarises key aspects of the two RJC programs: RJC Member Certification and RJC Chain-of-Custody Certification.

**Table 1 – Comparison of RJC’s existing and proposed assurance programs**

Features	RJC Member Certification (Available)	RJC Chain-of-Custody (CoC) Certification (Proposed)
<b>Voluntary?</b>	RJC Membership is voluntary.  RJC Commercial Members must achieve Member certification within 2 years, as a condition of membership.	Participation by RJC Members is voluntary.  Entities seeking RJC CoC Certification must be RJC Members, or under the Control of an RJC Member, to support the Council’s mission of responsible business practices.
<b>Applicable Standard</b>	RJC Code of Practices. <i>Published 2009, see <a href="http://www.responsiblejewellery.com">www.responsiblejewellery.com</a></i>	RJC Chain-of-Custody Standard. <i>See draft 2 in “RJC Chain-of-Custody draft Standard + Discussion Paper 3”.</i>
<b>Guidance for Implementation</b>	RJC Certification Handbook, Standards Guidance, Assessment Workbook and Manual. <i>Published 2009, see <a href="http://www.responsiblejewellery.com">www.responsiblejewellery.com</a></i>	RJC Chain-of-Custody Certification Handbook. <i>See draft 1 in Part 3 of this paper.</i> Standards Guidance. <i>See draft 1 in Part 4 of this paper.</i> Assessment Workbook and Manual ( <i>To be developed</i> )
<b>Requirement for third-party auditing</b>	Every 3 years if no Major Non-Conformances, or after 1 year if any Major Non-Conformances found.	Certification Audit followed by Surveillance Audit within 8-12 months if no Major non-conformances. Re-certification every 3 years.
<b>Resulting Claim</b>	<u>RJC Certified Member</u> : Member conforms with RJC Code of Practices, the RJC’s standard for responsible business practices.	<u>RJC Chain-of-Custody Certified Member/Entity</u> : CoC Certified Entity has verified systems in place for custody and/or supply of responsibly sourced Jewellery Materials. <u>Chain-of-Custody Material</u> : Material comes from responsible sources in accordance with the RJC CoC Standard.

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		RJC Conflict-Free Gold Refiner: Refiner has elected to certify that it has systems in place to source gold only from Conflict-Free sources.
<b>RJC Role – common to both programs</b>	<ul style="list-style-type: none"> <li>Standards development, guidance and training.</li> <li>Auditor accreditation and training.</li> <li>Administration of Accredited Auditor recommendations for Certification.</li> <li>Maintain public website on Certification status and related information.</li> <li>Administration of policies and rules for use of RJC logo.</li> <li>Complaints mechanism.</li> <li>Governance of Members, including disciplinary proceedings if required.</li> </ul>	

## 2. CoC Certification – Key documents and tools

The RJC uses the following document hierarchy for its Certification programs.



**Figure 1 – RJC Document Hierarchy**

To support the RJC CoC Certification program, the following documents will be publicly available:

- CoC Certification Handbook: Overview of CoC Certification and how to achieve it (this document);
- CoC Standard: The verifiable requirements which businesses need to meet to achieve CoC certification (see draft in companion document *RJC Chain-of-Custody draft Standard + Discussion Paper 3*);
- CoC Standards Guidance: Further guidance for businesses on how to implement the standard (see draft in section 4 of this document);
- CoC Assessment Toolkit: Assessment questions and instructions for businesses and auditors (*to be developed*).

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CoC Certification also builds on the RJC's existing systems for auditor accreditation and training, the current verification model outlined in the RJC Assessment Manual (2009), and the RJC Complaints Process (2010).

### **3. Roles of the RJC, Members and Auditors**

The RJC, its Members and Accredited Auditors all play distinct roles in the certification process. In summary:

- The RJC is responsible for operating and updating RJC Certification programs.
- Entities seeking CoC Certification are responsible for operating their businesses in conformance with the CoC Standard.
- Accredited Auditors are responsible for verifying whether an Entity's systems are in conformance with the CoC Standard and making a recommendation on certification.

### **4. Certification Steps**

#### **a. Certification Scope**

The Certification Scope is defined by the Member seeking CoC Certification. It must include:

- All Facilities under the Control of the Member that the Entity/ Member intends to use for the extraction, processing, manufacturing, storage, handling, shipping and receiving, and marketing of CoC Material; and
- All Outsourcing Contractors that the Entity/Member intends to use for the processing and manufacturing of CoC Material; and
- The types of CoC Material (Diamonds, Gold, and/or Platinum Group Metals) to be included in the Certification Scope; and
- The types of Eligible Material, if any, for which the Entity/Member intends to issue Eligible Material Declarations.

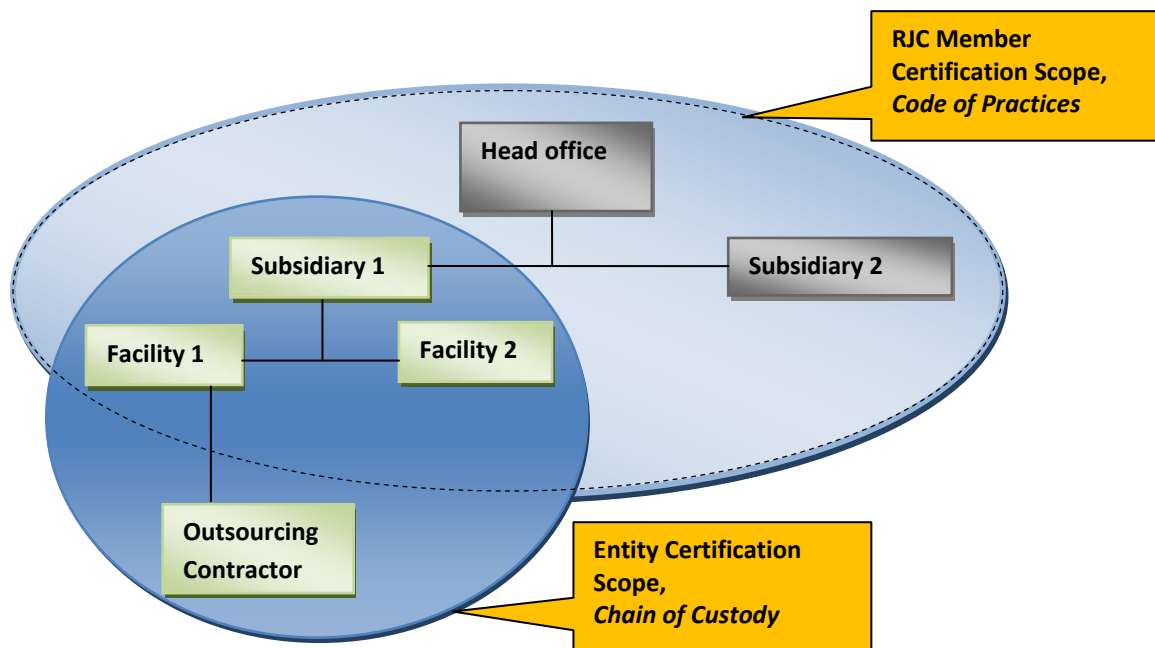
Gold Refiners may also elect to include the Conflict-Free Gold Refiner designation in the Certification Scope.

Unlike RJC Member Certification, the CoC Certification Scope does not need to cover all those parts of a Member's business that actively contribute to the Diamond, Gold and/or Platinum Group Metals Jewellery supply chain. As shown in Figure 2, the Certification Scope for Members against the Code

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of Practices, and the Certification Scope for the Entities under the Chain of Custody Standard, may be different from each other.

For example, an RJC Member may choose to only seek CoC Certification for some mines or manufacturing facilities under their Control and within their RJC Member Certification Scope.



**Figure 2 – Certification Scope, Chain of Custody compared with Code of Practices. (Example only)**

#### **b. Self Assessment**

Members are encouraged, but are not required, to conduct a self assessment of their systems against the Standard, prior to the Certification Audit. An Assessment Workbook will be published for businesses and Auditors to use for self assessments and verification.

#### **c. Certification Audit**

The Certification Audit provides the verification that the necessary systems for managing chain-of-custody are in place, even though no CoC Material may have yet been declared. The Audit needs to cover all applicable provisions in the Standard at all Facilities in the Certification Scope. However a sampling of Facilities is allowed at the Auditor's discretion, where there are common management systems applied in similar contexts. CoC Certification can be granted by the RJC on the basis of the results of the Certification Audit. The Certification Period is 3 years, after which another Certification Audit is required. If Major Non-Conformances are found, the Entity is not eligible for CoC Certification.

#### **d. Surveillance Audit**

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A Surveillance Audit must be conducted within 8-12 months following the granting of CoC Certification. The Surveillance Audit verifies that internal systems are operating in conformance with the Standard, and includes a check of samples of CoC Transfer Documents, any consumer claims, and associated records. It also verifies progress or completion of any corrective actions for minor non-conformances found during the Certification Audit.

## 5. Certification

Certification is granted by the RJC, based on the recommendation of the RJC Accredited Auditor and a check that the RJC Member is in good standing with regard to its general commitments of RJC Membership. The RJC will assign a unique CoC certification number to each CoC certified Entity. Public documentation on CoC certification status will include the name and CoC certification number of the Entity, the list of Facilities covered by the certification (the Certification Scope), the certification period and the CoC Materials that it covers (Diamonds and/or Gold and/or Platinum metals). CoC Certified businesses will be entitled to promote their certification status to other parties including final consumers.

**Table 2 – Summary of Steps to Certification**

Steps to Certification	Key Activities and Results
<b>Certification Scope</b>	Determined by the Member / Entity: <ul style="list-style-type: none"> <li>• All Facilities handling CoC Materials;</li> <li>• Any Outsourcing Contractors;</li> <li>• What types of Materials are included;</li> <li>• Intent to issue Eligible Materials Declarations.</li> </ul>
<b>Self Assessment</b>	Recommended but not required. Certification Scope determines which Provisions of the Standard apply. Entity follows the Workbook (to be developed).
<b>Certification Audit</b>	Entity selects an Accredited Auditor. Auditor verifies that systems are in accordance with the Standard. All applicable Provisions are audited at all Facilities in scope, using the verification model outlined in the RJC Assessment Manual. Corrective Action Plans in place for any non-conformances.
<b>Certification Report from Auditor</b>	Report to Member; Recommendation and summary report to RJC.
<b>Certification</b>	Granted by RJC based on Auditor's recommendation; Certification details posted on RJC website.
<b>CoC Transfer Documents</b>	Once certified, the Entity may issue CoC Transfer Documents and issue Eligible Material Declarations if covered in Certification Scope.
<b>Surveillance Audit</b>	Required 8 – 12 months after CoC Certification granted. Accredited Auditor checks documentation and verifies systems are in conformance, delivers Surveillance Audit report to Member and summary to RJC.
<b>Re-Certification</b>	Due 3 years after CoC Certification granted.

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## 6. Estimate of Audit Time

The RJC Assessment Manual (T001\_2009) provides estimates of audit time required in terms of Assessment person Days for different sizes and types of businesses (see Table 4 in that document). While the scope of subjects in the CoC Standard is narrower than for the Code of Practices, internal CoC systems will require more detailed verification to assure their integrity. It is thus suggested that the guidance for audit time in Table 4 is also relevant for a CoC Certification Audit and Surveillance Audit, combined.

RJC Members have the option of combining Member Certification (against the Code of Practices) and one of the CoC audits, where this is relevant.

## 7. Non-Conformances and Corrective Actions

### a. Conformance Ratings

The following conformance ratings are used in the audit for each provision of the Standard:

- **Conformance.** The Member's policies, systems, procedures and processes perform in a manner that is conformant with the provision.
- **Minor Non-Conformance.** The Member's policies, systems, procedures and processes perform in a manner that is not wholly in conformance with the provision, due to an isolated lapse of either performance, discipline and control which does not lead to a Major Non-Conformance.
- **Major Non-Conformance.** The Member's policies, systems, procedures and processes perform in a manner that is not conformant with the provision due to:
  - The total absence of implementation of the provision; or
  - A systemic failure or total lack of required controls; or
  - A group of related, repetitive and persistent Minor Non-Conformances indicating inadequate implementation.
- **Critical Breach.** A finding or observation, supported by objective evidence, of deliberate falsification of information required to support a conformance rating.
- **Not Applicable.** The provision cannot be implemented by a Member due to the nature of its business covered by the Certification Scope.

### b. Results of Conformance Ratings

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**i. Minor Non-Conformance**

Companies with Minor Non-Conformances are eligible for CoC certification provided Corrective Action Plans are in place, approved by the auditor. These will be subject to verification at the time of the next Audit.

**ii. Major Non-Conformance**

If a Major Non-Conformance is found during a Certification Audit, the Member shall not be recommended by the auditor for CoC Certification. If a Major Non-Conformance is found during the Surveillance Audit, CoC Certification will be suspended. Outsourcing contractors with any major non-conformances will be excluded from the scope of the Certification. A company may request another audit at any time, once it has addressed any Major Non-Conformances.

**iii. Critical Breach**

Deliberate falsification of CoC Material, falsification of records for CoC Material, or falsification of information provided to auditors will result in a Critical Breach. Auditors shall cease any audit activity if a Critical Breach is found during an audit, and shall immediately notify the Critical Breach to the RJC Management Team. Disciplinary proceedings will commence (see section 10 below).

**8. Training and Support**

To assist Members in the implementation of the CoC Standard, the RJC will provide web-based delivery of information resources and training. Where needed, the RJC may also organise additional information sessions and workshops.

The RJC will also investigate opportunities for Members to share best practice case studies and other forms of peer support. These may be supported by the RJC and/or individual trade associations, and may include workshops, seminars, emailed briefs, inter-Member support and additional online resources.

If there are any questions regarding CoC Certification and support available, contact the RJC Management Team for guidance: [info@responsiblejewellery.com](mailto:info@responsiblejewellery.com)

**9. Data Confidentiality**

The confidentiality of Members' commercially sensitive information is a core commitment for the RJC (see RJC policies at <http://www.responsiblejewellery.com/about.html#policies>).

- The RJC will receive limited information about a Member in the CoC Certification Recommendation from the Accredited Auditor.

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- Any commercially sensitive information will be kept strictly confidential within the RJC Management Team.
- The identity of Outsourcing Contractors which are audited as part of an Entity's Certification Scope can be withheld from the Entity's Certification Status published on the RJC website, at the Entity's request.
- The Certified Member status will be publicly disclosed.
- Members should consider requiring Auditors to enter into confidentiality agreements.

## **10. Complaints and discipline**

The [RJC Complaints Mechanism](#) (T007\_2010) aims to ensure the fair, timely and objective resolution of complaints relating to potential non-compliance with the RJC Member Certification system. The scope of the RJC Complaints Mechanism document will be updated so that it applies to complaints raised under RJC's proposed CoC Certification initiative.

Disciplinary proceedings may result in loss of CoC Certification for situations where Major Non-Conformances are identified through investigation. Loss of RJC Membership may result in the case of a Critical Breach (see section 7 of this document) or actions which bring the RJC into disrepute.

## **11. Labelling and Marketing**

### **a. RJC Logo**

Members of the RJC are entitled and encouraged to use the RJC logo. Certified Members of the RJC are provided with a version of the logo which includes a subscript showing their Member certification number.

Certified Members of the RJC (or their Entities) which achieve CoC Certification may display an additional subscript showing their CoC certification number. A 'Conflict-Free Gold Refiner' designation will be a third subscript for Refiners which opt to include this section of the CoC Standard in their Certification Scope (see example in Figure 3).

Certification status does not change the logo design. Only the subscript(s) change, depending on the Member's or Entity's Certification status. Information on the respective Certification Scopes will be available on the RJC website.

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**Figure 3 – RJC Certified Member template for Certification against the Code of Practices (example)**

#### **b. Rules of Use**

The RJC logo, along with the CoC subscript, may be used in any valid representations about the certified company.

CoC Certified RJC Members will be entitled to use the RJC logo and other RJC CoC representations about specific articles sold to other entities, including the final consumer, provided the representations apply only to CoC Materials. The RJC logo and representations about CoC Certification must not be used in a manner that could cause confusion about the Materials that the representations apply to. Therefore, for example, if a jewellery product contains both CoC Material and non-CoC Material, the use of the logo may only apply to the CoC Material, and not to the product as a whole.

In addition, any descriptions or claims about the CoC Material made to consumers must be provided in written form, and be consistent with information provided in CoC Transfer Documents that accompanied the CoC Material.

Note that RJC Member Certification alone (i.e. certification against the Code of Practices) applies to business practices only and does not permit the RJC logo to be used on jewellery products to imply claims about the material. The RJC Logo Guide will be revised to include reference to CoC Certification and rules of logo use.

In summary:

- RJC **CoC** Certification **enables the RJC logo to be used on or in conjunction with** CoC Material, according to the rules of the CoC standard.

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- Non-CoC Certified businesses may purchase CoC Material with the logo on or used in conjunction with the CoC Material, such as on packaging, but may not change the use of the logo.
- RJC **Member** Certification alone **does not** entitle Members to use the RJC logo on products.

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The Council for Responsible Jewellery Practices Ltd, First Floor, Dudley House, 34-38 Southampton Street, London, UK, WC2E 7HF.  
The Council for Responsible Jewellery Practices Ltd is registered in England and Wales with company number 05449042.

## PART 4 – STANDARDS GUIDANCE – Draft 1

### Introduction

#### a. Introducing Chain-of-Custody

The Responsible Jewellery Council (RJC) has developed Chain-of-Custody (CoC) Certification to support businesses which wish to provide their customers and stakeholders with independent assurance about conflict-free, responsible sourcing.

A 'Chain-of-Custody' is a documented sequence of custody of material as it is transferred along the supply chain. Chain-of-custody systems can provide an important point of differentiation and confidence in the business practices involved in production. Certification of those systems provides recognisable assurance to customers, consumers and stakeholders against a known standard.

Depending on the type of business, CoC Certification may be of interest to:

- Support responsible mining practices
- Source legitimate recycled materials
- Identify the provenance of jewellery materials
- Avoid 'conflict' resources implicated in human rights abuses, illegal or criminal practices
- Enhance reputation through responsible sourcing
- Carry out due diligence of the supply chain
- Respond to the requests of customers.

#### At a Glance

CoC Certification:

- Voluntary
- Requires RJC Membership to support responsible business practices in the supply chain
- Requires independent, third party auditing
- Controls for responsible sources of diamonds, gold and platinum metals
- Supports implementation of Dodd-Frank Conflict Minerals legislation

CoC Certification is **voluntary** for RJC Members. While RJC Member Certification against the Code of Practices is compulsory for businesses which choose to join the RJC, CoC Certification is optional for RJC Members because of the need for compliance with [anti-trust](#) laws.

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### b. Key elements of the CoC Standard

The CoC Standard establishes requirements for the Custody of Materials, and for confirming that CoC Materials are only from known sources that are responsible and Conflict-free. The key elements of the CoC Standard therefore include systems for: material segregation, material transfers, document controls, and controls for responsible and Conflict-free sources. Requirements for each of these elements are found in different Provisions of the Standard, as shown in the following table.

**Table 3 – CoC Standard Provisions, by key element**

	CoC Standard Provisions	Material Segregation	Material Transfers	Document Controls	Responsible, Conflict Free Sourcing
<b>Chain-of-Custody Management</b>	1. Management Systems			★	★
	2. Internal Material Controls	★	★	★	
	3. Outsourcing Contractors	★	★	★	
<b>Systems to Confirm Eligibility of Material</b>	4. Eligible Mined Materials	★		★	★
	5. Eligible Recycled Materials	★		★	★
	6. Eligible Grandfathered Materials	★		★	★
<b>Issuing Chain-of-Custody Documentation</b>	7. Eligible Materials Declarations		★	★	
	8. CoC Transfer Documents		★	★	
	9. Consumer Claims and IP		★		★
<b>Conflict Affected Areas</b>	10.1, 10.2 Supply chain policy				★
	10.3 Complaints Mechanism				★
	10.3,10.4 Conflict Free Refiner				★

### c. Eligibility of Material for Chain-of-Custody

The CoC Standard sets out the management systems required to confirm that Material (Diamonds, Gold and Platinum Group Metals) can be declared as Eligible Material. Once Material is declared as Eligible Material, it can be processed and transferred as CoC Material.

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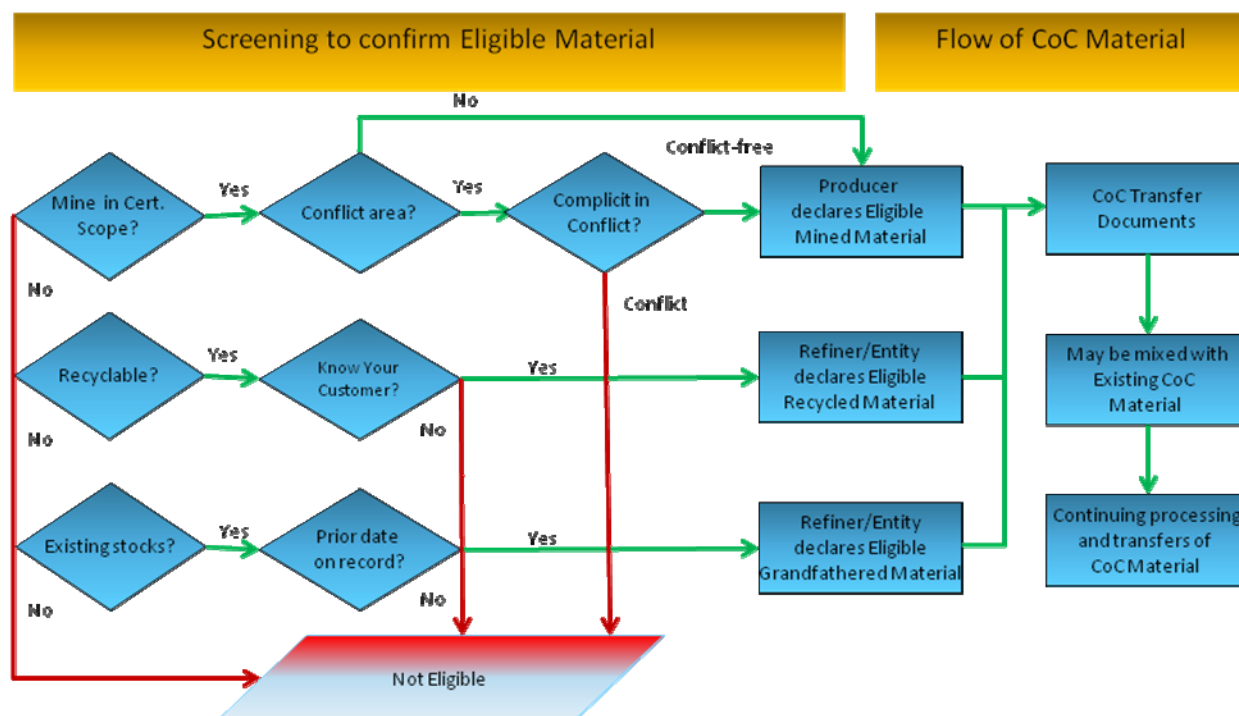


Figure 4 – Screening and Flow of CoC Material

**d. Application of Provisions to different types of businesses**

The following table provides a breakdown of the required, optional (where applicable) and non-applicable provisions of the CoC Standard according to the type of business. This breakdown is not definitive, and exceptions may occur. The Entity’s Certification Scope will define which provisions shall apply to the Entity seeking Certification.

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**Table 4 – Application of CoC Standard Provisions by Sector**

	CoC Standard Provisions	Miners	Refiners	Retailers Traders Manufacturers
<b>Chain-of-Custody Management</b>	1. Management Systems	Required		
	2. Internal Material Controls	Required		
	3. Outsourcing Contractors	Optional		
<b>Systems to Confirm Eligibility of Material</b>	4. Eligible Mined Materials	Required	Not applicable	
	5. Eligible Recycled Materials	Not applicable	Required	Optional
	6. Eligible Grandfathered Materials	Not applicable	Optional	
<b>Issuing Chain-of-Custody Documentation</b>	7. Eligible Materials Declarations	Required		Optional
	8. CoC Transfer Documents	Required		
	9. Consumer Claims and IP	Optional except 9.3 which is mandatory		
<b>Conflict Affected Areas</b>	10.1 Supply chain policy	Required		
	10.2 Policy non-compliance	If applicable	Required	
	10.3 Complaints Mechanism	Required		
	10.4 Refiner location	Not applicable	Required	Not applicable
	10.5 Conflict Free Refiner	Not applicable	Optional	Not applicable

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## Standards Guidance

### This Guidance

The *RJC CoC Standard* outlines the requirements for CoC Certification. This *CoC Standards Guidance* has been developed as a resource to assist RJC Members seeking CoC Certification, and for Auditors carrying out third party audits. It can also be used by businesses in the jewellery supply chain and stakeholders who wish to learn more about establishing chain-of-custody systems and the RJC's standards.

The *RJC CoC Standard* is structured into four sections. The first three set the basic framework for managing robust chain-of-custody systems, while the fourth addresses additional conditions to support Conflict-free sourcing.

- A. Provisions 1 – 3. Chain-of-Custody Management:** Management system and responsibilities; Internal material controls; Outsourcing contractors and service companies.
- B. Provisions 4 – 6. Systems to Confirm Eligibility of Material:** Eligible Mined Material; Eligible Recycled Material; Eligible Grandfathered Material.
- C. Provisions 7 – 9. Issuing Chain-of-Custody Documentation:** Eligible Material Declarations; CoC Transfer Documents; Consumer claims.
- D. Provision 10. Sourcing from Conflict-Affected Areas:** Supply chain policy; Complaints Mechanism; Conflict-Free Gold Refiner designation.

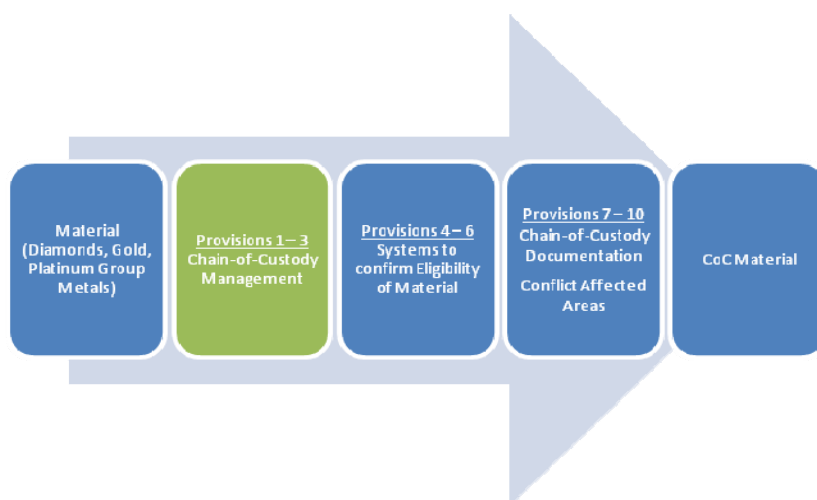
The *CoC Standards Guidance* is similarly organised to address each of the above sections, providing general guidance to businesses wishing to implement systems and procedures that can comply with the *RJC CoC Standard*.

Like the RJC's Code of Practices, the CoC Standard sets out requirements for what a business must be able to do, but does not generally prescribe how systems and procedures are designed. The *CoC Standards Guidance* therefore offers general guidance only and is non-prescriptive. The *RJC CoC Standard* is the final point of reference.

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## A. Chain-of-Custody Management

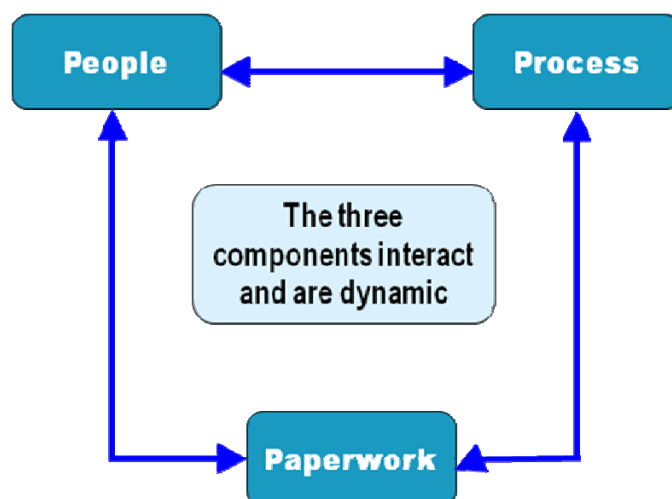


### 1. Management system and responsibilities

The CoC Standard begins with the requirement that a Member must have a Management System in place to address all applicable parts of the Standard, in all Facilities which have Custody of CoC Material. A Management System is defined as:

Management processes and documentation that collectively prove a systematic framework for ensuring that tasks are performed correctly, consistently and effectively to achieve the desired outcomes, and to drive continual improvement in performance.

In basic terms, a Management System is made up of three elements – people, process, and paperwork - that interact with each other, as shown in the following diagram:



**Figure 5 – Management systems components**

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For a Management System to work effectively: people must be trained, competent, and understand their responsibilities; processes must be established to define what tasks and work activities need to be carried; and paperwork is required to ensure consistency, measure results, and maintain records.

Management Systems can take many different forms, depending on the nature and scale of the business, the level of automation and use of information technology, the types of Materials handled, the points where material could become mixed, etc. For example, a Management System necessary for segregation of CoC Material from non-CoC Material will look very different at a mine site from that for a small retail business. However, in each case an auditor will look to verify that the Management System can fulfil the requirements of the Standard.

To ensure conformance with requirements in the Standard, an auditor would typically look for the following general types of objective evidence:

- Efforts to identify and control risks of non-conformance
- Clear designation of a responsible manager
- Policies and procedures (which may or may not be documented) that are understood and consistently followed
- Adequate resources (financial, human, equipment, information technology, etc.) to carry out the relevant tasks and activities
- Training of relevant staff
- Records and documentation

*Example: For segregation of CoC Material from non-CoC Material, an auditor may look for the following kind of evidence to verify that the Management System conforms to the Standard:*

- *All points in the Facility where there is a risk of Eligible and/or CoC Material becoming mixed with non-Eligible and/or non-CoC Material have been identified and controls put in place to ensure segregation*
- *Other risks of mixing have been considered and steps taken to address them*
- *Procedures are in place and are understood by all relevant staff*
- *Systems are in place to track all CoC Materials in Custody*
- *A responsible manager has been designated and all relevant staff have been trained on their responsibilities*
- *Documentation is available to demonstrate that the controls are effective.*

Where possible, consider embedding the requirements of the CoC Standard into the business' existing management systems as this will be more efficient and help implementation.

#### **Review:**

- Entities seeking CoC Certification must ensure an effective Management System is in place to meet each of the applicable requirements of the CoC Standard.

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- How each Entity's management system is designed will be different, depending on the nature of their business.
- The three main dimensions of management systems are people, processes and paperwork.

**Check:**

- ✓ Who has overall responsibility for implementing and maintaining CoC systems?
- ✓ Are all relevant staff trained and aware of they what they need to do with CoC Material?
- ✓ Is there a record-keeping system that will enable the business to respond to requests for more information on CoC Material it has transferred?

## 2. Internal Material Controls

The CoC Standard supports the "Bulk Commodity" chain-of-custody model, which prevents the mixing of eligible material with non-eligible material but does not require tracing to origin. The CoC Standard can also be used to support a "Track and Trace" model, which does trace to origin.<sup>1</sup>

An essential element underpinning both models is a system for internal material controls that provide for the segregation of material that is eligible for inclusion in the chain-of-custody from material that is not eligible. This is the essence of a "Bulk Commodity" model. However the same controls may also be applied to prevent the mixing of CoC Material with certain characteristics, such as origin, with CoC Material that does not have those characteristics, thereby enabling a "Track and Trace" model.

The key controls involve the entry and updating of weight (or item count), for individual, physically separated lots or parcels of CoC Material that are assigned unique identification numbers. For businesses using continuous processing, lots comprised of physical inputs and outputs over given time periods defined by the Entity could be used to measure material flow for record-keeping. Many businesses in the jewellery supply chain already have systems in place that record most or all of this information. These inventory systems can usually be readily adapted for CoC Material controls.

The internal control system will need to include procedures for the verification of incoming and outgoing shipments of CoC Material, all of which must be accompanied by accurate CoC Transfer Documents, and accurate entry of information onto the Entity's record keeping system. It is recommended that the approval procedures for shipments be documented, and include a

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<sup>1</sup> See RJC CoC Discussion Paper 1 for more discussion of these models, and examples of their use:  
[http://www.responsiblejewellery.com/downloads/RJC\\_Chain\\_of\\_custody\\_discn\\_paper\\_19\\_04\\_2010.pdf](http://www.responsiblejewellery.com/downloads/RJC_Chain_of_custody_discn_paper_19_04_2010.pdf)

requirement for the contents of each shipment of CoC Material to be signed off by a responsible employee.

Internal controls to prevent any mixing of CoC Material with non-CoC Material may be provided through physical measures to segregate materials handled in the same Facility at the same time, and/or temporal measures such as batch processing, to allow only CoC Material to be handled and processed over certain periods of time.

The Standard requires that all points where Materials in Custody could potentially be mixed be identified, and steps taken to prevent any mixing that could otherwise occur. To assist the Audit, as well as the effectiveness of the overall management system, the points of potential mixing, and the measures taken to prevent mixing, should be documented.

The steps taken to prevent mixing should, in addition to physical and/or temporal barriers, also involve procedures and record-keeping to track CoC Materials during processing, handling and storage at a Facility. CoC Material in the Custody of an Entity should therefore be identified and tracked by unique identification numbers allocated to discrete physical lots or parcels, with an accurate weight recorded for each lot or parcel. Changes in weight due to processing should be recorded, with checks in place to ensure they are within normal tolerances. The record-keeping system should be able to show the location, status and weight of each lot at all times. If CoC Material is in the form of Jewellery Products, an item count could be used rather than, or in addition to, the weight of the lot or parcel.

CoC Material segregation also needs to be supported by a record-keeping or inventory management database that enables the total weight of Eligible and/or CoC Material in Custody to be reconciled with movements in and out of the CoC Material held in Custody at a Facility over a given time period.

Although some adaptations may be necessary to meet the Standard, many businesses will already have equipment, facilities, procedures and information technology in place to segregate, measure, track and reconcile Material in its custody. These capabilities should facilitate effective inventory management and work flow, and support the business's financial accounting system.

It should be noted that for smaller businesses, the internal control systems do not need to involve expensive and sophisticated equipment or information technology. Smaller businesses using simple systems can readily conform to the Standard. Nevertheless, systems that make extensive use of manual data entry are much more prone to error and should be minimised to the extent possible.

**Review:**

- CoC Material must be kept segregated. All points where mixing could occur must be identified and steps taken to prevent any mixing.

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- CoC Material should be physically separated lots or parcels with a weight (or item count) and unique identification numbers, stored on a central database.
- Internal systems must be able to show all CoC Material in the business' Custody and reconcile changes over time.
- Procedures should be in place to ensure the accuracy of all shipments entering and leaving the business' Custody.
- Most businesses should already have the basic requirements in place, but they may need adjustments to meet the Standard.

**Check:**

- ✓ Have all points of possible mixing been identified?
- ✓ How is mixing prevented?
- ✓ Are there data available on the weight or item count for all CoC Materials in the business' Custody?
- ✓ How is data entry controlled to prevent human error?
- ✓ Are systems able to show the location and status of all lots or parcels of CoC Material in the business' Custody?

### 3. Outsourcing Contractors and Service Companies

Many businesses, particularly smaller businesses and those engaged in the middle of the supply chain, rely on Outsourcing Contractors and Service Companies to perform work on Diamonds, Gold and Platinum Metals. The Standard accommodates these practices and includes several conditions to ensure the integrity of Custody is maintained.

Outsourcing Contractors include companies that take Custody of CoC Material for the purpose of processing or manufacturing, whereas a Service Company maintains segregation on behalf of their clients as an essential part of their service, and does not physically change Material. Examples of Service Companies include grading labs, diamond acid boilers, assayers, security and transportation companies.

Entities seeking CoC Certification will need to ensure that any non-CoC Certified Outsourcing Contractors that will handle CoC Material are part of the Entity's Certification Scope, so that the Contractors can be audited for compliance with the Internal Material Controls provision of the CoC Standard. Ownership of the Materials being outsourced must be retained by the Entity, and systems

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must be in place to ensure transfers are properly documented and verified. Service Companies used by the Entity do not need to be identified in the Certification Scope.

The risks of potential non-conformance with the CoC Standard resulting from the engagement of each Outsourcing Contractor and Service Company must also be assessed, and the Entity must determine that risk is acceptable. The risk assessment should be based on a reasonable level of familiarity with each company, which may require site visits. To ensure that conformance to this requirement can be verified by the auditor, and to support a strong overall management system, the risk assessment and the determination of acceptable risk should be documented and approved by the responsible manager, and updated annually.

#### **Review**

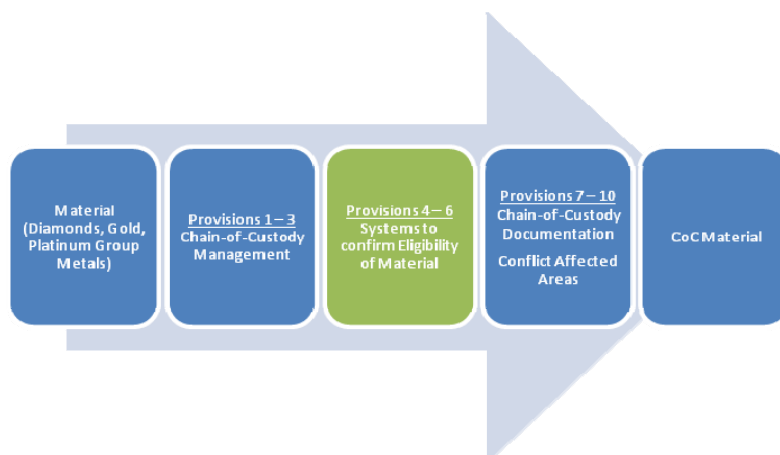
- Entities may use Outsourcing Contractors, providing they are included in the Entity's Certification Scope and are audited to ensure compliance with the Internal Material Controls provision.
- The risks of engaging the Outsourcing Contractor must be assessed and determined to be acceptable.
- Service Companies do not need to be included in the Entity's Certification Scope. However they should be included in the risk assessment if they handle CoC Material.

#### **Check:**

- ✓ Identify any Outsourcing Contractors intended to be used to process or manufacture CoC Material. If they are not CoC Certified, include them in the Entity's Certification Scope.
- ✓ Assess risks for potential non-conformances by all Outsourcing Contractors and Service Companies.
- ✓ Ensure controls are in place for all transfers of CoC Material between the Entity and Outsourcing Contractors or Service Companies.

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## B. Systems to Confirm Eligibility of Material



CoC Material can only be created through Eligible Material Declarations contained in CoC Transfer Documents issued by CoC Certified Entities.

Provisions 4 – 6 set out the systems requirements that Entities must have in place for ensuring that the conditions necessary to issue Eligible Material Declaration are met.

The guidance for Provisions 4 – 6 should be read in conjunction with the guidance for Provisions 7 – 9, which address the management of Eligible Material Declarations and of CoC Transfer Documents.

### 4. Eligible Mined Material

Provision 4 of the CoC Standard sets out requirements to ensure that Eligible Material Declarations can only be issued for Mined Materials if:

- 1) They have been produced from Mining Facilities that are within a CoC Entity’s Certification Scope, and
- 2) Due Diligence has confirmed that the Mined Materials are Conflict-Free.

For the first condition, if the mine or mines within the Certification Scope are “ring-fenced”, with their physical location dictating that the extraction and processing of a supply of Mined Material could only come from those Facilities, then this step should be very straightforward. These conditions would, for example, normally apply to Mining Facilities producing rough diamonds.

If there are any points where Eligible Mined Material from Facilities within the Certification Scope could be mixed with Mined Material from Facilities that are not within the Certification Scope – for example through the transportation and/or processing of mine concentrates - the Entity must

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ensure all such points are identified and steps taken to ensure segregation, in accordance with provision 2.1. The guidance outlined above for Internal Material Controls would therefore apply if these conditions are present. The procedures to prevent mixing or loss of Custody of Eligible Mined Material should be thoroughly documented, and should be tested to ensure their reliability. Auditors would be expected to place a high level of attention to these controls during a Certification Audit.

The second condition involves systems to ensure that the Mined Material is Conflict-Free. An Eligible Material Declaration cannot be issued unless documented Due Diligence has been undertaken by the Entity with Mining Facilities to determine one of the following only:

- a. The mine/s and/or transportation routes are not located in Conflict Affected Areas; or
- b. While the mine/s and/or transportation routes are located in Conflict Affected Areas, the production, processing and transportation of the Material did not directly or indirectly finance or benefit Illegal Armed Groups.

All CoC Transfer Documents initiating a chain-of-custody through an Eligible Material Declaration for Mined Material must identify whether a. or b. applies, and the CoC Transfer Document must include a Conflict-Free Warranty. A template for CoC Transfer Documents is provided in Appendix 1, which can be used in its current form or integrated into internal systems.

In all cases, the country or countries where the Mined Material was extracted must be identified in the CoC Transfer Document making the Eligible Material Declaration.

If b. applies, a summary of the Due Diligence for the Mined Material must be appended to the CoC Transfer Document. If the Mined Material is Gold from the DRC or an Adjoining Country, the CoC Transfer Document must also include the name and location of the Mining Facility/ies, and if applicable the Refiner in which the Material will be processed. This provision is included to support implementation of Section 1502 of the Dodd-Frank Act and is aligned to the proposed SEC rules published in December 2010 (the final versions are to be published before the end of 2011). (Note that to further support downstream implementation of the Dodd-Frank Act, Provision 8.4 requires CoC Certified Entities to include this information in any subsequent CoC Transfer Documents containing that Material. See the CoC Transfer Document template in Appendix 1).

If neither a. nor b. apply, the Material is not Conflict-Free and would not qualify as Eligible Mined Material.

#### **Review:**

- Mined Material can only become CoC Material through Eligible Material Declarations contained in CoC Transfer Documents issued by CoC Certified Entities.

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- Eligible Mined Material may originate only from Mining Facilities within a CoC Certified Entity's Certification Scope.
- Eligible Mined Material must be Conflict-free, confirmed through Due Diligence.
- The CoC Transfer Document must identify the country of origin as a minimum, and more detailed information is required if the mine is located in a Conflict-Affected Area.

Due Diligence guidance: Due Diligence involves inquiry and analysis necessary to make a reliable and verifiable determination about the relevant conditions applying to the production and transportation of Mined Materials from Mining Facilities. Entities conducting Due Diligence must act reasonably and prudently under the circumstances.

The RJC Code of Practices addresses many issues and conditions involving human rights, business ethics and social performance that would be relevant to the Due Diligence necessary to conform to this requirement. Therefore an RJC Certified Member can readily provide third-party verified evidence of the conformance of its own Facilities to the Code of Practices, which includes the Voluntary Principles on Security and Human Rights, the Extractive Industries Transparency Initiative, and requirements for the respect of human rights and community engagement and development, including with artisanal and small-scale mining in the areas of operation and Indigenous Peoples.

Conflict Affected Areas, for the purpose of the Standard, means areas where armed aggression, widespread violence, and/or widespread human rights abuses are prevalent, and may include a region, a country, an area within a country, or an area which crosses one or more country boundary. Section 1502 of the United States' Dodd-Frank Wall Street Reform and Consumer Protection Act has deemed the DRC and Adjoining Countries a Conflict Affected Area.

Mining Facilities should ensure that they have, or can access, the skills, resources and systems to identify whether Conflict is prevalent in the area where a Mining Facility is located. If applicable, an assessment by qualified persons should also be undertaken to ensure that no Conflict is prevalent in the areas through which the Mined Material is transported.

The documented Due Diligence undertaken to determine that the mine or mines and transportation routes for the Mined Material are not located in Conflict-Affected Areas should, as a minimum, identify the information relied upon to make the determination, the methods used to acquire it, any significant issues, and the responsible person. The level of detail in the Due Diligence should be commensurate with the level of risk that Conflict could occur, based on current social or political conditions and/or proximity to existing or recent Conflict.

Guidance concerning whether Conflict is prevalent in an area may be obtained from:

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- UN Security Council Resolutions. Note if any international sanctions apply, it may not be possible to operate in accordance with applicable law.
- US State Department “Conflict Minerals Map” and associated reports required by the Dodd-Frank Act.
- US State Department Country Reports on Human Rights Practices.
- Heidelberg Institute Conflict Barometer.
- Uppsala Conflict Data Program.
- International Alert.
- International Crisis Group.

For areas that are determined not to be Conflict-Affected at the present time, but have been, or are likely to have been Conflict-Affected within the past five years, or if conditions otherwise suggest that the area is at risk of Conflict, the Due Diligence should include an ongoing assessment of the current level of security and political stability, and should be documented at least annually or as conditions change.

If there is no evidence that the area is at risk of Conflict, the Due Diligence should be repeated and documented every three years, providing conditions have not otherwise changed.

If the Due Diligence determines that the Mining Facilities and/or transportation routes are located in a Conflict-Affected Area, the Due Diligence must also be documented, and must confirm that the production, processing and transportation of the Eligible Mined Material did not directly or indirectly finance or benefit Illegal Armed Groups through the provision of payments, logistical assistance or equipment.

It should be emphasized that Mining Facilities located in a Conflict Affected Area are not necessarily complicit in Conflict, and may provide important economic and other social development benefits to local communities.

The Due Diligence for Mining Facilities and/or transportation routes in Conflict-Affected Areas could use the following approaches:

- Identification of all Illegal Armed Groups and their affiliates in the Conflict Affected Area, and determination if direct or indirect payments, logistical assistance or equipment have been provided to them; or
- Identification and screening of all recipients of payments, logistical assistance or equipment based on Know Your Customer principles, and determination that none are or have been directly or indirectly associated with Illegal Armed Groups or their affiliates.

Systems should also be in place to prevent possible future payments, logistical assistance or equipment being provided to such Illegal Armed Groups or their affiliates. These systems should include:

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- controls over the approval of suppliers;
- monitoring and approvals of payments, particularly payments to government officials and for any security contractors;
- minimisation of cash payments;
- controls over the use of equipment, particularly any equipment not used at the mine site;
- controls over the use of mine-related transportation systems, particularly aircraft;
- monitoring of conduct of employees and contractors; and
- security arrangements to protect mine property, product and people, conforming with provision 2.12 of the RJC Code of Practices, with controls to prevent involvement of security personnel in Illegal Armed Groups or their affiliates.

The complaints mechanism, as required in provision 10.1 of the CoC Standard, may assist in the early identification of possible risks of Conflict or inadvertent complicity in Conflict.

Further guidance for conducting Due Diligence for mining companies operating in Conflict-Affected Areas may be obtained from:

- The OECD's *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (2010)*, and *Gold Supplement (forthcoming)*.
- World Gold Council (WGC) Standard – Conflict-Free Gold (*see draft at [www.gold.org](http://www.gold.org)*).
- EICC-GeSi Smelter Validation program (*forthcoming*).

Pending the finalisation of these standards and a review of their comparability, RJC anticipates instructing Auditors to give high weight to evidence of conformance with the WGC Standard or with the EICC-GeSi program in determining conformance with the Due Diligence requirements of the CoC Standard regarding Conflict-Free Mined Material from Conflict-Affected Areas.

#### Review:

- A mining company is required to document its Due Diligence to confirm that its mine production is Conflict-Free before issuing any Eligible Material Declarations.
- The level of detail of the Due Diligence will depend on the location of the relevant Facilities and will be assisted by a Mining Facility's conformance with the RJC Code of Practices.
- If the relevant Facilities are located in a Conflict-Affected Area, the Due Diligence will be more complex and must determine that no benefit is provided to Illegal Armed Groups.
- CoC Transfer Documents providing Eligible Material Declarations for Mined Material will include information about the determinations made from the Due Diligence.

#### Check:

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- ✓ Due Diligence has confirmed whether the mining operations are located in a Conflict-Affected Area.
- ✓ Mining Facilities have the systems in place to identify whether Conflict is prevalent in the area of operation.
- ✓ Third party guidance has been sought to address any uncertainties about whether an area is affected by Conflict.
- ✓ For any Facilities located in Conflict-Affected Areas, Due Diligence has determined no benefit is provided to Illegal Armed Groups, and systems are in place to prevent any such support.

Recognised Responsible Mining Standard: The RJC CoC Standard aims to support RJC Members wishing to source Materials that are the product of responsible artisanal and small scale mining (ASM). RJC requires mining companies to be RJC Members if they wish to produce Material to enter the RJC CoC Standard. This is to promote responsible mining practices and control for a number of issues that are relevant to conflict, such as human rights, appropriate security, and extractive transparency, which are covered by the RJC Code of Practices. While the RJC does not preclude the application of its standards by artisanal and small-scale mining (ASM) producers, it recognises that tailored standards have been designed for this sector.

Provision 4.4 of the CoC Standard thus provides scope for the RJC to formally recognise comparable mining standards. The RJC would undertake a formal, technical review, in cooperation with the other standard setting organisations to the extent possible, to identify the comparability of the other standard with the RJC Code of Practices. The results of the technical review would be addressed by the RJC Standards Committee, followed by a period of public review and comment. The outcomes of the review process would be considered by the Standards Committee and result in a recommendation to the RJC Board on whether the standard should be recognised under the RJC CoC Standard as a 'Recognised Responsible Mining Standard'.

Entities interested in sourcing Material produced under a Recognised Responsible Mining Standard will need to:

- a) Ensure the standard is a Recognised Responsible Mining Standard on the RJC website. Reviews of standards can be requested at any time via [consultation@responsiblejewellery.com](mailto:consultation@responsiblejewellery.com);
- b) Ensure there is documentary evidence that the Material is a product of the Recognised Responsible Mining Standard; and
- c) Ensure that there is documented due diligence that the Material is Conflict-Free, either via the requirements of the Recognised Responsible Mining Standard or additional assurance provided by the mining entity.

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## 5. Eligible Recycled Material

Recycling provides a significant contribution to the world supply of Gold and Platinum Group Metals, and is supported by the RJC as a responsible practice. Recyclable Materials, as defined under the CoC Standard and appropriately screened, have no connection to the conditions of their original production, and recycling them in a CoC Certified refinery cannot benefit Illegal Armed Groups. The point of origin for Recyclable Materials is generally considered as the point at which they are collected.

For the purposes of the CoC Standard, Recyclable Gold and Platinum Group Metals must be in the form of end-user, post-consumer and investment gold and gold-bearing products, and scrap and waste metals and materials arising during refining and product manufacturing. Similarly, recyclable diamonds must be post-consumer. Ore and other mining material which is not yet fully processed and refined, or is a byproduct from a Mining Facility, do not qualify as Recyclable Material.

There is the potential for supplies of mined Material from Illegitimate Sources to enter formal channels, for example through smuggling, criminal activity, and in the case of gold, informal, small-scale refineries producing crude gold bars. Risks could also arise from fraudulent activity and bribery. The RJC CoC Standard therefore requires that Entities seeking CoC Certification must have systems in place to prevent Illegitimate Sources from being accepted, including the anti-bribery and anti-money-laundering systems required under the RJC Code of Practices.

Provision 5 on Eligible Recycled Material requires that any Materials used for recycling by CoC Certified Refiners meet the conditions for Recyclable Materials, and only come from legitimate sources, through the application of Know Your Customer (KYC) principles. KYC principles require businesses to establish the identity of all organisations with which they deal, have a clear understanding of their business relationships and have a reasonable ability to identify and react to transaction patterns appearing out of the ordinary or suspicious.

Many Refiners and dealers in precious gems already apply KYC principles in accordance with applicable anti-money laundering legislation. All CoC Entities would also have to conform to the provision on Anti- Money Laundering and Financing of Terrorism in the RJC Code of Practices (COP 1.2). See the RJC CoP Standards Guidance document for additional background and guidance.

The CoC Standard specifically requires all Entities which source Recyclable Materials to have a written KYC policy, a compliance officer, provide training for the relevant employees, review the policy and procedures regularly, and monitor transactions for suspicious activity and file reports to the relevant authorities.

If the Entity sources Recyclable Precious Metals from commercial suppliers, it must have a documented description of criteria for the sources or types of Eligible Precious Metals that it will accept. To support compliance and promote transparency, the documented criteria must be made

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available to prospective suppliers and CoC Certified Entities which purchase CoC Material from the Entity.

Entities must have procedures in place for establishing the supplier's identity including beneficial ownership, principals and finances, and for establishing knowledge of the supplier's business, which includes verification through on-site inspection. Entities must also have monitoring procedures in place to identify unusual or suspicious transactions and exclude Recyclable Materials from suppliers who, upon investigation, cannot be cleared of suspicion.

To support conformance with these requirements, Entities should consider developing and maintaining contacts with the appropriate law enforcement agencies, where this is possible and appropriate. Third party service providers may also be utilised to verify company information, credit reporting, and screening names of persons and companies against negative lists.

If the Entity sources post-consumer Recyclable Materials directly from individuals or estates, it must ensure it has a record proving their identity, and undertake reasonable steps and inquiry to ensure the Recyclable Materials are not from an Illegitimate Source. These steps may include questioning the persons selling the items to determine their legitimacy, and maintaining a photographic record of the items.

Relevant provisions in the RJC Code of Practices that will assist Entities to prevent supplies from Illegitimate Sources include:

- Bribery and Corruption (COP 1.1), which requires Members to prohibit bribery, identify areas of the organisation that pose high risks, and develop methods to monitor employee conduct; and
- Anti- Money Laundering and Financing of Terrorism (COP 1.2) which requires Members to handle cash transactions in accordance with applicable law in this area, or the Financial Action Task Force recommendations where no law exists, and to apply 'Know Your Customer' principles; and
- Business Partners (COP 4.3), which requires Members to consider risks of business partners which have the potential to impact the Member's own practices.

Guidance on these provisions is also provided in the RJC Code of Practices Standards Guidance document ([www.responsiblejewellery.com/certification](http://www.responsiblejewellery.com/certification)).

**Review:**

- Recycling provides an important, responsible source of Precious Metals.
- Recyclable Materials must be legitimate post-consumer and scrap, which can readily be distinguished from mining Material.

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- Prevention of Illegitimate Sources of Recyclable Materials requires the application of Know Your Customer (KYC) principles, which are already applied by most Refiners.
- The RJC Code of Practices provides additional requirements that will prevent Illegitimate Sources from supplying any Material, including Recyclable Material.

**Check:**

- ✓ Criteria for screening acceptable sources of Recyclable Material have been documented and made available to prospective suppliers and to CoC Certified customers.
- ✓ KYC procedures are in place and include ongoing monitoring of suppliers and transactions.
- ✓ A KYC compliance officer has been designated.
- ✓ Relevant employees have received training.
- ✓ Relationships have been established with the relevant law enforcement agencies, where appropriate.
- ✓ Risks of employees' involvement in bribery have been considered and methods to monitor conduct are in place.

## 6. Eligible Grandfathered Material

The RJC considers the use of Grandfathered Material to be consistent with responsible practices, as the use of the Material, if it is supplied by a legitimate source, can provide no incremental negative impact. Eligible Grandfathered Material may be sourced from existing stocks of bullion and diamonds, such as Precious Metals stocks held in bullion banks, providing the item of Material can be linked to a date prior to *(date to be aligned with SEC rules for Section 1502 of Dodd Frank Act, if applicable, so as to provide one common date for the CoC Standard)*.

Any CoC Certified Entity may issue Eligible Material Declarations for Grandfathered Materials, providing Eligible Material Declarations for the applicable Grandfathered Material was included in their Certification Scope. In making Eligible Material Declarations for Grandfathered Material, it will be essential to maintain a record of the items declared, including the data that was relied on to make the declaration.

Rough and polished Diamonds can be declared as Eligible Grandfathered Diamonds for one year after *[date]*. This allows one year for supply chain entities to clear existing inventory and use the volume to establish chain-of-custody systems within their business. To be Eligible, Grandfathered Diamonds need records able to corroborate that the Diamonds have been owned and continuously

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held in a CoC Certified Entity's inventory from a date prior to (*date*). The necessary records should provide:

- the date when the Diamond/s was entered into inventory as evidenced by a receipt or invoice dated prior to (*date*);
- the weight of the Diamond/s; and
- one other type of objective data to identify the Diamond/s, such as an optical scanning report or an inscription on the stone.

Eligible Grandfathered Gold and Platinum Group Metals must be refined, and the refining or minting must have occurred prior to (*date*).

- Eligible Grandfathered Gold may be in the form of bars, ingots, coins, or similar, or within a sealed container, bearing the Mark of a Refiner or Government Mint, or London Bullion Market Association (LBMA) London Good Delivery Identification, with the date permanently shown with the Mark or verified by the Refiner in accordance with a serial number or by Bullion Bank depository records. In the case of Refiners on the LBMA "Former Melters and Assayers of Good Delivery Gold Bars" list which ceased operating before [xx], if the production date is not permanently shown, it may be inferred from that Refiner's Mark on the Gold. The LBMA list is the most important Refiner accreditation system for the international gold bar market and includes refineries from 26 countries. Relevant bars of LBMA-accredited refiners are automatically accepted as good delivery by the Istanbul Gold Exchange, Multi Commodity Exchange of India Ltd, Shanghai Futures Exchange, Shanghai Gold Exchange and The Chinese Gold & Silver Exchange Society. In addition, the Dubai Multi Commodities Centre has a separate category for refiners accredited to the LBMA.
- Eligible Platinum Group Metals may be in the form of bars, ingots, coins, plates or similar, or within a sealed container, bearing the Mark of a Refiner or Government Mint, with the date permanently shown with the Mark or verified by the Refiner in accordance with a serial number or by Bullion Bank depository records.

#### Review:

- Use of legitimate, existing supplies of Materials that were produced prior to (*date*) has no incremental negative impact.
- Eligible Grandfathered Material may be sourced from existing stocks providing records demonstrate the item of Material was produced prior to (*date*).

#### Check:

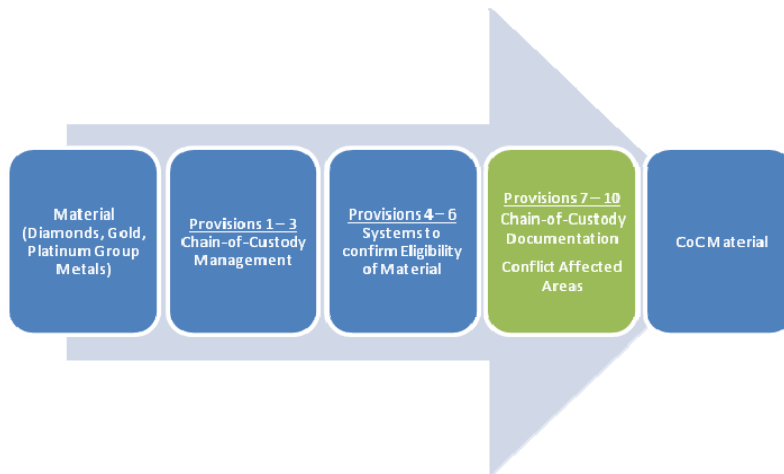
- ✓ If the Entity intends to issue Eligible Material Declarations for Grandfathered Material, include this in the Certification Scope.

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- ✓ Records and/or marks or inscriptions are available to prove the Eligible Grandfathered Material was produced in its current form prior to (*date*).
- ✓ Systems are in place to ensure records of the data used to make Eligible Material Declarations for Grandfathered Material are maintained.

### C. Issuing Chain-of-Custody Documentation



CoC Material is controlled through documentation recorded by the issuing Entity and provided to the purchaser. This section defines the requirements for CoC Transfer Documents under the CoC Standard.

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The Responsible Jewellery Council is the trading name of the Council for Responsible Jewellery Practices Ltd.  
The Council for Responsible Jewellery Practices Ltd, First Floor, Dudley House, 34-38 Southampton Street, London, UK, WC2E 7HF.  
The Council for Responsible Jewellery Practices Ltd is registered in England and Wales with company number 05449042.

## **7. Eligible Material Declarations**

Eligible Material Declarations initiate a Chain-of-Custody. CoC Material cannot exist unless it has been declared as Eligible Material by a CoC Certified Entity, through an Eligible Material Declaration in a CoC Transfer Document.

Eligible Materials may only be:

- Conflict-free mined Material produced by a CoC Certified Entity;
- Laboratory-Grown diamonds produced by a CoC Certified research or manufacturing facility;
- Recycled Material sourced from legitimate post-consumer and scrap; and/or
- Grandfathered Materials in existence in their current form prior to the establishment of the CoC Standard.

Guidance for confirming eligibility for each of these categories is provided in Section B (Provisions 4–6) above.

Eligible Material Declarations may be issued in accordance with the Entity's Certification Scope. The declaration can only be made under the authority of a responsible person, who must be identified in the CoC Transfer Document.

The Declaration provides a warranty to the recipient that the Material meets the requirements of the Standard. The recipient will rely on this representation in making its own CoC representation to subsequent Entities in the supply chain. It is therefore essential that the CoC Certified Entity has systems in place to ensure that any Eligible Material Declarations apply only to Eligible Material. General guidance on Management Systems to support CoC is provided in Section A (Provisions 1-3) above.

For Entities which regularly produce Eligible Material, such as mining companies and diamond laboratories, the procedures for issuing Eligible Material Declarations may be very simple and straightforward. Greater risks of non-conformances may tend to arise for those Entities which also handle CoC Material provided from other CoC Certified Entities, and which could erroneously make a subsequent Chain-of-Custody Transfer for material that requires an Eligible Material Declaration. In the event that Eligible Material will be mixed with existing CoC Material prior to a transfer to another Entity, the Entity will need to make an Eligible Material Declaration in an Internal CoC Transfer Document, which must be kept on record.

The CoC Transfer Document therefore allows for either an Eligible Material Declaration, or a Subsequent Chain-of-Custody Transfer. Only one type of transfer may apply, not both.

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## 8. Chain-of-Custody Transfer Documents

A CoC Certified Entity must issue a CoC Transfer Document in order to initiate or continue a Chain-of-Custody with another business. The CoC Transfer Document effectively records the sequence of custody of material as it is transferred along the supply chain, to thus create a Chain-of-Custody.

A template CoC Transfer Document is provided in Appendix 1. An Entity may use its own format rather than the template, providing it includes all of the required elements in accordance with the CoC Standard in a discrete document, and the document only contains information that is relevant to the CoC Transfer.

Note that if the Material includes Material Covered by the Dodd-Frank Act (i.e Gold) from the DRC or an Adjoining Country, or if it is Laboratory-Grown diamonds, an Entity must include information to that effect in any subsequent CoC Transfer Documents containing that Material.

It is recommended that both the issuer and the recipient of the shipment have procedures in place for the verification of all required information prior to shipping, and when receiving and accepting the shipment, and verification that the information provided in the document is consistent with the physical contents of the shipment. The CoC Transfer Document must identify the person responsible for issuing the document. If resources are available, a two-person rule could apply to sign-off on outgoing and incoming shipments, supported by a record of shipments such as an initialled log book.

Any errors found by the receiver should be promptly reported and remedied either by a return of the entire shipment, or by the parties agreeing to the steps taken to correct it. This may include the voiding of the initial document and replacement by a corrected document. A complete set of records covering any errors or anomalies must be maintained.

CoC Transfer Documents may, at the discretion of the issuer, contain Supplementary Information describing the Provenance of the CoC Material. This could include information about additional certifications applying to production, information about origin, or other relevant information to the customer.

### Review:

- CoC Material can only be created through the issuance of an Eligible Material Declaration by a CoC Certified Entity in a CoC Transfer Document.
- CoC Material transferred to another business must be accompanied by a CoC Transfer Document for it to retain its chain-of-custody.
- Eligible Material Declarations may only be issued for Eligible Materials covered by the Entity's Certification Scope.

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- The CoC Transfer Document allows for either an Eligible Material Declaration, or a Subsequent Chain-of-Custody Transfer, and not both.
- The declaration provides a warranty to the recipient, who will rely on it when making its own CoC representation to subsequent Entities in the supply chain.
- Any transfer of Gold from the DRC Countries or of Laboratory-Grown diamonds must be identified in all subsequent CoC Transfer Documents.

**Check:**

- ✓ All required information is included in a standardised CoC Transfer Document used by the Entity.
- ✓ A responsible person is designated for each CoC transfer.
- ✓ Systems are in place to confirm Eligible Material Declarations are made only for Eligible Material, in accordance with Provisions 4 – 6.
- ✓ Systems are in place to avoid mixing of CoC Material with Eligible Material unless an Eligible Material Declaration is made in an Internal CoC Transfer Document.
- ✓ Procedures are in place for the verification of all required information prior to shipping, and when receiving and accepting shipments of CoC Material.

**9. Consumer Claims**

CoC Certified Entities, including retailers and suppliers, may choose to make claims or representations to the final consumer about CoC Material. Any such claims must conform to the requirements in provision 9 of the CoC Standard. This requires claims about CoC Material to be made in written form and available to consumers at the point of sale, with no information provided that is inconsistent with the CoC Transfer Document supplying the CoC Material. Sales associates must not make verbal claims or representations to consumers about CoC Material that are inconsistent with the claims or representations described in written form.

The purpose of this provision is to ensure that claims about CoC Material are consistent with the assurance provided by the RJC CoC Standard.

It should be emphasized that these controls apply to CoC Material to the extent the claims are about relevant matters pertaining to its Provenance and/or chain-of-custody, in accordance with the CoC Standard. Claims concerning quality or pricing for example would not be normally be relevant. However, if a representation uses chain-of-custody information to support a claim about other attributes, such as a country of manufacture to support a claim about quality or workmanship, then it is relevant and must be made in accordance with the Standard.

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Conformance to the Consumer Claims provision 9 would be supported through management systems to screen and approve the content of consumer representations, and through appropriate employee training.

It is recommended that Entities adopt a procedure, and nominate a responsible person for the approval of any written descriptions of CoC Material, to ensure that the representations about the CoC Material are supported by information contained in the CoC Transfer Documents supplying the CoC Material.

As CoC Material, including that contained within jewellery products, is made available for sale to consumers, sales associates should be specifically trained about appropriate and inappropriate verbal representations. A record of training materials used and individuals who have received the training should be maintained.

The circumstances for making claims to the consumer about CoC Material and its Provenance and/or chain of custody may vary considerably. Following are suggestions for general messages that could be used about CoC Certification and the CoC Standard:

- *Diamonds / Gold / Platinum Metals that are from RJC Chain-of-Custody Certified companies only come from responsible sources.*
- *Everyone in the supply chain has been independently audited for compliance with responsible practices and chain-of-custody.*
- *Responsible practices covers a wide range of issues, including business ethics, employment conditions, environmental performance, and human rights.*
- *Chain-of-custody makes sure that the Diamonds / Gold / Platinum Metals only come from responsible sources and can't be mixed with other Diamonds / Gold / Platinum Metals.*
- *All of the documentation about the RJC CoC Standard is available to the public.*

#### **Review:**

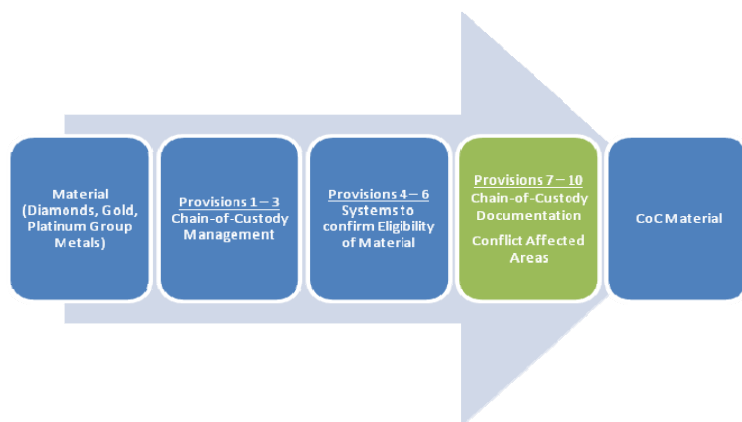
- Claims made about CoC Material must be available in written form at the point of sale and cannot be inconsistent with information provided in CoC Transfer Documents for the Material.
- The provision applies to only to claims that are relevant to the chain-of-custody.

#### **Check:**

- ✓ Procedures are in place for the approval of the content of any representations about CoC Material to consumers.
- ✓ If applicable, sales associates have received appropriate training.

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## D. Sourcing from Conflict-Affected Areas.



Provision 10 sets out requirements on sourcing from Conflict-Affected Areas. It draws on the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas (2010), and supports compliance with the US Securities and Exchange Commission (SEC) proposed rules for Section 1502 of the United States' Dodd-Frank Wall Street Reform and Consumer Protection Act. The provision requires all Entities to establish a complaints mechanism, and a policy framework for conflict-sensitive sourcing practices. The provision also includes requirements for Refiners to ensure that they do not themselves directly or indirectly finance or benefit Illegal Armed Groups, and provides an option, which may be added to the Certification Scope, for Gold Refiners to demonstrate that all of their sources of Gold are Conflict-free.

### 10.1, 10.2 Policy for the Supply Chain of Materials from Conflict Affected Areas

This provision requires all Entities to adopt a policy for the supply chain of Materials from Conflict-Affected Areas. The policy must be public (such as via a company website, or made available on request), and communicated to all suppliers of Materials, irrespective of CoC status. An effective policy may be quite simple and high level. An example policy is provided in Appendix 2.

In addition, Entities that purchase Materials must consider the risks of non-compliance by its suppliers with its supply chain policy, and take action to prevent or mitigate the risks. RJC Members could incorporate this into their risk assessment for business partners – contractors, customers, suppliers and partners – required for the RJC Code of Practices (COP 4.3).

Further Guidance on suitable policies is provided by the OECD's *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*, and by the World Gold Council's Conflict Free Gold Standard.

### 10.3 Complaints Mechanism

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This provision requires all Entities to establish a complaints mechanism to allow interested parties to voice concerns about circumstances in the supply chain involving Eligible and/or CoC Materials from Conflict Affected Areas. The complaints mechanism should also be viewed as a part of a sound management system, by helping to identify risks that may not otherwise be known until a later stage.

The complaints mechanism should be documented and information about it should be publicly available, so that interested parties may be made aware that a formal mechanism is in place. The document should describe the types of complaints that are admissible and are not admissible, and the procedures followed in investigating and addressing complaints concerning sourcing from Conflict-Affected Areas. For companies without a website or similar, and that are not consumer-facing, a contact point for the complaints mechanism could be included in CoC Transfer Documents or similar, to enable customers and suppliers to raise concerns. This would enable interested parties to access information about the complaints mechanism on request.

Additional guidance about a complaints mechanism, or grievance mechanism, is provided by the OECD's *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*.

Businesses can also refer to the RJC Complaints Mechanism as an example. The RJC Complaints Mechanism will also serve as a potential entry point for complaints or concerns about Eligible and/or CoC Material. As outlined in the RJC Complaints Mechanism document, these complaints will be first directed to the relevant Member.

<http://www.responsiblejewellery.com/certification.html#complaints>

#### **10.4 Refiners operating in Conflict Affected Areas**

This provision requires Refiners to undertake documented Due Diligence to determine whether their operations are in Conflict-Affected Areas, and if so to confirm they do not provide any benefit to Illegal Armed Groups.

The same requirement applies as a condition for Mining Facilities which make Eligible Material Declarations for Mined Material, and the same guidance is thus applicable here (see provision 4 above). The Standard also applies this requirement to Refiners, as Refining Facilities could be located in Conflict-Affected Areas, but Refiners would not issue Eligible Material Declarations for Mined Material.

#### **10.5 Conflict-Free Gold Refiner designation**

A Gold Refiner may elect to add Provision 10.5 to their Certification Scope, and demonstrate in the CoC audit that it has internal systems to ensure that all of its sources of Mined, Recycled and Grandfathered Gold, including Gold that is not Eligible and/or CoC Gold, are Conflict-Free.

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Conformance to this provision would result in a Conflict-Free Gold Refiner designation, and would be included in the certification details on the RJC website. Inclusion of this provision is intended to support implementation of the Dodd Frank Act for a range of businesses in the jewellery supply chain, and potentially other sectors seeking to source from RJC Certified Conflict-Free Gold Refiners.

The audit would verify that: a) for all of its sources of Gold, the Refiner has Know Your Customer principles and procedures in place that meet the applicable requirements of Provision 5 of the Standard; and b) it has undertaken Due Diligence to confirm that all of its sources of Gold are Conflict-Free.

Accordingly, the guidance outlined above on Conflict-Free Due Diligence (Provision 4) and Know Your Customer (Provision 5) should be followed to support compliance with this provision. *[More specific references to the EICC-GeSI Smelter Validation Program, and the World Gold Council Chain-of-Custody and Conflict Standards, can be included here as they become finalised].*

It should be noted for greater certainty that any Gold produced by the Refiner from non-CoC Certified sources of Mined Material must not be included in any Eligible Material Declarations.

**Review:**

- Provision 10 requires all Entities to establish a complaints mechanism, and a policy framework for conflict-sensitive sourcing practices.
- As an option, the Certification Scope for Gold Refiners may include verification that all of its sources of Gold are Conflict-Free, thereby providing the Conflict-Free Gold Refiner designation.

**Check:**

- ✓ A complaints mechanism is in place covering the supply chain and Conflict Affected Areas.
- ✓ Entities have a policy in place for the supply chain of Materials from Conflict Affected Areas. Consider the Example Policy in Appendix 2.
- ✓ Entities purchasing Materials have considered the risks of non-compliance by its suppliers with its supply chain policy, and taken action to prevent or mitigate the risks.
- ✓ Gold Refiners have documented Due Diligence to confirm refining Facilities are Conflict-Free. See the guidance on Provision 4.

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## Appendix 1 – CoC Material Transfer Document – Draft template



## RJC Chain-of-Custody Transfer Document

<b>Date</b>		<b>Document number</b>	
<b>Issuer</b>		<b>Receiver</b>	
Name of Company		Name of Company	
Address		Address	
Certification number		Certification number <i>(if applicable)</i>	
Responsible person			
<b>CoC Material</b>			
Total weight			
Number of items <i>(if applicable)</i>			
<b>Type of Transfer</b> <i>(Check one)</i>			
	Eligible Material Declaration Initiating the Chain-of-Custody		
	Eligible Material Declaration Initiating the Chain-of-Custody for Mined Material Conflict Free Declaration provided		
	Subsequent Chain-of-Custody Transfer, single type of CoC Material		
	Subsequent Chain-of-Custody Transfer, Jewellery Products containing more than one type of CoC Material		
<b>Type of Material contained in Transfer</b> <i>(check all that apply)</i>			
Gold	Platinum	Diamond	
			Mined
			Recycled
			Grandfathered
			Mix of Mined, Recycled and/or Grandfathered
			Laboratory-Grown (synthetic) diamond <i>(cannot be mixed with other types of diamonds)</i>

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The Responsible Jewellery Council is the trading name of the Council for Responsible Jewellery Practices Ltd.  
 The Council for Responsible Jewellery Practices Ltd, First Floor, Dudley House, 34-38 Southampton Street, London, UK, WC2E 7HF.  
 The Council for Responsible Jewellery Practices Ltd is registered in England and Wales with company number 05449042.

Supplementary Information <i>(include at Issuer's discretion)</i>	Material's previous CoC Transfer Document number(s) <i>(optional)</i>
Description of any non-CoC Material which is part of Jewellery Products containing CoC Material <i>(if applicable)</i>	

**Complete section A or B below for Mined Material:**

<b>A</b> Check one	<b>Conflict Free Declaration for Mined Material</b> <i>(To be completed by CoC Certified Mining Company)</i>
	<p>The mine or mines from which the Mined Material was produced are not located in Conflict Affected Areas and the Mined Material was not processed in or transported through Conflict Affected Areas.</p> <p>Country/ies where Mined Material was extracted:</p>
	<p>The mine from which the Mined Material was produced, the processing facility or the transportation routes for the Mined Material is located in a Conflict Affected Area. CoC Certified Mining company has conducted due diligence, a summary of which is attached, to confirm the production and transportation of the Material did not finance or benefit any Illegal Armed Groups.</p> <p>Country/ies where Mined Material was extracted:</p> <p>For Gold (to support Dodd Frank reporting): Name of Mine/s: Location/s: Refiner (if applicable):</p>
<b>B</b> Check one	<b>DRC and Adjoining Countries information for Dodd Frank reporting</b> <i>(To be completed by all CoC Certified Entities with custody of Mined or Mixed Gold)</i>
	Transfer does not include Gold from the DRC and Adjoining Countries
	<p>Transfer includes Gold from the DRC and Adjoining Countries <i>(provide details below from CoC Transfer Document received with CoC Material)</i></p> <p>Country/ies: Name of Mine/s: Location/s: Refiner/s:</p>

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## Appendix 2 – Example Policy on Materials from Conflict-Affected Areas

The following draft could be modified or adapted to suit the Member's business/es.

[INSERT ENTITY NAME] is a [BRIEF DESCRIPTION OF THE COMPANY]. This policy confirms [ENTITY NAME's] commitment to avoid conflict materials

[ENTITY NAME] is a Member of the Responsible Jewellery Council (RJC). The RJC is a standards-setting organisation that has been established to reinforce consumer confidence in the jewellery industry by promoting responsible ethical, human rights, social and environmental practices throughout the jewellery supply chain. The RJC and its Members are opposed to activities which directly or indirectly finance, benefit or facilitate armed conflict, extreme violence and human rights abuses.

The RJC supports the UN Global Compact and has two standards platforms which provide the mechanism for RJC Members to support these commitments:

- RJC Principles and Code of Practices: RJC Certified Member conforms with the RJC Code of Practices, the RJC's standard for responsible business practices.
- RJC Chain-of-Custody standard: CoC Certified Entity has verified systems in place for custody and/or supply of responsibly sourced Jewellery Materials.

As an RJC Certified Member/RJC Member seeking Certification, we commit to and have (*or are seeking*) independent third-party verification that we:

1. Respect human rights according to the Universal Declaration of Human Rights and International Labour Organisation Fundamental Rights at Work.
2. Do not engage in or tolerate bribery, corruption, money laundering or finance of terrorism.
3. Support transparency of government payments and rights-compatible security forces in the extractives industry.
4. Do not provide direct or indirect support to non-state armed groups.
5. Supply and/or source jewellery materials from Conflict-free sources.
6. Establish processes through which stakeholder can raise concerns about the jewellery supply chain.

In addition to our own commitment, we use our influence to prevent abuses being committed by others. *[The Entity could include a description of how it will consider the risks of non-compliance by its suppliers with its supply chain policy, and how it could take action to prevent or mitigate the risks. The OECD Due Diligence Guidance Model Policy could be used as a reference in developing your policy].*

Signed/endorsed:

Date of effect:

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