RESPONSIBLE
JEWELLERY
COUNCIL

CHAIN OF CUSTODY

Guidance

NOVEMBER 2019

CHAIN
OF
CUSTODY

THE RESPONSIBLE JEWELLERY COUNCIL

The Responsible Jewellery Council (RJC) is a not-for-profit standard-setting and certification organisation founded in 2005.

Our vision is a responsible world-wide supply chain that promotes trust in the global fine jewellery and watch industry.

ABOUT THIS GUIDANCE

The RJC Chain-of-Custody (CoC) Standard defines an approach for companies to handle and trade gold, silver and platinum group metals in a way that is traceable and responsibly sourced. CoC certification is voluntary and complements certification against the RJC's Code of Practices (COP), which is mandatory for all RJC members. This CoC Guidance (the 'guidance') provides general information and advice about the CoC Standard. It is not a substitute for legal advice.

This is a 'living document' and the RJC reserves the right to revise this guidance based on implementation experience and emerging good practice. The guidance on the RJC website supersedes all other versions. Please see: www.responsiblejewellery.com.

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ENQUIRIES OR FEEDBACK

We welcome feedback on this guidance. Please contact:

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All our documentation is in the process of being rebranded.
We appreciate your patience and understanding during this time.

VERSION 2 – updated November 2019

Version 2 of the guidance includes the following changes:

- Updates for material scope expansion to include silver
- Guidance chapters 1 and 2 updated to align with 2019 COP requirements
- Minor addition to the guidance on the use of outsourcing contractors (CoC provision 5)

The Responsible Jewellery Council is the trading name of the Council for Responsible Jewellery Practices Ltd, 9 Whitehall, London, SW1A 2DD, UK.
The Council for Responsible Jewellery Practices Ltd is registered in England and Wales with company number 05449042.

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CONTENTS

ABBREVIATIONS

AML	anti-money laundering
ASM	artisanal and small-scale mining
CAHRA	conflict-affected and high-risk area
CCCMC	China Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters
CoC	chain of custody
COP	Code of Practices
DRC	Democratic Republic of Congo
EITI	Extractive Industries Transparency Initiative
FATF	Financial Action Task Force
GRI	Global Reporting Initiative
ICMM	International Council on Mining and Metals
IFC	International Finance Corporation
ISO	International Organization for Standardization
KYC	Know Your Counterparty
LBMA	London Bullion Market Association
LSM	large-scale mining
MAC	Mining Association of Canada
OECD	Organisation for Economic Co-operation and Development
PGM	platinum group metals
RJC	Responsible Jewellery Council
TSM	Towards Sustainable Mining
UN GC	United Nations Global Compact
UN VP	United Nations Voluntary Principles on Security and Human Rights
WGC CFGS	World Gold Council Conflict-Free Gold Standard

INTRODUCTION

A About the RJC Chain-of-Custody Standard

A chain of custody (CoC) is a documented sequence of custody of material as it moves along the supply chain. The RJC's CoC Standard, developed in 2012, defines the requirements for creating a CoC of precious metals that are responsibly produced, processed and traded through jewellery supply chains, and that are third-party assured at every stage (see Figure 1).

The standard complements the RJC's Code of Practices (COP) for responsible business, against which all commercial members of the RJC must be certified (see www.responsiblejewellery.com for more information). The CoC Standard sets out the requirements needed for certification and is voluntary for RJC members.

RJC CoC certification provides a strong system for companies in the precious metal supply chain seeking a point of differentiation for their customers, consumers and other stakeholders. This can add value to jewellery products and help protect and enhance jewellery brands.

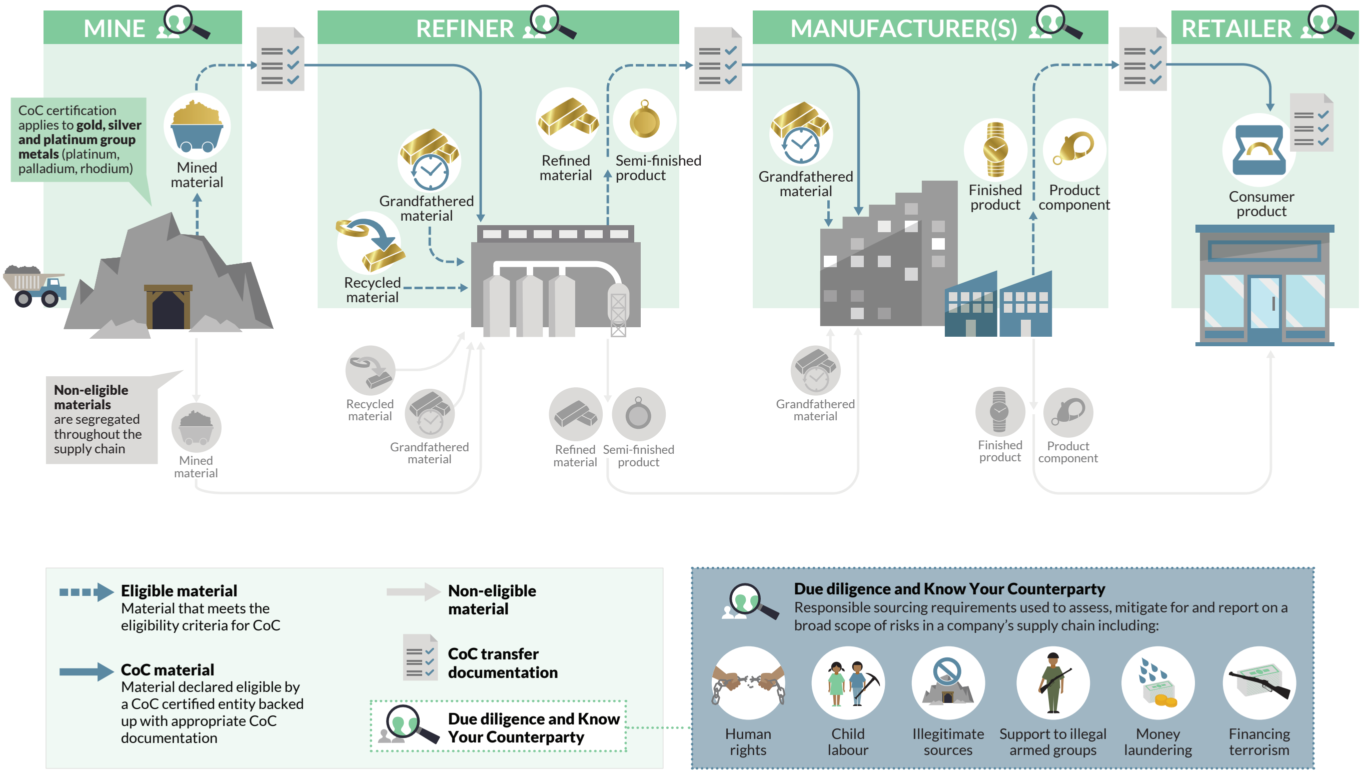
Recognising that jewellery supply chain companies have varied needs in third-party assured approaches to responsible sourcing and provenance, there is also the option to have provenance claims included in the scope of COP certification. Certified provenance claims can be adapted to suit particular supply chain needs. This option is available to entities dealing in materials outside the scope of the CoC standard including diamonds and coloured stones.

BOX 1. AT A GLANCE

CoC certification:

- Allows for traceable material which is segregated along the supply chain.
- Starts with responsible sources which meet eligibility criteria.
- Requires third-party auditing at every stage of the supply chain.
- Is voluntary, and applies to gold, silver and platinum group metals (PGM)—platinum, palladium, rhodium.
- Is designed to promote responsible sourcing from artisanal and small-scale mining (ASM).

Figure 1. Overview of the RJC CoC Standard



B About this guidance

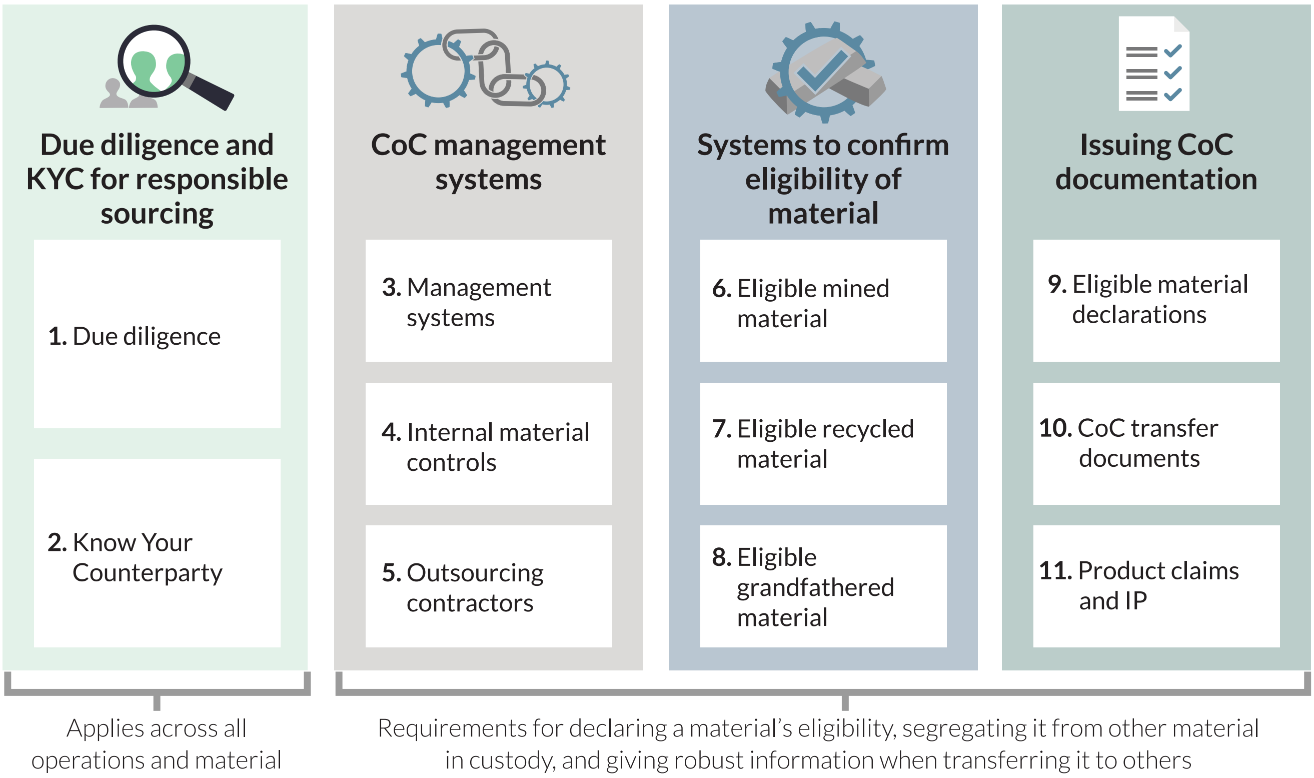
This guidance is designed to help RJC members seeking CoC certification and auditors carrying out independent third-party audits. It is also available to businesses in the jewellery supply chain and other stakeholders who wish to learn more about establishing CoC systems and the RJC standards.

The RJC CoC Standard sets out requirements for what a business must do, but it does not prescribe how systems and procedures should be designed. All guidance in this document therefore is non-prescriptive but is offered as a starting point for information and support. The RJC CoC Standard is the final point of reference.

C Content

The RJC CoC Standard is structured in four sections, comprising eleven provisions (see Figure 2). While the first section of the standard addresses overarching responsible sourcing requirements for conflict-affected and high-risk areas (CAHRAs), the latter three focus on specific aspects of managing robust CoC systems.

Figure 2. Content of the RJC CoC Standard



Key terms used throughout the standard include:

- **Entity:** the business unit (or similar) responsible for implementing the CoC Standard.
- **Eligible material:** any gold or PGM that meets the CoC eligibility criteria.
- **CoC material:** any gold, silver or PGM that is declared eligible by a CoC certified entity, and has appropriate CoC documentation.

Other relevant definitions are given at the start of each chapter in this guidance. See the glossary at the end of this document for a full list of terms.

D Applying the CoC Standard

Depending on your business type—miner, refiner, retailer, trader or manufacturer—you may or may not have to fulfil all the provisions to get RJC CoC certified. Table 1 shows the required, optional (where applicable) and non-applicable provisions of the CoC Standard according to business type. Please note that this list is not definitive; in the end, it is your certification scope that will define which provisions apply to you.

Table 1. Required and optional (where applicable) provisions of the CoC Standard by business type

Coc Standard provisions	Mining entities	Refiners*	Retailers Traders Manufacturers
1. Due diligence	Required	Required	Required
2. Know Your Counterparty (KYC)	Required	Required	Required
3. Management systems	Required	Required	Required
4. Internal material controls	If applicable	Required	Required
5. Outsourcing contractors	If applicable	If applicable	If applicable
6. Eligible mined material	Required	If applicable	Not applicable
7. Eligible recycled material	Not applicable	Required	If applicable
8. Eligible grandfathered material	Not applicable	If applicable	If applicable
9. Eligible material declarations	Required	If applicable	If applicable
10. CoC transfer documents	Required	Required	Required

* Note that if you are a collector these provisions apply to you

E *The start of the chain*

Assuming you can fulfil two pre-requirements (see Box 2), the CoC begins with **the start of the jewellery supply chain**, and that is where declarations of CoC eligibility are made. But where exactly that is depends on the type of material in question:

- **For mined material**, the CoC starts with the mine, and CoC declarations must be made by mining entities. If the mined material is produced under a recognised responsible standard for ASM or under an accepted mining assurance programme, or a mining by-product, the declaration can be made by the first entity in the supply chain that sources the material. This is a refiner, a mineral concentrator or concentrate collector.
- **For recycled material**, the jewellery supply chain starts with the entity that converts or refines the material to a commercial market quality and to the necessary specification for re-entry into the value chain. This is usually a refiner or alloy producer but may also be a collector.
- **For grandfathered material**, any entity that can demonstrate the material meets that criteria can be the start of the CoC chain. This is usually a refiner or alloy producer, but may also be a collector or jewellery manufacturer.

BOX 2. PRE-REQUIREMENTS

Before you can start making eligibility declarations, or looking at the systems that underpin them, through the CoC Standard you must use due diligence and KYC practices to confirm that your material is eligible—that is, to ensure that:

- If it is mined material, there is documented due diligence to confirm that the material has not contributed to adverse impacts related to CAHRAs.[2]
- If it is recycled material, KYC is carried out to prevent illegitimate sources of material from masquerading as recycled material.

1 The RJC encourages further information gathering and risk mitigation for non-CoC material as outlined in the section on due diligence. However, neither of these can be in process for CoC material to be declared eligible.

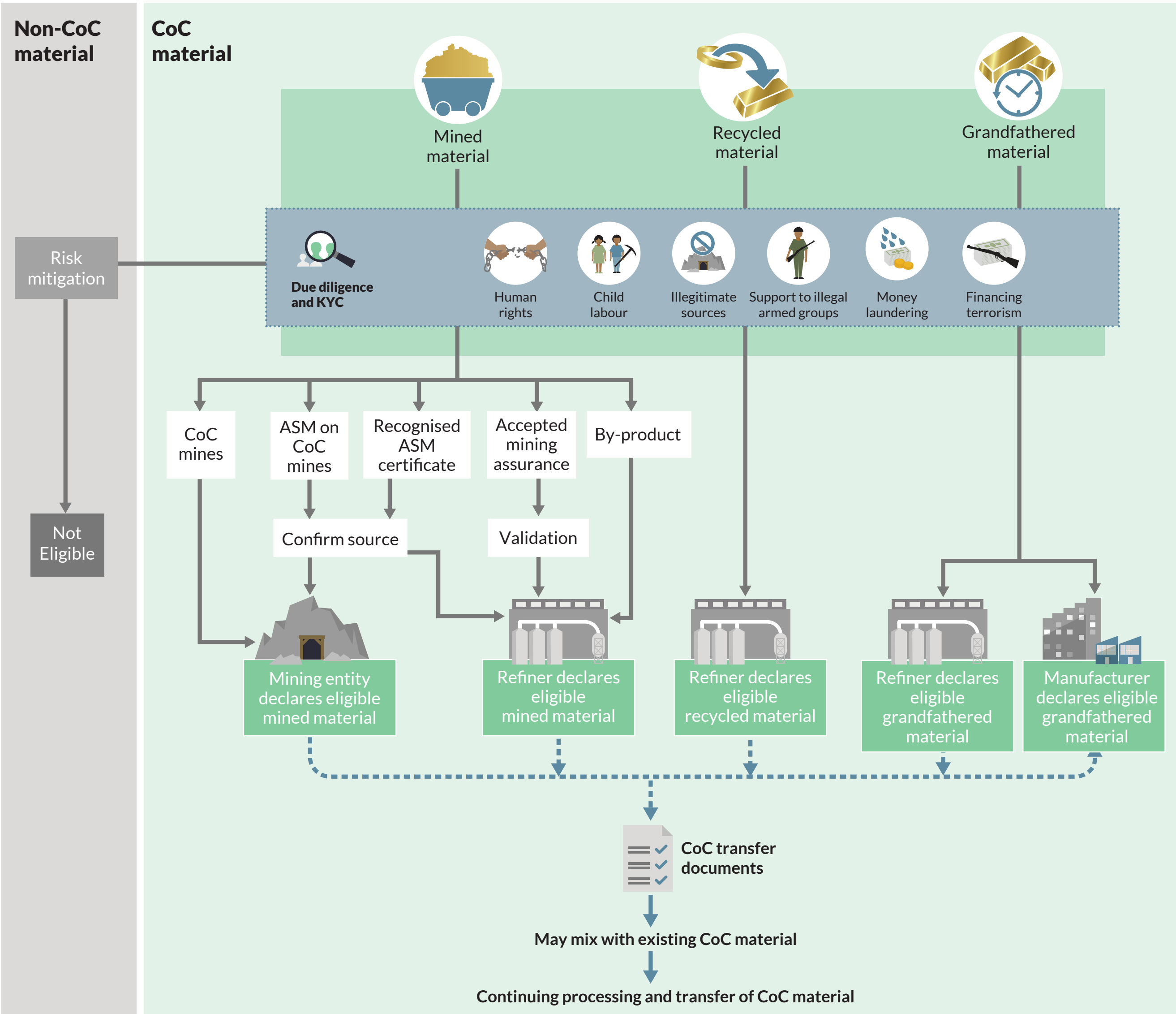
F *ASM and chain of custody*

A growing focus on due diligence for minerals from CAHRAs is leading to more stringent risk management throughout the jewellery supply chain. This raises concerns that companies and individuals in the chain will avoid sourcing from ASM—driving these producers towards more informal or even illegal supply chains.

The RJC's CoC Standard is designed to promote responsible sourcing from ASM and includes two provisions specifically on ASM in its eligibility criteria for CoC material:

- A provision for ASM material on the concessions of larger-scale mining facilities (6.1b); and
- A provision for ASM material produced under a recognised standard (6.1c), such as the Fairmined Standard for Gold and Fairtrade Gold.

Figure 3. Screening and flow of CoC material



PART I. DUE DILIGENCE AND KNOW YOUR COUNTERPARTY FOR RESPONSIBLE SOURCING

(COC 1) DUE DILIGENCE

A *Applicability and definitions*

This provision applies to all members seeking CoC certification, and to all the gold, silver and PGM that they take legal ownership of. If you are already certified against the 2019 Code of Practices (COP) standard, then you are automatically compliant with this provision.

Conflict-affected and high-risk areas (CAHRAs) are identified by the presence of armed conflict, widespread violence (including violence generated by criminal networks) or other risks of serious and widespread harm to people. Armed conflict may take a variety of forms, such as conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation or insurgencies, civil wars, etc. High-risk areas may include areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure and widespread violence. Such areas are often characterised by widespread human rights abuses and violations of national or international law. A CAHRA can be a region, a country, an area within a country or an area that crosses one or more national boundaries. Operations are not necessarily complicit in conflict if they are located in a CAHRA.

The **origin** of mined material is the mine, company, region or geographical location where the mine is located, whether an artisanal and small-scale mine or a medium or large-scale one. The origin of recycled material is the point at which it re-enters the jewellery supply chain. For recycled gold, silver or PGM, this is the point at which it is returned to the refiner or other downstream intermediate processor or recycler.

A **red flag** is a warning or indicator of a potential risk. In the context of due diligence, a red flag can be a location, supplier or circumstance that triggers a need for enhanced due diligence (that is, further investigation).

In the context of due diligence, **risk** (or supply chain risk) is the potential for adverse impacts which result from a company's own activities or its relationships with suppliers and other entities in the supply chain. **High-risk supply chains** are those, as defined in the Annex II risks' list of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, with the potential for serious human rights abuses, direct or indirect support to non-state armed groups or public or private security forces, bribery and fraudulent misrepresentation of the origin of minerals, money laundering and non-payment of taxes and royalties due to governments.

Risk-based due diligence is the reasonable investigation undertaken by a business to identify, assess, prevent and mitigate risks in its supply chain where the level of supply chain scrutiny is commensurate with the identification of risks.

The **source** of material is the geographical place, person or company from which the material is obtained. The source of mined material is:

- For gold, silver or PGM: the mine or country of mining origin.
- The source of recycled material is the same as its origin.

B *Issue background*

All kinds of companies use due diligence to inform their decision-making in risk management. In the context of this provision, due diligence refers specifically to the reasonable investigation undertaken by a business to identify and assess risks related to conflict-affected and high-risk areas (CAHRAs). These are outlined in Annex II of the Organisation for Economic Co-operation and Development's (OECD's) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (the 'OECD Guidance')[2] and include gross human rights violations, torture, forced or compulsory labour, war crimes, support to non-state armed groups or public or private security forces, bribery and fraudulent misrepresentation of the origin of minerals, money laundering and non-payment of taxes (see box 3 'CAHRAs and Annex II risks').

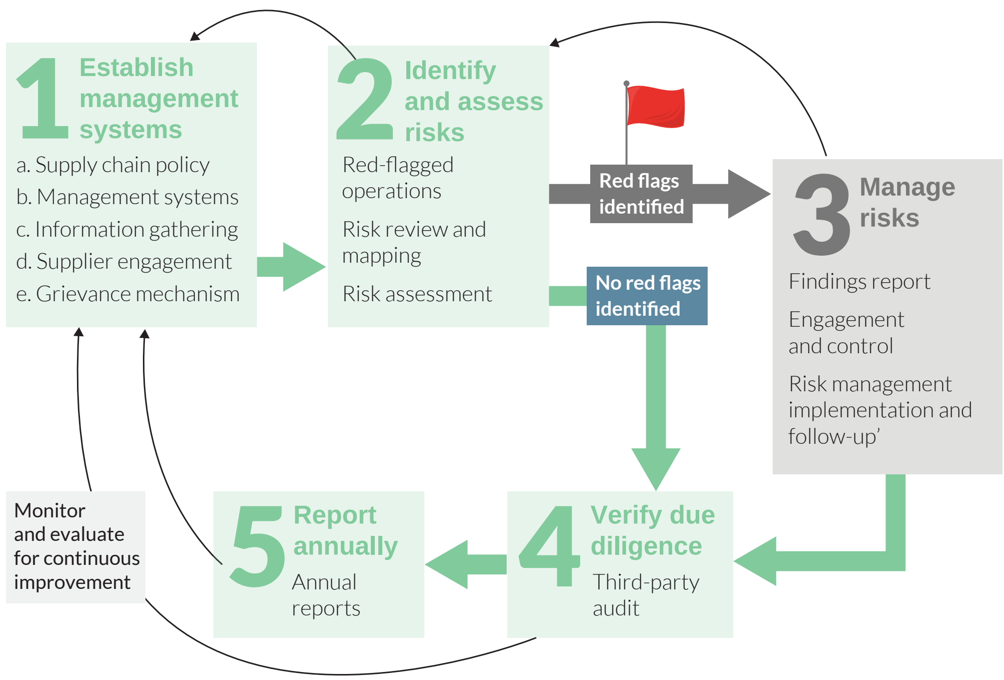
Due diligence provides companies with the information they need to identify risks in order to prevent or mitigate adverse impacts associated with their sourcing practices. Companies that source or use minerals from CAHRAs can also play an effective role in supporting livelihoods, economic growth and prosperity, and due diligence enables this. Due diligence is an active process, which results in a responsible sourcing programme that is:

2 OECD, OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Third Edition (2016) www.oecd.org/daf/inv/mne/OECD-Due-Diligence-Guidance-Minerals-Edition3.pdf

- **Ongoing:** seamlessly integrated into a company's management systems and daily processes.
- **Proactive:** designed and implemented to identify and mitigate risks to prevent negative outcomes.
- **Reactive:** able to respond promptly to risks (both actual and potential).
- **Risk based:** with a level of detail and effort that matches the potential risk in a company's supply chains.
- **Allowing for continuous improvement:** companies may be starting with very little understanding of risks in their supply chains and work to improve their systems and understanding over time.

The OECD Guidance offers specific recommendations through a five-step framework which is global in scope and can be applied to all mineral types (see Figure 4).

Figure 4. The key elements of OECD's five-step framework for due diligence



BOX 3. CAHRAS AND ANNEX II RISKS

Annex II of the OECD Guidance identifies five major risks associated with sourcing from CAHRAs. Your supply chain policy should address each one:

1. Serious abuses associated with the extraction, transport or trade of minerals. This includes but is not limited to:

- any forms of torture, cruel, inhuman and degrading treatment;
- any forms of forced or compulsory labour;
- the worst forms of child labour;
- other gross human rights violations and abuses such as widespread sexual violence; and
- war crimes or other serious violations of international humanitarian law, crimes against humanity or genocide.

2. Direct or indirect support to non-state armed groups.

3. Direct or indirect support to public or private security forces who illegally control, tax or extort money from mine sites, transportation routes and upstream actors.

4. Bribery and fraudulent misrepresentation of the origin of minerals and royalties due to governments

5. Money laundering and non-payment of taxes and royalties due to governments (aligned with CoC 2 Know Your Counterparty: money laundering and finance of terrorism)

COC 1.1 AND 1.2: EXERCISE DUE DILIGENCE

1.1 Entities in the gold, silver and PGM supply chain shall exercise due diligence over their supply chains in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (the 'OECD Guidance') or other auditable due diligence frameworks recognised by the RJC to be aligned with the OECD Guidance ('RJC-recognised due diligence frameworks'), in ways appropriate to their size and circumstances. In addition:

a. Entities in the gold value chain shall implement the OECD Guidance Supplement on Gold as applicable to their operations and supply chains.

1.2 Entities shall adopt and communicate publicly and to their suppliers a supply chain policy with respect to sourcing from conflict-affected and high-risk areas. The policy shall be consistent at a minimum with Annex II of the OECD Guidance or with other RJC-recognised due diligence frameworks.

C *Implementation guidance*

BOX 4. NOTE ON RJC-RECOGNISED DUE DILIGENCE FRAMEWORKS

The RJC will, where applicable, recognise national due diligence frameworks through review using the OECD Alignment Assessment methodology. Frameworks that are found to fully align with the OECD Guidance in this way will be listed on the RJC website and can then be used by members to comply with this provision.

This implementation guidance does not replace the OECD Guidance, but offers an approach to help RJC members implement it.

Points to consider:

OECD STEP 1: ESTABLISH STRONG COMPANY MANAGEMENT SYSTEMS

1A. Supply chain policy

- Establish a supply chain policy clearly stating your position on responsible sourcing from CAHRAs. Your policy should cover all the risks that are relevant to your business, but make sure that, at a minimum, it addresses each of the risks associated with CAHRAs (see box 3 'CAHRAs and Annex II risks' in Section B above).
- Refiners that are already, or plan to be, certified against the LBMA Responsible Gold Guidance should note that Version 8 of the LBMA guidance extends the scope of risks to include environmental and sustainability considerations, in addition to OECD Guidance Annex II risks.[3] All companies should consider incorporating this into the supply chain policy and wider due diligence management systems.
- Within your supply chain policy, set out your commitment to the due diligence steps as described in the OECD Guidance Supplement on Gold.
- Your policy and associated management system can be stand-alone or part of a broader policy. Either way, make sure it is aligned with and linked to your policies and procedures on KYC (COC 2 Know Your Counterparty: money laundering and finance of terrorism), human rights (COP 6 Human rights) and other relevant policies.
- See Annex1 below for a supply chain policy template that you can use and adapt to meet the circumstances of your business.
- Try to involve all staff affected by the policy in its development, to help ensure it can be practically implemented. For example, consult staff responsible for material procurement, production and communications, etc. It may also be worth consulting key external stakeholders.
- Use the policy to clarify your position and expectations to suppliers and other stakeholders by:
  - making it publicly available (for example, on your website or in institutional literature);
  - sending it directly to immediate suppliers via contracts or other notifications; and
  - subject to available resources, training suppliers and building their capacity to better understand and adhere to your requirements.

1B. Structure management systems that support due diligence

- A due diligence management system is a framework for co-ordinating activities, documents and outputs across multiple, interrelated functions. It may consist of procedures, checklists, guidance documents, trainings and electronic databases, or only some of these.

3 LBMA, Responsible Gold Guidance Version 8 http://www.lbma.org.uk/assets/downloads/responsible%20sourcing/RGGV820181211.pdf

- To be effective, your due diligence management system should allow you to identify suppliers, and to assess any associated risks relevant to your supply chain policy. In practice, this means:
  - integrating the system across the different units that implement and support the supply chain policy; and
  - allocating enough resources to run and monitor the system effectively.
- Assign a senior staff member to lead your due diligence management system. This person should be suitably qualified or experienced, and should:
  - lead the supply chain policy's development and implementation;
  - co-ordinate and communicate the policy's implementation across your organisation;
  - work to ensure all relevant suppliers respect the policy, and review business relationships with suppliers based on risk levels;
  - carry out internal and (if relevant) external training;
  - respond to identified supply chain risks;
  - publicly report on due diligence every year (see Step 5); and
  - review and propose improvements to the due diligence system.
- Depending on your available resources, you may decide to delegate some of the above tasks to different people, but ultimate responsibility should remain with one senior member of staff.
- Record any decisions made about the due diligence system through, for example, meeting minutes or internal memos or records: these may also be used as evidence during audits.

1C. Establishing a system for transparency and controls over the supply chain

- Before you can identify and assess risk, you must understand your supply chain and identify your suppliers. That means collecting different types of information and documents, depending on your position in the supply chain (see Figure 5):
- Downstream companies (any company after the refiner up to and including the retailer) should ask their immediate suppliers for the identity of upstream refiners and obtain proof that the refiner has conducted due diligence in accordance with the recommendations of the OECD Guidance.
- Miners and refiners or others sourcing from mines should have a clear understanding of the mines of origin.
- The type of information you will need as proof of origin varies depending on the type of material at hand (see Table 2).

Figure 5. How to identify the origin of gold, silver and PGM depending on the business type

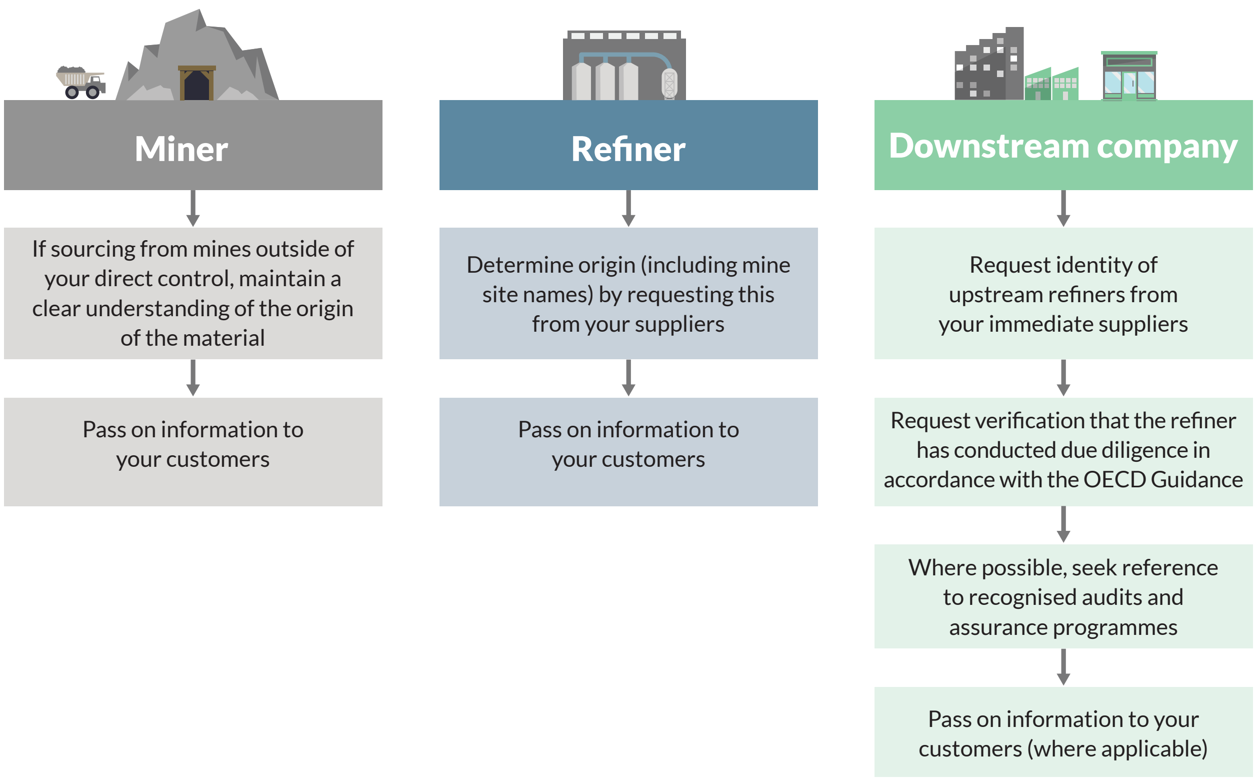


Table 2. Information needed for determining the origin of different types of material

Material type	Definition	Information needed in determining origin
Mined gold/ silver/PGM	Gold/silver/PGM that comes from mines and has never been refined.	Miners and refiners shall identify the country and mine of origin.
Recycled gold/ silver/PGM	Gold/silver/PGM that has been previously refined, such as end-user, post-consumer gold-bearing products, and scrap and waste metals and materials arising during refining and product manufacturing, which are returned to a refiner or other downstream intermediate processor to begin a new life cycle as recycled gold/silver/PGM.	Refiner members shall confirm that the gold/ silver/PGM received is recycled material and shall obtain sufficient information to reasonably exclude false representations made to hide the origin of newly mined material in recycled gold/ silver/PGM supply chains.
Grandfathered gold/silver/ PGM	Refined gold/PGM with a verifiable date of production prior to 1 January 2012. Refined silver with a verifiable date of production prior to 1 January 2018	Origin determination is not required unless there is reasonable evidence to suspect the authenticity of the grandfathered status of the material (see OECD Step 2).

BOX 5. CONTROL POINTS

Control points (also sometimes called choke points) are stages in the supply chain with generally higher visibility and control over upstream stages. Where identified, they become a key focus area for the collection and sharing of information on the circumstances of upstream production and trade. The OECD Supplement on Gold identifies the refiner as the logical control point in the gold supply chain, and for the purpose of the COP and CoC, this also extends to silver and PGM.

- Whatever your company type, you are expected to keep, as a minimum, internal inventory and transaction documents to retrospectively identify material inputs and outputs for all gold, silver and PGM. That means collecting:
  - information on the form, type and weight of material inputs; and
  - supplier details, including KYC information (see **CoC 2 Know Your Counterparty: money laundering and finance of terrorism**).
- For examples of the types of documents and evidence to collect, see Annex 2 below.
- In practice, you can gather this information in several different ways:
  - Use checklists and forms, where applicable, to collect information from suppliers.
  - Collect information directly in meetings (smaller companies may find this approach easier).
  - Depending on resources available, consider using electronic data management software to help streamline your supply chain mapping and information gathering.
- In all cases, be sensitive to commercial confidentiality concerns. See the OECD Due Diligence Guidance for Responsible Business Conduct for tips on how to do this, which include, for example, limiting access to a supplier's sensitive information or asking for aggregate information rather than specific business relationships.[4]
- Your suppliers will already be gathering some information on their sourcing through existing policies and procedures (for example, to comply with legal requirements) which may serve as a useful starting point.
- Regardless of where you are in the supply chain, and what material you handle, make sure you keep all information for at least five years, and make it available to buyers and auditors further downstream.

4 OECD, OECD Due Diligence Guidance for Responsible Business Conduct (2018) p. 87
http://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf

Q&A: INFORMATION GATHERING

How can I help my suppliers understand my expectations?

Adopt some or all of the following approaches:

- Clearly reference your supply chain policy in all commercial contracts and written agreements, invoices, consignment notes or other relevant documents.
- Contact all your suppliers to discuss the policy and requirements and let them ask questions. This will also give you an opportunity to assess any training or capacity-building needs. Your suppliers may already have relevant systems and policies in place that meet some or all of your needs.
- Help your suppliers develop their own risk management strategy, consistent with your supply chain policy.

What can I do if my suppliers are unable or unwilling to provide the information I need?

There may be several reasons why a supplier cannot or will not give you the information you need. Some of these will be easy to resolve; others may require more complex solutions. You should explore your options before deciding whether to suspend or terminate your relationship. Example issues and potential solutions include:

- The supplier does not understand the request: talk to the supplier again and tell them what information you need and why. Offer training where applicable.
- The supplier can't get the information from its own upstream suppliers: offer to help by setting up joint meetings with upstream suppliers or by supporting them to organise their management system to better map the supply chain.
- The supplier does not want to provide the information because it is confidential: discuss the possibility of a non-disclosure agreement to manage information sharing and reassure the supplier about the precise use of their information.

If you are starting with very little or no information on upstream sources, you can still demonstrate compliance with this provision by explaining and documenting the steps you've taken to seek information and your plans to improve your data over time.

1D. Strong engagement with suppliers

- Try to establish long-term relationships with suppliers (rather than short-term or one-off contracts).
- Communicate to suppliers your expectations that they will undertake supply chain due diligence and risk management in ways that are consistent with your supply chain policy. If any problems arise, work with them to try and resolve the issue before you consider suspending or terminating the relationship. This may include training or building capacity to help suppliers provide the assurances you need.
- Include provisions for sharing due diligence information in your commercial contracts with suppliers. Contracts may also include your right to conduct unannounced spot checks and to have access to relevant documentation.
- Where practical, encourage suppliers to source from refiners that have been third-party audited against a standard that conforms with the OECD Guidance.

1E. An effective grievance mechanism

- An effective supply chain grievance mechanism:
  - offers all parties (affected stakeholders or whistle-blowers) a way to raise concerns about the businesses, organisations, individuals or activities in your supply chain; and
  - serves as a tool for identifying and reacting to issues in your supply chain that may otherwise go unnoticed.
- Your grievance mechanism can be the same one as (or aligned with) that required under COP 6 Human rights.
- When developing and implementing a grievance mechanism, make sure you:
  - Make the mechanism easily accessible to all who may wish to use it: this means allowing for grievances to be submitted in multiple ways—by email, letter, telephone and in person.
  - Protect whistle-blowers by allowing them to remain anonymous.
  - Keep an accurate and updated log of all grievances and follow-up actions.
  - Develop a transparent process and procedure for responding to grievances, and respond to all grievances in a timely and efficient manner.
  - Follow up each grievance with a verifiable corrective action that can be monitored and assessed. If a grievance is dismissed without any follow-up, accurately log and record full justifications and details of any investigation.

OECD STEP 2: IDENTIFY AND ASSESS RISKS IN THE SUPPLY CHAIN

2A and B. Red-flag supply chains

- Step 2 begins with using the information you have gathered in Step 1 on your supply chain to identify red flags, as defined by the OECD Guidance (see Table 3). These red flags are an indicator of a potential risk that requires further investigation through a subsequent risk assessment, and, where necessary, mitigation measures.

Table 3. List of OECD red flags

Type of red flag	Description of red flag
Red-flag locations (location of gold/ silver/PGM origin and transit)	The gold/silver/PGM originates from or has been transported through a CAHRA.
	The gold/silver/PGM is claimed to originate from a country that has limited known reserves or stocks, likely resources or expected production levels of gold/PGM/silver (that is, the declared volumes of gold/ silver/PGM from that country are out of keeping with its known reserves or expected production levels).
	The gold/silver/PGM is claimed to originate from a country through which gold/silver/PGM from CAHRAs is known or reasonably suspected to transit.
	The gold/silver/PGM is claimed to originate from recyclable, scrap or mixed sources and has been refined in a country where gold/silver/PGM from CAHRAs is known or reasonably suspected to transit.
Red-flag supplier	Suppliers or other known upstream companies operate in one of the above-mentioned red-flag locations of gold/silver/PGM origin and transit, or have shareholder or other interests in suppliers of gold/silver/ PGM from one of the above-mentioned red-flag locations of gold/silver/PGM origin and transit.
	Suppliers or other known upstream companies are known to have sourced gold/silver/PGM from a red-flag location of gold/silver/PGM origin and transit in the last 12 months.
Red-flag circumstances	Anomalies or unusual circumstances are identified through the information collected in OECD Step 1, which give rise to a reasonable suspicion that the gold/silver/PGM may contribute to conflict or serious abuses associated with the extraction, transport or trade of gold/silver/PGM.

- Regularly review and evaluate your exposure to risk, especially when forming relationships with new suppliers, or when existing suppliers change their sourcing practices:
  - **For miners and refiners**, that means identifying any red flags in your supply chain and investigating them. Miners that purchase material from other sources should also determine whether that material has red flags.
  - **For downstream companies**, it means first identifying the refiners in your supply chain and then making reasonable and good faith efforts to get evidence from them of their due diligence to see whether they have identified, or reasonably should have identified, red flags in their supply chains. You can rely on evidence generated in OECD Step 1 as well as any other information you collect by engaging directly with your suppliers.
- To identify a red flag, you need to review the context of each location of gold, silver and PGM origin and transport, relying on evidence from credible sources, and use your best endeavours to make reasonable determinations based on the definition of CAHRA.
- In practice, that means looking at all countries, regions and areas that you source, or plan to source, gold, silver or PGM from and determining whether they are a CAHRA or not (see Figure 6 and box 6 ‘Resources for identifying a CAHRA’).
- If you have been able to reasonably determine that these red flags are not present in your supply chain, then the sources can be considered low risk, requiring minimal further action other than ensuring that:
- Your company management system (described in Step 1) continues to work effectively.
- You report publicly on your due diligence practices as per Step 5.

BOX 6. RESOURCES FOR IDENTIFYING A CAHRA

You can review a range of documents and resources from credible sources to check for CAHRAs. This includes:

- research reports from governments, international organisations, NGOs and media;
- maps, UN reports and UN Security Council sanction lists; and
- relevant industry literature on the material's extraction, and its impacts on conflict and human rights.

The EU Commission has published a list of publicly accessible resources that can be used for the identification of CAHRAs.[5] The OECD is developing the 'Portal for Supply Chain Risk Information', which is designed to help companies understand and prioritise risks in their supply chains.[6]

For COP certification, you must be able to show that you have adequately reviewed and considered credible sources of information, and auditors will only flag inconsistencies in your approach that are clearly linked to a weak due diligence management system as a non-conformance.

Figure 6. CAHRA characteristics

Areas with weak or no governance or security, including:

political instability or repression
institutional weakness
insecurity
collapse of civil infrastructure
widespread violence

Areas affected by widespread human rights abuses and violations of law, including:

torture or cruel and degrading treatment
forced and child labour
widespread sexual violence
war crimes
crimes against humanity
genocide

Areas in a state of conflict, including:

international conflict
wars of liberation or insurgencies
civil wars
any other armed aggression

- Make sure you have, or can access, the necessary skills, resources and systems to undertake the task effectively. Consider whether an assessment by a qualified person should also be undertaken to determine if conflict is prevalent in the areas through which material in your supply chain is extracted and/or transported.

2C and D. Risk review, mapping and risk assessment

- The presence of a red flag does not mean that adverse impacts have occurred in your supply chains. Your risk assessment is meant to look for the presence of adverse impacts related to CAHRAs, as highlighted in Annex II of the OECD Guidance (see box 7 'What are adverse impacts related to CAHRAs?').

5 Commission Recommendation (EU) 2018/1149 (2018) https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32018H1149

6 OECD, Portal for Supply Chain Risk Information www.oecd.org/daf/inv/mne/oecd-portal-for-supply-chain-risk-information.htm

BOX 7. WHAT ARE ADVERSE IMPACTS RELATED TO CAHRAS?

Adverse impacts related to mineral supply chains are outlined in the OECD Guidance Annex II Model Supply Chain Policy as:

- Serious abuses associated with the extraction, transport or trade of minerals.
- Any forms of torture, cruel, inhuman and degrading treatment.
- Any forms of forced or compulsory labour.
- The worst forms of child labour.
- Other gross human rights violations and abuses such as widespread sexual violence.
- War crimes or other serious violations of international humanitarian law, crimes against humanity or genocide.
- Direct or indirect support to non-state armed groups.
- Direct or indirect support to public or private security forces.
- Bribery and fraudulent misrepresentation of the origin of minerals.
- Money laundering and non-payment of taxes and royalties due to governments.

- Wherever you identify a red flag, assess the risk that adverse impacts are occurring as follows (see also Figure 7):
  - If you are a **miner or refiner**, map the factual circumstances of all red-flag supply chains, under way and planned (see box 7 'Mapping the factual circumstances of red-flag supply chains (for upstream companies)').
  - If you are a **downstream company**, further evaluate the due diligence and risk mitigation practices of the refiners in your supply chain, including information generated from on-the-ground assessments, and review this against the due diligence processes of the OECD Guidance. Collect information that can identify all countries of origin, transport and transit for the minerals in the supply chains of each refiner. Also determine whether the refiners in your supply chain with red flags have had their due diligence practices independently audited against a standard that is consistent with the OECD Guidance and, where available, get the results and review them.

BOX 8. MAPPING THE FACTUAL CIRCUMSTANCES OF RED FLAG SUPPLY CHAINS (FOR UPSTREAM COMPANIES)

Mapping the factual circumstances of red-flag supply chains involves four main sets of activities. If you are a mining company not sourcing from anyone else, only Steps I (review of context) and II (on-the-ground assessments) apply and should be part of your operational risk assessment process.

i. An in-depth review of the context of all red-flag locations and the due diligence practices of any red-flagged suppliers:

- Review reports, maps and relevant literature on extraction, transport and trade in the red-flag location, particularly whether these give rise to any of the major CAHRA risks.
- Engage stakeholders, consulting for example with local and central governments, local civil society organisations, community networks, etc.
- Use methods that are consistent with the OECD Guidance to determine whether upstream suppliers (if you have any) have working policies and systems (for example, desktop research, site visits, random verification of purchase records, process reviews for purchase, and anti-money laundering and counter-terrorist financing mechanisms).

ii. On-the-ground assessments for mined material to generate and maintain information on how suppliers extract, trade, handle and export their mined material:

- Ensure that assessors are independent from the activity being assessed and without conflict of interests.
- Ensure the appropriate level of competence, by employing experts with appropriate knowledge and skill.
- Establish a joint assessment team with other companies working in similar areas or through an industry or multi-stakeholder mechanism or initiative, or carry out independent assessments on the ground.

iii. Determination of source type, that is finding out whether the mined material originates from artisanal and small-scale mining or large-scale mining:

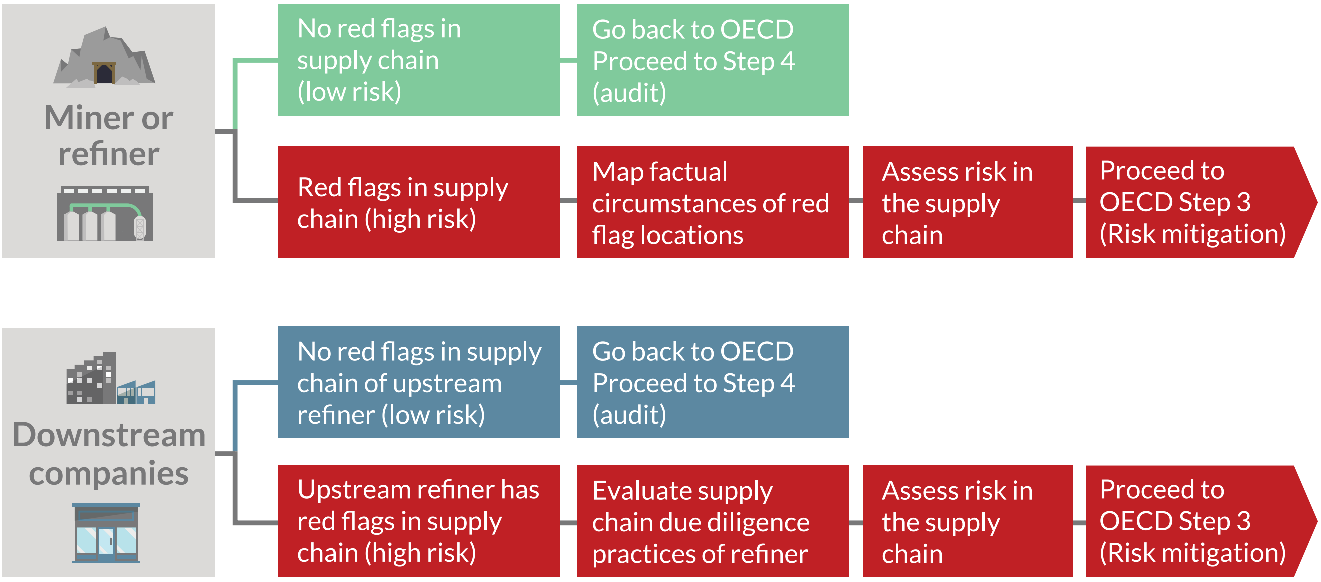
- Depending on the answer, collect extra evidence on factual circumstances of extraction, trade, handling and export as specified in the OECD Guidance.

iv. On-site visits to suppliers of recycled gold, silver and PGM using a risk-based approach, with priority given to people, places and transactions that present higher risk:

- Risk factors here may include value of transaction, place of transaction, type of material, unusual circumstances and type of supplier.

- Look for evidence of inconsistencies between your supply chain policy and the factual circumstances of extraction, transportation and trade of material.
- In all cases, keep a record of the information and evidence you used for your risk assessment.
- Do not automatically disengage a source if it is deemed high risk: engage with your suppliers first and adopt risk mitigation strategies (see Step 3) where possible and appropriate before considering suspending or terminating your business relationship.
- Note that under the OECD Guidance, you are responsible for identifying the red flags and carrying out a risk assessment for your suppliers whether or not they belong to any external supply chain initiatives and programmes. That means you should not rely on external parties, including the RJC, to undertake any aspect of due diligence on your behalf (other than the third-party audit).

Figure 7. What to do if you identify red flags in the supply chain for different business types



OECD STEP 3: DESIGN AND IMPLEMENT A STRATEGY TO RESPOND TO IDENTIFIED RISKS

- If you identified a risk in Step 2, you will need to design and implement a risk management strategy that enables you to prevent or mitigate risks that already exist in your supply chain and react promptly and appropriately to any changes that arise.
  - This is true even if there is no direct evidence to suggest that the risk is currently associated with an actual adverse impact.

3A. Findings report

- Share the following information with the designated senior management:
  - An outline of the information gathered from the risk assessment carried out in Step 2.
  - Details of the risks identified.

3B. Enhanced engagement with suppliers

- Strengthen your engagement with high-risk suppliers and enhance internal systems of transparency, information collection and control over your gold/silver/PGM supply chain.
- For **miners and refiners**, stronger engagement includes:
  - establishing a traceability system that collects and maintains disaggregated information from the red-flagged supply chain;
  - enhancing physical security practices over the supply chain;
  - physically segregating any material that has an identified risk of association with conflict and serious abuses of human rights; and
  - incorporating the right to unannounced spot checks in commercial contracts and written agreements with suppliers.
- For **downstream companies**, this means regularly reviewing and updating information on the identity of refiners and associated due diligence findings from OECD Step 2.

3C. A risk management plan

- Outline your response to potential and/or actual adverse impacts in a risk management plan (in line with Annex II of the OECD Guidance).
  - If you have identified an actual adverse impact in your supply chain, you will need to take steps to resolve the issue and mitigate the impact.
  - The action you decide to take will depend on the type of impact identified (see Table 4).
  - Serious impacts will require immediate action, including disengaging the supplier or temporarily suspending trade until the impact has been mitigated.
  - If you haven't identified an actual impact but can see that there is potential for an adverse impact, you will need to take preventive measures.
  - In deciding how to respond to risk, consult the recommendations included in Annex II and Annex III of the OECD Guidance (which include advice on when to disengage, suspend or continue a business relationship).

Table 4. Adverse impacts and the appropriate response (based on the OECD Guidance Annex II recommendations)

Adverse impact	Appropriate response
Serious abuses associated with the extraction, trade and transport of minerals	Immediately suspend or disengage from suppliers. Mitigate where possible.
Direct or indirect support to non-state armed groups	Immediately suspend or disengage from suppliers. Mitigate where possible.
Direct or indirect support to public or private security forces who illegally control mine sites, transport routes and upstream actors (including illegal taxation)	Continue, or temporarily suspend, trade with suppliers, but implement measurable mitigative actions. Suspend or disengage if mitigation measures are ineffective.
Bribery and fraudulent misrepresentation of the origin of gold/silver/PGM	Continue, or temporarily suspend, trade with suppliers, but implement measurable mitigative actions. Suspend or disengage if mitigation measures are ineffective.

- In devising appropriate mitigation measures, reach out to companies and individuals in your supply chains that can most effectively and most directly mitigate the identified risks.
- Adapt your plan based on the level of identified risks and impacts, recognising that factors such as severity and probability of an adverse impact are important in determining the scale and complexity of the due diligence response.
- Where possible, consult all affected stakeholder groups before agreeing a risk mitigation strategy.

3D and E. Implementation and follow-up

- Implement your risk management plan by carrying out all the actions (for both mitigation and prevention) you have decided on.
- Continue to monitor the situation in your supply chain to assess your plan's performance and effectiveness.
- Keep your risk management strategy flexible so that you can adapt to any changes in your supply chain, and remember that such changes may require you to repeat some of the steps already taken to identify, prevent or mitigate adverse impacts.
- For adverse impacts that do not require immediate suspension or disengagement, define a timeframe for achieving significant measurable improvement (maximum six months) and continue monitoring the supply chain to assess your plan's effectiveness.
- If, after reasonable efforts at mitigation, you still fail to achieve your desired outcomes, you may need to disengage from the supplier.

OECD STEP 4: CARRY OUT INDEPENDENT THIRD-PARTY AUDIT OF DUE DILIGENCE PRACTICES

- Regardless of your position within the gold, silver or PGM supply chain, you will be audited as part of the normal COP certification process.
- The OECD Supplement on Gold additionally recommends that **downstream companies** in the **gold supply chain** participate in and support the independent third-party audit of the refiner's due diligence practices and are encouraged to do so through industry programmes to increase efficiency in implementing the OECD Guidance.
- Where possible, seek to source your gold from refiners that are certified under a scheme that is consistent with the OECD Guidance. This includes one or more of the standards below:
  - The Responsible Jewellery Council Code of Practices (this standard).
  - RMI (previously known as the Conflict-Free Sourcing Initiative) Gold Refiner Standard.
  - LBMA Responsible Gold Guidance.
  - Dubai Multi Commodities Centre (DMCC) Practical Guidance and Review Protocol.

- If none of the above applies, you should engage with and support the refiner to get independently third-party audited for its due diligence practices. This may include defining a new audit standard consistent with the recommendations set out in the OECD Guidance and ensuring that audits are implemented in accordance with the scope, criteria, principles and activities described in Step 4 of the OECD Guidance framework.
- Downstream companies in the silver and PGM supply chain should, where feasible, encourage silver and PGM refiners to carry out an independent third-party audit against a standard that is consistent with the recommendations of the OECD Guidance.

OECD STEP 5: REPORT ANNUALLY ON SUPPLY CHAIN DUE DILIGENCE

- Regular public reports promote transparency and generate public confidence. Make sure you report publicly on your due diligence systems and practices at least once a year, for example through your company website or through applicable company reports and publications. The information you need to include varies according to your business type (see Table 5).
- Match the level of detail in your report with the level of risk in your supply chain. For example, if you don't source from a CAHRA, you don't need to report on Step 3.
- Be practical in how you format your report, taking into account the scale and impacts of your business. For example, if you are a small business, you do not need a printed publication—a simple memorandum will do.

Table 5. Annual reporting requirements under OECD Step 5 (and RJC COP certification)

Category	Reporting information to include:
Miners and refiners	
Step 1: Establish strong company management systems	Supply chain policy.
	Management structure and responsibilities for due diligence programme.
	Internal control systems and processes for information collection.
	Record-keeping system and processes for identifying material origin.
Step 2: Identify and assess risk in the supply chain	Systems for identifying red-flag locations.
	Description of red flags in supply chain.
	Steps taken to map red-flag supply chains.
	Methods, practices and information yielded by on-the-ground assessment teams.
	Actual and potential risks identified (not for potential suppliers).
Step 3: Design and implement a strategy to respond to identified risks (if applicable)	How internal control systems have been strengthened to collect reliable information from red-flag supply chains.
	Steps taken to manage risks, including involvement of affected stakeholders.
	Efforts made to monitor and track performance for risk mitigation.
	Number of instances where member has decided to disengage from suppliers.
	All instances of risk mitigation and results of follow up after six months.
Additional reporting requirements for refiners	
Step 4: Carry out independent third-party audit of refiner's due diligence practices	Summary audit report with due regard taken of business confidentiality and other competitive security concerns, including details of audit dates, activities, methodology and conclusions (either directly or through co-operation with an industry programme or institutionalised mechanism).
Downstream companies	
Step 1: Establish strong company management systems	Supply chain policy.
	Management structure and responsibilities for due diligence programme.
	Record-keeping systems.
Step 2: Identify and assess risk in the supply chain	Steps taken to identify refiners in supply chain.
	Assessment of supplying refiner's due diligence practices.
	Methodology of company supply chain risk assessments.
	Actual or potential risks identified.
Step 3: Design and implement a strategy to respond to identified risks (if applicable)	Steps taken to manage risks, including involvement of affected stakeholders.
	Efforts made to monitor and track performance for risk mitigation.
	All instances of risk mitigation and results of follow up after six months.

COC 1.3: FOR REFINERS

Refiner entities shall:

a. Maintain internal material control systems that can reconcile movement of inventory in and out over a given time.

b. Gold refiners shall additionally collect and, with due regard to business confidentiality, share annually information with the RJC on the mine of origin of mined gold received.

Points to consider:

- Establish and implement systems for internal material control.
- **For all your inputs** (gold, silver or PGM received), record:
  - the date you physically receive the material, or the date it enters your control system;
  - the material's form, type and physical description of the material;
  - the material's weight and assay (assay determinations may be provided by the counterparty, refiner or a third party); and
  - a unique internal reference number assigned by bar, ingot or batch of material accepted—make sure the number is the same as that used on any other information collected on that material.
- **For all your outputs** (gold, silver or PGM sent out), record and make the product identifiable with:
  - your name and/or stamp or logo;
  - the year of refining or production; and
  - a unique reference (for example, serial number, electronic identification or other practicable means).
- Make sure that the total weight of material received and in inventory during the audit period can be reconciled with movements in and out of inventory for the same period.
- Adopt tamper-proof physical security measures for all outputs.
- If you are a gold refiner, remember to share your data on mine of origin with the RJC (see box 9 'Sharing data with the RJC').

BOX 9. SHARING DATA WITH THE RJC

All gold refiners seeking CoC certification must share their data on mine of origin with the RJC each year, including:

- A list of mines of origin for all gold received. At the time of CoC certification, this list should cover the audit period; afterwards it should be provided on an annual basis.
- The identity of any mines of origin in CAHRAs.
- A summary of the criteria used to determine CAHRAs.

This data will be used to inform the RJC's training and to maintain the integrity of harmonisation with the RMI Gold Refiner Standard and the LBMA's Responsible Sourcing programme.

<table>
<tr><th>OECD step</th><th colspan="2">Check list</th></tr>
<tr><th></th><th>Miners and refiners</th><th>Downstream companies</th></tr>
<tr><td>Step 1: Management system</td><td colspan="2">✓ Have you developed a supply chain policy and made it publicly available?
✓ Have you communicated the policy internally?
✓ Have you assigned a senior staff member to lead your due diligence system?
✓ Have you made the necessary resources available to support your due diligence system?
✓ Do you have a grievance mechanism in place?
✓ Have you developed systems and procedures for collecting information from suppliers (where applicable) and sharing information with buyers?</td></tr>
<tr><td>Step 2: Identify and assess risks</td><td>✓ Have you identified any ‘red flags’ in your upstream supply chain?
✓ If yes, have you mapped the factual circumstances of the red flag supply chain (i.e. a risk assessment) and have you identified the presence of any adverse impacts as part of this exercise?
✓ If you have not identified red flags, proceed to step 4.</td><td>✓ Have you made reasonable and good faith efforts to obtain evidence that the refiners in your supply chain have conducted due diligence and to see whether they have identified, or reasonably should have identified, red flags in their supply chains?
✓ Are you satisfied that the refiners in your supply chain have carried out due diligence in a way that is consistent with the OECD Guidance?
✓ Where there are ‘red flags’, does the due diligence information provide adequate detail on the circumstances of upstream production and trade?
✓ If you have not identified red flags, proceed to step 4.</td></tr>
<tr><td>Step 3: Manage risks</td><td colspan="2">✓ Have you shared the results of your risk assessment with senior management?
✓ Have you outlined your response to risks in a risk management plan?
✓ Are you monitoring the performance of your risk mitigation efforts?</td></tr>
<tr><td>Only for red flags</td><td>✓ Have you established a traceability system to collect and maintain segregated information for all inputs and outputs from extraction through to the refiner?</td><td>✓ Are you regularly reviewing and updating information on the identify of refiners and associated due diligence findings from OECD Step 2?</td></tr>
<tr><td>Step 4: Verify</td><td></td><td>✓ Have the refiners in your supply had an independent third-party audit against a standard that is consistent with the OECD Guidance?</td></tr>
<tr><td>Step 5: Report annually</td><td colspan="2">✓ Do you, or are you planning to, annually report publicly on your implementation of the OECD Guidance?</td></tr>
</table>

(COC 2) KNOW YOUR COUNTERPARTY (KYC): MONEY LAUNDERING AND FINANCE OF TERRORISM

A *Applicability and definitions*

This provision applies to all entities, and all the gold, silver and PGM material that they handle. If you are already certified against the 2019 Code of Practices (COP) standard, then you are automatically compliant with this provision.

Beneficial owner is the person(s) who owns or controls a counterparty and/or the person on whose behalf a transaction is being done. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.

A **counterparty** is any supplier or customer of gold, silver or PGM or jewellery products containing these materials with whom you do business.

The **financing of terrorism** is any kind of financial support to those who attempt to encourage, plan or engage in terrorism. The meaning of terrorism is not universally accepted due to significant political, religious and national implications that differ from country to country.

Illegitimate sources of material go against applicable law. They include all sources involved in illegal mining[7] and gold or money laundering, as well as all sources used to fund conflict, terrorism or crime.

Know Your Counterparty (KYC) principles, established to combat money laundering and finance of terrorism, require businesses to identify every organisation that they deal with, to understand the legitimacy of their business relationships and, within reason, to identify and react to unusual or suspicious transaction patterns.

Money laundering is the process of disguising the financial proceeds of crime to conceal their illegal origin.

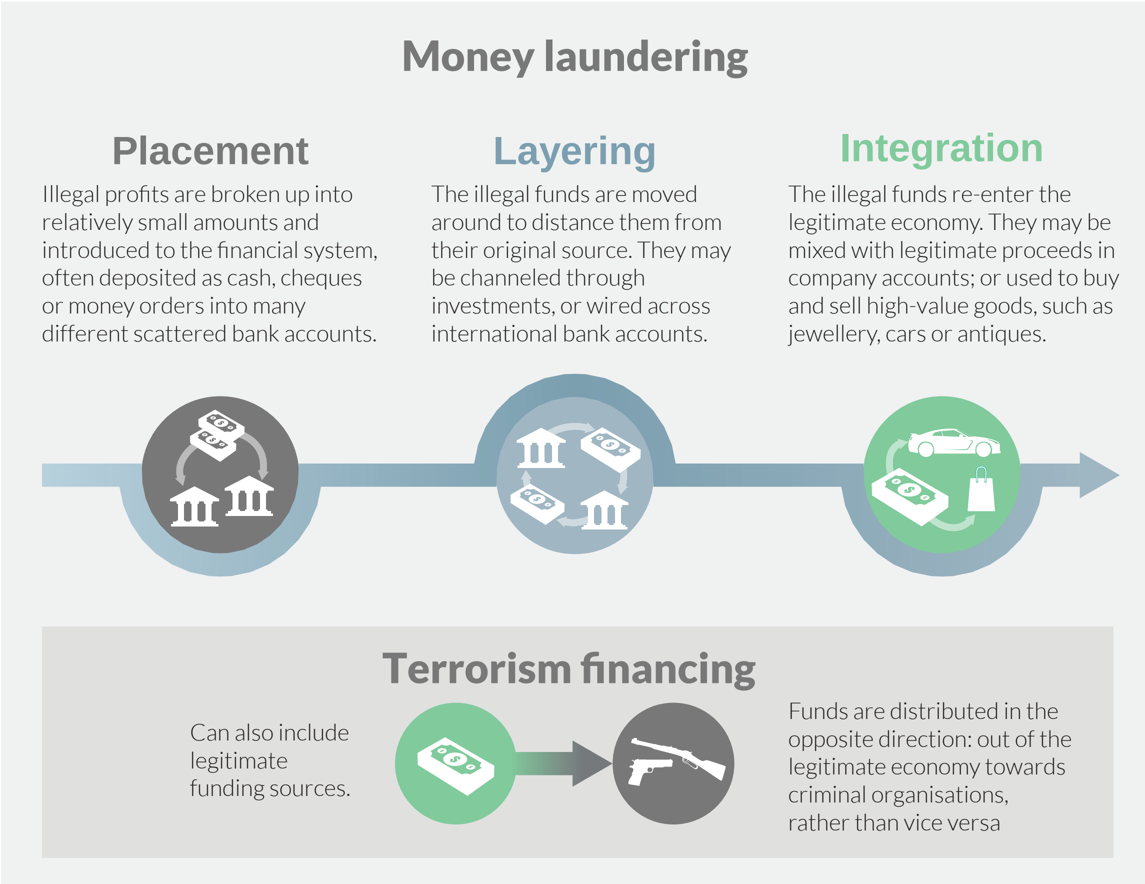
A **politically exposed person** is someone who is or has been entrusted with a prominent public function. Their status and influence puts many of these people in positions that can be potentially abused to commit money laundering and related predicate offences, including corruption and bribery, as well as activities related to terrorist financing.

B *Issue background*

'Money laundering' describes a multitude of practices designed to hide illegal or 'dirty' money. The profits from criminal activities—such as illegal arms sales, drug trafficking, prostitution, fraud, insider trading, theft or tax evasion—are put through a succession of transfers and deals until the illegal source of the funds is obscured and the money appears to be legitimate or 'clean' (see Figure 8).

7 This does not include legitimate but informal artisanal and small-scale miners. See COP 8 Sourcing directly from artisanal and small-scale mining.

Figure 8. The three stages of money laundering (and terrorism financing)



The very nature of precious metals and jewellery makes them attractive to criminal organisations looking to legitimise assets: they have intrinsic value, are easily smuggled and can be bought and sold anywhere in the world. That makes dealers in these high-value goods, including various parts of the jewellery supply chain, vulnerable to activities such as money laundering and terrorism financing—particularly if controls are too weak to stop anonymous trading.

In addition to legal compliance requirements, KYC policies and procedures are therefore a critical part of a company's due diligence in assessing, mitigating and reporting risks in the supply chain. They are key in ensuring companies avoid illegitimate sources of material and potentially criminal activities.

An effective KYC programme covers both suppliers and customers (and, where required by local law, end consumers). Under the RJC CoC Standard, such a programme must enable you to identify every organisation that you deal with, to understand your business relationships and to spot and react to unusual or suspicious transactions.

COC 2.1: KNOW YOUR COUNTERPARTY POLICY AND PROCEDURES

Entities shall document and apply a Know Your Counterparty (KYC) policy and procedures for business partners that are suppliers and customers of gold, silver, PGM, or jewellery products containing these materials. The policy and procedures shall:

a. Establish the identity of the counterparty by checking government-issued identification. Where triggered by a risk assessment or applicable law, establish the beneficial ownership and principals of the counterparty.

b. Verify that the counterparty and, if applicable, their beneficial owners are not named on relevant government lists for individuals or organisations implicated in money laundering, fraud or involvement with prohibited organisations and/or those financing conflict.

c. Maintain an understanding of the nature and legitimacy of their business.

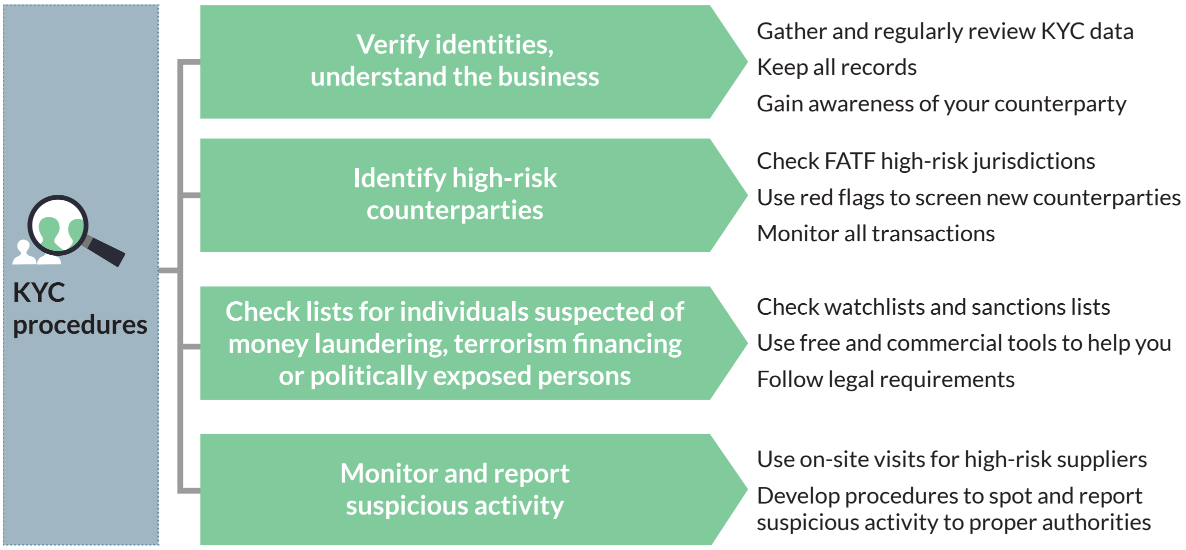
d. Monitor transactions for unusual or suspicious activity and report suspicions of money laundering or finance of terrorism to the relevant authority as applicable.

e. Maintain adequate records for either five years minimum or as long as required by national legislation, whichever is longer.

C *Implementation guidance*

A robust set of documented KYC procedures should support activities in four areas: verifying identities, identifying high-risk counterparties, checking records and monitoring for suspicious transactions (see Figure 9).

Figure 9. Four areas of documented procedures that underpin a robust KYC programme



Points to consider:

- KYC procedures should enable you to identify all the suppliers and customers of gold, silver, PGMor jewellery products containing these materials that you do business with (that is, your counterparties), including their beneficial owners where triggered by a risk assessment or applicable law. That means ensuring that you gather, review and keep records and information to verify the counterparty's identity, including, for example:
  - Name of counterparty (company/organisation/individual).
  - Registered address.
  - Business address.
  - Contact person and information.
  - Date and country of incorporation.
  - Business registration number.
  - Names of parent company and subsidiaries.
  - Description of core business activity (including sources of materials).
  - Beneficial owners (subject to risk level).
  - Shareholders.
  - Board of directors.
  - Management structure.
  - Government, military or political affiliations.
  - Financial information.
  - Copies of relevant policies (that is, KYC policy, supply chain policy).
- Make sure you use government-issued documents (for example, personal identity documents for individuals, and business licences, company registration or tax ID number for companies) to confirm the identity of your counterparties.
- Counterparties do not include end consumers unless this is required by law within the jurisdictions in which you operate.

BOX 10. HOW CAN SMALL BUSINESSES GET INFORMATION FROM VERY LARGE COMPANIES?

Smaller companies may be concerned about asking big clients to provide a copy of their beneficial owner's identity documents. If your counterparty is a company, a copy of its business licence will suffice. You only need to seek the beneficial owner's identification:

1. If your KYC measures uncover a specific need to identify the beneficial owner (for example, because you spot unusual transactions or find that the counterparty operates in a FATF high-risk jurisdiction or is on the sanctions list).
2. If the identity of the beneficial owner is required by law. In this case, check if there are any exemptions for listed companies, and if not, ask your counterparty for identity documents.

Note that the identity information you need about your counterparty may be publicly available through, for example, its registration under a regulatory programme or industry association that verifies its members. Relevant information may also be available through sector-specific initiatives that support KYC.

- Develop and maintain an understanding of your counterparty, including the nature of their business, their finances and their sources of materials.
- Identify high-risk counterparties using sources such as the FATF list of high-risk and non-cooperative jurisdictions[8], and establish their beneficial owners and principals.
- Identifying high-risk counterparties can help you understand your vulnerability to involvement in money laundering or terrorism financing. Establish high-risk indicators or 'red flags' to screen new customers or suppliers before you first do business with them, and then continue to monitor your transactions. If you identify a counterparty as high risk, follow your due diligence supply chain policy (see CoC 1 Due diligence for responsible sourcing from conflict-affected and high-risk areas) and consider either applying mitigation measures or ending your relationship. Higher-risk counterparties include those with any of the following characteristics (see the FATF guidance[9] for more information):
  - Limited knowledge of the industry.
  - Requests for unusual financial terms and conditions.
  - Lack of established place of business, or offices in an unusual location or high-risk jurisdiction.
  - Proposals for a transaction that makes no sense.
  - Use of unusual or distant banks.
  - Use of non-bank financial institutions for no apparent legitimate business purpose.
  - Frequent and unexplained changes in bank accounts or accounting personnel.
  - Use of companies without any apparent legitimate fiscal, legal or commercial reason.
  - Unusually complex organisational structure.
  - Offices located in higher-risk jurisdictions.
  - Involvement of third parties in transactions. (Where this is the case, make sure there is a legitimate reason for the third party's involvement, identify the third party and establish the relationship between them and your counterparty.)
  - Refusal to identify beneficial owners or controlling interests in cases where this would be commercially expected.
  - Attempted anonymity by conducting ordinary business through accountants, lawyers or other intermediaries.
  - Use of cash in a non-standard manner.
  - Involvement of politically exposed persons.
- Make sure that your counterparty (and, if applicable, its beneficial owners) is not named on a relevant government-sponsored watchlist or sanctions list, including lists in both your and your counterparty's countries of operation, as well as any other lists you deem relevant. Good references include:
  - The Jewelers Vigilance Committee www.jvclegal.org
  - The Responsible Minerals Initiative www.responsiblemineralsinitiative.org
  - The US Office of Foreign Assets Control's Specially Designated Nationals and Blocked Persons Listwww.treasury.gov/resource-center/sanctions/Pages/default.aspx
  - Commercial software programs for checking multiple sanction lists at once.
- If you find a counterparty listed on a watchlist or sanctions list, abide by the law; where applicable, discontinue your relationship and submit a suspicious activity report.

8 FATF, High-Risk and Other Monitored Jurisdictions www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/more/more-on-high-risk-and-non-cooperative-jurisdictions.html?hf=10&b=0&s=desc(fatf_releasedate)

9 FATF, Risk-Based Approach www.fatf-gafi.org/documents/riskbasedapproach

- Once you know the identity and level of risk of your counterparties, it is important to gain and maintain an awareness of their business. This means verifying that the organisation actually does what it says it does: use on-site inspections to confirm this for high-risk suppliers.
- Develop monitoring procedures to spot unusual or suspicious transactions. Consider:
  - nurturing contacts with relevant law enforcement agencies;
  - hiring third-party service providers to verify company information and credit reports, and to help screen names against sanctions lists; and
  - documenting your results as part of your overall risk management strategy.
- Establish procedures to properly report suspicious activity to the appropriate authorities.
  - Note that if you identify a risk of money laundering or terrorism financing, it is not your responsibility to determine the type or purpose of the criminal activity at hand. But you are responsible for reporting the risk to the proper authorities.

COC 2.2: KYC RESPONSIBILITY

Entities shall nominate an individual to be responsible for implementing the KYC policy and procedures.

Points to consider:

- Make sure that your KYC policy and procedures are overseen by a suitably qualified and experienced individual with:
  - expertise in your industry, and strong awareness of key counterparties; and
  - good knowledge of money laundering techniques, including how they might be used in your industry's transactions and areas of operation.
- Large or high-risk businesses should establish a formal AML and counter-terrorism financing programme that is under the authority of a designated manager and, where appropriate, integrated with other business compliance and security programmes.
- Consider hiring an independent qualified auditor to regularly review and test your KYC programme.

COC 2.3: KYC REVIEW

Entities' KYC policy and procedures shall be up to date and appropriate, and shall include training, documentation procedures and regular reviews.

Points to consider:

- Review your KYC policy and procedures regularly—at least once a year.
- If you find gaps in your KYC data, document and monitor any corrective actions taken to make sure that your KYC programme remains robust and effective.
- Depending on the size of your company, make sure you train relevant employees on KYC and related compliance procedures, including risk indicators.

COC 2.4: KYC CASH RECORDS

Entities shall maintain records of all single or apparently linked cash or cash-like transactions equal to or above 10,000 euros/US dollars or the threshold defined by applicable law (whichever is lower). Where required by law, entities shall report such transactions to the relevant designated authority.

Points to consider:

- In most cases, national law will define what makes a transaction or activity 'suspicious', and under what circumstances you need to report it to a competent authority.
- Make sure you are aware of the applicable law, and associated thresholds for reporting, in all jurisdictions that you operate in. If you carry out international transactions, you need to be aware of, and comply with, the applicable law for all relevant jurisdictions.
- If there is no applicable law on money laundering, you must monitor and maintain records of all cash transactions equal to or above 10,000 euros/US dollars where the transaction is carried out in a single operation or in several operations that appear to be linked. (This is in line with many legal frameworks, including the European Union Fourth Anti-Money Laundering Directive.)[10]
- Don't forget that you must use the defined financial threshold under applicable law if it is lower than 10,000 euros/US dollars.
- In all cases, establish procedures to automatically trigger a reporting requirement when the thresholds are exceeded.

BOX 11. Q&A: KNOW YOUR COUNTERPARTY

1. Does our conformance rating rest on how our system and procedures work or achievement of 100 per cent data?

The CoC requires members to establish the identity of all customers and suppliers, and where triggered by a risk assessment or applicable law, the beneficial ownership and principals of the supplier or customer. This does not necessarily mean '100 per cent data' at all times as collecting and maintaining relevant data is an ongoing process. Auditors should take into consideration the extent and nature of any missing information, the reasons why the information is missing and whether it demonstrates weaknesses in your management systems.

There could be a reasonable, practical explanation for why certain identity information is missing or out of date: because your counterparty has moved offices, because your business relationship is inactive or because of a minor clerical error. If, however, basic identity information is frequently missing from your records or if an active counterparty with missing information cannot be contacted or located, you are likely to be in a situation of non-conformance.

You auditor should understand that gathering information about beneficial owners may not be as straightforward as acquiring basic identity information. For example, if your risk assessment suggests you should get information about beneficial ownership but it is not legally required, your counterparty may not co-operate. Similarly, if you have a new counterparty, or one that has just changed ownership, you may well need to chase the information. If, however, you are missing information that is legally required and cannot show that you are actively trying to get it (particularly if it is missing for several counterparties), then you are likely to be in a situation of non-conformance.

2. Is there a list of financial reporting thresholds by country?

The FATF Recommendations drive most countries' financial reporting legislation, with more than 190 jurisdictions committed to the recommendations through membership of the FATF or equivalent regional bodies.

While the FATF does not keep a list of reporting thresholds by country, you can find information on these thresholds in the FATF'smutual valuation reports that assess individual countries' compliance with the FATF Recommendations.

See www.fatf-gafi.org/topics/mutualevaluations.

10 European Union, Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (Fourth Anti-Money Laundering Directive) (2015) https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32015L0849

PART II. CHAIN-OF-CUSTODY MANAGEMENT

(COC 3) MANAGEMENT SYSTEMS AND RESPONSIBILITIES

A *Applicability and definitions*

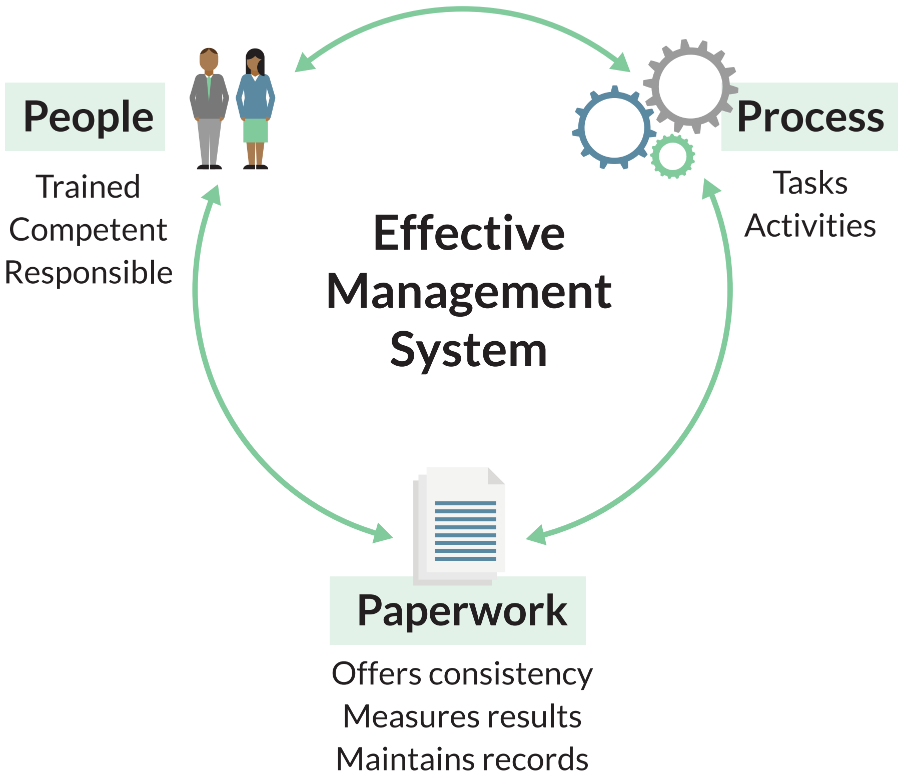
This provision applies to all members seeking CoC certification.

A management system comprises all the management processes and documentation that collectively provide 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.

B *Issue background*

Building a framework for a CoC begins with ensuring a management system that can address all applicable parts of the CoC Standard, in all facilities with custody of CoC material. Such a system is made up of three interacting and dynamic elements—people, process and paperwork. For the 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 out; and paperwork is required to ensure consistency, measure results and maintain records (see Figure 10).

Figure 10. The three components of a management system interact and are dynamic



C *Implementation guidance*

COC 3.1–3.7: MANAGEMENT SYSTEMS

(3.1) The entity shall have documented management systems that address all applicable requirements of the standard in all facilities under its control with custody of CoC material.

(3.2) The entity shall assign authority and responsibility to a senior staff member for the entity's compliance with all applicable requirements of the standard.

(3.3) The entity shall establish and implement communications and training measures that make relevant personnel aware of and competent in their responsibilities under the standard.

(3.4) The entity shall maintain records covering all applicable requirements of the standard and shall retain them for a minimum of five years or for as long as defined by national legislation, whichever is longer.

(3.5) The entity shall have systems in place to enable it to respond to reasonable requests for verification of CoC transfer documents issued by the entity.

(3.6) The entity shall carry out regular reviews at least every two years to ensure that its management systems are appropriate and up to date.

(3.7) The entity seeking CoC certification shall be an RJC member, or under the control of an RJC member, in good standing, thereby committing to uphold responsible business practices as defined in the RJC's COP.

Points to consider:

- You can support a CoC approach in your business by:
  - Designating a manager to oversee CoC staff and systems.
  - Establishing, or adapting, internal systems to track all CoC materials in custody.
  - Identifying all points in your work stream where eligible or CoC material might get mixed with non-eligible or non-CoC material—and putting controls in place to keep the two separate.
  - Communicating processes and procedures to all relevant staff.
  - Keeping records that can verify CoC claims and show that your controls are effective.
- Management systems can take many different forms, depending on the nature and scale of a business, the level of automation and use of information technology, the types of materials handled, the points at which material could become mixed, etc. For example, the system needed to separate CoC and non-CoC material at a refinery will look very different from the system needed at a small retail business.
- In all cases, the CoC auditor will look to verify that your management system (that is, your people, processes and relevant paperwork) can fulfil the requirements of the CoC Standard. That typically means looking for a range of evidence, as outlined in Table 6.

Table 6. Examples of the type of evidence looked for by auditors to prove conformance with CoC 3

Provision	Evidence of conformance
3.1	• Efforts to identify and control risks of non-conformance. • Adequate resources (financial, human, equipment, information technology, etc.) to carry out the relevant tasks and activities. • Policies and procedures (which may or may not be documented) that are understood and consistently followed. • An internal process that regularly monitors the design and effectiveness of controls.
3.2	• Clear designation of a responsible manager.
3.3	• Training of relevant staff. • Communication processes to ensure information reaches relevant customers and suppliers.
3.4	• CoC records and documentation to support all applicable parts of the standard. • Records and documentation that date back at least five years.
3.5	• Systems to verify all CoC transfer documents issued by the business.
3.6	• Records of management system reviews carried out every two years (plus any time there have been changes to the business operations that may impact the system).
3.7	• RJC membership status.

(COC 4) INTERNAL MATERIAL CONTROLS

A *Applicability and definitions*

This provision applies to all members seeking CoC certification.

B *Issue background*

There are many different types of CoC model available to track the movement of products and their associated claims through a supply chain. The CoC Standard is designed to support a segregation model, or 'bulk commodity' model, which ensures that eligible material is not mixed with non-eligible material (although mixing of eligible material from two or more certified sources is allowed if it is documented accordingly). But the standard can also be used to support a stricter identity preservation, or 'track and trace', model that ensures eligible material from a particular site is kept separate from other sources so that it can be uniquely traced back to a single point of origin. It is ultimately up to the RJC member to decide how to use the CoC Standard to support either or both models.

In practice, implementing either model relies on what are known as 'internal controls'—measures established to monitor and control material coming in to, and going out of, the business. For businesses handling CoC and non-CoC material, that essentially involves tracking individual, physically separated, lots of CoC material that are given unique identification numbers.

Many businesses in the jewellery supply chain already have systems that record this information—to manage their inventory and workflow, and support their financial accounting system. And in many cases, these systems can be readily adapted to control CoC material.

C *Implementation guidance*

COC 4.1: SEGREGATION CONTROLS

The entity shall identify each point at which there is an opportunity for eligible and/or CoC material in its custody to become mixed with non-eligible and/or non-CoC material, and shall put controls in place to ensure segregation.

Points to consider:

- If you want to pass on CoC claims, then you must keep CoC and non-CoC material separate.
- The simplest solution to segregation is to only supply (or source) CoC material. But while this may suit mines (where CoC certification means all eligible production could be sold as CoC material), it is unlikely to apply to downstream businesses with multiple suppliers and complex supply chains.
- You can handle both CoC and non-CoC materials in the same facility by implementing either:
  - **Physical measures** that separate CoC and non-CoC materials by space, for example, separate processing lines, identification and inventory storage; or
  - **Temporal measures** that separate CoC and non-Coc materials by time, for example, batch processing on the same process line or workspace.

- Batch processing is particularly suited to industrial-scale refiners who use complex production lines and metallurgical processes to produce high-purity metal and regularly source and mix mined, recyclable and grandfathered materials.
- To support segregation in refineries, the RJC CoC Standard allows the minor mixing that might occur between separate batches through, for example, process residues in crucibles or intermediate process fluids (see Box 12).
- To support segregation in manufacturing, where processes such as alloying, casting, machining, setting, polishing and engraving rely on the use of machines or workstations that handle different product lines, certification against the RJC CoC Standard does not require machine cleaning between every CoC and non-CoC batch of material.
- **Note.** A jewellery product can include some components made of CoC material and others made of non-CoC material, as long as the CoC components are separately identifiable. For example, a CoC gold chain can be sold with a non-CoC gold pendant because the two components can be identified separately. But a ring that is cast by mixing CoC and non-CoC gold cannot be sold as CoC, because the two sources can no longer be differentiated.
    - Make sure you record, and accurately describe, any non-CoC material in the CoC transfer document of your jewellery products (see CoC 10).

BOX 12. CASE STUDY: BATCH REFINING FOR FINE GOLD

Producing 'four nines' fine gold (999.9 fineness) relies on electrolytic gold refining, where anodes cast from impure gold are immersed in a gold-bearing electrolyte in an electrolytic cell, usually for several days. The anodes dissolve into the electrolyte, and high-purity gold is deposited on cathodes, which are then pulled from the cell and their gold recovered at the end of the process.

The electrolyte can be reused, but will contain some gold from the last batch. Changing this reusable electrolyte between non-CoC and CoC material would be time-consuming, expensive and wasteful. And the minimum amount of mixing that results from reusing electrolyte does not defeat the goals or purpose of the CoC Standard. That is why, under the RJC CoC Standard, the same electrolyte can be used for both CoC and non-CoC batch refining. This aims to minimise unnecessary refining costs and waste in the production of CoC gold.

COC 4.2 & 4.3: INTERNAL CONTROLS

(4.2) The entity's internal systems shall be able to reconcile the total weight of eligible and/or CoC material in its custody with movements in and out of the inventory over a given time period. If the entity has custody of jewellery products containing CoC material, reconciliation may be by item count rather than weight.

(4.3) If the entity issues a CoC transfer document for CoC material identified as having a certain provenance or other characteristic, the entity's internal systems shall ensure that the requirements for segregation and reconciliation as set out in provisions 4.1 and 4.2 apply to help segregate that CoC material.

Points to consider:

- Use record-keeping and inventory management to help track CoC material in your custody.
- Make sure your inventory records can uniquely identify discrete physical lots, batches or components, and that they include an accurate weight for each lot.
- If your business uses continuous processing, you can define your own 'lots' using specified time segments to measure material flow ingoing and outgoing.
- Design your inventory system to:
    - Show the location, status and weight of each lot or component at all times.
    - Record changes in weight due to processing and movement in and out of inventory, with checks in place to ensure they are within normal tolerances (see Box 13). For jewellery products, record item counts rather than weight.
- If your business handles CoC material to support a 'track and trace' claim, your inventory system must also be able to record provenance information and support additional segregation from other types of CoC material.
    - **Note.** The CoC Standard does not require that CoC materials be segregated by provenance.

BOX 13. RECONCILING WEIGHT

The recorded weight of eligible material as it moves in and out of inventory isn't necessarily a fixed figure. Refining and manufacturing processes usually result in losses or scrap, so the weight goes down. On the other hand, alloying and manufacturing processes may lead to weight gains as additional materials or components are incorporated into the eligible material.

At the mining and refining stage, estimating weight is even trickier. Assays, samples and other analyses may point to the likely average concentration of metals in ore and by-product processing residues, but their actual weight cannot be known, or recorded, until processing is complete and eligible material is declared as an output.

COC 4.4: OUTSOURCING CONTROLS

The entity's internal systems shall verify and document that the contents of each shipment of CoC material received from, or dispatched to, other certified entities, outsourcing contractors or service companies are accurately described by the applicable CoC transfer document for that shipment. If an error is discovered after CoC material has been shipped, the entity and the other party shall document the error and take the agreed steps to correct it.

Points to consider:

- Make sure you establish procedures for verifying incoming and outgoing shipments of CoC material, and for ensuring that each one has an accurate CoC transfer document.
- Document your procedures for approving shipments of CoC material; these should include a requirement that contents be signed off by a responsible employee.
- Use systems that are efficient and proportionate to the scale of your business. You don't have to use expensive and sophisticated equipment or information technology. But be wary of relying on extensive manual data entry, which is prone to error.

(COC 5) OUTSOURCING CONTRACTORS AND SERVICE COMPANIES

A *Applicability and definitions*

This provision applies to all members seeking CoC certification that outsource CoC material processing or manufacturing to uncertified contractors.

An outsourcing contractor is an individual, company or other business that takes custody of material to process or manufacture it for another entity.

A service company takes custody of, and provides services on, eligible and CoC material, maintaining segregation on behalf of a client, and not physically changing material in their custody. Service companies include grading labs, assayers, appraisers, security and transportation companies.

B *Issue background*

Many businesses in the jewellery sector—especially smaller businesses and those engaged in the middle of the supply chain—rely on external entities to work on their materials. These entities include both outsourcing contractors (that process or manufacture material) and service companies (that work on materials without physically changing them).

Outsourcing contractors cover a wide range of businesses, from small workshops to large volume manufacturers. They may process material or manufacture products for many customers, without differentiating sources of material. Service companies include grading labs, assayers, appraisers, security and transportation companies. These companies generally have to keep material segregated by client as part of their routine operations.

For CoC certification, it is important that any external entity can segregate CoC material and maintain the integrity of custody. The RJC CoC Standard includes several provisions to ensure that. Note that service providers that do not take custody of CoC material are not considered service companies under the CoC Standard. In any case, service companies are not included in the CoC certification scope. Outsourcing contractors that are not themselves CoC certified must be included in the scope.

C *Implementation guidance*

COC 5.1: CONDITIONS FOR OUTSOURCING

The entity shall not transfer CoC material to an outsourcing contractor or service company unless the following conditions have been met:

a. The entity shall have, and shall not relinquish, legal ownership of any CoC material transferred to the outsourcing contractor or service company.

b. The entity shall assess the risk of potential non-conformance with this standard resulting from engaging each outsourcing contractor or service company that takes custody of the entity's CoC material, and determine, based on that risk assessment, that the risk is acceptable.

c. Any outsourcing contractor that takes custody of an entity's CoC material shall be included in the entity's certification scope and shall have a management system in place that conforms with provision 4 of this standard (on internal material control).

d. Any outsourcing contractor included in the entity's certification scope shall not outsource any processing of CoC material to any other contractor.

Points to consider:

- The service companies that you use do not have to be audited because identifying clients' material and keeping it separate from others is central to their day-to-day business.

- Nevertheless, you should still assess and document the risks of non-conformance with the CoC Standard when engaging a service company. In most cases, that simply means recording summary information as part of a register of all service companies that handle your CoC material.
- If you outsource major processing or manufacturing steps (i.e any step which significantly transforms the overall jewellery component or product), you will need to work with these outsourcing contractors for them to get CoC certified within a defined timeframe, and before your next re-certification audit.
- Include all non-CoC certified outsourcing contractors in your certification scope for audit purposes.
- In each case, make sure that:
  - You maintain ownership of all outsourced materials.
  - You have assessed the risks of non-conformance with the CoC Standard, and deemed them acceptable. To ensure that your auditor can verify conformance to this requirement, you should document the risk assessment, including the finding of acceptable risk, which should be approved by a responsible manager and updated every 12–18 months (in preparation for certification and surveillance audits). If you find that the risks are not acceptable, investigate mitigation options, for example, building capacity, switching suppliers or adopting a staged approach to CoC (see Box 14).
  - The outsourcing contractor has systems in place to keep CoC and non-CoC material separate (that is, to conform with provision 4 of the CoC Standard on internal material control).
  - The outsourcing contractor does not further outsource any processing of CoC material to another contractor.
  - The outsourcing contractor can be audited for compliance. Remember to include descriptions and evidence of the contractor's internal material controls in your CoC Self-Assessment to help auditors assess risks efficiently and effectively.
- Note that, at your request (or that of your contractor), the RJC can withhold the identity of audited outsourcing contractors from the certification status published on its website.

BOX 14. COMPLEX SUPPLY CHAINS

If you work with multiple suppliers and sub-contractors, you will likely need time to adapt to a CoC approach. Before making the change, you will need to think about the costs of changing supply chain logistics (for example, new approaches to segregation, financing and physical supply); relationships and influence with suppliers and contractors; and potential restrictions in supply choices (to those who can handle CoC material). Depending on these factors, you may decide to:

- Start with only a small part of production as a trial; or
- Seek to source CoC material to help build supply, but not maintain segregation internally or with outsourcing contractors until your volumes and systems are ready.

This approach does not require CoC certification, but supports upstream efforts for responsible sourcing.

COC 5.2: RETURN OF OUTSOURCED MATERIAL

For the return of CoC material from an outsourcing contractor or service company:

a. The entity shall verify and record that each transfer it receives for the return of CoC material is consistent with the CoC transfer document that it issued when the CoC material was shipped to the outsourcing contractor or service company, subject to any changes to the CoC material expected to occur as a result of the outsourcing contractor's processing or manufacturing activities.

b. If there are inconsistencies, the entity shall not issue any subsequent CoC transfer documents for that material.

Points to consider:

- Oversee the transfer and return of CoC material to and from outsourcing contractors by taking the following steps:
  1. When sending CoC material to an outsourcing contractor, fill out a CoC transfer document with all the necessary information about the CoC material in question.
  2. When the CoC material is returned, ask the contractor to inform you of any weight or material changes that have happened as a result of processing, and record these.
  3. Use this new information to issue a CoC transfer document to accompany the next transfer of the CoC material.
- If there are unreasonable inconsistencies between the information recorded at time of transfer and that at time of return—such as unexplained weight changes or substitution of materials—then the contractor has failed to maintain segregation and the material or products no longer qualify as CoC material.

PART III. 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 6 to 8 set out the systems requirements you must meet to issue these declarations. Please read the guidance on these provisions alongside the guidance for provisions 9 to 10, which address the management of eligible material declarations and CoC transfer documents.

(COC 6) ELIGIBLE MINED MATERIAL

A *Applicability and definitions*

This provision applies to all entities that issue eligible material declarations for mined materials.

The start of the RJC CoC for eligible mined materials is the mining facility. Mining companies and those sourcing directly from mining facilities (usually refiners) can also make eligibility declarations for mined material as applicable.

Conflict-free material is material that is confirmed through due diligence investigation not to have caused adverse impacts related to CAHRAs. This includes serious abuses related to human rights, conflict and labour; direct or indirect support to non-state armed groups or public and private security forces illegally controlling mines; or bribery and fraudulent misrepresentation of the origin of precious metals.

Eligible mined material is conflict-free material produced through responsible mining practices, as defined in the CoC Standard.

Mining by-product includes gold, silver or PGM from processing residues (such as slimes) that arise from the metallurgical processing of other metals such as copper, lead, zinc or nickel.

A mining facility, or 'mine', extracts gold, silver or PGM, or minerals containing saleable quantities of gold, silver or PGM, from the earth.

Mined material is produced by a mining facility (or 'mine') usually in the form of mineral concentrate, impure alloy or refined metal.

B *Issue background*

Mined material accounts for the largest part of precious metals supply on the market.[11] It is a sector that can face difficult environmental and social challenges. Addressing those challenges head-on is critical to maintaining the integrity of a CoC, which relies on the certainty that mined material entering the chain is conflict-free and the product of responsible mining. The RJC defines responsible mining in its COP. It is not the only definition: other mining standards and schemes offer similar third-party assurance of responsible mining aimed at mitigating environmental and social risks .

The need to manage these risks is particularly important when considering ASM, which plays a critical part in the jewellery supply chain both in terms of livelihoods and development opportunities. The ASM sector has distinct environmental and social risks, for example, related to forced or child labour or health and safety, and the RJC partners with various ASM standards to promote responsible practices in this sector.

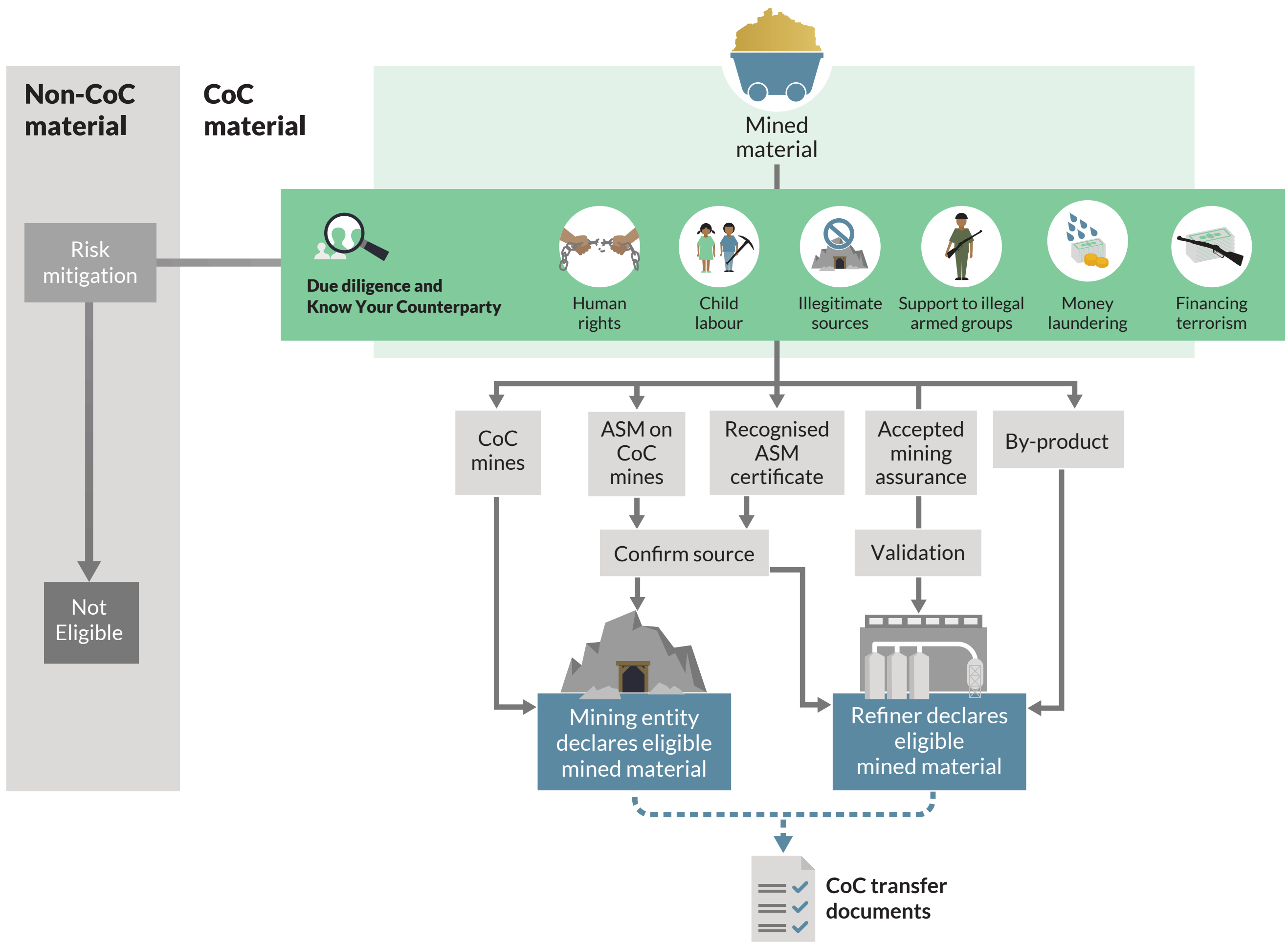
The eligibility criteria for CoC are defined to ensure that mined material—from large- to artisanal-scale mining—is responsibly produced, is conflict-free and is underpinned by third-party assurance. The criteria identify five potential sources of eligible CoC mined material, all of which comply with the COP or equivalent (see Table 7). In all cases, the sources must be checked through due diligence and KYC practices (see Figure 11). These sources can be mixed, although internal records may need to be kept, in accordance with provision 9.3.

11 Mined material makes up 75% of gold supply according to the World Gold Council and 79% of platinum supply according to Johnson Matthey Summary of Platinum Supply & Demand in 2016, and 85% of silver supply according to The Silver Institute.

Table 7. Sources of eligible CoC mined material

Provision		Evidence of conformance
6.1a	Mines that are within a CoC entity's certification scope	• This requires the mine to be certified against the RJC COP and CoC. • To accommodate joint ventures, this category also includes mines in which a CoC entity holds a legal interest, and where the facilities are within the CoC scope of another CoC certified entity. • Eligible material declarations in this scenario are issued by the mine.
6.1b	ASM producers operating on the entity's mining concessions	• This aims to support provision 33 of the RJC COP, which calls for mining companies to support ASM producers to organise and formalise their operations. • Eligible material declarations in this scenario are issued by the mine (that is, the concession owner).
6.1c	Non-RJC mines or producers that have been certified under a recognised ASM standard	• ASM standards are identified through RJC's formal recognition of comparable standards. • This acknowledges ASM certification schemes. • Eligible material declarations in this scenario are issued by the entity sourcing directly from the mining facility or producers, usually a refiner.
6.1d	Non-CoC mines that are subject to accepted mining assurance schemes and validated to conform with the RJC COP	• This is aimed at formal, medium and large-scale mines. • Accepted responsible mining assurance schemes are assessed through the RJC's formal recognition process for the parts that are equivalent to the RJC COP. • The validation approach is used to confirm that the mine is operating to a standard equivalent to the full RJC COP, and has undergone a comparable level of third-party assurance. • Eligible material declarations in this scenario are issued by the entity sourcing directly from the mining facility, usually a refiner.
6.1e	Processing residues that contain trace precious metals from which mining by-product can be extracted	• An eligible material declaration for mining by-products can only be issued by the by-product's refiner.

Figure 11. The route to eligible mined material



C *Implementation guidance*

Provisions 6.1a–e highlight individual sources of eligible mined material. Under the CoC Standard, these sources can be mixed, although internal records may need to be kept, in accordance with provision 9.3.

COC 6.1A: COC CERTIFIED MINES

An entity shall have systems in place to ensure that eligible mined material declarations are only issued for material sourced from the following:

a. Mines that are within its CoC certification scope or in which it holds a legal interest and where the mines are within the CoC certification scope of another CoC certified entity.

Points to consider:

- If your mine sells or transfers its whole production without mixing, CoC certification is easy and you can make eligible material declarations for all your mined material (see Box 15).
- The same is true for those mines in which you hold a legal interest and that fall within the CoC certification scope of another RJC certified entity.
- If there are any points at which eligible material from mines within your scope could be mixed with non-eligible material from other mines (for example, in transporting to, or processing within, your on-site facilities), you must be able to segregate the two to achieve CoC certification.

BOX 15. COC CERTIFIED MINES

If you own or control mines, consider combining your RJC COP certification audit with a CoC certification audit to increase efficiencies and make the most of RJC member certification.

Once CoC certified, if there is no mixing with non-eligible material, your mines can declare 100% of their production as eligible material.

Because the CoC certification scope does not have to cover all your facilities, you can decide to trial CoC certification at selected mines before adopting a full CoC approach.

COC 6.1B: ASM ON CONCESSION

An entity shall have systems in place to ensure that eligible mined material declarations are only issued for material sourced from the following:

b. Artisanal and small-scale mining (ASM) producers operating on the entity's mining concessions that have participated in initiatives to professionalise and formalise ASM, and with documented due diligence confirming that the material comes from such ASM producers and not from illegitimate sources.

Points to consider:

- If you want to declare eligible material sourced from ASM producers operating on your concessions, you must first show that you can meet provision 33 of the RJC COP.[12]
- You will also need to establish controls to ensure that the mined material genuinely comes from on-site ASM (and not from any other ASM). Remember to document this as part of your due diligence process.
- Assuming the ASM production takes place on your own exploration or mining concessions, you can buy it and declare it as eligible material. You can also mix it with your own CoC eligible production before sale or transfer.
- Note that if there is a legal framework for ASM in the country or region of your operations, then the ASM on your concessions must adhere to that framework to produce eligible mined material under the CoC Standard.
- If there is no existing legal framework for ASM, you may want to consider ways to encourage one—for example, by helping to formalise ASM producers through contracting, exploitation agreements or supporting relevant government efforts.
- If in any doubt, seek expert advice on sourcing CoC material from ASM, and as part of the audit process.

COC 6.1C: RECOGNISED RESPONSIBLE ASM STANDARD

An entity shall have systems in place to ensure that eligible mined material declarations are only issued for material sourced from the following:

c. Mines or producers certified under an RJC-recognised responsible ASM standard, with documented due diligence that confirms that the material comes from such mines or producers.

Under this provision, a company can source mined material that is the product of responsible ASM. Sources of ASM material could be certified under the RJC COP, but are more likely to be certified under an external, development-focused, standard designed to support the particular challenges of the ASM sector.

12 Provision 33 of the COP states that "members in the mining sector shall, where [ASM] not under the control of the member occurs within their areas of operation: a. Engage directly with the ASM [...] and b. Participate in initiatives [...] that enable the professionalisation and formalisation of the ASM, as appropriate to the situation".

Points to consider:

- One option for getting eligible mined material from ASM is to source it from producers that are certified by one of the ASM standards officially recognised by the RJC (based on a technical review of alignment with the COP). At the time of writing, these include:
  - Fairmined Gold Standard for Gold; and
  - Fairtrade Gold.
- Make sure you have documentary evidence to show that the sourced material is certified; this should form part of your due diligence.

COC 6.1D & 6.2: VALIDATED MINES

(6.1) An entity shall have systems in place to ensure that eligible mined material declarations are only issued for material sourced from the following:

d. Mines that are subject to RJC-accepted responsible mining assurance scheme and validated to conform with the RJC COP requirements as defined in provision 6.2.

(6.2) An entity sourcing eligible material from mines subject to an RJC-accepted responsible mining assurance scheme under provision 6.1d shall have documentation of having carried out the following validation process:

a. Enhanced KYC for each mine using the RJC enhanced KYC checklist.

b. A desktop review of the mine's conformance with the COP using the RJC Self-Assessment workbook and taking into account RJC-accepted mining assurance schemes.

c. Additional research on assurance reports and legal compliance, covering labour rights and working conditions, legal requirements in the country of operations and an assessment of the mine's compliance.

d. An in-person verification of all applicable COP provisions, or third-party audit.

e. Confirmation of CoC eligibility.

Under this provision, a company can source mined material that is the product of responsible, formal, medium- and large-scale mining. Sources of eligible mined material in this category are certified under the RJC COP, or subject to an accepted mining assurance scheme.

Points to consider:

- All mining facilities, or 'mines', that aren't themselves CoC certified must be validated as an eligible source for the CoC. To do that, you must be able to confirm that the mine can provide material that is both:
  - Confirmed as not having adverse impacts related to CAHRAs (as per provision 6.3); and
  - Responsibly mined (as defined by the RJC COP).
- The validation process involves a mix of data gathering, engagement with the mining facility and on-site verification. It is made up of four steps, but the depth of validation required at each depends on the type of mine under assessment (see step-by-step guide).
- In all cases, the approach is designed to build your understanding of the mine and whether it is likely to provide eligible CoC material. Use the information gathered at each step to decide whether or not to proceed with the next one.
- Only use the validation process if your company sources **directly** from the mine.
- The approach is designed to apply to formal, large-scale mining (rather than ASM, which is covered under provisions 6.1b and 6.1c).
- Make sure that the people carrying out the validation have appropriate expertise, including an understanding of mining operations, relevant certifications and assurance schemes, and relevant national legal frameworks.

BOX 16. ACCEPTED MINING ASSURANCE SCHEMES

The RJC recognises several assurance schemes in its Assessment Manual, and acknowledges a number of other frameworks and standards that are integral to its COP. In validating a mine as an eligible source for CoC certification, members of two non-RJC mining assurance schemes can benefit from a limited validation process:

The Mining Association of Canada's (MAC) 'Towards Sustainable Mining' (TSM) programme.
All MAC members must participate in the TSM programme. Assessments are made on site. MAC members commit to a set of guiding principles and report their performance against 23 indicators every year. Verification is based on a self-assessment with letter grades assigned for each indicator ranging from level C to level AAA. Every three years, a verification service provider reviews the self-assessments to see if there is enough evidence to support the performance ratings.

The International Council on Mining and Metal's (ICMM) sustainable development framework**.**
All ICMM members must commit to the requirements set out in the council's 10 principles and supporting position statements. ICMM members publicly report their performance according to the Global Reporting Initiative (GRI) guidelines and the Mining and Metals Sector Supplement. Their sustainability performance is assured by a third party every year to assess the integrity of reported performance.

VALIDATION PROCESS: STEP-BY-STEP GUIDE

Before starting your validation assessment, you must first decide what type of mine it is that you are validating. Only mines that are COP certified or equivalent can be a potential source of eligible mined material under the CoC Standard. Find out whether the mine is:

a. **RJC COP certified:** these mines are certified and can easily meet CoC criteria because, as the 'source' of the chain, they provide material that is fully traceable; and, as COP-certified mines, they have already demonstrated third-party assured responsible mining.

b. **Covered under accepted mining assurance schemes:** these mines are subject to mining assurance programmes that the RJC identifies as being closely aligned to the COP, both in their requirements and in their approach to third-party assurance (see Box 16). The RJC carries out a technical review to identify accepted mining assurance programmes. These include:
   i. The Mining Association of Canada's 'Towards Sustainable Mining' (TSM) programme. Mines with a TSM verification level A or higher across all indicators are considered equivalent to the COP and qualify for limited validation; and
   ii. ICMM's sustainable development framework. Mines that have been included in assurance site sampling within the past three years are considered equivalent to the COP and qualify for limited validation.

Once you know what type of mine it is that you are validating, use Table 8 to see which steps of the validation process you need to complete, and then follow the guidance below to complete them.

At the end of the validation process, use your results (including any recommendations from third-party auditors) to make a decision on whether the material from the mine in question is eligible for the CoC or not (see Q&A: Validation (Box 18) at the end of this section).

Table 8. The steps required for validating different types of mine

Validation steps		Type of mine		
		RJC COP certified	**Recognised assurance – limited validation** TSM level A or higher ICMM assured site	**Recognised assurance** TSM member ICMM member
1	**Enhanced KYC**	Required	Required	Required
2	**Desktop review** (using RJC Self-Assessment)	Not required	Limited review required	Not required
3	**Further research on compliance**	Not required	Required	Not required
4	**Verification**	Not required*	Mine site visit required	Full third-party audit required
5	**Confirming eligibility**	Required*	Required	Required

*Unless the mine sources material from other mining operations.

STEP 1: ENHANCED KYC

For all mines

- Using information already gathered through due diligence and KYC (provisions 1 and 2), find out whether the mine meets the requirements of provision 6.3.
  - **If it does not comply** with provision 6.3, it cannot be a source of eligible CoC material and the validation is over.
  - **If the mine complies** with provision 6.3, then regardless of what type of mine it is, you should carry out an enhanced KYC (see Box 17).

BOX 17. ENHANCED KYC

Enhanced KYC involves collecting the following information:

- Company details (whether and where it is publicly listed)
- Business activity
- Beneficial owners
- Management structure
- Financial information
- Due diligence information (drawing on LBMA Responsible Gold Guidance Questionnaire for Mined Gold)
- Regulatory environment
- Human resources (the number of employees)
- Origin of physical precious metals, capacity and mining practices (including transportation and/or processing of concentrates from other mining sources)
- Processing plant
- Materials (type and form of precious metal sent for refining)
- Transportation of ore (from mine to processing plant to export to refiner)
- Responsible precious metal supply chain policy
- AML and financing of terrorism policy
- Bribery policy
- Use of contractors (including, for each contractor, business name, number of contractors and type of activities carried out)
- Assurance schemes and principles applied by the mining facility, including:
  - **Mining standards:** COP certification, ICMM (inclusion in assurance), TSM (self-assessment grade)
  - **Standards recognised within the COP:** SA 8000, ISO 14001, OSHAS 18001
  - **Specific COP requirements:** Extractive Industries Transparency Initiative (EITI), GRI, International Cyanide Management Code
  - **Principles and guidelines:** UN Guiding Principles on Business and Human Rights, UN Voluntary Principles on Security and Human Rights (UN VP), OECD Due Diligence Guidelines for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, UNEP Awareness and Preparedness for Emergencies at Local Level
  - **Other standards:** World Gold Council Conflict-Free Gold Standard (WGC CFGS), International Finance Corporation (IFC) projects and application of IFC Environmental and Social Performance Standards

AFTER COMPLETING ENHANCED KYC:

- If the mine is COP certified, and does not source any material from other mines (or only collects material from other COP certified sources or ASM operations meeting the requirements of provision 6.1b or c), use the information from your enhanced KYC to decide whether the mine meets provision 6.3 (is confirmed as not having adverse impacts related to CAHRAs) and is an eligible source of CoC material.
- If the mine is COP certified but collects material from other sources, **proceed to Step 4**.
- If the mine is TSM level A or higher, or has been part of ICMM assurance in the last three years, **proceed to Step 2**.
- If the mine is a TSM or ICMM member but does not meet the above description, **proceed to Step 4**.

STEP 2: DESKTOP REVIEW

For TSM and ICMM mines that qualify for limited validation (TSM level A or higher and ICMM assured site)

- Use the RJC Self-Assessment workbook to review the mining facility's systems and practices and evaluate its compliance against the RJC COP requirements.
- The COP provisions that are met through TSM and ICMM are exempt from the assessment and you need only complete a limited review (see Annex 4).
- Work closely with the mine to get all the information needed for the review, including:
  - The completed RJC Self-Assessment workbook with responses to all applicable questions.
  - Evidence to show conformance with those COP provisions that are exempted through other mechanisms (for example, copies of ISO certificates, GRI report, etc.).
- **Note.** You can submit additional evidence of conformance with COP provisions if you want to—for review later in the validation process (for example, evidence of application of IFC Performance Standards).

AFTER COMPLETING A DESKTOP REVIEW:

- Proceed to Step 3.

STEP 3: FURTHER RESEARCH ON COMPLIANCE

For TSM and ICMM mines that qualify for limited validation (TSM level A or higher and ICMM assured site)

- Examine the information and supporting documents gathered through your limited desktop review to identify focus areas that you can follow up with an in-person visit in Step 4.
- Your focus areas should include all the provisions where a non-conformance was flagged in the RJC Self-Assessment workbook.
- Focus areas should also include any provisions where potential non-conformances or mitigation measures are found in documentation related to other mining assurance programmes, certifications and frameworks (see Table 9).
- Pay particular attention to researching conformance with the COP provisions on labour rights and working conditions (provisions 13–20), which are not covered in detail under TSM or ICMM. That will require you to examine national legislation and research any reports or credible allegations related to the mine's legal compliance, including:
  - relevant legal requirements in the country of operation, focusing on comparability with COP provisions 13–20;
  - ongoing judicial cases brought against the mine, recent strikes or union action at the mine, or any other publicly available reports of violations of local labour laws at the mine; and
  - the company's GRI report, looking for corporate policies on labour and working conditions and any issues at the mining facility described in the GRI report.

AFTER COMPLETING FURTHER RESEARCH ON COMPLIANCE:

- Proceed to Step 4

Table 9. Key documents for review when identifying focus areas

Documents to review	What to look for
TSM progress reports and annual GRI reports	• Any findings and/or mitigation measures related to conformance to the COP provisions. • Note that your research here may lead you to include in your focus areas a provision that was exempt from the desktop review.
ISO 14001 and/or OSHAS 18001 reports	• Any provisions not covered in the certification reports: • In particular, check for provisions 21.2, 21.6, 21.7 (in the OSHAS 18001 reports) and provisions 23.1, 23.3, 24.2, 25.1 25.2, 39.1, 39.2 (in the ISO 14001 reports).
Reports from other standards and frameworks (including the International Cyanide Management Code, WGC CFGS, EITI, UN VP and United Nations Global Compact (UN GC))	• Any issues that may suggest non-conformance with one or more COP provisions.
Legal requirements in the countries of operation and corporate headquarters	• Compliance with relevant COP provisions (in particular, provisions 4 (financial accounts), 10 (money laundering and finance of terrorism) and 23 (hazardous substances)).

STEP 4: VERIFICATION

For COP certified mines that collect and process materials from other large-scale mines or ASM sources not meeting provision 6.1b or c. For TSM and ICMM members that do not qualify for limited validation.

- The level of assurance given to the source of eligible CoC material must be equivalent to the assurance required for COP certification. That means that unless the mine itself—and all its sources—is COP certified, you must carry out additional verification.
- An in-person visit is required if the mine is COP certified,[13] or if it is a TSM or ICMM member that qualified for a limited validation (TSM level A, ICMM assured site).
- A third-party audit is required if the mine is a TSM member with less than level A across all indicators or an ICMM member where the mine has not been included in the assurance site sampling in the last three years.
- In all cases, the CoC certified entity can choose to have a third-party audit of the mine carried out.

In-person visit: points to consider

- Use a site visit to assess the mine's conformance to the COP provisions identified as focus areas in Step 3.
- Do the site visit with your own teams, a hired third party or a mix of both.
  - Identify the expertise needed for the site visit to decide who to include. The person(s) should understand mining operations and knowledge of the relevant certifications, assurance schemes and national legal frameworks. The team will include expertise on all the focus areas identified through Step 3. During your CoC audit, you should be able to demonstrate that the person(s) has the relevant background and has used the COP self-assessment tool to assess the mine's conformance with the COP provisions.
- Use any appropriate tools you wish to record information from the visit, but make sure you include the self-assessment workbook.
- If the mine collects and processes material from external sources, use the visit to make sure that the mine effectively keeps eligible CoC material separate from any non-eligible material, and that it conforms with provision 4.1 on internal material controls.
- Unless otherwise identified as a focus area during Step 3, the following can be excluded from an in-person visit:
  - Any COP provision that is covered by RJC-recognised certifications, frameworks or standards (ISO 14001, OSHAS 18000, the International Cyanide Management Code, WGC CFGS, EITI, UN VP and UN GC).
  - COP provisions 13–20 on labour and working conditions.

13 You only need to complete an in-person visit to a COP certified mine if it sources material from other sources (either non-COP certified large-scale mines or ASM that do not meet provision 6.1b or 6.1c). For all other COP certified mines, you can use your enhanced KYC information to make a decision on CoC eligibility without an in-person visit.

Third-party audit: points to consider

- Make sure that all third-party audits are done by an RJC accredited auditor, and that they are conducted according to the RJC Assessment Manual.
- For TSM members, the audit can exclude all COP provisions for which a level A or higher has been achieved. Otherwise, all COP provisions must be included in the audit.
- The mine under investigation does not have to become an RJC member itself to be an eligible source of CoC material. But you should encourage those mines that are verified as sources of eligible CoC material to join the RJC. Assuming there are no major non-conformances found, remind them that they can use the results of the third-party audit for up to 12 months to gain RJC certification.

AFTER COMPLETING AN IN-PERSON VISIT OR THIRD-PARTY AUDIT:

- Proceed with Step 5 to decide whether the mine qualifies as a source of eligible CoC material.

STEP 5: CONFIRMING ELIGIBILITY

For all mines

- Before you can start issuing eligibility declarations, you need to decide whether your validation has confirmed that the material from the mine or producers in question meets provision 6.3 (confirmed as not having adverse impacts related to CAHRAs) and is responsibly mined. If so, the material is eligible for CoC.
- Use information gathered during the validation process, including any specific recommendations made by third-party auditors to guide you.
- Base your decision on the mine's overall conformance with the RJC COP, as defined by the thresholds set in the RJC COP Assessment Manual:
    - **Minor** non-conformances can be accepted for CoC eligibility.
    - **Major** non-conformances cannot be accepted until they have been addressed and independently verified.
- Depending on the type of mine being validated, you can focus your decision on different aspects of conformance:
    - For COP certified mines, base the decision on overall conformance highlighted in Step 1 (enhanced KYC).
    - If the COP certified mine collects material from other, non-CoC eligible sources, base the decision on conformance with provision 4.1 on internal material controls.
    - For TSM or ICMM members that qualified for limited validation, base the decision on conformance with the focus areas included in the in-person site visit.
    - For other TSM and ICMM members, base the decision on conformance findings from the third-party assessment.

BOX 18. Q&A: VALIDATION

Can I validate a mine that treats ore or concentrate from other mines at its processing plant?

Yes. If the mine sources material from other RJC COP certified mines, the material can be automatically included in the eligible CoC material. Make sure you get evidence from the mine.

If the mine sources ASM material in accordance with provision 6.1b (from ASM producers operating on the company's mining concessions) or provision 6.1c (from a recognised responsible ASM standard such as Fairmined), the material can be included in the eligible CoC material. Make sure you get evidence from the mine.

If the mine collects material from any other mining sources, the material can still be eligible CoC material—but only after an in-person visit to ensure that the mine's own material is segregated from the external sources in accordance with provision 4.1 on internal material controls.

When do I need to complete the validation?

Before your CoC certification assessment and before you begin issuing eligibility declarations.

Note that any information gathered during the validation process (for example, desktop reviews and in-person visits) must not date back more than 18 months at the time of your CoC audit or surveillance audit.

How often do I have to validate a source?

You only have to do a full validation at the beginning of a business relationship.

But validation is an ongoing process; and you are expected to keep up-to-date information on all your sources of CoC eligible material, especially monitoring any risks identified in the full validation.

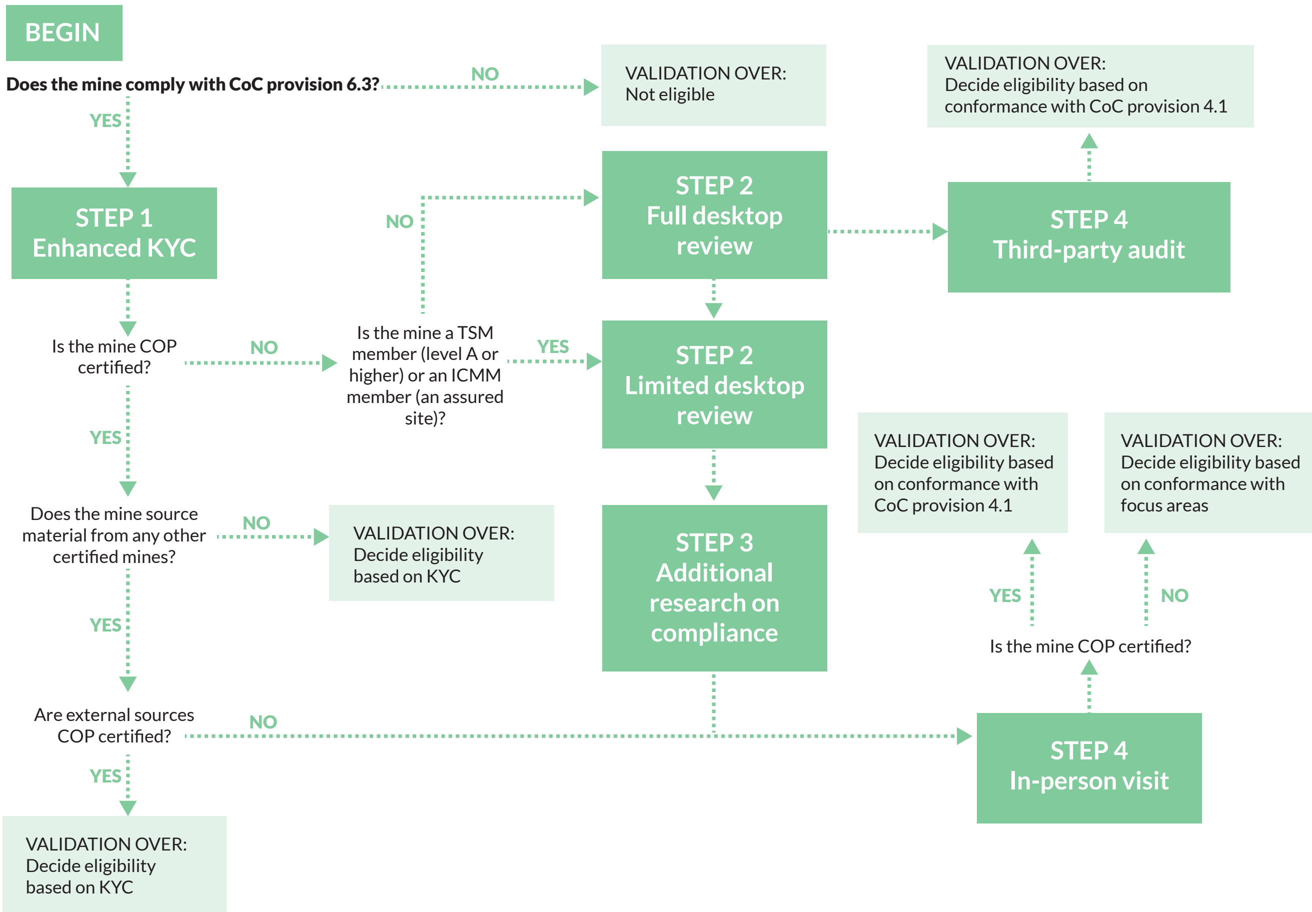
You should also repeat individual steps of the validation process regularly, as follows:

- Step 1 (enhanced KYC): at your own discretion.
- Step 2 (desktop review): at least every three years.
- Step 3 (further research on compliance): continuously for legal compliance; in accordance with certification periods for existing certification reports.
- Step 4 (verification): at least every three years.

Can I choose to have an RJC third-party audit of the mine?

Yes. If there is agreement with the mine to undergo an RJC audit against the COP, this can take place without having to follow the validation steps. The mine is not required to become an RJC member.

Figure 12. Decision tree: navigating the validation process



COC 6.1E: BY-PRODUCT

An entity shall have systems in place to ensure that eligible mined material declarations are only issued for material sourced from the following:

e. Processing residues that contain trace precious metals from which mining by-product can be extracted for which an eligible material declaration may only be issued by the refiner.

Points to consider:

- CoC certified refiners can, under the CoC Standard, recover eligible gold, silver and PGM from the residues of metallurgical processing of metals outside the RJC's scope, including copper, lead and zinc (see Box 20).
- You can source processing residues, or 'mining by-product', from both CoC and non-CoC certified entities.
- After recovering the mining by-product, you (the refiner) make an eligible material declaration and start the CoC for this newly separated precious metal.

BOX 19. BY-PRODUCT IN PRACTICE

Multi-metal mines can produce concentrate with low (often less than 1%) concentrations of precious metals that can be recovered after initial processing of the 'primary' metal.

Take, for example, concentrate mined from a copper mine. This is first smelted and then refined using a copper electrolytic process. The processing residues, called 'residue cell slimes', contain trace amounts of gold that can be recovered through further processing by a gold refiner. This recovered gold is known as mining by-product.

COC 6.3: CONFIRMING NO ADVERSE IMPACTS

An entity issuing an eligible material declaration for mined material shall have documented due diligence in conformance with provision 1 that can confirm one of the following:

a. The mine(s) from which the mined material is produced, and its transportation routes, is not located in conflict-affected and high-risk areas; or
b. The mine(s) from which the mined material is produced, and its transportation routes, is located in conflict-affected and high-risk areas, but the production, processing and transportation of the material is confirmed as not having adverse impacts related to those areas; or
c. The material is mining by-product with suppliers screened according to the KYC systems and procedures described in provision 2.

Points to consider:

- Use the due diligence that you carried out under provision 1 to confirm your material's 'conflict-free' status.
- Record relevant information in your due diligence documentation. Table 10 outlines the minimum level of detail required for each conflict-free status.
- If in doubt about whether an area is conflict-free or high-risk, seek third-party guidance.
- Make sure you do not have any information gaps or ongoing risk mitigation for your CoC material (or you will not be able to declare it eligible).

Table 10. Due diligence documentation requirements for confirming a conflict-free status

Conflict-free status	Information required	Update frequency
1. The mine and transportation routes for mined material are **not** located in CAHRAs.	• Information used to make the determination • Methods used to acquire it • Any significant issues • The responsible person	Every three years or if conditions change.
2. The mine and transportation routes for mined material are not in CAHRAs now, but they **have been**, are **likely to have been** within the past five years, **or are at risk** of becoming so in the future.	• Above, plus: • An assessment of the current level of security and political stability	At least annually for the first three years of CoC certification or as conditions change. If conditions do not change in this time, and it is more than five years since the area was at risk, the area can be considered to be not conflict-affected as per 1 above.
3. The mine or transportation routes for mined material **are** located in a CAHRA.	• Above, plus: • Determination that the production, processing and transportation of the eligible mined material did not have adverse impacts related to CAHRAs.	At least annually or as conditions change.
4. (For refiners declaring eligible mining by-product) Suppliers of processing residues have been KYC screened and **are determined not** to be making false representations to hide the origin of newly mined gold through mining by-products.	• Information relied upon to make the determination • Methods used to acquire it • Any significant issues • The responsible person	Every 3 years or if conditions change.

(COC 7) ELIGIBLE RECYCLED MATERIAL

A *Applicability and definitions*

The eligible recycled materials provision applies to all entities that issue eligible material declarations for recycled materials.

Eligible recycled material is sourced by a CoC certified entity from recyclable materials screened according to the CoC Standard's requirements.

An estate refers to assets owned by an individual or a family.

Private individuals act only for themselves: they do not represent any group, company or organisation, and they do not trade materials commercially.

Recyclable materials are precious metals that have been previously refined (including end-user, post-consumer, precious metal-bearing products, and scrap and waste metals and materials arising during product manufacturing) and then returned to a refiner or other downstream intermediate processor to begin a new life cycle as 'recycled material'.

In accordance with the OECD Guidance, the RJC defines the origin of recycled gold as the point at which the material becomes recyclable, that is, when the gold is collected for return into the metal industry to reclaim its metal value (such as a refiner, recycler, collector, or other downstream intermediate processor). The RJC considers this definition of origin to be applicable to PGM also. But given that other industries (such as the electronics industry) also process, recover and recycle materials, the RJC defines the start of a CoC for recycled material as the entity that converts or refines the material to a commercial market quality and to the necessary specification for re-entry into the value chain. This is usually a refiner or alloy producer.

B *Issue background*

According to the World Gold Council, recycled gold already accounts for around a third of the global gold supply. Almost all recycled gold (90%) comes from recycled high-value gold such as jewellery, investment products and ornaments. The other 10% comes from recycled industrial gold such as waste industrial components and electronic equipment (e-waste).

But the contribution of recycled industrial gold is likely to grow as the rising demand for electronic equipment, coupled with shorter product life cycles, means the amount of e-waste produced is increasing. The technology available to reclaim precious metals from e-waste and industrial waste is also improving, although the process is more complex than traditional precious metal recycling from jewellery because of the multi-component nature of the product being recycled.

The RJC supports metals recycling as a responsible practice—one that can significantly reduce the use of energy and virgin materials in the jewellery and watch industry. But the practice must be carefully monitored because of the risk of human rights impacts in the collection and dismantling of recycled material and the potential channel that recycling provides for criminal activity.

Supply chains for recyclable high-value gold are vulnerable to money and gold laundering (source FATF and OECD), including but not limited to:

- Criminal organisations laundering the profits from illicit activities through the purchase and sale of gold.
- Gold mined in a conflict-affected or high-risk area transformed into jewellery to hide its true origin.
- Stolen jewellery and ornaments sold for cash to gold/pawnbrokers.

Different risks exist in the supply chains for electronic waste. According to ILO and WHO, both formal and informal sectors operate within the e-waste recycling chain. Adult and child workers in the informal economy, involved in dismantling e-waste using primitive recycling techniques to extract metal, are exposed to hazardous substances and hazardous working conditions. Toxins, heavy metals and particles released by burning of e-waste contaminates and pollutes the air, soil and water, and has a negative impact on the local ecosystem as well as the workers and the local communities.

For all these reasons, the RJC CoC Standard requires entities to have systems in place to stop recyclable materials from illegitimate sources or those with negative human rights or environmental impacts from being accepted into their CoC.

C *Implementation guidance*

COC 7.1: SOURCES OF RECYCLABLE MATERIALS

An entity shall have systems in place to ensure eligible recycled material declarations are only issued for material sourced from the following:

a. High-value gold, silver or PGM: scrap and waste precious metals from the jewellery and manufacturing process, or post-consumer precious metal products, such as jewellery and ornaments. This does not include investment products.

b. Industrial gold, silver or PGM: waste electrical and electronic equipment, or industrial components such as spent catalysts and fuel cells.

Points to consider:

- Recyclable materials include end-user, post-consumer precious metal-bearing products and waste industrial components, as well as scrap and waste from manufacturing processes which is returned to a refinery to reclaim its financial value (see Box 20).
- Scrap and waste eligible materials from refining or manufacturing process which are collected and reused internally cannot subsequently be considered eligible recycled material unless the materials generating the scrap were exclusively eligible recycled materials. If this is not the case, reused waste can maintain its CoC status but is not recycled material and must be designated as 'mix of mined, recycled and grandfathered' in accordance with provisions 9.1.d and 9.3 of this standard. Make sure to check and apply applicable law on environmental claims, for example related to ISO 14021.

BOX 20. EXAMPLES OF RECYCLABLE MATERIALS

HIGH-VALUE RECYCLABLE MATERIALS

- Jewellery
- Household ornaments
- Dental materials
- Manufacturing waste, including machine cuttings; floor and workbench sweepings; gold furnace flue dust, bricks and crucibles; gold furnace worker gloves, aprons and dust masks; polishing compounds; and rags
- Assay laboratory cupels

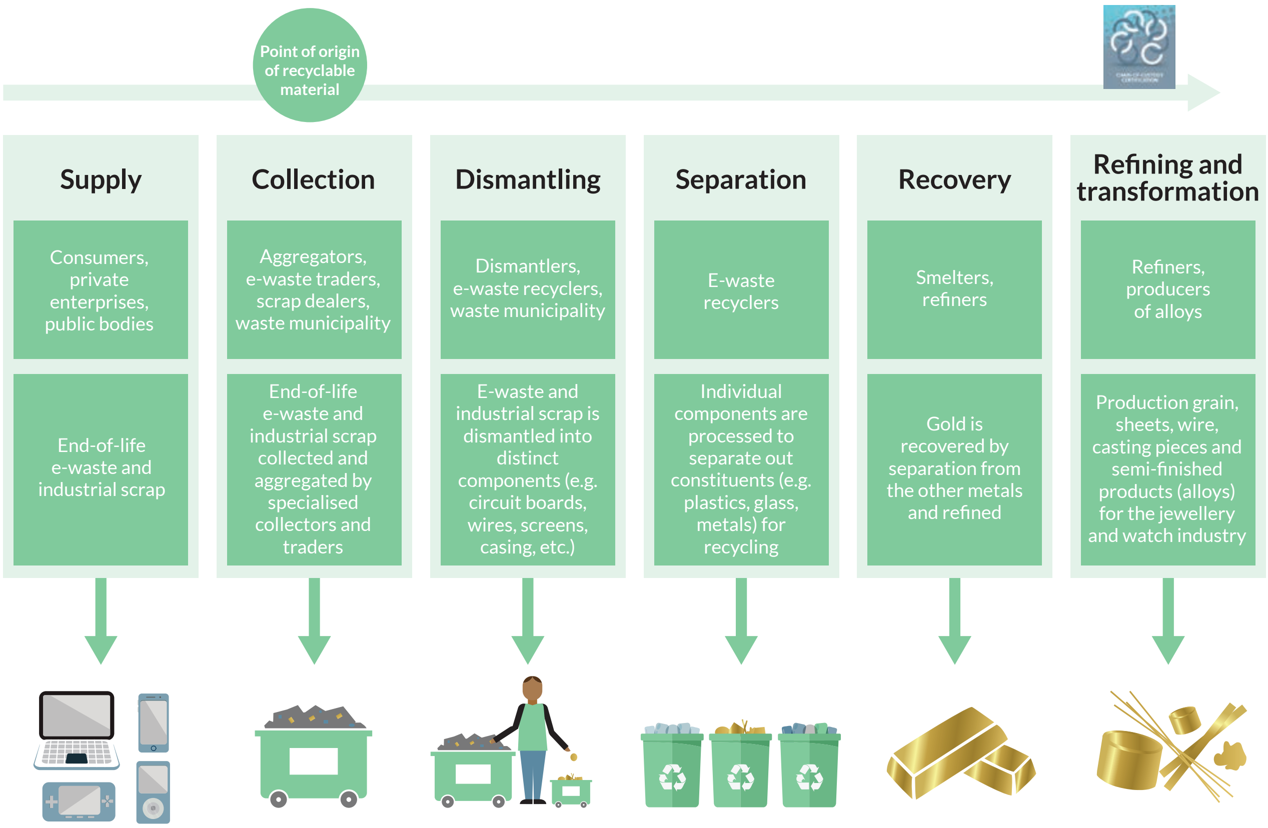
INDUSTRIAL RECYCLABLE MATERIALS

- Electronic circuit boards and chips
- Connectors from phones, tablets and other electrical equipment
- Spent automotive catalysts
- Spent industrial catalysts
- Fuel cells

- Investment products such as gold from bullion banks and private investors (such as investment bars and coins) are not considered to be source of recyclable material for CoC.
- High-value source materials contain a high content of gold, silver or PGM, alloyed with one or more metals. The process for separating and recycling the materials is relatively straightforward and the number of entities involved is limited (see Figure 13).
- Recycling from industrial sources, such as e-waste, is considerably more complex because it involves recovering many different materials. This means that the value chain for industrial sources is usually longer, and tends to involve a lot more entities (see Figure 14).

Figure 13. High-value gold recycling is a relatively straightforward process

Figure 14. Industrial gold recycling is often a long and complex process



COC 7.2: ACCEPTANCE CRITERIA

The entity shall provide documented criteria for acceptable sources and types of recycled precious metals to counterparties, including:

a. Companies seeking approval to become commercial suppliers to the entity.
b. Private individuals and estates who wish to sell private materials to the entity.
c. CoC certified customers purchasing CoC material from the entity.

Points to consider:

- To achieve and maintain RJC CoC certification, you will need documented criteria for all the sources and types of recyclable materials that your business accepts.
- To support compliance and promote transparency, you must share these criteria with all the counterparties involved in trading materials as part of the CoC—by publishing the information on your website, or distributing it during commercial negotiations.

COC 7.3: APPROVING COMMERCIAL SUPPLIERS

The entity shall have documented procedures and records to approve new commercial suppliers, which shall include:

a. Conducting KYC as described in provision 2 to establish the beneficial ownership and principals for all suppliers, not just high-risk suppliers.
b. Reasonable determination of the origin of the recyclable material.
c. Conducting human rights and environmental due diligence of the supply chain to the point of origin of recyclable materials, as described in provision 1.
d. Denying the supplier if information acquired through the approval process provides reasonable evidence to suspect any adverse human rights impacts in the supply chain, or the legitimacy of the supplier and/or its sources.

Your commercial suppliers are persons or organisations who are engaged in commerce related to the purchasing and selling of precious metals. Depending on the local market structure and recycling value chain, commercial suppliers could include pawnshops, intermediary collectors or e-waste processors.

Points to consider:

- Before entering a business relationship with a new commercial supplier, a risk-based approach can help you map the supply chain and more effectively assess the risks of illegitimate sources entering the CoC. For such an assessment, you should:
  - Carry out a KYC process, in line with provision 2. Use free tools to help you, for example the London Bullion Market Association KYC questionnaire for recyclable gold.
  - Establish the beneficial ownership and principals of all suppliers (even if not triggered by a risk assessment or relevant law).
  - Make reasonable and good faith efforts to determine the origin of the recyclable materials provided by your supplier if you are not the origin of the recyclable material (that is, the entity collecting the recyclable material). Gather information on the origin through engagement with suppliers. Assess and verify representations made by your suppliers with steps proportional to risk, such as making enquiries up the supply chain, beyond the first-tier supplier.
  - Conduct human rights and environmental due diligence of your supply chains for recyclable material in accordance with Step 2 of provision 1 to assess risks in recycling supply chain. Be particularly vigilant in assessing risks associated with the informal e-waste recycling economy, due to release of hazardous substances to the environment, and the exposure of adult and child workers to such chemicals and hazardous working conditions. Your due diligence should identify and assess risks along the recycling value chain to the point of origin of recyclable materials. This can include desk research of credible sources such as reports from the UN, government, NGOs and reputable media.
- Table 11 summarises the type of red flags that indicate a potential risk of adverse impacts in your e-waste supply chain which will require further investigation.

Table 11. E-waste supply chain red flags

Type of red flag	Description of red flag
Locations of material origin and transit	The material originates from or has been transported through an area where informal e-waste recycling is common.
Supplier red flags	Suppliers or other known upstream companies operate in a location where informal e-waste recycling is common.
	Suppliers or other known upstream companies are known to have sourced material from an area where informal e-waste recycling is common.

- If, after thorough investigation, you are still unsure of the legitimacy of the prospective commercial supplier, or you identify adverse human rights or environmental impacts in the supply chain, you should not do any business with them and should report any suspicious activity to the relevant authorities in accordance with local law.
- If you are implementing the CoC Standard for the first time, apply this risk-based approach to all your existing suppliers of materials for the CoC.

COC 7.4: MONITORING COMMERCIAL SUPPLIERS

The entity shall have documented procedures and records for monitoring commercial suppliers. In addition to due diligence and KYC as described in provisions 1 and 2, this shall include:

a. Maintaining an understanding of the origin of the recyclable material.

b. Reviewing the due diligence and KYC policy and procedures of the commercial supplier if they are identified as representing a high risk of introducing illegitimate sources into the supply chain. Site visits to verify the supplier's systems and records shall be undertaken proportionate to the risk level.

c. Excluding the supplier from the production of CoC material if there is reasonable evidence to suspect the legitimacy of the supplier and/or its sources (such as unusual or suspicious transactions, activities or associations by a supplier) and if, upon investigation, these cannot be cleared of suspicion. Suspicious transactions, activities or associations identified shall be reported to the relevant authorities, in accordance with the local law.

Points to consider:

- Monitor each commercial supplier whose materials are destined for the Coc (see Box 21).
- Monitor and scrutinise transactions throughout your business relationship with the supplier to ensure they are consistent with your knowledge of the supply chain.
- If you find any evidence or reasonable information to suspect the legitimacy of a supplier or its sources, exclude them from the production of eligible CoC material immediately, and implement internal controls to prevent this material from entering the CoC.

BOX 21. TWO STEPS TO MONITORING COMMERCIAL SUPPLIERS

1. **Maintaining an understanding of the material's origin**	• The origin of recyclable material is the point in the supply chain at which the material is first returned to the processor, recycler or refiner. If you are not the origin yourself, use reasonable and good faith efforts to determine the origin and ensure it is legitimate. • Ask your suppliers to provide information on their sources of materials on an annual basis as a minimum. • Supplement this with data collected under provision 7.3a. • Ask your suppliers to notify you of any changes to their sources of material, and assess these new sources for any risks of illegitimate sources being introduced into the CoC. • Assess and verify the representation of your suppliers with steps proportional to risk. Depending on the source of the material, this may mean making enquiries up the supply chain.
2. **Doing enhanced due diligence**	• Ask higher-risk suppliers to share their due diligence and KYC policy and procedures for review; and carry out a site visit to verify the supplier's systems and records. • Review the policy and procedures of high-risk suppliers every year—or more frequently if necessary. • Make sure that all your suppliers commit to notifying you of any changes in their sources or significant changes to their business operations and re-review their due diligence and KYC policies and procedures in light of any changes.

COC 7.5: PRIVATE SOURCES

For recyclable materials sourced directly from private individuals or estates:

a. The entity shall have documented procedures and records for obtaining proof of:
   - the identity of the seller; and
   - the identification of the jewellery product or other product containing recyclable materials.

b. The entity shall make reasonable enquiry and efforts to determine the seller's ownership of the recyclable material to ensure it is not from an illegitimate source.

Points to consider:

- 'Private individuals' act only for themselves: they do not represent any group, company or organisation, and they do not trade materials commercially.
- The term 'estate' refers to assets owned by an individual or a family.
- Sourcing materials directly from private individuals or estates carries some risk of buying stolen goods and financing criminal activities. That is why if you are sourcing recyclable materials in this way, keep proper records of each purchase, including:
  - Proof of the seller's identity (for example, a copy of their ID card or passport); and
  - Identification of the purchased material, including a photographic record of each item.
- Make reasonable efforts to determine the seller's ownership of the material and ensure it does not come from an illegitimate source. For example, ask yourself whether the volume and form of the materials supplied are reasonable and consistent with the seller's profile and what you know of the local supply chain and risks.
- Recyclable materials supplied by private individuals or estates are provided in the form of unprocessed recyclable precious metals, such as jewellery or ornaments with precious metals, and which will typically be in their original form.
- Private individuals and estates are not commercial sellers of recyclable material; therefore, their supply should be very infrequent.
- Monitor transactions with private individuals or estates, and investigate any cases where there are large volumes or frequent sales of recyclable materials, to ensure these do not come from an illegitimate source.

(COC 8) ELIGIBLE GRANDFATHERED MATERIAL

A *Applicability and definitions*

This provision applies to all entities that issue eligible material declarations for grandfathered material.

Bullion is gold, silver or PGM in the form of coins, ingots or bars.

Bullion banks work as a wholesale suppliers, dealing in large quantities of refined gold or silver.

Grandfathered material is refined gold/PGM with a verifiable date of production prior to 1 January 2012. Refined silver with a verifiable date of production prior to 1 January 2018.

B *Issue background*

Pre-existing stock—material that pre-dates 1 January 2012—is known as grandfathered material, and is exempt from the CoC requirements. RJC members can source eligible grandfathered material from existing stocks of bullion (such as gold/silver/PGM stocks held in bullion banks) as long as the material can be linked to a date before 1 January 2012 for gold/PGM and 1 January 2018 for silver. If supplied by a legitimate source, the use of grandfathered material can provide no incremental negative impact, making this approach consistent with the responsible mining practices advocated by the RJC.

C *Implementation guidance*

COC 8.1 & 8.2: SOURCES AND RECORDS

(8.1) The entity shall have systems in place to ensure that eligible grandfathered material declarations are only issued for material refined before 1 January 2012 for gold/PGM and 1 January 2018 for silver.

(8.2) If the refining date does not appear as a permanent part of the item of eligible grandfathered material, the entity shall ensure it obtains and maintains documented evidence of the year the item was produced or minted based on records matched to a serial number or refiner's mark stamped on the item or to some other permanent mark or physical characteristic.

Points to consider:

- Confirm the date your material was refined using the serial number or refiner's mark that is stamped on the material. Be sure to check the status of the refiner at the time the material was refined.
- You can use this confirmation to issue eligible material declarations for grandfathered material if you include the declarations in your certification scope.
- Keep a record of all the materials sourced.
- Include the evidence used to determine the year of refining if the date does not appear on the material.

PART IV. ISSUING CHAIN-OF-CUSTODY DOCUMENTATION

CoC material is controlled through CoC transfer documents that are created by the issuing entity and passed on to the purchaser. This section defines the CoC Standard requirements for these documents.

(COC 9) ELIGIBLE MATERIAL DECLARATIONS

A *Applicability and definitions*

This provision applies to all entities making eligibility declarations for CoC material.

A CoC transfer document is issued by a CoC certified entity in accordance with the RJC CoC Standard, and includes all the information required to pass CoC material on to another entity.

Eligible material declarations show the recipient that the material in question meets the requirements of the RJC CoC Standard. They initiate a CoC and are made in a CoC transfer document.

B *Issue background*

A CoC begins with an eligible material declaration that is made by a CoC certified entity in a CoC transfer document.

An eligible material declaration shows the recipient that the material in question meets the requirements of the RJC CoC Standard. It forms the basis for all subsequent proofs of eligibility in the supply chain. That makes it critical to have reliable systems that can ensure eligible material declarations are only made for eligible material.

Eligible material includes gold, silver or PGM that is:

- mined (as defined by provision 6);
- recycled (as defined by provision 7);
- grandfathered (as defined by provision 8); or
- a mix of the above, each meeting the relevant eligibility criteria.

Different types of eligible material require different types of information to be recorded as part of their eligible material declarations in CoC transfer documents.

BOX 22. DECLARING PGM AND SILVER IN ALLOYS

Many gold alloys include PGM or silver as a minor component. But these metals do not always need to be included in CoC transfer documents, depending on their description:

- Alloys or jewellery that are described as ‘gold’: irrespective of fineness, PGM and silver in these products do not need to be identified in the CoC transfer document.
- Alloys or jewellery that are described as ‘platinum’, or ‘palladium’: the CoC status of the primary PGM needs to be identified in the CoC transfer document.
- Alloys or jewellery that are described as ‘silver’: the CoC status of the silver needs to be identified in the CoC transfer document.

C *Implementation guidance*

COC 9.1 & 9.2: MINED MATERIAL

(9.1) The entity issuing an eligible material declaration in a CoC transfer document shall document the eligible material as one of the following:

a. Mined, in conformance with provision 6 of this standard.

(9.2) For eligible mined material, the entity shall include in the CoC transfer document:

a. A conflict-free declaration that identifies if provision 6.3a, b or c applies.

b. If provision 6.3b applies (the material is located in conflict affected or high-risk areas, but is confirmed as not having adverse impacts), an appendix summarising the entity's due diligence for that material.

c. If the material is mined, the country or countries where it was extracted.

d. If the material is mining by-product, the country or countries where it was refined.

Points to consider:

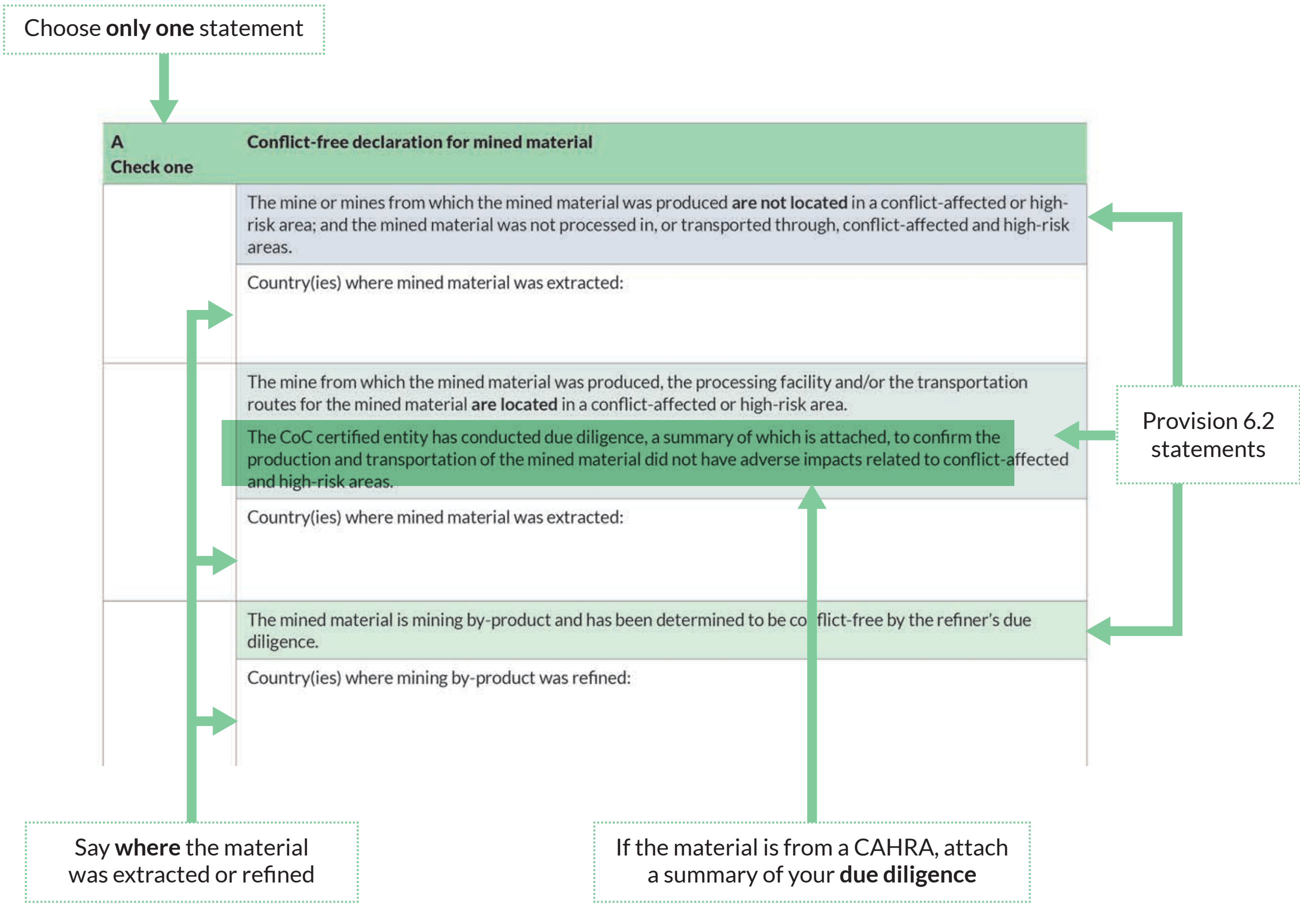
- To make an eligible material declaration for mined material, your CoC transfer document must include:
  - an identification of the type of transfer and material (see Figure 15); and
  - a conflict-free declaration.

Figure 15. Example CoC transfer document identifying an eligible material declaration for mined gold

Type of transfer *(check one)*					
✓	Eligible material declaration initiating the CoC				
	Eligible material declaration initiating the CoC for mined material conflict-free declaration provided				
	Subsequent CoC transfer, single type of CoC material				
	Subsequent CoC transfer, jewellery products containing more than one type of CoC material				
Type of material contained in transfer *(check all that apply)*					
Silver	**Gold**	**Platinum**	**Palladium**	**Rhodium**	
					Mined
	✓				CoC certified mine
					Fairtrade
					Fairmined
					ICMM mine
					TSM mine
					Mining by-product
					Recycled
					Grandfathered
					Mix of above

- Your conflict-free declaration must show the findings of your due diligence on CAHRAs and confirm one (only one) of the statements outlined in provision 6.2 (see Figure 16).
- In addition to making the provision 6.2 statement:
  - If the mined material is not from CAHRAs, you must identify the countries of extraction.
  - If the mined material is from a CAHRA (and is confirmed as not having adverse impacts), you must identify the countries of extraction and attach a summary of your due diligence.
  - If the mined material is a by-product, you must identify the countries of refining.

Figure 16. Example CoC transfer document and the elements required for mined material



- Note that to support implementation of the OECD Guidance and Section 1502 of the Dodd-Frank Act, any subsequent CoC transfer documents must also include information on whether the material comes from the DRC or adjoining countries (see CoC 10 for more information on Dodd-Frank reporting and an example of how to include it in a CoC transfer document).

COC 9.1 & 9.3: RECYCLED, GRANDFATHERED AND MIXED MATERIAL

(9.1) The entity issuing an eligible material declaration in a CoC transfer document shall document the eligible material as one of the following:

b. Recycled, in conformance with provision 7 of this standard; or

c. Grandfathered, in conformance with provision 8 of this standard; or

d. Mix of mined, recycled and/or grandfathered, each in conformance with the applicable provisions of this standard.

(9.3) When initiating a CoC for material that will be mixed with existing CoC material before transfer to another entity, the entity shall record an eligible material declaration in an internal CoC transfer document.

Points to consider:

- To make an eligible material declaration for recycled, grandfathered or mixed material, your CoC transfer document must identify the type of transfer and material (see Figure 17).
- If you are mixing eligible material with existing CoC material before transferring it to another entity, you must first make an eligible material declaration in an internal CoC transfer document, which must be kept on record (see Box 23).

Figure 17. Example CoC transfer document identifying an eligible material declaration for recycled platinum

Type of transfer *(check one)*	
✓	Eligible material declaration initiating the CoC
	Eligible material declaration initiating the CoC for mined material conflict-free declaration provided
	Subsequent CoC transfer, single type of CoC material
	Subsequent CoC transfer, jewellery products containing more than one type of CoC material

Type of material contained in transfer *(check all that apply)*					
Silver	**Gold**	**Platinum**	**Palladium**	**Rhodium**	
					Mined
					CoC certified mine
					Fairtrade
					Fairmined
					ICMM mine
					TSM mine
					Mining by-product
		✓			**Recycled**
					Grandfathered
					Mix of above

BOX 23. INTERNAL COC TRANSFERS

In general, you do not have to issue a CoC transfer document when transferring material between facilities within the same certification scope.

One exception is if you mix existing CoC material with eligible material for which you wish to issue an eligible material declaration (for example, adding recycled materials for which you are initiating a CoC to an unfinished CoC jewellery product). In this case, you must issue an internal CoC transfer document with an eligible material declaration for the eligible material before mixing. Then, when you transfer it to an external entity, you issue a CoC transfer document for 'mixed sources'.

While not obligatory, the practice of issuing internal CoC transfer documents can help reinforce segregation and proper record-keeping. In all cases, if a CoC transfer document is used for an internal transfer, it must meet all the requirements set out in provision 10.2.

(COC 10) COC TRANSFER DOCUMENTS

A *Applicability and definitions*

This provision applies to all entities transferring CoC material to the custody of another entity.

A CoC certification stamp is words or symbols put on a product to show it is made of CoC material.

CoC material (CoC gold, silver or PGM) has an eligible material declaration from a CoC certified entity that is transferred in accordance with the RJC CoC Standard. CoC material may be mined, recycled, or grandfathered (see eligible material definitions).

A CoC transfer document is issued by a CoC certified entity in accordance with the RJC CoC Standard, and includes all the information required to pass CoC material on to another entity.

B *Issue background*

When CoC material is passed on to another business, it must be accompanied by a CoC transfer document for the material to keep its CoC status.

This document effectively records the material's sequence of custody as it moves along the supply chain. It provides the recipient with critical information that is used to prove the material's CoC status in subsequent transfers.

The CoC transfer document allows for either an eligible material declaration, or a subsequent CoC transfer, but not both. Some types of material require further information to be included in the transfer document:

- Documents with eligible material declarations for mined material must also include a declaration that the material is conflict-free (see Figure 15).
- Documents with any kind of subsequent CoC transfers must also include information to allow for Dodd-Frank reporting—that is, whether or not the transfer includes any gold from the DRC and adjoining countries (see Figure 18).

C *Implementation guidance*

COC 10.1: TRANSFER DOCUMENT REQUIREMENTS

The entity shall ensure that a CoC transfer document accompanies and, wherever possible, is physically attached to each shipment or transfer of CoC material dispatched to other certified entities, outsourcing contractors or service companies.

Points to consider:

- Always try to physically attach the transfer document to your shipment of CoC material.
- If that is not possible, you will need to link the shipping identification or similar (such as a refiner's mark) to the CoC transfer document so that the receiving entity can connect the relevant information with the relevant material.

COC 10.2: REQUIRED ELEMENTS

The entity shall ensure that CoC transfer documents include all of the required information outlined in the template in Annex 1 of the RJC CoC Standard.

Points to consider:

- You are welcome to use the RJC template for a CoC transfer document that can be found in Annex 1 of the RJC CoC Standard.
- If you don't want to use the template, make sure that **all your CoC transfer documents** include the following required elements:
  - The date of transfer.
  - A unique identification number for the transfer.
  - Your identity, address and CoC certification number (including the start and end dates of your CoC certificate).
  - The identity and address of the entity receiving the material and, if it is CoC certified, its certification number.
  - The name of a responsible employee that can verify information in the transfer document, if required.
  - A statement confirming that the information in the transfer document conforms with the RJC CoC Standard.
- The weight or quantities of the items of CoC material.
  - The type of transfer (eligible material declaration or subsequent CoC transfer).
  - The type of material contained in the transfer (for subsequent CoC transfers, use the CoC transfer document that came with the material when you received it to get this information).
- CoC transfer documents for **mined material** must also include either:
  - the relevant conflict-free declaration (for eligible material declarations, see provisions 9.1 and 9.2); or
  - information for Dodd-Frank reporting (for subsequent CoC transfers, see Box 24).

BOX 24. USING COC TRANSFER DOCUMENTS FOR DODD-FRANK REPORTING

- Under Section 1502 of the US Dodd-Frank Act, all issuers of gold, tin, tungsten or tantalum must disclose annually whether any of their products contain material that originated in the DRC or an adjoining country. If so, the issuer must prepare a third-party audited 'Conflict Minerals Report' describing, among other things, its due diligence approach.
- To help facilitate this reporting, CoC transfer documents for mined or mixed gold under the CoC Standard can include (on top of the usual requirements):
  - Identification of any gold from the DRC and adjoining countries, including country of origin and refiner.
  - Upstream due diligence and 'DRC conflict-free' assurance (via independent certification).
- See Figure 18 for an example of Dodd-Frank reporting within a CoC transfer document.

Figure 18. Example Dodd-Frank reporting of Tanzanian gold in a CoC transfer document

B **Check one**	**DRC and adjoining countries' information for Dodd-Frank reporting** ***(to be completed by all CoC certified entities with custody of mined or mixed gold)***
	Transfer does not include gold from the DRC and adjoining countries.
✓	Transfer includes gold from the DRC and adjoining countries, and a summary of the required due diligence has been retained by the refiner(s) of the gold.
	Country(ies) where mined material was extracted: TANZANIA Refiner(s): WITWATERS REFINERY, SOUTH AFRICA

- CoC transfer documents for **CoC jewellery products containing non-CoC material** must also include a non-CoC disclosure statement that clearly and accurately describes the non-CoC material (see Box 25). See also provision 11.2 for guidance on claims for products that include non-CoC components.

BOX 25. DESCRIBING NON-COC MATERIAL

Under the RJC CoC Standard, jewellery products can contain non-CoC material if this is clearly documented in CoC transfer documents.

Take, for example, a gold chain that is made up of a CoC gold chain, a non-CoC gold fastening and a small diamond, with the gold components surfaced through rhodium electroplating. In this example, the CoC transfer document must include a disclosure statement like:

"CoC gold chains. Gold fastenings made from non-CoC gold. Non-CoC rhodium plating."

Non-CoC disclosure statements do **not** need to include:

- Materials outside the RJC CoC Standard's scope (for example, diamonds; other metals in alloys, plating or coatings, leather, or other precious stones).
- PGM or silver in gold alloys of any fineness (unless omitting this information could lead to confusion).

- If you are initiating a CoC for some or all of the material in question, you must make an eligible material declaration in the CoC transfer document (see CoC 9).
- If you are mixing eligible material with CoC material, this declaration should be made in an internal CoC transfer document (see CoC 9).

COC 10.3: SUPPLEMENTARY INFORMATION IN TRANSFER DOCUMENTS

If the CoC transfer document includes supplementary information about the entity, the eligible material or its provenance, the entity shall ensure the supplementary information can be supported by objective evidence.

Points to consider:

- Use your discretion to add supplementary information to a CoC transfer document, including, for example:
  - **Information about origin.** For example, country of origin of mined material or the name of the mine (or country) where recycled or grandfathered materials were collected or processed. This information is compulsory for 'track and trace' CoC models that trace material to its origin (and must also be supported by the internal material controls outlined in provision 4.3).
  - **Additional certifications or accreditations.** For example, by recognised national or international standards such as the International Organization for Standardization (ISO) or similar. In each case, you should identify the standard and record objective evidence of your conformance to it (for example, your certification number).
  - **Previous CoC transfer document numbers.** You are not required to pass on information about your suppliers or other business partners in CoC transfer documents. But, in some cases, you may decide to do so. For example, including a refiner's CoC transfer document reference number supports retrospective enquiries about the CoC by enabling downstream businesses to approach the refiner directly (rather than going through each successive business in the chain).
  - **Any other relevant information.** For example, website links to your supply chain policy for material from CAHRAs, contact information for your complaint mechanism, references for your due diligence reports or general information about your business.
- Support all your supplementary information with objective evidence, and make this available to an auditor if required.
- Establish procedures to verify all the information included in CoC transfer documents when both receiving and sending shipments of CoC material. That includes checking that the information in the document is consistent with the physical contents of the shipment.
- If you have resources available, consider using a two-person rule to sign off incoming and outgoing shipments, supported by a record of shipments such as an initialled logbook.
- Report and remedy any errors promptly, either by returning the entire shipment, or by agreeing corrective steps with the other transfer party. This may include voiding the initial document and replacing it with a new one (although you must keep a full record of all errors and anomalies).
- To support the CoC, you must record and make available all the CoC transfer documents that you receive from other CoC certified entities.
- If you lose a document, you can ask the original issuer to replace it, although the issuer is under no obligation to comply with your request. If your auditor finds evidence that you are missing documents, or that you have regularly lost and replaced documents, you risk a major non-conformance and the loss of your RJC CoC certificate.

(COC 11) PRODUCT CLAIMS AND INTELLECTUAL PROPERTY

A *Applicability and definitions*

This provision applies to entities making claims on CoC material in their jewellery products.

Finished jewellery products include any jewellery that is in its final form and sold to consumers for use. They include, but are not limited to, bracelets, rings, necklaces, earrings and watches, and they can be made of many components.

Jewellery components are physically integral parts with defined characteristics that can be separated from a larger jewellery product. Components can be assembled into both finished and semi-finished jewellery products.

Jewellery products are semi-finished or finished jewellery, or components.

A CoC certification stamp is the markings—through words or symbols—applied to a product to show it is made of CoC material.

B *Background*

The RJC CoC Standard does not require certified businesses to tell their customers about the materials—CoC or non-CoC—in their jewellery products. But some CoC certified businesses choose to do so, through written claims or visual representations. It is important that any claims or representations about CoC material are both accurate and consistent with the assurance provided by the RJC CoC Standard. That includes making sure that any verbal claims, made at point of sale for example, are correct, clear and consistent with the information in the product's CoC transfer document.

C *Implementation guidance*

COC 11.1 & 11.2: MAKING CLAIMS

(11.1) If the entity makes claims or representations about CoC material in a jewellery product, these shall be described in written form and shall not include information that is inconsistent with the CoC transfer document(s) supplying the CoC material. The entity shall provide an unambiguous indication of how to access the description, which may be on a website, at the point of sale or through any other publicly available communication medium. Claims shall comply with all applicable law.

(11.2) Claims can be made on jewellery products that include non-CoC components identified for exclusion by the RJC. A description of the CoC components within the product must be made available to the customer or consumer.

Points to consider:

- Claims about CoC material can be made by:
  - Suppliers: refiners and jewellery manufacturers providing finished or unfinished jewellery products as well as individual components.
  - Retailers: those selling finished jewellery products to final consumers.
- Suppliers of individual components can only make CoC claims if the component is entirely made of CoC material.
- Suppliers and retailers of jewellery products should aim for all components to be CoC. But the RJC recognises that it may be challenging to source some minor components under CoC certification—for example, if they are from highly specialised suppliers or complex supply chain structures, or if they are subject to exclusive production patents. For this reason, CoC claims can be made on products which include some minor non-CoC jewellery components (see Table 12).

Table 12. Non-CoC components of watches and jewellery products that can be excluded from CoC claims

	Components for exclusion
Watches	• Joints, catches, screws and pin stems*
Jewellery	• Earring fittings: including post and butterfly, hook fittings and hook fastenings, clip, andralok or andraslide. • Fastenings for bracelets and necklaces: bolt ring, jump ring and trigger, snap tongues, bezels for lockets. • Other**: alpa stems, springs, hook springs, razor clasps, snaps, wire hooks, wire pegs or rivets used for applying mountings and other ornaments, posts and nuts for attaching interchangeable ornaments.

* All the gold, silver or PGM used in the case, back, buckle and bracelet must be CoC. Any other component can be excluded.
**This includes any minor gold, silver or PGM components that form a small part of the overall weight and volume of the product.

- You can use other non-CoC components not listed in Table 12 if you can show that:
  - the component is a minor part of the product (for example, small proportion by weight); and
  - that it is not available as CoC material under reasonable circumstances.
- Please report any components excluded under these circumstances to the RJC Management Team, so that the RJC can keep an updated list of excluded products.
- In all cases, if you are making claims about CoC material in your jewellery products, you must make sure you are giving customers the correct information.
- Take care with your wording and presentation when using claims as part of a promotional campaign. That includes checking that the claim is both representative and accurate, as well as making further information easily accessible, for example, through a website (via a QR code) or other publicly available communication platform.
- For products containing excluded non-CoC components, you must include a clear description of which components are CoC as part of the claim's 'further information'. This must be consistent with transfer documents and in accordance with this provision.

COC 11.3: EMPLOYEES AND CLAIMS

The entity shall have systems in place to ensure all relevant employees, including sales associates, do not make verbal claims or representations to consumers about CoC material that are inconsistent with the claims or representations described in written form.

Points to consider:

- Nominate a responsible person to approve any written or visual descriptions of CoC material to ensure they are clear and correct.
- Train your employees to ensure that their verbal claims about CoC material are consistent with the material's written claims.
- In particular, that means training sales associates about what is acceptable to say, and what is not (see Box 26).
- Keep a record of training materials used and a list of all staff members that have received the training.
- Remember that these controls only apply to claims about a product's CoC, in accordance with the CoC Standard. Claims about quality or pricing are not usually relevant. But claims that use CoC information to support further claims about other attributes are. For example, using the country of manufacture to support a claim about quality or workmanship is relevant and must be made in accordance with the CoC Standard.

BOX 26. UNACCEPTABLE CLAIMS

All members of staff must avoid confusing or misleading customers about CoC material through inappropriate or unacceptable claims. For example:

- Explicitly describing all of a jewellery product as CoC material when only parts of it contain CoC material, and these parts are not listed in Table 12.
- Making claims about a product's country of origin or manufacture that are not supported by information supplied in the product's CoC transfer documents.

COC 11.4: USING THE RJC LOGO

If the entity uses the RJC logo, it shall ensure that it abides by the rules for use of the logo, trademarks and intellectual property. If the entity uses the RJC logo and/or CoC certification stamps in association with jewellery products containing CoC material, it shall ensure that such use clearly applies only to the CoC material.

Points to consider:

- If your business is CoC certified, you can use CoC certification stamps on your CoC material as well as for general promotional purposes. Such stamps can include words, symbols or both.
- You can also use the RJC logo in the same way. Any use of the logo must follow RJC rules and cannot be likely to cause confusion with non-CoC material. Request a copy of these rules (the 'Rules for Use of Responsible Jewellery Council Logo, Trademarks and Intellectual Property') by emailing info@responsiblejewellery.com.
- If you buy CoC material but are not CoC certified, you may not reproduce the RJC logo or CoC certification stamps, although you can use them on CoC material if they were already applied (by a CoC certified business) when you received the material. For example, you can sell a jewellery product that came to you with the RJC logo on the label; but you cannot reproduce the logo in a poster for that product unless you are CoC certified.
- Take steps to avoid the risk of products exiting the CoC chain and re-entering it. In practice, that means making sure your customers know that they cannot sell products branded with the RJC logo or CoC certification stamps onwards as CoC material unless they are themselves CoC certified and can issue the appropriate CoC transfer documentation. For example, a branded gold bar that is sold to a non-certified bullion bank cannot later be sold back to a certified jewellery manufacturer and used as CoC material.

ANNEXES

ANNEX 1. EXAMPLE POLICY ON MATERIALS FROM CONFLICT-AFFECTED AREAS

The following draft can be modified or adapted to suit individual businesses.

1. [*COMPANY NAME*] is a [*BRIEF DESCRIPTION OF THE COMPANY*]. This policy confirms [*COMPANY NAME*]'s commitment to respect human rights, avoid contributing to the finance of conflict and comply with all relevant UN sanctions, resolutions and laws.
2. [*COMPANY NAME*] is a certified member of the Responsible Jewellery Council (RJC). As such, we commit to proving, through independent third-party verification, that we:
    a. respect human rights according to the Universal Declaration of Human Rights and International Labour Organization Fundamental Rights at Work;
    b. do not engage in or tolerate bribery, corruption, money laundering or finance of terrorism;
    c. support transparency of government payments and rights-compatible security forces in the extractives industry;
    d. do not provide direct or indirect support to illegal armed groups; and
    e. enable stakeholders to voice concerns about the jewellery supply chain.
3. We also commit to using our influence to prevent abuses by others. [*Here you can choose to include a brief description of how you will consider and address the risks of non-compliance by your suppliers through your supply chain policy. Also consider including information about your complaints mechanism for interested parties to voice concerns about materials from conflict-affected areas. You can use the OECD Due Diligence Guidance Model Policy as a reference in developing your policy. The following is summarised from the model policy and so refers specifically to gold. If your company includes PGM in its CoC certification scope you can amend the below, or develop alternative policy statements, as appropriate.*]
4. **Regarding serious abuses associated with the extraction, transport or trade of gold**
   We will neither tolerate nor profit from, contribute to, assist or facilitate the commission of:
    a. torture, cruel, inhuman and degrading treatment;
    b. forced or compulsory labour;
    c. the worst forms of child labour;
    d. human rights violations and abuses; and
    e. war crimes, violations of international humanitarian law, crimes against humanity or genocide.
5. We will immediately stop engaging with upstream suppliers if we find a reasonable risk that they are committing abuses described in paragraph 4 or are sourcing from, or linked to, any party committing these abuses.
6. **Regarding direct or indirect support to non-state armed groups**
   We will not tolerate direct or indirect support to non-state armed groups, including, but not limited to, procuring gold from, making payments to, or otherwise helping or equipping non-state armed groups or their affiliates who illegally:
    a. control mine sites, transportation routes, points where gold is traded and upstream actors in the supply chain; and
    b. tax or extort money or gold at mine sites, along transportation routes or at points where gold is traded, or from intermediaries, export companies or international traders.
7. We will immediately stop engaging with upstream suppliers if we find a reasonable risk that they are sourcing from, or are linked to, any party providing direct or indirect support to non-state armed groups as described in paragraph 6.
8. **Regarding public or private security forces**
   We affirm that the role of public or private security forces is to provide security to workers, facilities, equipment and property in accordance with the rule of law, including law that guarantees human rights. We will not provide direct or indirect support to public or private security forces that commit abuses described in paragraph 4 or that act illegally as described in paragraph 6.
9. **Regarding bribery and fraudulent misrepresentation of the origin of gold**
   We will not offer, promise, give or demand bribes, and will resist the solicitation of bribes, to conceal or disguise the origin of gold, or to misrepresent taxes, fees and royalties paid to governments for the purposes of extraction, trade, handling, transport and export of gold.
10. **Regarding money laundering**
    We will support and contribute to efforts to eliminate money laundering where we identify a reasonable risk resulting from, or connected to, the extraction, trade, handling, transport or export of gold.

Signed/endorsed:

Date of effect:

ANNEX 2. EXAMPLES OF DOCUMENTS AND EVIDENCE TO GATHER TO IMPLEMENT THE OECD GUIDANCE(EXAMPLES SHOWN ARE FOR GOLD BUT CAN ALSO BE USED TO APPLY TO APPLY TO SILVER AND PGM)

Requirement	Material type(s)	Entity type	Risk level	Relevant OECD step	Purpose	Document/evidence examples (not all required)
1. Information regarding the form, type and physical description of gold and gold-bearing materials. **2. Information provided by the supplier regarding the weight and assay of gold and gold-bearing materials of input, and determinations of the weight and assay of gold inputs and outputs. Dates of input and/or output, purchases and sales and asystem to reconcile all inputs and outputs.**	All	All	All	Step 1, Section I (C)	To establish a system of transparency, information collection and control over the gold supply chain.	• CoC transfer document (if applicable) • Customs export records • Assay results • Documentation confirming source/ certification under a recognised mining standard • Immediate supplier • Immediate supplier contract and/or purchase agreement containing description of secondary material (recycled) • Inventory records and documentation • Invoices and sales documentation • Transport/shipping documentation • Electronic or paper-based reconciliation records
3. Supplier details, including KYC and due diligence information consistent with the 40 Recommendations of the Financial Action Task Force (FATF).	All	All	All	Step 1, Section I (C)	To establish a system of transparency, information collection and control over the gold supply chain.	• Business licences • Business structure and registration • Individual identification records • KYC questionnaires • Records of checks against relevant government lists
4. Verifiable documentation for any cash purchases.	All	All	All	Step 1, Section I (C)	To avoid cash purchases where possible, and ensure that all unavoidable cash purchases are supported by verifiable documentation.	• Receipts
5. Identify origin of material (for mined material this means identifying the exact mine of origin).	All	Miner, refiner	All	Step 1, Section I (C)	To establish a system of transparency, information collection and control over the gold supply chain.	• Official country of origin certificate • Official mine licences • Contract showing mine name • Other documentation showing mine name • Images of items with stamp date (for recycled material) • Records matched to a serial number or mark (for grandfathered material)

Requirement	Material type(s)	Entity type	Risk level	Relevant OECD step	Purpose	Document/evidence examples (not all required)
6. Evidence of engagement with suppliers to encourage application of due diligence and capacity building.	All	All	All	Step 1, Section I (D)	To strengthen company engagement with suppliers.	• Meeting records • Correspondence with suppliers • Written agreements and plans
7. Unique internal reference numbers assigned to all inputs and outputs, by bar, ingot and/or batch of gold accepted and produced, and affix and/or imprint that reference number on all output.	All	Miner, refiner	All	Step 1, Section II (A–C)	Specific recommendations for miners, recyclers and refiners.	• Paper or electronic records of unique number assigned to each sale or receipt of material • CoC transfer document (if applicable)
8. Preliminarily inspect all shipments for conformity to the information provided by the supplier on the types of gold. Verify weight and quality information provided by the gold producer and/or shipper, and make a business record of such verification.	All	Refiner	All	Step 1, Section II (C)	Specific recommendations for refiners.	• Internal assay results • Internal weight verification records
9. Identify upstream gold refiners.	All (refined)	Downstream	All	Step 1, Section II (E)	Specific recommendations for downstream companies.	• Supplier identification documents • CoC transfer document (if applicable) • Refiner marks imprinted on gold material
10. Verify that the refiners have conducted due diligence in line with Gold Supplement.	All (refined)	Downstream	All	Step 1, Section II (E)	Specific recommendations for downstream companies.	• Reference to recognised audits • Supplier supply chain policies and risk assessment documentation
11. Review context of each location.	Mined	Miner	All	Step 2, Section I (A)	To determine whether the gold producer mines or transports any gold in a CAHRA.	• Step 1 documentation • Research reports from governments, international organisations, NGOs, media • Maps • UN reports • UN security sanctions • Industry literature

Requirement	Material type(s)	Entity type	Risk level	Relevant OECD step	Purpose	Document/evidence examples (not all required)
12. Identify all mines and/or mine smelt houses where the gold producer purchases mined gold from other sources, which may include ASM.	Mined	Miner	All	Step 2, Section I (B)	To determine whether the gold producer purchases any gold potentially from a CAHRA.	• Traceability reports • Contracts with suppliers and/or transport documentation • Mine site declarations or visit reports • KYC documentation (including beneficial ownership) • Supplier policies (conformant with the OECD Guidance)
13. Undertake an in-depth review of the context of all red-flag locations and the due diligence practices of any red-flag suppliers.	Mined	Miner	High	Step 2, Section I (C)	To map the factual circumstances of the gold producer's red-flag operations and other sources of gold, under way and planned.	• Mine site declarations or visit reports • Incident monitoring reports • Transport documentation/logs • Operating licences • Maps • Mine production records • Geological surveys • Traceability reports • Incident monitoring records • Evidence of official tax and royalty payments, or payments to government officials • Research reports from governments, international organisations, NGOs, media • Evidence of payments to public or private security forces
14. Identify red flags in the gold supply chain.	All	Refiner	All	Step 2, Section II (B)	To determine level of risk in the supply chain.	• Step 1 documentation • Research reports from governments, international organisations, NGOs, media • Maps • UN reports • UN security sanctions • Industry literature

Requirement	Material type(s)	Entity type	Risk level	Relevant OECD step	Purpose	Document/evidence examples (not all required)
15. Undertake an in-depth review of the context of all red-flag locations and the due diligence practices of any red-flag suppliers.	All	Refiner	High	Step 2, Section II (C)	To map the factual circumstances of the company's red-flag supply chains, under way and planned.	• Mine site declarations or visit reports • Incident monitoring reports • Transport documentation/logs • Operating licences • Maps • Mine production records • Geological surveys • Traceability reports • Evidence of official tax and royalty payments or payments to government officials • Research reports from governments, international organisations, NGOs, media • Evidence of payments to public or private security forces • KYC documentation (including beneficial ownership where applicable)
16. Get preliminary evidence of the refiner's due diligence to see whether they have identified, or reasonably should have identified, red flags in their supply chain.	All	Downstream	All	Step 2	Specific recommendations for downstream companies.	• Supplier risk assessment reports • Supplier audit reports
17. Report findings to designated senior management.	All	All	High	Step 3	To devise and adopt a strategy to respond to identified risks.	• Internal meeting records or minutes • Internal reports • Internal correspondence
18. Devise and adopt risk management plan.	All	All	High	Step 3	To devise and adopt a strategy to respond to identified risks	• Documented risk management plan • Evidence that risk management plan adopted at senior management level
19. Monitor and track performance of risk mitigation.	All	All	High	Step 3	To devise and adopt a strategy to respond to identified risks.	• Meeting records, correspondence with supply chain actors relating to risk mitigation • Performance reports • Grievance mechanism records • Supply chain incident reports including evidence of response to these reports • Records of suspension or discontinuation of contracts with suppliers

ANNEX 3. EXAMPLE GRIEVANCE MECHANISM: SIMPLE PROCEDURE FOR SMALL BUSINESSES

The following draft can be modified or adapted to suit individual businesses.

[*INSERT COMPANY NAME*] has established this grievance procedure to hear concerns about circumstances in the supply chain involving gold or platinum group metals from conflict-affected areas.

[*NAME OF SENIOR MANAGER*] is responsible for implementing and reviewing this procedure.

Concerns can be raised by interested parties via email or telephone to:
[*NAME*]
[*TELEPHONE*]
[*EMAIL ADDRESS*]

On receiving a complaint, we will aim to:

- Get an accurate report of the complaint.
- Explain our complaint procedure.
- Find out how the complainant would like it handled.
- Decide who should handle the complaint internally, or help redirect the complaint to a more appropriate entity, such as the relevant supplier, or an institution, such as a relevant industry body.
- Where the issue can be handled internally, seek further information where possible and appropriate.
- Identify any actions we should take, including monitoring the situation.
- Advise the complainant of our decisions or outcomes.
- Keep records on complaints received and the internal process followed, for at least five years.

Signed/endorsed:

Date of effect:

ANNEX 4. MINED MATERIAL FROM VALIDATED MINES: COP PROVISIONS EXEMPTED FROM DESKTOP REVIEW FOR ICMM AND TSM

The following is a comparison of TSM and ICMM with RJC COP. The table lists the exemptions for TSM (level A) and ICMM (assured site) as part of the validation approach outlined in CoC 6.2.

Exemptions are only granted when the TSM/ICMM requirement is fully equivalent or exceeds the COP provision.[14]

RJC PROVISION	SUB-PROVISION	ICMM	TSM	OTHER MECHANISMS TO SHOW COMPLIANCE
RJC General Requirements (provisions 1–4)				
1. Legal Compliance	1.1	Exemption	Exemption	
2. Policy and Implementation	2.1	Exemption	Exemption	
	2.2	Exemption	Include	
3. Reporting	3.1	Exemption	Exemption	
	3.2	Exemption	Include	GRI report
4. Financial Accounts	4.1	Include	Include	Requirements for publicly listed company
	4.2	Include	Include	
RJC Responsible Supply Chains and Human Rights (provisions 5–12)				
5. Business Partners	5.1	Exemption	Include	
	5.2	Exemption	Include	
6. Human Rights	6.1	Include	Include	UN Guiding Principles
	6.2	Include	Include	WGC CFGS
				OECD Guidance
7. Sourcing from ASM	7.1	Include	Include	WGC CFGS
8. Community Development	8.1	Exemption	Exemption	
9. Bribery and Facilitation Payment	9.1	Include	Include	GRI
	9.2	Include	Include	GRI
	9.3	Include	Include	GRI
10. Money Laundering and Finance of Terrorism	10.1	Include	Include	National legislation
	10.2	Include	Include	National legislation
11. Security	11.1	Exemption	Include	UN VP
	11.2	Include	Include	UN VP
	11.3	Exemption	Include	UN VP
	11.4	N/A	N/A	
12. Provenance Claims	12.1	N/A	N/A	
RJC Labour Rights and Working Conditions (provisions 13–20)				
13. General Employment Terms	13.1–13.3	Include	Include	National legislation and GRI report
14. Working Hours	14.1–14.4	Include	Include	National legislation and GRI report

14 Many COP provisions that have not been exempted have a high level of alignment with ICMM and TSM and should be straightforward for the mining facility to demonstrate compliance.

RJC PROVISION	SUB-PROVISION	ICMM	TSM	OTHER MECHANISMS TO SHOW COMPLIANCE
15. Remuneration	15.1	Exemption	Include	National legislation and GRI report
	15.2–15.6	Include	Include	National legislation and GRI report
16. Discipline and Grievance Procedures	16.1–16.3	Include	Include	National legislation and GRI report
17. Child Labour	17.1–17.3	Include	Include	National legislation and GRI report
18. Forced Labour	18.1–18.3	Include	Include	National legislation and GRI report
19. Freedom of Association and Collective Bargaining	19.1	Include	Include	National legislation and GRI report
	19.2	Include	Include	National legislation and GRI report
	19.3	Include	Include	National legislation and GRI report
20. Non-Discrimination	20.1	Exemption	Include	National legislation and GRI report
RJC Health, Safety and Environment (provisions 21–25)				
21. Health & Safety	21.1	Exemption	Exemption	OSHAS 18001
	21.2	Include	Exemption	
	21.3	Include	Exemption	
	21.4	Exemption	Exemption	
	21.5	Include	Exemption	
	21.6	Include	Exemption	
	21.7	Exemption	Exemption	
	21.8	Exemption	Exemption	
	21.9	Exemption	Exemption	
	21.10	N/A	N/A	
22. Environmental Management	22.1	Exemption	Include	ISO 14001
	22.2	Exemption	Include	
	22.3	Include	Include	
23. Hazardous Substances	23.1	Include	Include	ISO, national legislation
	23.2	Include	Include	
	23.3	Include	Include	ISO
24. Wastes and Emissions	24.1	Exemption	Exemption	ISO
	24.2	Exemption	Exemption	ISO
25. Use of Natural Resources	25.1	Exemption	Exemption	ISO
	25.2	Include	Include	ISO

RJC PROVISION	SUB-PROVISION	ICMM	TSM	OTHER MECHANISMS TO SHOW COMPLIANCE
Diamond, Gold and Platinum Group Metal Products (provisions 26–28)				
26. Product Disclosure		N/A	N/A	
27. Kimberley Process certification and World Diamond Council System of Warranties		N/A	N/A	
28. Grading and Appraisal		N/A	N/A	
Responsible Mining (provisions 29–40)				
29. Extractive Industries Transparency Initiative	29.1	Exemption	Exemption	EITI
30. Community Engagement	30.1	Exemption	Exemption	
	30.2	Include	Exemption	
31. Indigenous Peoples and Free Prior Informed Consent	31.1	Exemption	Exemption	
	31.2	Exemption	Exemption if level AAA	
	31.3	Exemption	Exemption if level AAA	IFC Performance Standard 7
32. Impact Assessment	32.1	Exemption	Exemption	
	32.2	Exemption	Exemption	
	32.3	Exemption	Exemption	
33. ASM	33.1	Include	Include	GRI report
34. Resettlement	34.1	Exemption	Include	GRI report
35. Emergency Response	35.1	Exemption	Exemption	
36. Biodiversity	36.1	Exemption	Exemption	
	36.2	Exemption	Exemption	
	36.3	Exemption	Exemption	
	36.4	Exemption	Exemption	
	36.5	Exemption	Exemption	
37. Tailings and Waste Rock	37.1	Exemption	Exemption	
	37.2	Exemption	Exemption	
	37.3	Include	Exemption	
	37.4	Include	Exemption	
38. Cyanide	38.1	Include	Include	Int'l Cyanide Mgmt Code
39. Mercury	39.1	Exemption	Include	ISO
	39.2	Exemption	Include	ISO
40. Mine Rehabilitation and Closure	40.1	Exemption	Exemption	
	40.2	Exemption	Exemption	
	40.3	Exemption	Exemption	
	40.4	Exemption	Exemption	

FURTHER INFORMATION AND RESOURCES

- European Commission – The EU regulation explained: http://ec.europa.eu/trade/policy/in-focus/conflict-minerals-regulation/regulation-explained/
- FATF Report – Money laundering/ terrorist financing risks and vulnerabilities associated with gold: http://www.fatf-gafi.org/media/fatf/documents/reports/ML-TF-risks-vulnerabilities-associated-with-gold.pdf

KEY REGULATIONS AND INITIATIVES

- The Guiding Principles on Business and Human Rights was unanimously endorsed by United Nations members in 2011. The Guiding Principles state that companies have a responsibility to make sure their activities do not fund harm and abuses. The Guiding Principles recommend risk-based due diligence as a practical and effective way for companies to meet this responsibility.
- The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, adopted in May 2011, aims to help companies across the whole supply chain respect human rights and avoid contributing to conflict through their mineral sourcing practices. The OECD Guidance is applicable to all minerals and global in scope, and has specific supplements on tin, tantalum, tungsten and gold. Its five-step framework for detailed due diligence is the basis for responsible global supply chain management of minerals. In terms of recycled gold, the OECD Guidance requires companies to conduct KYC and due diligence on the suppliers of gold scrap to ensure the gold from mined origin is not being laundered through recycled gold channel.
- The CCCMC Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains has been developed based on UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance on Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. It provides guidance to all Chinese companies which are extracting and/or are using mineral resources and their related products and are engaged at any point in the supply chain of minerals to identify, prevent and mitigate their risks of contributing to conflict, serious human rights abuses and risks of serious misconduct. The guideline outlines a basic five-step model for carrying out risk-based supply chain due diligence for all types of minerals. However, the China Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters (CCCMC) will prioritise the future release of audit protocols and supplementary materials for gold, tin, tungsten and tantalum.