

Responsible Jewellery Council

Project Summary

The Responsible Jewellery Council (RJC) is an international, non-profit, organization comprised of companies in the supply chain for gold and diamond jewelry, from mine to retail. Its purpose is to strengthen consumer confidence by advancing responsible business practices throughout the diamond and gold jewelry supply chain.

It is seeking to achieve its objective by developing business ethics and environmental and social standards that apply to members at each step in the supply chain—e.g. mining companies, refiners, traders, processors/cutters, manufacturers, fabricators, retailers, and others.

While RJC is open to all relevant companies in the gold and diamond sectors, its mining membership includes mainly large, trans-national mining companies.

Project Description

RJC started in 2005 when a group of 14 organizations from a cross section of the diamond and gold jewelry business came together. (The RJC began as the Council for Responsible Jewellery Practices and adopted the trading name of Responsible Jewellery Council late in 2008.) Founding organizations were ABN AMRO, BHP Billiton Diamonds, Cartier, World Jewellery Confederation, Diamond Trading Company, Diarough, Jewelers of America, National Association of Goldsmiths (UK), Newmont Mining, Rio Tinto, Rosy Blue, Signet Group, Tiffany & Co., and Zale Corporation. As of December 2009, this group stands at [150 organizations](#) comprised of trade associations, service industries, diamond and gold producers, trading, cutting and polishing companies, refining, hedging and trading organizations, as well as jewelry manufacturing wholesale and retail.

Membership is open to all businesses and associations that participate in the diamond and gold jewelry supply chain and/or that engage in activities which could have a potential impact on consumer confidence. Membership fees are based upon a formula related to annual relevant sales in diamonds and or gold.

RJC's organizational model is to create a system of business-to-business confidence throughout and across the supply chain. The Council seeks to establish what it describes as a 'community of confidence' where all members conform to Council standards and will be subject to an audit process, certifying that they are in compliance. For companies seeking to tackle these issues in other sectors it is useful to highlight two aspects of the RJC model that are not always noted: 1) there is a focus on business-to-business value and it creates an opportunity for direct business-to-business relationships to occur, and 2) it allows members to demonstrate that they are taking steps that should lead to an increasing percentage of the supply of target minerals meeting the RJC standard. It is also important to note that RJC has developed a model that is responsive to anti-trust laws and regulations. The RJC cannot require or suggest its members to purchase from

or do business with others in RJC. However RJC members can make their own individual business decision to require RJC membership of their customers or suppliers. Non-RJC members are obviously free to use RJC membership as criteria for choosing suppliers. For example, a retailer might decide to only purchase from manufacturers that are members of RJC, even though that retailer may not be an RJC member.

As with minerals used in electronics, a significant challenge for RJC derives from the substantial differences that exist at various steps in the supply chain, depending on the nature, scale, and impact of each business (e.g., industrial scale mines for gold, industrial and ASM mines for diamonds, smelters for gold, cutting facilities for diamonds, fabrication/manufacturing, and retail). For example, the environmental and social issues at a large-scale mine are typically much more complex, and sometimes contentious, when compared to those at a retail jewelry store. The RJC standards and assurance approach aims to provide a common set of standards and assurance approach across the supply chain, but consistency of implementation may prove a challenge. Training modules are being delivered to members and auditors to support the extensive documentation that has been developed.

RJC is setting standards on behalf of its members with input from civil society organizations and other interested parties. Draft standards have been through a series of open, public consultations. Final approval rests with the RJC's governing body of the Council.

With regard to external stakeholders, such as civil society organizations, RJC has sought their input at successive stages in the standards development process, and in July 2009 convened a [consultative group](#) that includes a range of organizations—from development NGOs, to labor representatives, to environmental groups like WWF, to social and technical experts, to the artisanal mining organizations, the Alliance for Responsible Mining and the Diamond Development Initiative. The focus of this consultative group was the mining supplement. However, a number of other NGOs active on mining issues decided to decline the invitation to participate in this consultative group. (See [NGO Letter to RJC](#), December 8, 2008; [RJC response](#), February 6, 2009; [NGO response](#), August 6, 2009; and the [most recent response](#) from RJC, September 17, 2009). It should be noted that RJC has stated that it will consider any Initiative for Responsible Mining Assurance (IRMA) outcomes, either processes or standards. A number of organizations and companies are members of both RJC and IRMA. For more information on IRMA (see <http://responsiblemining.net/>). Furthermore, RJC remains a participant in IRMA.

With regard to certification, the RJC model calls for the use of independent certifiers, accredited by RJC, to perform audits. The full certification system was launched in December, 2009 with the Mining Supplement standards incorporated, allowing mining certification efforts to commence in 2010.

The RJC system is not currently a system with a literal chain of custody from source to consumer—as is the case for systems like the Marine Stewardship Council, the Forest Stewardship Council, or agricultural products with the Fair Trade Label. In this sense, it also differs from the system that underpins Wal-Mart’s “Love, Earth” jewelry line and the company-specific supply chain systems instituted by individual companies like Tiffany & Co. and Birks.

The RJC system requires that all members conform with standards at each step in the supply chain, where that company operates. However, in response to international and national anti-trust laws RJC built a system that does not mandate that a “certified” miner sell to a “certified” processor or that a “certified” processor or manufacturer buy its supply from a “certified” processor or mining company. Individual RJC members can choose to establish such supply chains, but the RJC system cannot require or suggest it. Having finalized the mining standards in December 2009, the RJC is planning, in 2010, to investigate the feasibility of a chain-of-custody standard as a complementary element to the RJC certification process for responsible business practices. RJC has stated that it is not their intent to develop their own system of product tracking but to investigate the possibility of certifying the effectiveness, validity, and claims made by proprietary tracking systems.

Nature of Supply Chain, Products and Issues

Jewelry typically accounts for [70%](#) or more of annual demand for gold, with electronics and dental accounting for approximately [11%](#). The percentage used in electronics has been growing in recent years.

Gold is unusual in that it plays an economic role as a [store of value](#)—creating market and demand dynamics that are different for gold than for metals that are treated as pure commodities. For Example, large above-ground stocks of gold are held by governments and investors.

Silver is more akin to a pure commodity; however there are very few silver mines in the world—most silver today is a [byproduct](#) produced when other metals, such as gold or copper, are the target.

Gold typically loses its track-ability as it moves through processing and into the economy. The [supply chain for gold is complex](#) with little or limited ability to track a particular atom of gold from a mine to consumer product without direct intervention. Provenance can be lost in the processing, trading, fabrication, and melting or re-melting of gold and gold ore. For example multiple mines can feed into a gold roaster or smelter. The exception is when a particular smelter or processing system utilizes inflow from one mining operation, or when inflow from a mine is significant and can be “batched” or tracked through the smelting process. When this occurs, it is then possible to take a marked “bar” or quantity of gold into the manufacturing process.

Large-scale industrial mines are usually part of the formal economy (i.e., they are permitted, pay royalties and/or taxes and subject to government regulations.) Large-scale gold mining is highly

industrialized and technologically advanced. Mines are mechanized, require sophisticated planning and engineering, and are capital intensive. Most large-scale gold mines utilize cyanide as a processing chemical, to leach gold from crushed ore. While the use of cyanide has generated public controversy in some instances, other issues present more significant environmental issues and challenges—these include the potential for acid mine drainage and its affect on water, impacts on biodiversity, energy and water use, alteration of the landscape, and the potential for [the release of mercury](#) (from the ore body) into the [environment](#). Development of large-scale gold mining can also raise issues related to indigenous rights, effective community participation in decision-making, mining's contribution to sustainable economic development, mining in conflict zones and conflict over natural resources, and other issues ([MMSD](#), [Newmont CRR](#), [ICMM](#), [Enough](#), [Make IT Fair](#), [Global Witness report](#).)

To focus in on gold mining as an example, most large-scale gold mines utilize cyanide as a processing chemical, to leach gold form crushed ore. While the use of cyanide has generated public controversy in some instances, other issues present more significant environmental issues and challenges—these include the potential for acid mine drainage and its affect on water, tailings management and disposal, impacts on biodiversity, energy and water use, alteration of the landscape, and the potential for [the release of mercury](#) (from the ore body) into the [environment](#). It is also worth noting that the [International Code for Cyanide Management](#) has been in place for 5 years, with a specific focus on safe handling and management of cyanide.

The issues related to diamond mining are generally similar to other forms of mining in that they present similar opportunities, risks and challenges which tend to vary by the type and scale of mining—whether artisanal and formal, informal small scale mining, formal small scale mining or large-scale mining. However, even within these broad categories issues and impacts will vary. For example, sea-based diamond mining off the coast of Namibia presents issues and challenges different than land-based operations.

A key distinction does exist, however with regard to the formality and legality of operations, particularly where government capacity is weak as compared to those that operate in a formalized legal setting with adequate government oversight. The less formal the context, the greater the challenges with tracking flow of materials.

The informal sector is also more likely to present challenges regarding particular social and human right issues including child labor, working conditions, and abusive and dangerous conditions.

The diamond sector presents challenges in regard to chain-of-custody that are quite similar to those in the gold sector. While unlike gold, diamonds remain relatively coherent in processing, the vast bulk of the world's diamonds are traded by their physical characteristics – cut, clarity, color, carat /weight – not their point of origin. In that way, once stones are cut and polished, diamonds closely parallel the traceability problems of gold. For example, a tennis bracelet, that

may contain a hundred small diamonds, may contain diamonds from many different mines in different countries but they all share the same physical characteristics.

With both gold and diamonds small quantities are sufficiently valuable that they are susceptible to easy transport and trade without any paper trail or smuggled.

Analysis

Supply Chain Complexity—Steps (*Complex*)

The supply chain for gold and diamonds is typically complex in terms of the numbers of steps and so is a valid comparison to EICC-GeSI target minerals. This can create a challenge with regard to tracking, or assuring provenance, without intervention and adaptation of the supply chain.

The RJC system responds to this complexity by ensuring that there are participating RJC members from each step in the supply chain for gold and diamonds—and by developing standards for each segment of the chain. With this part of the system in place, the RJC plans to start work on chain-of-custody issues in 2010.

Formalization of Sector (*Formal*)

RJC has “attracted” the more formalized industry actors in the sector, at each step in the supply chain. The RJC strategy appears to be attractive to those seeking to build brands and strong business-to-business relationships and reputational value.

In some ways this matches aspects of the current EICC-GeSI strategy which seeks out interested parties in the cobalt, tantalum, and tin supply chains to determine which of those companies are interested in promoting supply chain transparency.

Material Processing, Coherence (*Mixed*)

Gold is typically mixed in processing, fabrication and trading—this is true for all EICC-GeSI target minerals. Diamonds maintain physical integrity but are mixed in trading. . The material processing challenges for EICC-GeSI are similar to those of RJC for diamonds and gold. Of note, part of the RJC strategy to respond to the mixing of materials is its decision not to initially work to establish a system that ensures a literal chain of custody. It may be worth watching the success of this program in regard to its application to similar metals used in electronics.

It is worth noting how the Kimberley Process Certification Scheme addressed the issue of mixing in diamond trading. In the KPCS, shipments or parcels of diamonds – all with the KP Certification – are mixed and re-sorted along every step of the supply chain. A warranty statement that a (newly sorted) parcel is conflict-free is re-issued with every trade along the supply chain, up to (but not including) the consumer. The KP is not a point of origin scheme for single diamonds or even parcels, it is a ‘conflict-free’ warranty that aims to differentiate

legitimately traded diamonds from those entering the supply chain informally from conflict zones.

Significance in Product Composition (*Relatively Significant %*)

Metals in an electronics product are typically parts of or ingredients in subcomponents or used to connect components. Each metal typically represents a fraction of the product. Minerals in jewelry products, such as gold and diamonds, typically represent a visible and significant portion of the consumer product.

With regard to the products from EICC-GeSI companies specific components or subcomponents are likely to have ethical properties as a result of ethical or responsible sourcing of target minerals. This is different than producing a fully certified or marked product such as a piece of wood or a gold ring. The confidence that RJC is seeking to build is tied to a significant portion of the material in a typical jewelry product, as compared to a small percentage of target metals in a particular electronics product.

Issue/Source Geography (*Relevant*)

The standards developed by the RJC will be universally relevant and could be applied to many sources for EICC-GeSI target minerals at least as it relates to large scale operations.

Stage of Development, Maturity (*In Progress*)

RJC as an institution or organization has been operational for four years and is now implementing its certification system. As the system is implemented EICC-GeSI members are in a position to learn from particular aspects of the program.

Nature of Governance (*Company Governed, Multi-Industry*)

RJC is governed by its participating members who elect a governing board. It is multi-industry across the supply chain but it is not multi-sector in that civil society organizations have no role in governance. This includes standards development where they have only an advisory role. In this sense RJC is akin to a trade association, but its agenda is focused on a certification system development objective rather than external or public affairs.

There are similarities in regard to EICC/GeSI, particularly in the composition of the EICC membership and the efforts to design a system that fits the needs of member companies. Although EICC is currently comprised primarily of manufactures there are now smelting and mining company members. As EICC/GeSI advances its program it will probably begin to face a series of strategic choices with regard to standards development, governance and housing.

Standards Breadth or Focus (*Multi-Issue: Environmental and Social Objectives*)

To ensure consumer confidence by demonstrating responsible ethical, social, and environmental practices throughout the diamond and gold jewelry supply chain. The criteria for participating

mining companies, sites, and other companies in the supply chain address a range of social and environmental issues. Any mine site standards would therefore be useful for EICC-GeSI members to consider.

Standards developed by RJC for other segments of the supply chain may also be useful where similar processes and issues present themselves from mining through to manufacturing. Those that address issues after manufacturing may also be useful but would be part of a different process or discussion for EICC-GeSI.

Nature of Standards/Program Development (*Industry Governed with Input from Stakeholders*)

RJC companies, from multiple sectors, establish the objectives and standards, and seek input from non-company actors such as NGOs. The organizers chose an industry-directed system where civil society organizations have an advisory role. This has resulted in a willingness of some civil society organizations to participate on an advisory basis and others to decline open participation. What is not yet clear is whether or not this will impact the credibility of RJC. This may depend on the substantive results that RJC achieves with its standards and systems. It may, however, have helped the system move more rapidly to an implementation phase.

Approach to Verification (Third Party)

RJC intends to accredit independent third party certifiers to undertake compliance audits.

Key Findings

RJC's initiative is not dissimilar from what EICC-GeSI member companies have begun to do with regard to convening actors across the supply chain for tantalum (and then other metals). The difference appears to be that the priority issue for EICC-GeSI is ensuring that minerals sourced from conflict zones are not entering the system. This objective has led to an intensity of focus on conflict sources. This is somewhat different to the broader approach of RJC. In this sense it has some similarities to the development of the KP. As EICC-GeSI develops its response, there is growing attention on key actors in the supply chain such as smelters. As this occurs there is the potential for significant cross-learning.

There are clear links related to gold companies and with regard to standards and systems for large-scale operations. There may also be useful guidance with regard to how RJC addressed the complex trading of diamonds and its standards for diamond operations of various types and scales.

EICC-GeSI companies might benefit from a review of the RJC supply chain strategy - the business-to-business assurance systems that underpin RJC - given the challenges in the supply chain for target minerals used in electronics.

Another consideration may be the pace of RJC implementation as whether or not a company-only system works more quickly, particularly given the urgency of the situation in and around DRC. Perhaps some form of hybrid should be considered with fast action on some more urgent aspects of the system and broader consultation once the immediate issues are addressed. This is not to advocate such an approach but to suggest that the results warrant consideration.