



RESPONSIBLE
JEWELLERY
COUNCIL

LABORATORY GROWN MATERIAL

GUIDANCE

JUNE 2025

LGM

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SUPPORTING DOCUMENTS

The following documents offer supporting information to help entities implement the Laboratory Grown Material Standard (LGMS):



Lab-grown Material Standard



RJC Glossary



Further supporting documents, appendices, toolkits and references to assist with implementing this document, can be found on the RJC [website](#) and on the [member portal](#).

Key defined terms in this document are in *italics* and can be found in the [glossary](#).

Version 1.0

ENQUIRIES, FEEDBACK OR COMPLAINTS

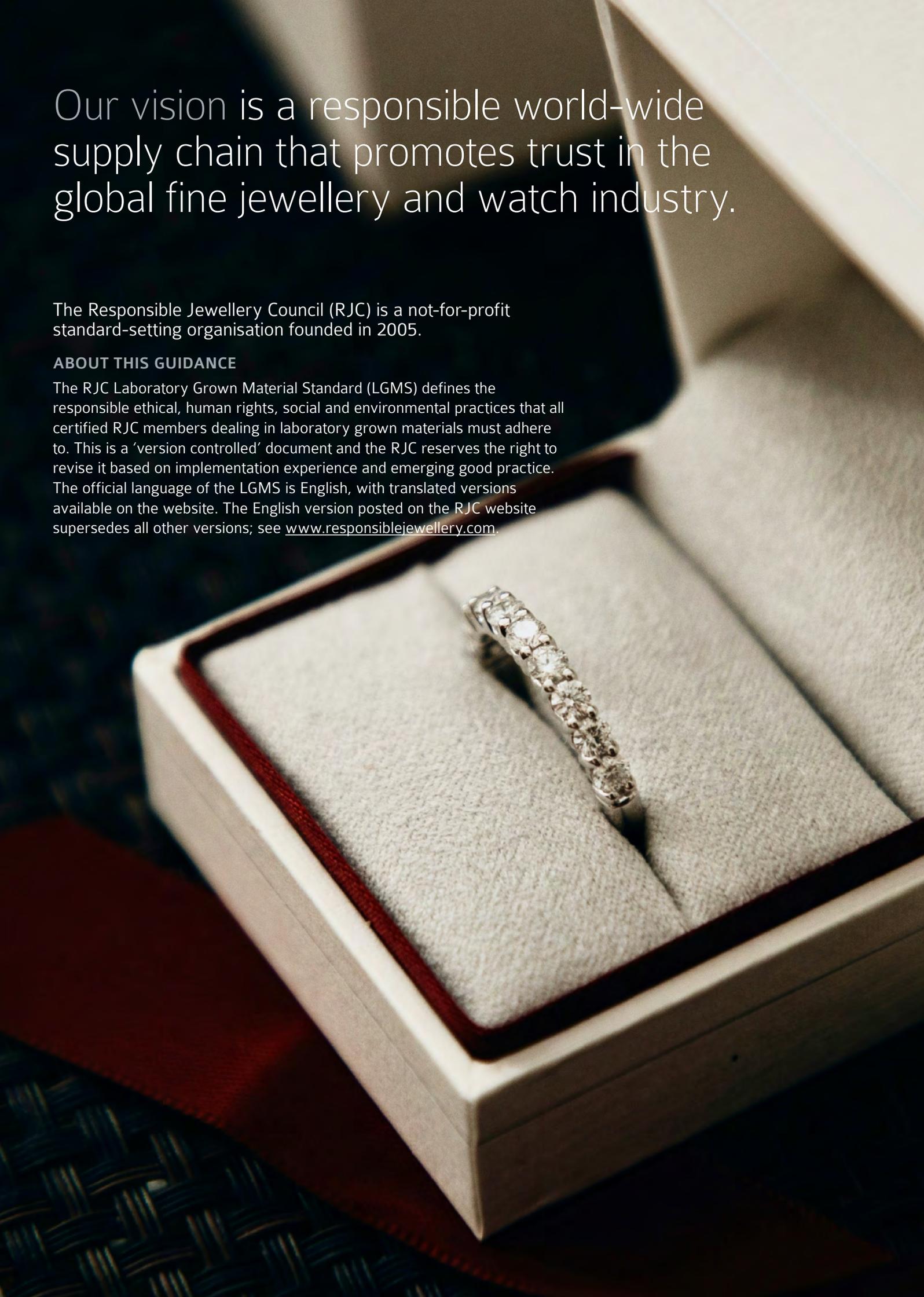
We welcome feedback on this guidance or if you have any enquiries, feedback or complaints, please contact: consultation@responsiblejewellery.com +44 (0)207 321 0992

The Responsible Jewellery Council is the trading name of the Council for Responsible Jewellery Practices Ltd, 3rd Floor, 2-3 Hind House, London, EC4A 3DL.

DISCLAIMER

No guarantee, warranty or representation is made as to the accuracy or completeness of the LGMS and other documents or information sources referenced in it. Compliance with the LGMS is not intended to, nor does it, replace, contravene or otherwise alter the requirements of any applicable global, national, state or local governmental statutes, laws, regulations, ordinances or other requirements.

Compliance with the LGMS is voluntary for non-members and is neither intended to, nor does it, create, establish or recognise any legally enforceable obligations or rights against the RJC and/or its members or signatories.



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

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

ABOUT THIS GUIDANCE

The RJC Laboratory Grown Material Standard (LGMS) defines the responsible ethical, human rights, social and environmental practices that all certified RJC members dealing in laboratory grown materials must adhere to. This is a 'version controlled' document and the RJC reserves the right to revise it based on implementation experience and emerging good practice. The official language of the LGMS is English, with translated versions available on the website. The English version posted on the RJC website supersedes all other versions; see www.responsiblejewellery.com.



Introduction

A ABOUT THE LABORATORY GROWN MATERIAL STANDARD

The RJC LGMS defines the requirements for establishing responsible business practices throughout the global jewellery and watch supply chain, for companies dealing in laboratory grown materials.

The LGMS provides a standard for ethical, social, human rights and environmental practices. LGMS certification is mandatory for all RJC commercial members handling laboratory grown (lab-grown) materials. LGMS certification provides a strong system for assuring stakeholders, shareholders, customers and business partners that a company conducts its business responsibly. This standard complements the Code of Practices standard (COP) and can add value to a company's products and help protect and enhance its brands.

More importantly, LGMS certification can reduce risks and vulnerabilities in a company's supply chain and improve management systems and operating procedures to strengthen the business and make it more sustainable. It simultaneously leads to better social and environmental conditions within the broader industry, bringing positive impacts for workers, communities and environments alike.

LGMS AT A GLANCE

- Provides a standard for responsible business practices for companies dealing in lab-grown materials, across the supply chain.
- Requires third party auditing and is mandatory for all RJC members dealing in lab-grown materials.
- Builds on and supports international standards and development goals.
- Applies to lab-grown material jewellery and watch supply chains.
- Is designed to improve ethical, social, human rights and environmental conditions.

B ABOUT THIS GUIDANCE

This guidance is designed to help RJC members implement the LGMS and to support RJC-accredited auditors carry out LGMS certification audits. It may also prove useful to non-member businesses in the jewellery supply chain and other stakeholders who want to learn more about establishing responsible business practices in the sector.

The RJC LGMS sets out requirements for what a business must do, but it does not prescribe how systems and procedures should be designed. The guidance may include information about how a LGMS requirement is to be interpreted. However, for the avoidance of doubt, members must meet all applicable requirements in the LGMS and auditors must evaluate a member's conformance against the applicable requirements in the LGMS. The guidance should be used as a source of information and support, where required. The RJC also offers web-based training and digital toolkits to help companies adhere to the LGMS and get through certification (available on the RJC [website](#) or [member portal](#)).

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C CONTENT

The LGMS is structured into five broad sections and comprises 28 provisions, which make up the individual chapters of this guidance (see Table 1). These cover a wide range of sustainable development issues, and apply to any size of business, across all sectors of the lab-grown material jewellery supply chain.

TABLE 1. INDIVIDUAL PROVISIONS OF THE LGMS

General requirements	1. Legal compliance 2. Policy and management systems	3. Reporting 4. Financial accounts
Responsible supply chains, human rights and due diligence	5. Business partners 6. Human rights 7. Due diligence for responsible sourcing, including from conflict-affected and high-risk areas 8. Community development	9. Bribery and facilitation payments 10. Know Your Counterparty: money laundering and financing of terrorism 11. Security 12. Claims
Labour rights and working conditions	13. General employment terms 14. Working hours 15. Remuneration 16. Harassment, discipline, grievance procedures and non-retaliation 17. Child labour	18. Forced labour 19. Freedom of association and collective bargaining 20. Non-discrimination 21. Diversity, equity and inclusivity
Health, safety and environment	22. Health and safety 23. Environmental management 24. Hazardous substances	25. Wastes and emissions 26. Use of natural resources
Laboratory grown material products	27. Product disclosure 28. Grading, analysis and appraisal	

Each chapter of this guidance offers a short background to the issue at hand; a selection of key regulations, standards and initiatives; a series of tips and guidance on how to implement the relevant LGMS provision; and a list of websites and publications where more information about the issue can be found.

Key terms are defined at in the glossary available on the [RJC website](#).

Introduction

D APPLYING THE LGMS SCOPE

The LGMS can be applied to any size of business, and its scope includes all sectors of the lab-grown materials jewellery and watch supply chain. The sectors covered by the LGMS include lab-grown material production; cutting and polishing; trading, wholesaling; manufacturing; retailing; recycling and collecting; and service industries, such as gemmological laboratories, assayers and secure transport providers.

The LGMS does not apply to lab-grown materials that are included in watch and jewellery items as functional components. This may include, for example, sapphire glass on a watch face or rubies used as bearings in watch mechanisms. Any lab-grown materials used as embellishments on watches and jewellery (for example on the watch crown, face, bracelet or any location in a jewellery item where the lab-grown stones are purely there as an embellishment and not for functional purposes) are included within the scope of this standard. For a definition of functional components or embellishments, see the [RJC glossary](#).

Lab-grown materials within this standard shall be understood as meaning lab-grown diamonds and lab-grown coloured gemstones (emeralds, rubies and sapphires), used within the jewellery and watch supply chain, and within an RJC member's certification scope. This includes any lab-grown materials that are:

- whole or partial, composite (assembled), constructed, restructured;
- coatings (on natural or lab-grown stones); and
- rough, polished or recycled.

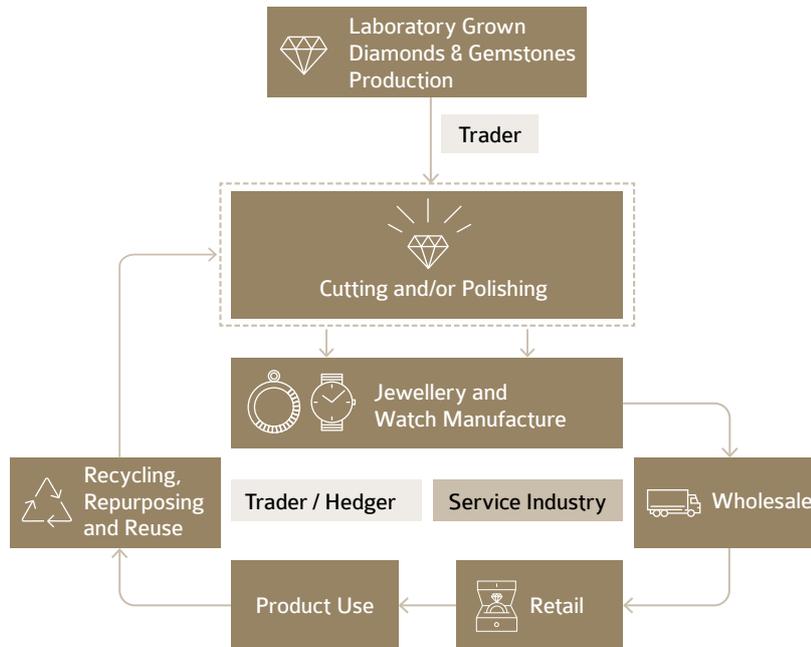
FIGURE 1: THE LGMS SCOPE

	<p>Lab-grown material production</p> <ul style="list-style-type: none"> • Lab-grown material growing 	 <p>Jewellery manufacturing</p> <ul style="list-style-type: none"> • Manufacturing • Wholesaling
	<p>Lab-grown diamonds and coloured gemstones</p> <ul style="list-style-type: none"> • Trading or wholesaling • Cutting or polishing 	 <p>Jewellery retailing</p> <ul style="list-style-type: none"> • Retail and sales, including online sales
	<p>Service industries</p> <ul style="list-style-type: none"> • Gemmological laboratories • Assayers • Transport providers • Private security 	

The applicability of each provision is clearly stated at the beginning of each chapter in this guidance.

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FIGURE 2: SUPPLY CHAIN DIAGRAM



E MANAGEMENT SYSTEMS TO SUPPORT THE LGMS

RJC members are free to choose their own management approach to implementing the LGMS. The guidance in this document is necessarily generic, and as such is offered as a broad suggestion that may not always be appropriate to individual businesses. In many cases, companies will have their own tried and tested methods that have been developed to match their particular business and operating context; these can and should be used wherever appropriate.

In general terms, the RJC identifies eight common elements of, or mechanisms within, management systems that will help businesses implement the LGMS effectively. These are outlined below, followed by Table 2 identifying each LGMS provision that requires the mechanism to be established. Companies may consider it more effective to develop combined mechanisms for the various LGMS provisions and should do so wherever appropriate, for example developing a single training programme for legal compliance (LGMS 1), business partners (LGMS 5), security (LGMS 11) and the other LGMS provisions for which training is required. Where members are also dealing in other RJC scope materials and undergoing certification to the RJC COP, they may find it more efficient and effective to combine their management systems wherever appropriate.

1. Management responsibility

Making a senior manager responsible for specific LGMS-related issues will help ensure that these are incorporated into the company's planning and operations. In many cases, the same person can be made responsible for multiple provisions. For example, you can make a single senior human resources manager responsible for all the requirements under the section on labour rights and working conditions.

2. Written policy

A written policy clarifies a company's position on key issues and acts as a formal record of it. It can be used to give consistent information to employees and business partners. You do not have to have a policy on each provision in the LGMS. Rather, you may consider having a few key policies that group similar issues together, or even having a single general policy statement covering the LGMS as a whole.



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3. Risk assessment

Risk assessments are recommended throughout the LGMS as a tool to identify and characterise adverse impacts – both to a business and externally. Depending on the provision at hand, you may need to assess social risks (for example, risks to people’s human rights, health and safety, or security) or environmental risks (such as contamination or energy usage) or both, as the two are very often interlinked. Risk assessments should be used to identify significant impacts whether actual or potential, with implementation of risk controls and risk treatment plans prioritised based on the level of significance.

4. Set procedures

Established procedures identify how to put policies into practice. Implemented well, they serve to ensure a robust and consistent approach to specific issues, and they are required or recommended in almost every LGMS provision. You may wish to integrate some (or all) aspects of these into a new or existing whole-of-business management system, or into specific frameworks for managing key issues, including due diligence, human resources, stakeholder engagement, communications and environmental management.

5. Records

Reliable record-keeping enhances accountability and allows businesses to manage data and measure progress over time. It provides an essential source of information for both internal reviews and external audits. Some LGMS provisions specifically require records to be kept, for example on your inventory or business transactions, or on your decisions and actions. In all cases, you will be asked to provide records from the past 12 months for your first RJC certification audit. Once certified, you are required to keep records for audit for at least three years (or longer if required by applicable law or as specified in particular LGMS provisions).

6. Report

Publicly reporting economic, environmental and social information strengthens a company’s credibility and reputation for responsible business among government, investors, business partners, employees, communities and customers alike. The LGMS requires companies to report publicly, at least once a year, on LGMS-relevant business practices and outlines reporting requirements for several specific topics, including efforts to prevent human rights impacts, water management initiatives, impact assessment findings, payments to government such as taxes and any information relevant to affected communities.

7. Training

Training is useful for building understanding of policy and practice, developing new skills, clarifying expectations and strengthening accountabilities. Depending on its purpose, training can be targeted at employees, business partners or other external stakeholders (such local communities). In all cases where training is recommended or required by the LGMS, make sure you keep records of the training given (including what, when and to whom).

8. Grievance mechanism

A grievance mechanism provides a channel for Affected People or Groups that are impacted by a company’s activities and operations to raise concerns or grievances for investigation and remediation as necessary. A rights-compatible grievance mechanism that allows stakeholders to raise concerns early, openly, on an informed basis, and with due protection and respect for human rights, is required for several LGMS provisions. Some are targeted at employees, some are targeted at external stakeholders. Your grievance mechanism will need to accommodate both internal and external stakeholders, each of which are likely to require slightly different management approaches, as noted in the guidance for LGMS 2 (Policy and management systems). Supporting tools and templates covering many of the above management systems, such as a risk assessment toolkit, reporting templates, policy templates, can be found on your [Member Portal](#).



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TABLE 2. LGMS PROVISIONS WHERE DIFFERENT MECHANISMS ARE REQUIRED OR RECOMMENDED

LGMS provision	Manager	Policy	Risk assessment	Set procedures	Records	Report	Training	Grievance mechanism
1 Legal compliance								
2 Policy and management systems								IN/OUT
3 Reporting								
4 Finance								
5 Business Partners				DD				
6 Human rights				DD				IN/OUT
7 Due Diligence for Responsible Sourcing, including from CAHRAs				DD				OUT
8 Community development				SM				
9 Bribery				HR				IN/OUT
10 KYC				DD				
11 Security				DD				
12 Claims				CM				IN/OUT
13 Employment								
14 Working hours				HR				IN
15 Remuneration				HR				
16 Discipline and grievances				HR				IN
17 Child labour				HR				
18 Forced labour								
19 Freedom of association				HR				IN
20 Non-discrimination				HR				
21 Diversity, equity and inclusivity								
22 Health and safety				HS				
23 Environmental management				EM				
24 Hazardous substances				HS				
25 Waste and emissions				EM				
26 Natural resources				EM				
27 Product disclosure				CM				
28 Grading and appraisal				CM				

Key:**Set procedures:** DD: Due diligence system; SM: Stakeholder management; HR: Human resources**CM:** Communications management; EM: Environmental management; HS: Health and Safety**Grievance mechanism:** IN: For internal stakeholders; OUT: For external stakeholders



Introduction

F SMALL BUSINESSES

The LGMS is designed to be applied by businesses of any size. The jewellery and watch supply chain is made up of big and small businesses alike. In many countries it is dominated by family-owned retail, design, cutting and polishing, and manufacturing businesses with 25 or fewer workers.

LGMS certification is no less stringent for small businesses, but neither should it be disproportionately onerous or challenging. Auditors will take size and impact into consideration when verifying conformance with the LGMS. They will look for objective evidence of effective management systems and good performance, rather than ask for copies of complex procedures and records.

This approach acknowledges that while the management systems of small businesses or production facilities may be less formal than those of larger companies, they can work just as well to uphold the LGMS. For example, a small business does not need to prepare a long, formal publication to conform with LGMS requirements on public annual reporting; in many cases, a simple electronic memorandum, which is available on request, or an email will do.

Regardless of business size, documentation should be fit for purpose and consistent. In auditing small businesses, auditors will often combine a review of relevant documents, policies and records with other sources of information to assess how systems work in practice. Interviews are particularly valuable in this regard because they can reach a much greater proportion of the workforce in small businesses compared with larger workplaces, and so serve as a more accurate gauge of awareness and understanding among employees.

In reading the chapters that follow, the RJC encourages you to interpret its guidance in the context of your own business size. In many cases, the guidance includes specific suggestions for tweaking approaches to better suit small businesses.





LGMS 1 Legal compliance

A APPLICABILITY

This provision applies to all RJC members.

Supply Chain Point	LGMS 1 Legal Compliance	
	1.1	1.2
Lab-grown materials producer	✓	✓
Lab-grown materials cutter and/or polisher	✓	✓
Lab-grown materials trader	✓	✓
Jewellery and watch manufacturer and/or wholesaler	✓	✓
Jewellery and watch retailer	✓	✓
Recycler	✓	✓
Service industry	✓	✓

B ISSUE BACKGROUND

Managing legal risk effectively through compliance helps a business maintain a good reputation and also help maintain its social licence to operate.

Legal and regulatory compliance demands that companies abide by applicable law, which may include:

- legislation, regulations and legally required codes or standards;
- permits, licences and other forms of authorisation;
- local by-laws; and
- decisions, directions, rulings or interpretations issued by relevant courts and tribunals.

Companies that do not comply with applicable law can face a range of consequences, including:

- financial penalties or fines;
- being civilly or criminally liable for employees' actions;
- directors and managers being civilly or criminally liable for the company's offences;
- disqualification of directors; and
- follow-on damages actions by affected parties.

In some cases, the regulatory authorities can hold businesses accountable for non-compliances in their operations or supply chain (for example, pollution or forced labour) without having to prove that the business is non-compliant with the law. It is up to the business to show it is compliant.



LGMS 1 Legal compliance

CLASSIFYING NON-CONFORMANCES WITH LGMS 1

A **major** non-conformance will apply if you have not identified legislative or regulatory requirements relevant to the LGMS; or if you know about a non-compliance with legislative or regulatory requirements and:

- you have made **inadequate** attempts to rectify it; **and/or**
- this situation **has the potential** to pose an imminent risk to workers, the community or the environment.

A **minor** non-conformance will apply if you know about a non-compliance with legislative or regulatory requirements **and**:

- you are making **adequate** attempts to rectify it; **and**
- the non-compliance **does not** pose an imminent risk to workers, the community or the environment.

A **minor** non-conformance will also apply if you have not identified legislative or regulatory requirements relevant to the LGMS **and** the non-compliance does not pose an imminent significant risk to workers, the community or the environment.

C KEY REGULATIONS, STANDARDS AND INITIATIVES

The RJC does not give its members specific advice on applicable law because laws vary depending on the type of business at hand, where it operates and what facilities it has.

Law typically consists of both legislation made by governments and rules set by courts. Legal obligations often extend beyond specific statutory laws and regulations. Many principles are established based on decisions of previous cases heard by the courts; these are called common law or case law.

The International Labour Organization (ILO) maintains **NATLEX** (<https://natlex.ilo.org/dyn/natlex2/r/natlex/fe/home>), a database of national labour, social security and related human rights legislation across 196 countries and more than 160 territories and subdivisions. NATLEX is a free resource all companies can use to help them identify their legal requirements.



LGMS 1 Legal compliance

GENERAL DATA PROTECTION REGULATION (GDPR)

From May 2018, all companies operating in the European Union (EU) must comply with new data protection rules (GDPR), wherever they are based. GDPR represents the biggest change in data processing legislation in 20 years and failure to comply can result in large financial penalties.

GDPR standardises data protection law across the EU and imposes strict new rules on controlling the personal data of identified or identifiable persons. Personal data includes any information that you store about someone that can be directly used to identify them. Different pieces of information, which collected together can be used to identify a particular person, also constitute personal data.

If your business establishment is located in the EU, if your business involves the transfer of personal data into the EU or markets goods or services to individuals within the EU, then you must comply with requirements set out in GDPR.¹ Here are some steps to consider in complying with GDPR:

1. Identify what personal data you collect and process, and confirm why you do it and on which legal basis. Personal data includes things like name, home address, IP address and location data (for example, on mobile phones). It does not include company registration number or anonymised data. Personal data can be collected through staff records, CCTV footage or IT systems.
2. Inform your customers, employees and other individuals when you collect their personal data.
3. Keep personal data for only as long as necessary.
4. Secure any personal data you process.
5. Document, and keep records of, your data processing activities.
6. Make sure your personal data subcontractors respect the rules.

Implementation requirements for GDPR differ depending on the size of your company and the type of data you process. For more information and guidance, contact your country-specific European Data Protection Board member (https://edpb.europa.eu/edpb_en) or see:

- European Commission information https://ec.europa.eu/info/law/law-topic/data-protection/data-protection-eu_en
- Information Commissioner's Office self-assessment toolkit (within the UK) <https://ico.org.uk/for-organisations/advice-for-small-organisations/checklists/data-protection-self-assessment/>

¹ Please note that this list is not exhaustive and you should seek legal advice in order to determine whether the personal data processing that your business undertakes falls within the scope of GDPR.



LGMS 1 Legal compliance

D IMPLEMENTATION GUIDANCE**LGMS 1.1: LEGAL COMPLIANCE**

Members shall:

- a. Have *systems* in place that maintain awareness of, and ensure *compliance with, applicable law*.
- b. Obtain and comply with required operating licences and permits for their *operations*.
- c. Meet the most stringent requirement between *applicable law* and the LGMS, whilst always adhering to *applicable law*.

Actions to be taken:

- As an RJC member, you are expected to know the local laws and regulations across all your areas of operations, and to keep abreast of legal developments in legislation and associated case law.
- LGMS certification does not aim to provide a full legal compliance audit. Rather, it aims to ensure you have the framework you need to be aware of applicable law and to abide by it over time. In practice, that means you need to show you have systems and procedures in place to access current information about applicable law and to maintain compliance.
- Make sure you have systems, processes, procedures or methods that can adequately monitor legal developments and identify key areas of legal risk.
- Identifying applicable laws or changes in them, interpreting them and determining their impacts on your operations can be time-consuming. But there are many external sources that can help, including:
 - commercial services;
 - regulatory agencies;
 - government departments;
 - trade groups and industry associations;
 - the internet;
 - public libraries;
 - seminars and courses;
 - subscriptions to newsletters and magazines;
 - consultants and legal professionals; and
 - customers, vendors and other companies.
- If you are unsure of your legal compliance requirements, seek legal advice from a qualified professional. This includes seeking advice on things like import and export requirements and intellectual property rights, which are not explicitly covered in the LGMS.



LGMS 1 Legal compliance

- Make a specific person, or group of people, responsible for compiling and maintaining a register for legal compliance that lists:
 - all relevant applicable laws and regulations, required licences and permits, and reporting and disclosure obligations;
 - any ongoing developments in these requirements;
 - your compliance status, and any future actions needed to remain compliant; and
 - any measures needed to correct potential non-compliances.

See 'Legal compliance register: example template' below for an example register.

- Communicate legal requirements to all your employees and contractors and give them training to ensure they understand what they need to do to ensure compliance.
- Cooperate fully and transparently with law enforcement agencies, including providing customs officials with access to complete information on all international shipments.
- At all times the member must prioritise compliance with applicable law.
- If the LGMS requirement is more stringent, then the LGMS requirement must also be met, so long as it does not violate compliance with applicable law.
- If the LGMS requirement results in a violation of applicable law, members must prioritise applicable law, and the members should use their best endeavours to comply with the intent of the LGMS.
- Systems for compliance should always be appropriate to the member's purpose, nature, scale and impact of its business operations but in a manner that enables the member to do everything in their power to fulfil the terms of the agreement. It is an obligation to take all steps that a prudent and determined person acting in their own interests and desiring the result would take.
- Where a deficiency meeting applicable law (or the LGMS) has been identified, the member must establish corrective actions to rectify occurrences of violations with applicable law (or the LGMS). Corrective actions must ensure the member moves to a state of compliance and to prevent recurrence.
- Maintain records of compliance for either five years minimum or as long as required by applicable law, whichever is longer.



LGMS 1 Legal compliance

Q&A: LEGAL COMPLIANCE

1. What do I do if legal requirements are different from the LGMS?

If there is a difference between applicable law and the LGMS, RJC expects you to conform with whichever is more stringent. So:

- If applicable law sets more stringent requirements than a LGMS provision, you are expected to comply with the legislative and regulatory requirements in question.
- If RJC requirements as defined in the LGMS set a more stringent standard than applicable law, you are expected to conform with the LGMS, even though this exceeds legal requirements.

Note that if compliance with the LGMS would result in a violation of applicable law, then applicable law must prevail. For example, as acknowledged in LGMS 19, Freedom of Association and Collective Bargaining is curtailed in some countries. In this case, you need to comply with applicable law and use best endeavours to comply with the intent of the LGMS. If the intent of the LGMS cannot be met, or you are unsure, seek legal advice or contact the RJC.

2. What happens when there is a dispute about legal requirements?

RJC understands that sometimes it may not be clear how to interpret the law (for example, if there is no guidance or if a law is under review in the courts). In these cases, you should submit any government-issued guidance that is available, as well as any legal opinions (drafted by a judicial officer, legal expert or court), as part of your self-assessment; your auditor will consider these in assessing LGMS conformance.

In cases of legal dispute:

- A minor non-conformance applies if your auditor believes there is a LGMS non-conformance but you can show that you understand the legal requirements and the matters under dispute.
- A major non-conformance may apply if your auditor finds that your approach creates an unsafe working environment or a threat to workers, communities or the environment.

3. What happens if I have applied for a permit or licence but it is still being processed by government authorities?

Pending approvals are common, as businesses and legislation frequently change and it can take time for relevant authorities to process applications. If the delay in having a valid permit is due to government procedures and you can show that you have submitted all required materials to request the permit or licence, auditors will classify the situation as conformance.

LGMS 1.2: INTELLECTUAL PROPERTY AND LICENCING AGREEMENTS

Members shall respect third-party intellectual property rights and abide by licencing agreements, with particular reference to growing technologies and methodologies, where applicable.

Actions to be taken:

- As an RJC member, you are expected to maintain awareness of and respect third party intellectual property (IP) rights and abide by licencing agreements, in particular in relation to growth technologies and methodologies. Make sure you have systems, processes, procedures or methods that can adequately monitor IP changes and updates.



LGMS 1 Legal compliance

- Make a specific person, or group of people, responsible for compiling and maintaining a register for compliance against IP rights and licensing agreements, including:
 - all agreements in place for the use of IP;
 - records of any licenses, permissions or contracts in relation to the production of lab-grown material;
 - legal requirements on IP and licensing (see LGMS 1.1);
 - any ongoing developments in regarding IP registrations or licensing agreements;
 - your compliance status to requirements around respecting IP, and any future actions needed to remain compliant; and
 - any measures needed to correct potential non-compliances.
- There are multiple ways members can keep on top of changes to IP rights. For example, looking at:
 - Databases for Patents and Trademarks
 - IP industry associations
 - Government departments, national or international IP offices
 - Regulatory databases (See guidance for 1.1)
 - The internet
 - Consultants and legal professionals
- For LGM producers, IP licensing may also be part of contractual agreements relating to the use of growing technologies. Members should maintain records of all such agreements and contractual requirements in relation to IP and be able to show how they have implemented these requirements and how they are monitoring conformance.
- Members may choose to consult with legal experts assessing what IP rights need to be respected or acquired in association with the growth methods being used.
- Members may choose to combine their monitoring and compliance with IP rights with their actions for compliance with LGMS 1.1. For example, you may want to combine your legal register with your register for monitoring compliance against existing IP rights and licencing.
- The auditor will monitor these processes and also ask about any pending complaints or legal challenges that have been raised in relation to breaches of IP.

CHECK

- Can you name the person, or group of people, responsible for legal compliance?
- Can you show the auditor how you maintain awareness of legal requirements and changes in the law?
- Can you show the auditor the steps you take to monitor your compliance with applicable law?
- Do you have all required permits and licences? If not, can you show you have correctly applied for any missing permits and licences and are waiting on approval?
- Can you show the auditor how you maintain awareness of and ensure compliance against any third party intellectual property rights and licensing agreements?

INTRODUCTION	GENERAL REQUIREMENTS	RESPONSIBLE SUPPLY CHAINS AND HUMAN RIGHTS	LABOUR RIGHTS AND WORKING CONDITIONS	HEALTH, SAFETY AND ENVIRONMENT	LABORATORY GROWN MATERIAL PRODUCTS
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LGMS 1 Legal compliance

→ EXAMPLE LEGAL REGISTER TEMPLATE

Table 3 shows an example of what a legal compliance register might look like. You can use it as a template if you want to, but you are also free to take your own approach to legal compliance to conform with LGMS 1.

TABLE 3. EXAMPLE OF A LEGAL COMPLIANCE REGISTER

Acts, regulations, standards, codes and policies	Jurisdiction	Regulatory body	Description of key regulatory or other requirements	Relevance to members' business	Responsible person	Compliance evaluation (date/frequency)	Permit	Records	Corrective actions
Regulations on the Management of the Import and Export Of Goods 1996	China	Ministry of Foreign Trade and Economic Cooperation, the General Administration of Customs, the State Environmental Protection Administration	China has two basic laws regarding waste transports: <ul style="list-style-type: none"> the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste ('the Solid Waste Law'); and the Interim Provision on the Administration of Environmental Protection in the Importation of Waste Materials. <p>These also describe the import licensing system and requirement for pre-shipment inspections.</p>	This is a condition when exporting items containing Certain categories of Prohibited metals, minerals, animal products, Laboratory waste, industrial residues, etc to China.	Internal dispatch manager	Quarterly	Received X date. Due for renewal Y date	Logistics Office	None required
Environment Protection Act 2017	Victoria, Australia	Environment protection authority www.epa.vic.gov.au	The Environment Protection Act 2017 defines the requirements pertaining to the General Environmental Duty (GED) as well as the need to: <ul style="list-style-type: none"> Comply with applicable environmental Regulations and Environment Reference Standards subordinate to the Act Obtain and conform with all permit or registration requirements, particularly in relation to the storage, management and/or transport of waste, contaminated land and spoil 	The company triggers the reporting thresholds for emissions of carbon monoxide and sulphur dioxide based on the fuel consumption and electricity usage. The company must report by 30 September each year the annual emissions for the year 1 July to 30 June. This must be calculated in accordance with NPI Procedure No. 123.	Operations manager	Annual by 30 September	EPA licence	NPI reports in Environment Department	None required

E FURTHER INFORMATION

Seek legal advice from a qualified expert about your business's compliance with applicable law and adherence to third party IP rights and licensing agreements.

LGMS 2 Policy and management systems

A APPLICABILITY

This provision applies to all RJC members

Supply Chain Point	LGMS 2 Policy and Management Systems						
	2.1	2.2	2.3	2.4	2.5	2.6	2.7
Lab-grown materials producer	✓	✓	✓	✓	✓	✓	✓
Lab-grown materials cutter and/or polisher	✓	✓	✓	✓	✓	✓	✓
Lab-grown materials trader	✓	✓	✓	✓	✓	✓	✓
Jewellery and watch manufacturer and/or wholesaler	✓	✓	✓	✓	✓	✓	✓
Jewellery and watch retailer	✓	✓	✓	✓	✓	✓	✓
Recycler	✓	✓	✓	✓	✓	✓	✓
Service industry	✓	✓	✓	✓	✓	✓	✓

B ISSUE BACKGROUND

POLICIES

Policies help an organisation define accountability and expected conduct as it relates to the organisation's operations and business. Policies:

- demonstrate commitment from the top;
- establish corporate responsibility and governance for key risks and issues;
- create a platform for more detailed procedures and practices; and
- communicate company values, principles and intentions.

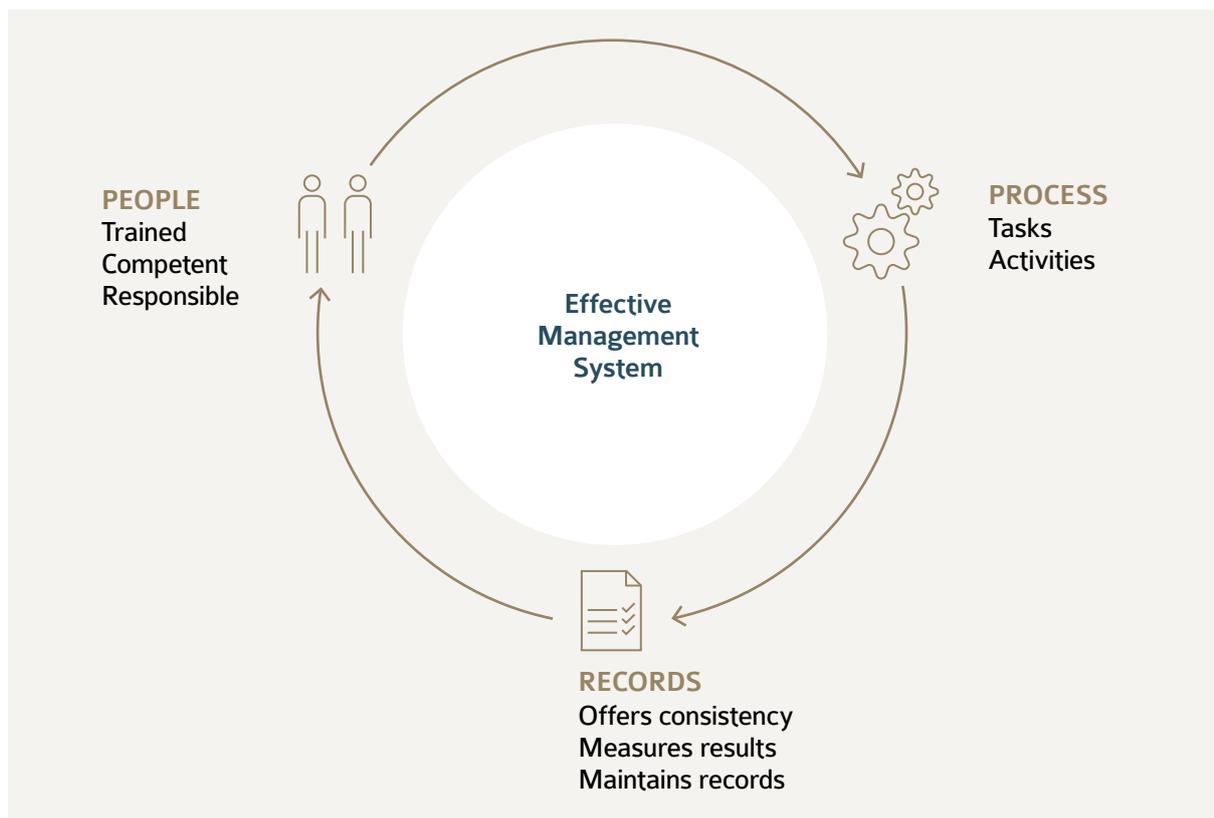
Policies also serve as a set of decision-making rules and guidelines to help drive consistent behaviour within an organisation. They also help make sure an organisation complies with applicable law. For companies to realise the benefits of their internal policies, it is important they invest time in implementing policies within the organisation and communicating them to all stakeholders.

MANAGEMENT SYSTEMS

For companies to integrate responsible business practices into their company systems, building a framework begins with ensuring a management system is essential and effective – in the context of the LGMS this is a management system that can address all applicable parts of the LGMS standard. A management system is made up of three interacting and dynamic elements – people, process and records. 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 records are required to ensure consistency, measure results and maintain records (see Figure 3).

LGMS 2 Policy and management systems

FIGURE 3: THE THREE COMPONENTS OF A MANAGEMENT SYSTEM



It is very likely that much of what your need for a management system is already in place. Even a small business will have understandable roles and responsibilities, repeatable processes for conducting job tasks, processes for managing records, protocols for purchasing materials and dealing with suppliers and customers, performance reporting and fundamental health and safety controls such as first aid kits, emergency contact details and evacuation procedures.

An effective management system is one that formalises these processes under a common framework. Management systems will help to ensure business goals, and in this case, conformance with the relevant LGMS requirements is met. It will help:

- Identify and evaluate exposures and liabilities.
- Identify risks and opportunities.
- Establish systems of work practices, procedures and management controls to control, minimise, and where possible eliminate, risks and impacts.
- Ensure continuing compliance with applicable laws and other obligations such as codes of practice, standards of work and guidelines which apply and can change from time to time.
- Differentiate the business and establish ways to improve performance in the areas covered by the LGMS.
- Ensure everybody in the organisation is aware of their role and their responsibilities.
- Ensure there are clear channels for communicating information internally and externally.
- Provide a framework for continuous improvement in the management of adverse business impacts associated with company activities and operations.



INTRODUCTION	GENERAL REQUIREMENTS	RESPONSIBLE SUPPLY CHAINS AND HUMAN RIGHTS	LABOUR RIGHTS AND WORKING CONDITIONS	HEALTH, SAFETY AND ENVIRONMENT	LABORATORY GROWN MATERIAL PRODUCTS
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LGMS 2 Policy and management systems

A management system needs to be dynamic and adapt as the business changes including being able to deal with the unexpected events (such as incidents or external events) as well as grasp opportunities for improvement. The key features of an effective management system include:

- Leadership and management participation;
- Commitment from all levels;
- Understandable and achievable commitments;
- Identified compliance obligations;
- Views of stakeholders and expectation;
- Established systems of documentation recording and reporting;
- Properly established and periodically reviewed operating procedures;
- Appropriate levels of education and training;
- Emergency response plans and procedures; and
- Performance and system monitoring and review.

GRIEVANCE MECHANISMS

Effective rights-compatible complaints and grievance mechanisms offer a channel for individuals and communities affected by an organisation's activities to raise concerns early, openly, on an informed basis, with due protection and in an atmosphere of respect. They have the potential to limit dispute escalation, facilitate dispute resolution and contribute to the prevention of future disputes by enabling learning and enhancing relationships. Human rights are an important dimension of complaints and grievance mechanisms, both in terms of the process for dealing with disputes and in the potential scope of complaints.

An effective, rights-compatible complaints and grievance mechanism is an essential tool in any company's approach to ongoing stakeholder engagement. Such a mechanism provides a channel for individuals and communities affected by a company's activities to raise concerns early, openly, on an informed basis, with due protection and in an atmosphere of respect for human rights. Having a good complaints and grievance mechanism can help stop disputes from escalating and facilitate a quicker resolution to problems. By enabling learning and enhancing relationships, it can also help prevent new disputes from emerging.

The complaints and grievance mechanism can also be used by workers to raise concerns about workplace-related conditions.

To work effectively, an operational level complaints and grievance mechanism should encourage early resolution of issues at the local level wherever possible. The LGMS requirements apply to mechanisms that a company can credibly establish, ideally in co-operation with key stakeholders.¹ This kind of complaints and grievance mechanism should not stop stakeholders from being able to access other mechanisms, including judicial systems (through the courts), public administrative systems (through government, quasi-governmental or independent statutory agencies), traditional or local dispute processes, and private non-judicial mechanisms. Rather, a company mechanism exists within a wider understanding of these vehicles for raising, resolving and remedying disputes.

¹ This does not include adjudicative processes (judicial or non-judicial), which should be situated at least one step away from all parties, including the company.



LGMS 2 Policy and management systems

C KEY REGULATIONS, STANDARDS AND INITIATIVES

POLICIES AND MANAGEMENT SYSTEMS:

Most standards require companies to develop a policy as a formal demonstration of their commitment to the issue at hand. Some demand an overarching policy committing to responsible business practices; some want specific policies relating to, for example, health and safety or forced labour.

The **Sustainable Development Goals** (SDGs <https://sustainabledevelopment.un.org/sdgs>) are a key driver in current policy development. These 17 goals, adopted by Heads of State at a special UN summit in September 2015, represent priority issues for governments across the world. The SDGs build on decades of work, including through the now expired Millennium Development Goals, and have a deadline of 2030.

The business and investor community will play a critical role in driving the SDGs' transformational changes in society, so it is important that companies act responsibly and consider how best to align their business operations with the SDGs. Understanding the SDGs and how they impact the wider regulatory environment (both now and in the future), will also help companies strengthen their licence to operate and enable them to respond to risks more effectively.

International standards such as ISO 14001, ISO 26000, SA8000, and ISO 45001 offer Management System models that may be relevant for some organisations.

ISO has also published **IWA 48: 2024 Framework for implementing environmental, social and governance (ESG) principles**. This document outlines principles designed to guide organisations implement Environmental, Social, and Governance (ESG) practices. This includes the tracking, management and reporting of ESG performance. Within a framework designed to ensure consistency, comparability, and reliability of ESG reporting and practices.

UN GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS – MANAGING GRIEVANCES.

The UN Guiding Principles on Business and Human Rights provides ways in which an organisation can deal with grievances, particularly those that have resulted in human rights harm. The Guiding Principles include how to participate in conversations with affected people or groups, and importantly how to remedy impacts that arise from the harm.

Many countries have established formal regulatory mechanisms to deal with complaints and grievances, that align with the UN Guiding Principles on Business and Human Rights.



LGMS 2 Policy and management systems

D IMPLEMENTATION GUIDANCE

LGMS 2.1: WRITTEN POLICY

Members shall adopt a policy/policies that document their commitment to responsible business practices, are endorsed by *top management*, are actively communicated to *workers* and are made *publicly* available.

Actions to be taken:

- Policy statements should:
 - be endorsed at the highest level of your organisation;
 - set clear expectations of your employees and business partners;
 - be reflected in your operational policies and procedures; and
 - be regularly reviewed for currency, adequacy and suitability.
- In all cases, your policies should apply to all parts of your business covered by RJC's certification scope. As a minimum, a member must commit to:
 - operate its business in accordance with the LGMS.
 - integrate ethical, human rights, social and environmental considerations into its day-to-day operations, business planning activities and decision-making processes.
 - Uphold the principles and intent included in the LGMS, as relevant to the scope of the business.
- You can choose to incorporate all RJC-required policies within a single overarching policy or have multiple, issue-specific policies to comply with different RJC provisions. Further, depending on the nature, size and location of your organisation, you may have one overall company policy that is supported by other business, risk or location specific policies.
- Communicate all policies and procedures to managers, employees and any affected business partners, ensuring that they understand your expectations of them and are equipped to embed the policy and procedures into their ways of working. RJC recommends that members should actively communicate your policies as widely as possible and raise awareness any time there are substantial changes or incidents relating to them. (Substantial change would be impacting their work or daily tasks.)
- Further, confirmation of receipt and understanding of the policies and procedures should be established to ensure effective implementation.
- Make sure your policies are publicly accessible, for example by posting them on your company website, or by making them available on request or visible to visitors.
- Consider appending relevant policies to company contracts, to raise awareness of your commitment with business partners, service providers and suppliers.
- Update your policies as soon as possible if the nature or activity of your business changes.
- Note that if you have multiple entities that do not operate under a central management, each one will need to have all the RJC-required policies.

[→ EXAMPLE POLICY TEMPLATE](#)



LGMS 2 Policy and management systems

EMBEDDING THE SDGS INTO ORGANISATIONAL GOALS AND POLICIES

The SDGs and the LGMS are already aligned in a number of areas. For example, SDG 1 (No Poverty) and SDG 8 (Decent Work and Economic Growth) are linked to LGMS provisions on human rights, general employment terms, working hours, remuneration, harassment, discipline and grievance procedures, child labour, forced labour, freedom of association and collective bargaining, non-discrimination, health and safety, use of natural resources and community development.

You should consider framing your activities and building your strategies in alignment with the SDGs. Some SDGs may be more obviously relevant to your business than others, but you should review them all to understand where your business may have a positive or potentially negative impact. For example:

- Addressing forced labour within your supply chain helps advance SDG 8 (Decent Work and Economic Growth).
- Reducing greenhouse gases within your operations helps advance SDG 13 (Climate Action).
- Providing a safe working environment by reducing risks associated with hazardous chemicals helps advance SDG 3 (Good Health and Well-being).

Take the following steps to start incorporating the SDGs into your strategic goals and company policies:

Step 1. Understand the SDGs

Familiarise yourself with the SDGs to ensure you understand their objectives and the role that businesses have in achieving them. This includes understanding the business case for integrating the SDGs into your company strategy.

Step 2. Map your activities

Map your company's existing actions and commitments against each of the 17 SDGs. This will allow you to identify areas where you are already helping to advance the goals, and where you can have the most impact.

Step 3. Prioritise your opportunities

Define your priorities in terms of where positive impacts can be scaled up and where negative impacts can be reduced or avoided.

Step 4. Set your goals

Set measurable goals. This may include developing key performance indicators linked to specific SDGs.

Step 5. Integrate your commitment

Integrate your commitment to the SDGs into core business practices across the company. This includes ensuring that your company policies and mission/vision statements reflect your commitment to the SDGs. Broader policies related to responsible business practices could include reference to your high-level actions to support the SDGs. Topic-specific policies (for example, on human rights or use of natural resources) can also refer to specific SDGs where applicable.

Step 6. Engage with others

Identify opportunities to engage with other stakeholders. This may include, for example, forging new partnerships or joining existing sector initiatives to drive improved performance against the SDGs.

Step 7. Find useful business tools

Identify and use business tools (such as those listed by SDG Compass <https://sdgcompass.org/business-tools/>) to help you align your business with the SDGs more effectively.



LGMS 2 Policy and management systems

LGMS 2.2-2.5: MANAGEMENT SYSTEMS

- 2.2 The member shall have documented management systems that address all applicable requirements of the LGMS.
- 2.3 The member shall assign authority and responsibility to a *senior staff* member for the member's compliance with all applicable requirements of the LGMS.
- 2.4 The member shall establish and implement communications and training measures that make relevant personnel aware of, and competent in, their responsibilities under the LGMS.
- 2.5 The member shall maintain *records* covering all applicable requirements of the LGMS and shall retain them for a minimum of five years or for as long as defined by national legislation, whichever is longer.

Actions to be taken:

You can establish an effective management systems by having the following in place as applicable to your business:

- Documented policies and procedures to provide consistent information to workers across different levels and areas of the member's organisation. If preparing these materials for the first time, think of ways to be efficient. For example, policies and procedures can be recorded in a presentation used for training purposes.
 - Remember the extent of documentation will be dependent on the complexity of the organisation. Documentation should be fit for purpose and consistent with the nature, scale and purpose of the organisation. Management systems may need to be complex and far reaching for large multi-national organisations but quite simple for smaller organisations.
 - It is suggested that management systems be integrated as much as possible to reduce redundancy and duplication. For example, use your existing training processes to cover training requirements covered by the LGMS or extend your existing record keeping processes to cover control of records required by the LGMS. This can increase the successful implementation of your management systems.
- Identification and assessment of risks to characterise actual and potential impacts covered by the LGMS to enable sound decision making on action to prioritise areas requiring risk mitigation.
- Senior management assigned authority and responsibility for key risk areas. This includes designating a manager (or a group of managers) with sufficient experience and seniority to oversee the implementation of LGMS processes and systems. The designated manager(s) should have:
 - Knowledge of the members organisation and how it operates;
 - Familiarity with the organisations internal management systems; and
 - Understanding of the key risks across the various levels of the organisation.



LGMS 2 Policy and management systems

- Communicating policies and procedures to all workers who have a direct impact on the LGMS requirements.
- Training to help personnel focus on priorities, learning what they need to do and keep pace with a flexible and evolving business.
- Record keeping to manage important data and information, enhance accountability and measure progress over time.
- Regular reviews and updates of the risks assessments and management systems, including a review by senior management on the effectiveness and appropriateness of the management system.
- Management systems can take many different forms, depending on the nature and scale of a business. For example, the management systems needed to adopt the LGMS requirements at a refinery will look very different from the system needed at a small retail business.
- In all cases, you need to ensure that your management system (that is, your people, processes and relevant records) can fulfil the requirements of the LGMS. That typically means having documentation and processes in place such as:
 - Procedures and manual, in paper or electronic form, that describes how the relevant parts of the LGMS are implemented. These may be centralised or tailored for each location and the processes described in these procedures and manuals should address the key risks for the business in terms of the aspects covered by the LGMS.
 - Adequate resources (financial, human, equipment, information technology, etc.) to carry out the relevant tasks and activities.
 - An internal process that regularly monitors the design and effectiveness of controls.
 - Role statements with clear designation of a responsible manager with sufficient experience and seniority. The role should have defined delegation and authority levels.
 - LGMS records and documentation that date back at least five years and in accordance with applicable law, to support all applicable parts of the standard.



LGMS 2 Policy and management systems

LGMS 2.6-2.7A: GRIEVANCE MECHANISM

2.6 The entity shall have a legitimate rights-compatible complaints and *grievance mechanism* in place, for responding to requests for information and raising and resolving disputes, that is appropriate to the purpose, nature, scale and impact of the business *operations*. The mechanism shall:

- a. Be consistent with prevailing *internationally recognised human rights* standards.
- b. Be easily and *publicly* accessible.
- c. Be communicated to relevant stakeholders.
- d. Be culturally appropriate, and understandable.
- e. Be unbiased, equitable, predictable and transparent.
- f. Include processes designed to:
 - i. Avoid *retaliation* for individuals or groups filing complaints or engaging the *grievance mechanism*.
 - ii. Provide training to management and personnel about the complaints and *grievance mechanism*, including instructions on the respectful handling of all grievances.
 - iii. Involve trained management and personnel at the appropriate level who understand the sensitivities of the situation.
 - iv. Ensure timely responses to requests for information, and timely investigation and resolution of complaints and grievances.
 - v. Ensure that the mechanism or any resultant resolutions do not waive or preclude the individual's or group's right to have the same grievance addressed through other available external mechanisms, including administrative, judicial or other non-judicial remedies.
 - vi. Retain *records* of complaints and grievances, including responses and outcomes, in a manner that protects the confidentiality and integrity of those filing the grievance, including where anonymity has been requested.
 - vii. Review the remedies provided through the mechanism to determine whether corrective actions can be implemented to prevent or mitigate similar grievances in the future.

2.7a The member shall monitor and review the performance of the management *systems* and the complaints and *grievance mechanism* to determine if the system outcomes are successful. Where gaps are identified, corrective actions must be implemented.

Actions to be taken:

- Your grievance mechanism should be designed and implemented to cover all relevant parts of the LGMS where stakeholders and rights holders may be affected by the members operations and activities. This includes:
 - LGMS 6: Human rights
 - LGMS 7: Due diligence for responsible sourcing, including from conflict-affected and high-risk areas
 - LGMS 12: Claims
 - LGMS 16: Harassment, discipline, grievance procedures & non-retaliation



INTRODUCTION	GENERAL REQUIREMENTS	RESPONSIBLE SUPPLY CHAINS AND HUMAN RIGHTS	LABOUR RIGHTS AND WORKING CONDITIONS	HEALTH, SAFETY AND ENVIRONMENT	LABORATORY GROWN MATERIAL PRODUCTS
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LGMS 2 Policy and management systems

- Note that your grievance mechanism for external stakeholders will likely be different to your internal procedures for workers to raise grievances, which may require a different approach not least because employee information may only be legally accessed by human resources (see LGMS 16 Harassment, discipline, grievance procedures and non-retaliation).
- Members need to ensure that the complaints and grievance mechanism needs to be:
 - **Legitimate** which means that it should foster confidence among the intended stakeholder groups and ensure that grievance procedures are conducted fairly.
 - **Rights compatible** means that it should ensure that the actions, outcomes and mitigation measures are set in accordance with internationally recognised standards for human rights. These actions need to be assessed so that they do not contribute to further harm. This usually requires an understanding of the sociocultural and economic context within which actions will be implemented, including an understanding of any past human rights violations by state actors, such as in the context of forcible removals of people from land and problems of entrenched gender or other forms of discrimination. All the actions to be taken about accessibility, transparency, record-keeping and time-bound actions apply.
 - **Accessible**, culturally appropriate, and understandable which means that it should be easy for all stakeholder groups to find, use and raise their concerns. Complaints and grievance should be accepted by the member in forms that suit the stakeholders (for example verbally, or in local languages particularly where the affected stakeholders may have difficulty interfacing with technical processes, language or the documents. In cases where affected stakeholders are widely spread geographically, or there is a diverse in the cultural backgrounds of the stakeholders (e.g. multiple languages spoken), the mechanism should be communicated and made available through multiple points and in all relevant languages. Accessible may also mean involving access to facilitators or mediators. Members may choose to also take steps to reduce other barriers to accessibility such as by providing financial support, or services (e.g. translators or mediators) free of charge. Where Indigenous Peoples are involved, the mechanism should consider their Customary Law and legal systems, and ensure that the member adopts their existing customary grievance mechanisms.
 - **Communicated** means that members should inform interested parties about their grievance mechanism. This supports the accessibility requirement noted above. In addition to interested parties such as its workers or its customers, the member should use best endeavours to also communicate their grievance mechanism down their supply chain, sharing the mechanism with suppliers and ensuring this is accessible to all relevant stakeholders. For workers it may mean ensuring that the grievance mechanism is included in inductions and relevant refresher training, posted on the intranet or in paper form onto notice boards in common areas. For external stakeholders, it could mean to publish this on a website, or for small businesses included on invoices or other information to customers and suppliers.
 - **Unbiased and equitable** means that the mechanism should ensure that all parties have access to balanced information and resources to deal with the issues and the outcomes. An imbalance of this information and resources can make the process seem unfair. The process should ensure all parties have reasonable access to the information, resources and expertise required to facilitate a fair and respectful outcome.
 - **Predictable** means that the mechanism offers a well-defined process with a suggested time frame for each step, as well as information on the various process and outcome options and ways to monitor their implementation.
 - **Transparent** means that the member should communicate information about the mechanism, how outcomes are managed and its effectiveness in dealing with these matters. Information about



INTRODUCTION	GENERAL REQUIREMENTS	RESPONSIBLE SUPPLY CHAINS AND HUMAN RIGHTS	LABOUR RIGHTS AND WORKING CONDITIONS	HEALTH, SAFETY AND ENVIRONMENT	LABORATORY GROWN MATERIAL PRODUCTS
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LGMS 2 Policy and management systems

outcomes should be anonymised to protect parties involved and be in line with confidentiality and privacy policies. The information communicated may include the type and nature of the grievances, the number of grievances initiated, those rejected and those resolved. It may also include information about the nature of remedies and mitigation measures. Any information that is made transparent should be communicated in a culturally appropriate and sensitive manner.

- Members need to ensure personnel understand the purpose and processes defined in the grievance mechanism.
- Personnel with the responsibility to implement the grievance mechanism, including senior management or other nominated personnel such as supervisors, must be trained in its use. Often external expertise can be engaged to assist with the development of support information and with training of key personnel with nominated responsibilities.
- Wherever possible, establish a complaints and grievance mechanism before any disputes arise, not in reaction to their occurrence.
- Ensure that grievances can be received through appropriate context-relevant channels (by telephone, email, face-to-face, via community representatives, etc.):
 - If they are received by other departments or project personnel, ensure they are passed to the relevant person or team to enable them to be addressed.
- When designing your grievance mechanism:
 - Ensure that it meets any applicable laws such as management of records for privacy or the need to inform the complainant about their legal rights, where this is required by local laws.
 - Consider using an external service provider to manage your grievance mechanism so that complaints can be presented to you anonymously. This may help encourage concerns to be raised by legitimate stakeholders who may otherwise remain silent in some circumstances.
 - You may need to consider funding for additional resources required when handling some grievances, for example to address gender issues or to enable access to independent advice or mediation.
 - Analyse the frequency, patterns and causes of complaints and grievances frequently to identify where and how your policies, procedures or practices can be improved.
- Make the continuation of a complaints and grievance mechanism an integral part of any changes over time such as ownership, change in management or even closure planning. Record-keeping is critical to demonstrating that you have fair and effective grievance procedures: keep an accurate and updated record of all grievances and follow-up actions. To protect the confidentiality of those raising grievances, make sure these records are kept in a secure location.
- If you have any concerns that when a worker raises a grievance, they may suffer retaliation, make extra efforts to prevent this from happening. That might include adjusting the person's working hours or reassigning them to another supervisor (see LGMS 16 Harassment, Discipline, Grievance Procedures and Non-retaliation).
- Review the effectiveness of your grievance procedures regularly, and update them accordingly, to ensure workers and community members remain confident in using them (see box 'Assessing grievance procedures').
- If grievances are not raised or the grievance mechanism is not being used, it does not necessarily indicate that there are no grievances or that the mechanism is effective. Instead, it may suggest that stakeholders don't know about or trust the mechanism.



LGMS 2 Policy and management systems

→ EXAMPLE GRIEVANCE MECHANISM TEMPLATE

ASSESSING GRIEVANCE PROCEDURES

Some ways for you to assess the effectiveness of your grievance procedures include:

- **Review grievances.** Look through all the grievances received and take note of how many there are, what they are about, who submitted them and what the outcomes were.
- **Consult stakeholders.** Talk to your managers, workers and local community members to get their perspective on how well your grievance procedures work and how they can be improved.
- **Use effectiveness criteria.** Consider your grievance procedures against each of the UN Guiding Principles' effectiveness criteria to identify and address any gaps.

Source:

- [Ergon Associates, Access to Remedy – Operational Grievance Mechanisms \(2017\)](#)

See also Guidance resources to support LGMS 6.1.

LGMS 2.7B: IMPLEMENTATION REVIEW

Top management shall conduct, at least annually, reviews to assess the ongoing suitability and adequacy of the member's business practices in achieving the policy and implement improvements to address any gaps. The review process and outcomes must be documented.

Actions to be taken:

- Make sure your policies are reflected in operational procedures to embed the commitment throughout your business.
- Appoint a senior manager to monitor and manage potential non-conformances.
- Get senior management to review the policy at least once a year to assess gaps and document the results of their discussion as evidence of conformance with LGMS 2.2. Reviews should also be carried out whenever there is a change in the nature of business activity.
- Make sure you address any gaps identified during the annual assessment. That might mean amending the policy itself or simply updating your procedures to better embed the policy in business practices.
- Records outlining the process undertaken and outcomes of the management review need to be documented and should be retained for five years. This documentation can include the presentation material circulated to inform the management review as well as minutes of the meeting.



LGMS 2 Policy and management systems

SMALL BUSINESS

If you are a small business, you can still benefit from regular discussions about your ongoing commitment to responsible business practices and RJC conformance. These can take place as part of the self-assessment process leading up to your certification audit, as well as after certification.

An annual discussion among senior management serves as an opportunity to review any non-conformance issues, and to check on progress against corrective action plans. If there are no non-conformances, or all these have already been addressed, use the annual discussion to explore opportunities for improvement, either within the business or in communicating the policy to stakeholders. Even brief minutes of these meetings offer objective evidence of your conformance with this provision.

CHECK

- Do you have a written policy or policies committing your company to responsible business practices?
- Can you show how the policy has been embedded into existing business practices?
- Has the policy been approved by senior management?
- Does the policy clearly define expectations and has it been communicated to all employees and individuals responsible for complying with the policy?
- Is it available on your company website or by other means?
- Do you review the policy and its implementation at least once a year? Can you show your auditor minutes of these 'review meetings'?

E FURTHER INFORMATION

WEBSITES

- [ISO IWA 48:2024 Framework for implementing environmental, social and governance \(ESG\) principles](#)
- [UN Development Programme \(UNDP\), Sustainable Development Goals](#)
- [UN Global Compact](#)
- [UN Guiding Principles on Business and Human Rights](#)
- [SDG Compass](#)



LGMS 3 Reporting

A APPLICABILITY

This provision applies to all RJC members.

Supply Chain Point	LGMS 3 Reporting
	3.1
Lab-grown materials producer	✓
Lab-grown materials cutter and/or polisher	✓
Lab-grown materials trader	✓
Jewellery and watch manufacturer and/or wholesaler	✓
Jewellery and watch retailer	✓
Recycler	✓
Service industry	✓

B ISSUE BACKGROUND

Regulators, civil society, shareholders, communities, employees and customers alike increasingly want to understand how companies impact society. To respond to stakeholder expectations, more and more companies have begun to incorporate economic, environmental and social information into their public reporting in what are commonly called sustainability reports or environmental, social and governance (ESG) reports.

Many larger companies, particularly public companies, already issue non-financial sustainability reports as part of their normal reporting practice. The online directory Corporate Register (www.corporateregister.com) provides access to sustainability reports issued by more than 16,000 organisations.

Financial reporting has long had to follow a common reporting framework to ensure credibility, consistency and comparability (see LGMS 4 Financial accounts). Various initiatives have been developed to establish the equivalent for sustainability or ESG reporting (see Section C).

The ability of a company to communicate effectively with its stakeholders is important to its long-term success, viability and growth. Aligning reporting and stakeholder engagement processes can help identify stakeholders' priority issues for data collection and reporting. Some companies include third-party commentary in their reports, for example from stakeholder panels, community groups, unions, non-government organisations or subject-matter experts.

All public sustainability or ESG reports with statements require supporting evidence, especially where there are concerns or perception around greenwashing. Supporting data may also be required for statements in the reports that may be considered incomplete, misleading or inaccurate. This data promotes confidence in the sustainability or ESG reports.



LGMS 3 Reporting

C KEY REGULATIONS, STANDARDS AND INITIATIVES

INTERNATIONAL INITIATIVES

The Global Reporting Initiative (GRI, www.globalreporting.org) was established in 1997 to help companies report on their sustainability performance. GRI's core product is a set of sustainability reporting standards (the 'GRI Standards') that represent global best practice for reporting on economic, environmental and social issues. The GRI Standards, released in 2016, comprise three universal standards for sustainability reporting and a series of topic-specific standards for companies to report on their material impacts related to individual issues ranging from procurement practices to water and effluents to occupational health and safety.

To support sector-specific sustainability impacts not covered by the GRI Standards, the GRI also publishes sector-reporting guidance, called 'G4 Sector Disclosures' (www.globalreporting.org/information/sector-guidance/sectorguidanceG4). The GRI also hosts a range of other guidance, tools, trainings and resources to help companies report with the GRI Standards.

Other relevant international reporting initiatives include:

- **AccountAbility** (<https://www.accountability.org/>) has developed a widely used, principles-based global stakeholder engagement standard under the AA1000 Series, which includes reporting.
- The **UN Global Compact** (www.unglobalcompact.org) sets out 10 principles for responsible business. All business signatories to the compact must submit an annual Communication on Progress, which is a public disclosure of its efforts to implement the UN Global Compact principles.
- The **Sustainability Accounting Standards Board (SASB)** (www.sasb.org) is a not-for-profit organisation that provides standards for publicly listed corporations in the United States to use in disclosing material sustainability issues. SASB standards help companies comply with some mandatory filing requirements like those to the U.S. Securities and Exchange Commission (SEC), for example Form 10-K and Form 20-F.
- The **International Integrated Reporting Council (IIRC)** (<http://integratedreporting.org>) is a global coalition of regulators, investors, companies, standard setters, accountants and non-government organisations working to promote 'integrated reporting' that presents material information about an organisation's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates. In 2013, IIRC launched its International Integrated Reporting Framework to establish a set of guiding principles and content elements for creating an integrated report.
- The UN's **Guiding Principles on Business and Human Rights**¹ requires companies to communicate their efforts to prevent and address human rights risks as part of their human rights due diligence process. This communication can take various forms, from in-person meetings, online dialogues, stakeholder consultations and formal public reporting (see **LGMS 6.1d Human rights**).
- The Organisation for Economic Co-operation and Development's (OECD's) **OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas**² includes, among its five due diligence steps, annual reporting of information on due diligence for responsible supply chains of minerals from conflict-affected and high-risk areas.

1 UN Human Rights, Guiding Principles on Business and Human Rights (2011) www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

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/fr/daf/inv/mne/mining.htm



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LGMS 3 Reporting

- The **OECD Due Diligence Guidance for Responsible Business Conduct** includes requirements on communicating and reporting on due diligence, including policies, processes, how you identify and address actual or potential adverse impacts, including findings and outcomes of activities.
- The **Corporate Sustainability Reporting Directive (CSRD)** requires EU large companies and listed companies to publish regular reports on the social and environmental risks they face, and on how their activities impact people and the environment (<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022L2464>). Companies subject to the CSRD will have to report according to European Sustainability Reporting Standards (ESRS). The CSRD also requires assurance on the sustainability information that companies report and will provide for the digital taxonomy of sustainability information. GRI has established a set of frequently asked questions about GRI and reporting in the EU (<https://www.globalreporting.org/media/d4faazel/gri-and-the-esrs-qa-final.pdf>).
- The **International Sustainability Standards Board (ISSB)** sets standards that will result in a high-quality, comprehensive global baseline of sustainability disclosures focused on the needs of investors and the financial markets. There is a Memorandum of Understanding signed in 2022 to strengthen alignment between GRI and its sustainability reporting system for companies looking to meet the information needs of both investors and a broader range of stakeholders.
- ISO has also published **IWA 48: 2024 Framework for implementing environmental, social and governance (ESG) principles**. This document outlines principles designed to guide organisations implementing Environmental, Social, and Governance (ESG) practices. This includes the tracking, management and reporting of ESG performance. Within a framework designed to ensure consistency, comparability, and reliability of ESG reporting and practices (<https://www.iso.org/standard/89240.html>).
- **Science Based Targets Initiative (SBTi)** is an initiative that provides companies, of all sizes and scopes, with a clearly-defined path to reduce emissions in line with the Paris Agreement goals. More than 6,000 businesses around the world are already working with the Science Based Targets initiative (SBTi). (<https://sciencebasedtargets.org/>).
- Other voluntary environmental disclosure standards include the CEO Water Mandate (<https://ceowatermandate.org>) and CDP, formerly the Carbon Disclosure Project (www.cdp.net). Find out more information about these initiatives in **LGMS 25 Wastes and emissions** and **LGMS 26 Use of natural resources**.



LGMS 3 Reporting

NATIONAL LAW

Some jurisdictions may require regular public reporting on significant environmental impacts in general. It is important to be fully informed of all relevant legislation and regulations in every jurisdiction of operation.

Many jurisdictions also have legislation that requires companies to have data to substantiate claims made in sustainability and ESG reports. For examples, a new Canadian omnibus bill (C59) contained a provision for the (Canadian) Competition Bureau's authority to enforce "anti-greenwashing" information with penalties for companies found to provide misleading or inaccurate information.

D IMPLEMENTATION GUIDANCE

LGMS 3.1: COMMUNICATION TO STAKEHOLDERS

Members shall annually communicate;

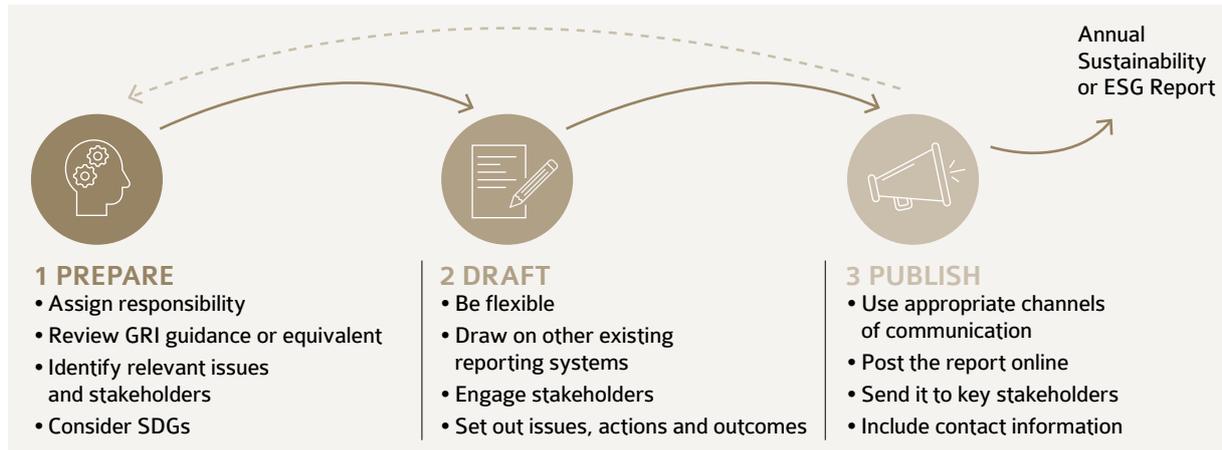
- a. Publicly on their business practices relevant to the LGMS.
- b. Directly with *Affected People or Groups* about relevant information on finalised and concluded legal proceedings, fines, judgments, penalties and non-monetary sanctions for failure to comply with *applicable law*.

Actions to be taken:

- **For LGMS 3.1a:** Reporting to stakeholders on business practices is an ongoing activity that can be useful to consider as a set of actions that are in three stages (see Figure 4).
- Information about business practices can be included in annual reports, sustainability or ESG reports or through bespoke publications.
- Members belonging to a group of companies and who do not report individually, but contribute to a group company report, can include their RJC reporting requirements within the group level reporting. Members do not need to create additional reporting literature.

LGMS 3 Reporting

FIGURE 4. KEY ACTIONS IN EACH STAGE OF REPORTING

**Stage 1. Prepare for the report**

- Nominate a senior manager to oversee the preparation of your annual report or communication. The manager should have sufficient resources to assist with the preparation and publication of the report.
- Identify relevant issues, those that relate to the LGMS and are of interest to stakeholders, and those that are of concern to you. These might include, for example, human rights due diligence, factory working conditions, promotion of responsible business practices with business partners, reduction of wastes, local procurement or other issues raised as concerns by Affected People or Groups.
- Review relevant issues throughout the year, integrating this process where possible with regular business reviews.
- Review the GRI Standards or other ESG reporting standards for a general introduction to sustainability and ESG reporting and consider how your company can apply and adopt the standard. The RJC encourages reporting in line with international standards such as the GRI or equivalent but does not require GRI reporting (except for mining companies) as smaller businesses may want to use their own approaches.
- Identify those stakeholders (employees, civil society, business partners, etc.) that can help you identify material issues to cover in your report. In the context of sustainability, the material issues are those that reflect the organisation's significant economic, environmental and social risks and impacts.
- Members can use their annual reporting requirements to communicate on positive impacts / initiatives, include information such as your engagement with local communities, the aims of the initiatives they are involved with and what impacts that they have had over a defined period of time.
- If you measure progress against the Sustainable Development Goals (SDGs), consider reporting on:
 - how and why you have identified specific SDGs as material to your business;
 - the significant impacts you have identified (positive and negative); and
 - the strategies and activities you have implemented to achieve your company goals with respect to the SDGs.



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LGMS 3 Reporting

Stage 2. Draft the report

- Adopt a flexible, practical approach to the form and content of your report or communication, considering the scale and impacts of your business. For example, a small business may simply want to issue an electronic memorandum or email. You may find it useful to time your report so that it aligns with your annual policy review (as required in **LGMS 2 Policy and management systems**).
- In drafting your report, consider how best to communicate the following to your stakeholders:
 - your company’s policies or positions on the issues at hand;
 - the actions you have taken, or plan to take, related to these issues or any other issue relevant to the LGMS – note these actions may apply to your own operations, or may apply more broadly, for example through your involvement in community initiatives; and
 - the expected quantitative or qualitative outcomes of your actions. Remember to be accurate and transparent if you have not been able to reach targets and include any remedial actions.
- If Affected People or Groups have raised a specific issue, such as an environment impact or labour rights abuse, your report should give enough information for these stakeholders to be able to properly assess your response.
- Remember that omissions can create a misleading report. If you have not been able to address risks, impacts or matters raised by stakeholders, this information should also be in your report.
- Note that the communication requirements related to your human rights due diligence process are outlined in **LGMS 6 Human rights** and **LGMS 7 Due diligence for responsible sourcing, including from conflict-affected and high-risk areas**.

Stage 3. Publish the report

- When your report is ready to publish, disseminate it to all your stakeholders through appropriate channels of communication, such as email, social media, mail-outs, etc. Proactively communicating with stakeholders in this way can help engage them and show your efforts to uphold environmental and social commitments.
- As a minimum part of public reporting, if your company has a website, post the report online.
- Make sure you include contact information for readers to submit queries or ask for more information. This will enable you to disclose additional information based on the level of confidentiality and the situation.
- **For LGMS 3.1b:** Members are also required to communicate directly with Affected People or Groups on legal proceedings fines, judgments, penalties and non-monetary sanctions for failure to comply with applicable law, that are relevant to the LGMS and for the reporting period.
- The information reported should go beyond that which is publicly available and consider the legal requirements to business or individual confidentiality including any conditions stipulated in non-disclosure agreements.



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LGMS 3 Reporting

- Legal proceedings should be reported when they are initiated, and members need to provide updates until they are concluded and finalised.
 - A member may also choose to communicate the outcomes of these finalised legal proceedings before the next annual cycle.
 - Information about finalised and concluded legal proceedings include fines, judgments, penalties and non-monetary sanctions for failure to comply with applicable law, assigned to a member by a government authority, court or independent tribunal, in relation to a members business conduct relevant to the LGMS.
 - Information about fines, judgements, penalties and non-monetary sanctions that are being disputed by the member should still be communicated noting that the matter is being challenged pending final conclusion of the legal proceedings.
 - The member should also note any fines, judgements, penalties or non-monetary sanctions that are revoked by the relevant issuing authority.
- Where required by applicable law, member must publicly report relevant information on finalised and concluded legal proceedings, fines, judgments, penalties and non-monetary sanctions for failure to comply with applicable law. This could be part of the public report required under LGMS 3.1a.
- Where not required by applicable law, members should consider including relevant information on finalised and concluded legal proceedings, fines, judgments, penalties and non-monetary sanctions for failure to comply with applicable law as part of their annual public reporting (required by LGMS 3.1a) in line with industry best practice on transparency.

→ EXAMPLE REPORTING TEMPLATE

✓ CHECK

- Do you communicate your business practices to relevant stakeholders at least once a year?
- If you have a website, is your annual report available there?



LGMS 3 Reporting

E FURTHER INFORMATION**WEBSITES**

- [AccountAbility](#)
- [CDP \(formerly, the Carbon Disclosure Project\)](#)
- [Corporate Register](#)
- [Corporate Sustainability Reporting Directive](#)
- [IFRS International Sustainability Standards Board](#)
- [Global Reporting Initiative \(GRI\)](#)
- [International Integrated Reporting Council \(IIRC\)](#)
- [ISO IWA 48:2024 Framework for implementing environmental, social and governance \(ESG\) principles](#)
- [The portal for Sustainability Reporting](#)
- [Science Based Targets Initiative](#)
- [Sustainability Accounting Standards Board \(SASB\)](#)
- [UN Global Compact, The Communication on Progress \(CoP\) in Brief](#)

PUBLICATIONS

- [AA1000 AccountAbility Principles \(AA1000AP\) \(2018\)](#)
- [AA1000 Assurance Standard \(AA1000AS\)\(2008\)](#)
- [AA1000 Stakeholder Engagement Standard \(AA1000SES\) \(2015\)](#)
- [GRI, Defining What Matters: Do Companies and Investors Agree on What Is Material? \(2016\)](#)



LGMS 4 Financial accounts

A APPLICABILITY

This provision applies to all RJC members.

Supply Chain Point	LGMS 4 Financial accounts	
	4.1	4.2
Lab-grown materials producer	✓	✓
Lab-grown materials cutter and/or polisher	✓	✓
Lab-grown materials trader	✓	✓
Jewellery and watch manufacturer and/or wholesaler	✓	✓
Jewellery and watch retailer	✓	✓
Recycler	✓	✓
Service industry	✓	✓

B ISSUE BACKGROUND

Financial accounts, prepared according to a recognised accounting standard, give outside parties financial information to help them make decisions. Financial accounting addresses potential problems that may occur when a company's management has information that its stakeholders do not, or when management's incentives do not necessarily align with those of stakeholders.

Outside parties, such as investors, creditors, regulators, suppliers and other stakeholders, often want a financial auditor's opinion on a company's financial statements. That is why many businesses get audited financial statements. Financial audits increase the credibility of any financial statement prepared by a company's management.

A financial review may be a more relevant approach when permitted by law and a company does not require audited financial statements, such as private companies.



LGMS 4 Financial accounts

C KEY REGULATIONS, STANDARDS AND INITIATIVES

Applicable law sets the specific requirements for what a financial statement must contain. Independently audited financial statements may be legally required, depending on the purpose, nature, scale and impact of a business, its ownership structure (for example, if it is publicly listed) and where it is located. In some cases, companies can waive the requirement for an audit.

Financial auditors should follow generally accepted auditing standards, which set out requirements and guidance on conducting audits. Auditing standards can be set by national governments or by international organisations, such as the International Accounting Standards Board (IASB) or the International Auditing and Assurance Standards Board (IAASB), and then adopted by national regulatory bodies.

The IASB (www.ifrs.org/groups/international-accounting-standards-board) develops and publishes the International Financial Reporting Standards (IFRS) that are required in three-quarters of all G20 countries.

National regulation continues to evolve. The Sarbanes-Oxley Act (<https://sarbanes-oxley-act.com/>) in the United States, for example, has established significant reforms to improve the auditing and accounting procedures of public companies.

D IMPLEMENTATION GUIDANCE

LGMS 4.1: FINANCIAL MANAGEMENT

Members shall maintain financial accounts of all business transactions in accordance with national or international accounting standards.

Actions to be taken:

- A company's management is responsible for preparing financial statements, which should be overseen by a qualified accountant.
- Make sure you are aware of the applicable law and of the generally accepted accounting principles for all jurisdictions in which you operate.
- Where national statutory requirements are not prescribed, national or international accounting standards such as those published by the International Accounting Standards Board should be adopted. See references provided in section E Further Information.
- National and international standards include the generally accepted accounting principles of the applicable jurisdiction, which are typically issued by a national standards-setting body (for example, the Financial Accounting Standards Board in the United States) or by the International Accounting Standards Board.
- See also the guidance for LGMS 2.1.



LGMS 4 Financial accounts

LGMS 4.2: INDEPENDENT FINANCIAL AUDIT OR REVIEW

Members shall annually undertake a financial audit or financial review, in jurisdictions where permitted, to be conducted by an independent qualified accountant.

Actions to be taken:

- Find out whether you need to carry out a statutory audit of your financial statements, and if so, what specific requirements apply.
- Make sure that any financial auditors or reviewers you use are suitably qualified and independent, in accordance with applicable regulations and professional standards.
- Use your audit or review process as an opportunity for company management to identify and address risks that could lead to material misstatements in the financial statements, including fraud.
- LGMS provision 4 requires all members to ensure finances are compliant with applicable laws and that there is no mis-reporting or financial fraud. For a small business, an independent account is often commissioned to support the organisation with the preparation and submission of annual financial reports for tax purposes. In these cases, a small business member can meet the requirements of this provision if they are able to:
 - Justify to the RJC auditor in writing the prohibitive expense for an independent financial audit or review (e.g. based on the material cost to the organisation)
 - Demonstrate that their finances meet local applicable law as per **LGMS 1 Legal compliance**.
 - Provide an attestation from the accountant commissioned to prepare the annual financial report that they are:
 - suitably qualified to prepare the annual financial report in accordance with applicable law and/or accounting standards; and
 - independent and free from conflict of interest in the member's business.

✓ CHECK

- Do you know if there are any statutory requirements for your financial accounts? If so, can you show compliance with these?
- Are your financial accounts kept in accordance with national or international accounting standards?
- Has an independent and qualified accountant audited or reviewed your financial accounts? If so, can you show your LGMS auditor documentation of their credentials?



LGMS 4 Financial accounts

E FURTHER INFORMATION**WEBSITES**

- [American Institute of Certified Public Accountants \(AICPA\)](#)
- [IASB, IAS 1: Presentation of Financial Statements](#)
- [IFRS Foundation and the International Accounting Standards Board \(IASB\)](#)
- [International Auditing and Assurance Standards Board \(IAASB\)](#)

PUBLICATIONS

- [Deloitte, Statutory Financial Statements: Preparing and Filing Financial Statements in Belgium \(2018\)](#)
- [U.S. Securities and Exchange Commission, Beginners' Guide to Financial Statement \(2007\)](#)





LGMS 5 Business partners

A APPLICABILITY

This provision applies to all RJC members.

Supply Chain Point	LGMS 5 Business Partners	
	5.1	5.2
Lab-grown materials producer	✓	✓
Lab-grown materials cutter and/or polisher	✓	✓
Lab-grown materials trader	✓	✓
Jewellery and watch manufacturer and/or wholesaler	✓	✓
Jewellery and watch retailer	✓	✓
Recycler	✓	✓
Service industry	✓	✓

B ISSUE BACKGROUND

Companies operating in a global economy are increasingly asked to assume more responsibility for business ethics, human rights, and social and environmental performance in their supply chains. For example, multinational corporations are being held to account by investors, consumers and civil society for promoting and protecting the rights of workers, even if these workers are off site, or are employed through subcontracts or other outsourcing arrangements. As a result, many larger companies are developing policies, codes of conduct, contractual obligations and monitoring systems to govern the behaviour of their business partners throughout the world.

All RJC members aspire to demonstrate responsible business practices and should expect high standards of their business partners, including associate companies, contractors, suppliers, local and international intermediaries or traders and customers. The RJC does not require your business partners to adhere to the LGMS, unless otherwise specified (see box 'Applying the LGMS to business partners' under LGMS 5.2). But you are expected to use best endeavours to promote and verify responsible business practices among your business partners and to influence their behaviour, according to your scale and leverage.

The level of effort made to promote responsible business practices should take into consideration the nature of the business partner's practices, and the significance of its impact on workers, communities and the environment. In all cases, promoting responsible business practices is about grasping the right opportunity to effect positive change. That means that no action is required if you know that business partners already use responsible business practices, are certified by a credible organisation, can be shown to be very low risk or are highly regulated.



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LGMS 5 Business partners

C KEY REGULATIONS, STANDARDS AND INITIATIVES

INTERNATIONAL STANDARDS

Organisations like the International Organization for Standardization (ISO) and Social Accountability International (SAI) offer a systematic approach to managing business partners through their standards, including:

- **ISO14001:2015** Environmental management systems (www.iso.org/standard/60857.html);
- **ISO 45001:2018** Occupational health and safety management systems (www.iso.org/iso-45001-occupational-health-and-safety.html); and
- **SA8000®Standard** (<https://sa-intl.org/programs/sa8000/>).

Through these standards, companies must give the same level of protection to indirect employees working on-site as to all directly employed personnel. This means that companies must ensure business partners are:

- made aware of hazards and controls in the same way as employees;
- communicated with regularly, and given appropriate training based on the nature, scope and complexity of their work; and
- evaluated and chosen based on their ability to work and supply goods within the organisation's stipulated practices, policies and procedures.

The **UN Guiding Principles on Business and Human Rights**¹ requires companies to avoid causing or contributing to adverse human rights impacts not only through their own activities, but also as a result of their relationships with business partners. See **LGMS 6 Human rights** and **LGMS 7 Due diligence for responsible sourcing, including from conflict-affected and high-risk areas** for related requirements related to business partners.

¹ UN Human Rights, Guiding Principles on Business and Human Rights (2011) www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf



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LGMS 5 Business partners

NATIONAL LAW

Most countries have legislation to protect the well being of business partners while working on another company's premises and to ensure they are given adequate controls and a reasonable level of supervision. This means that, in general, you are responsible for the lawful conduct of any business partners working on your site.

But laws vary from country to country. The RJC expects its members to be aware of the specific legislative and regulatory requirements in their operating jurisdictions.

D IMPLEMENTATION GUIDANCE

LGMS 5.1: PROMOTE RESPONSIBLE BUSINESS PRACTICES

Members shall use their *best endeavours*, commensurate with their *ability to influence*, to promote responsible business practices consistent with the LGMS among their significant *business partners*.

Actions to be taken:

- You are expected to cascade the expectations of responsible business practices, including respect for human rights, throughout your business relationships. In doing so, make sure you are aware of any legal requirements or constraints on the extent to which you can require business partners to fulfil LGMS requirements.
- You are free to use whatever reasonable approach works for you to promote responsible business practices among your business partners. You may consider promoting responsible business practices on a risk basis initially focusing on higher risks with significant business partners. One option is to follow the three steps outlined in Table 4.
- Note to members and auditors: in assessing this provision, focus on what the company seeking LGMS certification has done to promote responsible practices (rather than what the business partner's practices actually are).



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LGMS 5 Business partners

TABLE 4. THREE STEPS FOR PROMOTING RESPONSIBLE BUSINESS PRACTICES AMONG BUSINESS PARTNERS

	STEP	NOTES
Prioritise	1 Identify significant business relationships	Significant business partners are major customers or suppliers.
Assess	2 Establish the level and nature of risks attributed to all your significant business relationships.	<p>Choose an appropriate approach to risk assessment. Use:</p> <ul style="list-style-type: none"> • your own tried-and-tested method; or • a reputable template (for example, the RJC risk assessment toolkit, which is particularly useful for small and medium-sized businesses). <p>Carry out risk assessments:</p> <ul style="list-style-type: none"> • for new partners, before establishing commercial arrangements; and • for existing partners, when circumstances change. <p>Include human rights and labour-related risks in your assessment:</p> <ul style="list-style-type: none"> • You may have already done this through due diligence to fulfil other LGMS provisions (see LGMS 6 Human rights, LGMS 7 Due diligence for responsible sourcing, including from conflict-affected and high-risk areas, LGMS 11 Security, LGMS 17 Child labour, LGMS 18 Forced labour and LGMS 22 Health and safety). • If so, use due diligence findings here. Alternatively, use an integrated approach to assess risks for each significant business partner. <p>Through your risk assessment, identify:</p> <ul style="list-style-type: none"> • business partners whose activities pose risks of significant adverse impacts on workers, communities or environments and those that could impact on your reputation or performance • business partners that are already committed to responsible business practices, for example through RJC membership, or commitment to comparable initiatives, including the UN Global Compact, SA8000®, Occupational Health and Safety Assessment Series, ISO 14001, ISO 45001 Occupational Health and Safety Management Systems with Guidance for Use and the OECD Guidance; and • business partners that you have a reasonable ability to influence.
Engage	3 Engage with your significant business partners and raise awareness about responsible business practices.	<p>Make sure your efforts are commensurate with the opportunity to effect positive change.</p> <p>Promote responsible business practices by, for example:</p> <ul style="list-style-type: none"> • giving your business partners a copy of your policy commitment to responsible business practices (see LGMS 2 Policy and management systems); • appending your policy to company contracts, where relevant; and • offering training as and where appropriate. <p>Keep records of communications that promote responsible business practices with business partners.</p>



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LGMS 5 Business partners

SMALL BUSINESS

Small and medium-sized enterprises (SMEs) are collectively significant in the jewellery supply chain, with family-owned retail, design and manufacturing businesses prevalent in many countries.

Many RJC members are SMEs who take their commitment to responsible practices seriously. While small businesses may think they don't have much influence over larger business partners, they can still take simple steps to assess risks, identify significant partners and communicate the importance of responsible practices and their own commitments.

LGMS 5.2: CONTRACTORS, INDIRECTLY EMPLOYED WORKERS AND VISITORS

All *workers* and *visitors* to the member's facilities shall be required to comply with the member's policies, systems and procedures relevant to the LGMS.

Actions to be taken:

- Make sure that your business partners are aware of the activities done on your site, and that any person coming on-site complies with your business systems and risk control measures. This includes any materials that are brought to, or disposed of, on your site.
 - All contractors must abide by your management systems and controls including for health and safety risks.
 - Where there are heightened risks of harm to people or the environment, or the potential to breach applicable laws and your controls critical to preventing serious harm to people or the environment, (for example, work with or in the vicinity of high stored energy in a LGM manufacturing facility or locations known for criminal activity), you need to ensure contractors are appropriately competent to conduct their work and that they understand the risks associated with your operations in relation to their scope of work. For example, no worker including contractors must enter a confined space unless they are appropriately trained and competent, there is a rescue plan in place and the work has been permitted.
- Establish and document clear reporting relationships, accountabilities and lines of communications with all workers (see box 'Applying the LGMS to business partners'). This includes appropriate monitoring and supervision of the work being conducted, based on the level of risk.
- Give visitors a brief orientation or induction training if there is risk related to your LGMS compliance, for example on health and safety or security.
- Note to members and auditors: in assessing this provision, the focus is on the actions of the RJC member company in ensuring compliance of on-site contractors and third-party employers.



LGMS 5 Business partners

APPLYING THE LGMS TO BUSINESS PARTNERS

As an RJC member, your responsibility to protect the rights of workers and communities includes anyone working regularly on your sites. The LGMS therefore applies to employees, which is defined as including both directly employed workers and indirectly employed workers who regularly work at members' sites. This means that LGMS requirements extend to your business partners who are responsible for these indirectly employed workers, including:

- contractors/subcontractors (for example, for construction projects); and
- any third party (such as a labour agent) that has subcontracted workers to regularly work on your site (for example, security guards, canteen staff or seasonal workers).

You must ensure these business partners comply with all your policies and procedures on relevant LGMS provisions (for example, **LGMS 11 Security**, **LGMS 13–21 Labour rights and working conditions** and **LGMS 22–26 Health, safety and environment**) by first establishing a set of robust management systems and verifying compliance, as outlined below.

ESTABLISHING MANAGEMENT SYSTEMS

- Establish procedures to:
 - identify which business partners must comply with the LGMS;
 - communicate expectations to these business partners;
 - verify compliance; and
 - address non-conformances.
- Build on existing systems where possible. If, for example, you already have a management system for reviewing suppliers, update this to also include your requirements of business partners.
- Communicate your expectations to all relevant business partners. The RJC encourages its members to build these expectations into contracts, for example by including them in any new business agreement or incorporating them into existing supplier onboarding processes.
- Include on-site contractors and workers in your training as appropriate.
- Document your procedures for assessing and communicating expectations to business partners.

VERIFYING COMPLIANCE

- Ask relevant business partners to give you copies of their own policies to show their commitment to complying with relevant LGMS provisions.
- Check business partners' compliance regularly through:
 - monitoring;
 - desktop reviews of relevant materials, such as employee contracts or hours worked;
 - interviews of indirectly employed workers; or
 - audits against LGMS provisions.



LGMS 5 Business partners

RISK BASED APPROACH WHEN VERIFYING COMPLIANCE.

Some members may have many operations that are geographically spread that interface with a large number of business partners. In other cases, a member may not have a choice regarding the selection of a business partners such retailer renting spaces in larger department stores where the owner or operator selects the cleaners, security or emergency service providers. In these cases, a formalised risk-based approach should be taken with consideration to the risk (e.g. geographic, nature of the arrangement with the business partner, etc), the degree of influence, and opportunities to drive change consistent with the best endeavours principles.

CHECK

- Have you identified your significant business partners?
- Have you assessed the level and nature of risks of working with your business partners?
- Can you show how you have promoted responsible business practices to significant business partners?
- Can you show how you ensure business partners responsible for indirectly employed workers comply with relevant LGMS provisions?

E FURTHER INFORMATION

WEBSITES

- [International Organization for Standardization \(ISO\), ISO 14000 Family – Environmental Management](#)
- [ISO, ISO 45001 – Occupational Health and Safety](#)

PUBLICATIONS

- [National Standards Authority of Ireland, OHSAS 18001: Occupational Health and Safety Management \(2007\)](#)
- [Social Accountability International \(SAI\), Guidance Document for Social Accountability 8000 \(SA8000®:2014\) \(2016\)](#)
- [UN Human Rights, Guiding Principles on Business and Human Rights \(2011\)](#)

LGMS 6 Human rights

A APPLICABILITY

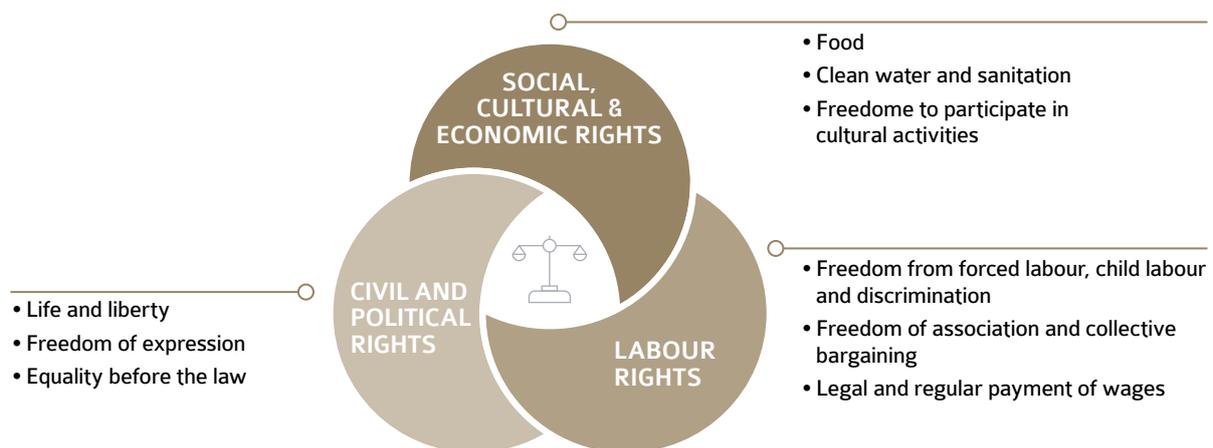
This provision applies to all RJC members.

Supply Chain Point	LGMS 6 Human Rights	
	6.1	6.2
Lab-grown materials producer	✓	✓
Lab-grown materials cutter and/or polisher	✓	✓
Lab-grown materials trader	✓	✓
Jewellery and watch manufacturer and/or wholesaler	✓	✓
Jewellery and watch retailer	✓	✓
Recycler	✓	✓
Service industry	✓	✓

B ISSUE BACKGROUND

Human rights are relevant to all businesses, regardless of size, sector or country of operation. They include social, cultural and economic rights, labour rights, and civil and political rights (see Figure 5).

FIGURE 5. THREE MAIN TYPES OF HUMAN RIGHTS WITH A LIMITED NUMBER OF EXAMPLES OF EACH





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LGMS 6 Human rights

While some human rights might sound abstract from a business perspective, they often constitute the underlying rationale for company policies and procedures. For example, a company's health and safety procedures may not use human rights language per se, but they effectively serve to respect employees' right to life, their right to just and favourable conditions of work and their right to health. Similarly, a company policy on working hours respects employees' right to just and favourable work conditions.

Under international standards, all businesses are expected to use due diligence to assess their actual and potential human rights impacts and to act upon their findings, tracking and communicating what they do to address any negative impacts.

Companies that source from conflict-affected areas or countries with a high risk of adverse human rights impacts, run a greater risk of contributing (inadvertently or not) to human rights abuses, including the use of forced and/or child labour, sexual violence and poor health and safety of workers and communities. This makes it especially important for these companies to assess their operations and ensure robust policies and practices that protect human rights (see **LGMS 7 Due diligence for responsible sourcing, including from conflict-affected and high-risk areas**).

C KEY REGULATIONS, STANDARDS AND INITIATIVES

INTERNATIONAL STANDARDS

Universal human rights are often expressed and guaranteed by international treaties, customary international law, general principles and other instruments of international law. The most well-known is the **Universal Declaration of Human Rights (UDHR)**,¹ adopted by the UN General Assembly in 1948. Although the UDHR is a non-binding resolution, it is now considered a central component of international customary law, along with the International Covenant on Civil and Political Rights² and the International Covenant on Economic, Social and Cultural Rights.³

In addition to these UN instruments and the UDHR, the ILO's **Declaration on Fundamental Principles and Rights at Work**,⁴ adopted in 1998, commits Member States to respect and promote principles and rights in four categories:

- freedom of association and the effective recognition of the right to collective bargaining;
- the elimination of forced or compulsory labour;
- the abolition of child labour; and
- the elimination of discrimination in respect to employment and occupation.

These ILO principles and rights are directly addressed in the LGMS through provisions 17–20 (**Child labour, Forced labour, Freedom of association and collective bargaining and Non-discrimination**). They are universal and apply to all people, but especially those with special needs, including the unemployed and migrant workers.

1 UN, Universal Declaration of Human Rights (1948) www.un.org/en/universal-declaration-human-rights/

2 UN, International Covenant on Civil and Political Rights (1966) www.ohchr.org/en/professionalinterest/pages/ccpr.aspx

3 UN, International Covenant on Economic, Social and Cultural Rights (1966) www.ohchr.org/en/professionalinterest/pages/cescr.aspx

4 ILO, Declaration on Fundamental Principles and Rights at Work and Its Follow-up (1998) www.ilo.org/declaration/thedeclaration/textdeclaration/lang--en/index.htm

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While none of these UN and ILO instruments are specifically directed at companies, there is a global expectation that all enterprises respect human rights no matter where they operate, or how big their operations are (see box 'Small business'). In 2011, the international community adopted the UN Guiding Principles on Business and Human Rights⁵ (the 'UN Guiding Principles', also called the 'Ruggie Principles'), which have since become the primary reference for the private sector's responsibility to respect human rights.

The UN Guiding Principles was designed as an operational guide to implement the UN's three-pillared 'Protect, Respect and Remedy Framework' for business and human rights (see Table 5).

TABLE 5. THE THREE CONCEPTS UNDERPINNING THE UN 'PROTECT, RESPECT AND REMEDY FRAMEWORK' ON BUSINESS AND HUMAN RIGHTS

Protect	The state has a duty to protect against human rights abuses by third parties including business through appropriate policies, regulation, and adjudication.
Respect	Businesses have a responsibility to respect human rights, which means to act with due diligence to avoid infringing on the rights of others and to address adverse impacts linked to their activities.
Remedy	Victims of human rights abuses have a right to effective remedy, through judicial, administrative, legislative or other appropriate means.

In full, the UN Guiding Principles does not create new international obligations; rather, they elaborate the implications for businesses (and states) of existing standards and practices within a single, comprehensive template. They have been welcomed by all stakeholder groups and been incorporated into OECD Due Diligence Guidance for Responsible Business Conduct,⁶ the International Organization for Standardization's ISO 26000 standard⁷ and the Performance Standards of the International Finance Corporation (IFC).⁸ The European Union has also recognised the UN Guiding Principles as one of the cornerstones of an evolving global framework for corporate social responsibility. The OECD Due Diligence Guidance for Responsible Business Conduct provides a baseline for implementing due diligence for responsible business conduct across all supply chains, with reference to workers, human rights, the environment, bribery, consumers and corporate governance.

Beyond the UN Guiding Principles, the OECD's Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas⁹ is an important source of practical advice to help companies respect human rights, specifically those associated with sourcing from conflict-affected and high-risk areas. Applicable to all minerals, the Guidance outlines a five-step risk-based process for due diligence that companies can use to avoid contributing to conflict through their mineral sourcing practices.

5 UN Human Rights, UN Guiding Principles on Business and Human Rights (2011) www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

6 OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (2023) https://www.oecd.org/en/publications/oecd-guidelines-for-multinational-enterprises-on-responsible-business-conduct_81f92357-en.html

7 ISO, ISO 26000 – Social Responsibility www.iso.org/iso-26000-social-responsibility.html

8 IFC, Performance Standards www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards

9 OECD, OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Third Edition (2016) https://www.oecd.org/en/publications/2016/04/oecd-due-diligence-guidance-for-responsible-supply-chains-of-minerals-from-conflict-affected-and-high-risk-areas_g1g65996.html



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The Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and the OECD Due Diligence Guidance for Responsible Business Conduct form the basis of an LGMS provision in its own right (see **LGMS 7 Due diligence for responsible sourcing, including from conflict-affected and high-risk areas**) but, given the strong links with the UN Guiding Principles, is also referenced in the sections below. For the purpose of this provision, the term 'OECD Guidance' will refer to both 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 and the OECD Due Diligence Guidance for Responsible Business Conduct.

HUMAN RIGHTS DUE DILIGENCE AND THE OECD GUIDANCE

- This provision and **LGMS 7 Due diligence for responsible sourcing, including from conflict-affected and high-risk areas** work in tandem to define the RJC's expectations for how members conduct human rights due diligence of their supply chains.
- LGMS 6 addresses general expectations, and is designed to help members integrate the UN Guiding Principles into their operations and supply chain practices.
- LGMS 7 addresses the specific human rights issues related to sourcing materials from conflict-affected and high-risk areas, and is designed to help members address these by using the OECD Guidance.
- All 3 sets of international guidelines (the OECD Guidance and the UN Guiding Principles) are aligned and complementary; all RJC members are required to comply with LGMS 6 and LGMS 7.

SMALL BUSINESSES

The UN Guiding Principles makes it clear that small businesses also have a responsibility to respect human rights. Small and medium-sized enterprises (SMEs) often have less capacity and more informal structures than larger companies, but a more informal approach to respecting human rights can still be effective, as long as there is a policy, a fit-for-purpose due diligence process and a process to enable remedy.

Source:

- [UN Human Rights, Guiding Principles on Business and Human Rights \(2011\)](#)

NATIONAL LAW

Human rights principles are enshrined in the national laws of most countries, and businesses face an increasingly regulated operating environment when it comes to respecting human rights (see box 'Recent regulations').

Most national jurisdictions prohibit complicity in committing a crime, and several allow for businesses to be criminally liable in such cases. Other laws including those on labour rights, occupational health and safety, non-discrimination, privacy and the environment also include protection for human rights. Some national courts have accepted or instigated lawsuits alleging that multinational companies based in their country have knowingly contributed to human rights violations in other countries. Government sanctions and restrictions may apply to commercial transactions with certain regions or countries.



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RJC members are expected to comply with all applicable laws and to respect internationally recognised human rights wherever they operate. In situations where national law is not strongly enforced, or does not go as far as, or conflicts with, internationally recognised rights, respecting human rights can be difficult. In these situations, companies should try to meet the intent of international standards while complying with national law. Companies should also be aware of the broader legal and other risks outside their country of operation.

RECENT REGULATIONS

The global regulatory environment is changing as more countries adopt modern slavery, due diligence and transparency laws. Each law defines different expectations of what is required of businesses based on their size, scale, industry and geographic footprint. Some of the most recent key legislation to come into force is summarised below.

2010 California Transparency in Supply Chains Act

The California Transparency in Supply Chains Act applies to retail sellers or manufacturers that operate in California and have an annual turnover of more than US\$100 million. The Act requires all relevant companies to disclose information about their efforts to eradicate slavery and human trafficking from their supply chains, including how they are doing: verification, auditing, certification, accountability and training. Companies failing to comply with the Act are subject to an injunction by the California attorney general.

2015 UK Modern Slavery Act and 2018 Australian Modern Slavery Act

The UK and Australian legislation both aim to combat human trafficking and slavery. They both include a transparency clause, which requires any company with operations in the UK or Australia above a certain size threshold to publish an annual statement laying out steps to manage and mitigate the risk of forced labour in supply chains. In the UK, the threshold is annual turnover of more than £36 million and in Australia it is consolidated revenue above A\$100 million. Failure to comply with the UK act can lead to an injunction and an unlimited fine.

The 2017 French Duty of Vigilance Law

The French Duty of Vigilance Law covers large limited liability companies with more than 5,000 employees in France (or 10,000 worldwide). Under the new law, these companies must establish and implement mechanisms to prevent human rights violations, health and safety hazards and environmental impacts throughout all their chains of production. These mechanisms are expected to ensure the company can effectively identify, mitigate, remediate and report on these potential and actual risks each year as part of a 'vigilance plan'. While there are no financial penalties for failing to comply with the new law, a company can be held liable for any harm caused through its negligence to an individual or a group.

EU Corporate Sustainability Due Diligence Directive (CSDDD)

On 25 July 2024, the Directive on corporate sustainability due diligence entered into force, with the aim fostering sustainable and responsible corporate behaviour in companies' operations and their global value chains. The legislation requires companies in scope identify and address adverse human rights and environmental impacts of their actions inside and outside Europe. For human rights, the core elements are identifying and addressing potential and actual adverse human rights in the company's own operations, their subsidiaries and, where related to their value chain(s), those of their business partners. The legislation references the UN Guiding Principles and the OECD Due Diligence Guidance for responsible business conduct. The legislation looks to apply to large scale companies and is set to be implemented from 2026/27.



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D IMPLEMENTATION GUIDANCE

LGMS 6.1: UN GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS

Members shall respect *human rights* by considering all potential and actual human-rights-related risks and impacts in their *operations, business relationships* and *communities*. They shall also commit to, and implement, the UN Guiding Principles on Business and Human Rights as appropriate to the purpose, nature, scale and impact of their business *operations*.

Actions to be taken:

- The UN Guiding Principles provides the basis for you to know and show that your business respects human rights. In practice, this means implementing an approach that includes at the very minimum four key components:
 - a written policy;
 - a process for due diligence;
 - a remedy mechanism; and
 - a communication plan (see Figure 6).

These are considered in turn in the provisions that follow:

- Your approach needs to apply to all your own communities, operations as well as all your business relationships, including your contractors and suppliers. See Table 6 on ways companies can be involved with adverse human rights impacts.
- Note that in implementing your approach to respect human rights, you are expected to adhere to both the UN Guiding Principles (LGMS 6) and the OECD Guidance (LGMS 7). The implementation framework across both sets of guidelines is aligned, and you can fulfil both related LGMS provisions using an integrated approach (see Figure 6).

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FIGURE 6. AN INTEGRATED APPROACH TO ADDRESSING HUMAN RIGHTS FOR BOTH THE UN GUIDING PRINCIPLES (LGMS 6) AND OECD GUIDANCE (LGMS 7)

UN GUIDING PRINCIPLES		OECD GUIDANCE
<p>6.1A Commitment to respecting human rights</p>	<p>Policy</p> <p>A written policy on your own operations and your supply chain that outlines your commitment, and is reflected in operational processes and procedures.</p>	<p>Commitment to responsible supply chains S1</p>
<p>6.1B Focus on your own operations and supply chains</p>	<p>Due diligence</p> <p>An effective due diligence process that is overseen and coordinated through effective management systems. That includes a review to identify and assess human rights impacts, a strategy and action plan to respond to identified impacts, and ongoing monitoring and evaluation of efforts.</p>	<p>Focus on your supply chains S2 S4</p>
<p>6.1C Remedy as per your involvement (cause, contribute or link to)</p>	<p>Remedy</p> <p>Appropriate remedy for any identified actual impact, and action to stop it happening again.</p>	<p>Focus on your supply chains S3</p>
<p>6.1A Report to internal and external stakeholders</p>	<p>Communication</p> <p>Reporting on your efforts to prevent and address human rights impacts, at least once a year.</p>	<p>Information needed varies with business type S5</p>

S = Step in the OECD Guidance framework for due diligence



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LGMS 6.1A: WRITTEN POLICY

As a minimum, members shall:

- a. Have a policy commitment, endorsed by *top management*, to respecting all *internationally recognised human rights* within their *operations* and *business relationships*, and *procedures* for implementing the policy in alignment with LGMS 2 (Policy and Management Systems).

Actions to be taken:

- At a minimum, a human rights policy is a public statement committing an organisation to respect human rights.
- Your policy statement can be a stand-alone one (or incorporated within **LGMS 7 Due diligence for responsible sourcing, including from conflict-affected and high-risk areas**) or part of an overarching company policy (as part of **LGMS 2 Policy and management systems**). Either way, your statement should be:
 - endorsed by top management;
 - clear on expectations of employees, business units, suppliers and subcontractors (this will help ensure everyone understands their role in delivering the policy);
 - publicly available; and
 - proactively communicated to your relevant stakeholders.
- To develop an effective policy, you should make a senior manager responsible for leading the process and establish a cross functional team to help draft it. Once you have a draft you should review it against internally recognised human rights and consult with external stakeholders before finalising it. Several websites and publications exist on developing a human rights policy that can help you (see 'Further information' below).
- Once you have a final human rights policy, review your internal processes and procedures to ensure it is reflected in operational practices. Assign responsibility to someone in each business area to review and, where necessary, update all relevant processes and procedures. This should be done periodically to make sure operations reflect the human rights policy.
- See also guidance for LGMS 2.1.

→ [EXAMPLE HUMAN RIGHTS POLICY TEMPLATE](#)

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LGMS 6.1B: HUMAN RIGHTS DUE DILIGENCE

As a minimum, members shall:

- b. Have a *human rights due diligence process* that includes a *human rights impact assessment* to identify, prevent, cease, mitigate and account for *adverse human rights impacts* in their lab-grown material supply chain and connected to their *business operations*. The risk assessment shall be conducted by *competent professionals* and informed by current, reliable and relevant information, including information from consultations with relevant *Affected People or Groups*.

Actions to be taken:

- The UN Guiding Principles (and the OECD Guidance) stipulate not only **what** businesses should do in relation to human rights, but also suggest **how** they should do it.
 - The “**what**” is to avoid causing or contributing adverse human rights impacts and to remedy any impacts identified.
 - The “**how**” is the human rights due diligence process you carry out to identify, prevent, mitigate and account for how you address adverse human rights impacts.
- There are three ways your company can be involved with adverse human rights impacts: cause, contribution and linkage (see Table 6).





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TABLE 6. THREE WAYS COMPANIES CAN BE INVOLVED WITH ADVERSE HUMAN RIGHTS IMPACTS

Type of involvement	Examples	
Cause	A company is a necessary and sufficient actor for harm to occur.	<ul style="list-style-type: none"> Failing to pay wages to employees. Discriminating in treatment of workers. Exposing factory workers to hazardous working conditions without adequate safety equipment. Dumping chemical effluents from production processes into waterways, directly polluting local communities' drinking water.
Contribution	A company exacerbates the harm, but is not a sufficient actor for it to occur.	<ul style="list-style-type: none"> Changing production requirements for suppliers at the last minute without adjusting production deadlines and prices, thereby pushing suppliers to breach labour standards to deliver. Working with a subcontractor that is using non-voluntary prison labour to work in factories. Relying on on-site labour agents using deceptive tactics to recruit migrant workers, who are then forced into debt to pay recruitment-related fees.
Linkage	A company is linked to harm, but the harm would have been just as severe without it.	<ul style="list-style-type: none"> Migrant labour abuse at a supplier's manufacturing site, despite explicit policies against such activities and confirmation from suppliers that such policies are implemented. A supplier subcontracting parts of production to child workers in homes, in contradiction to contractual obligations and without any specific procurement pressures from the company. Suppliers using raw materials sourced through an agent that originated from facilities that allow child workers to perform hazardous work endangering their health.

- Your human rights due diligence will need to be able to address all three ways that your company can be involved with adverse human rights impacts. It is important to know how you are involved with the impact, because that will determine how you are required to remedy it. The most challenging type of involvement to assess is 'linkage'. Your company is 'linked' to a human rights impact if it is connected to your operations, products or services but you are not causing or contributing to the human rights impact through your own activities.
- Put someone in charge of overseeing your human rights due diligence. Make sure it is someone senior and able to convene staff from across the company; this person will be accountable for all steps in the due diligence process.
- Assemble a core 'due diligence' team. If you have a small business, your team doesn't have to be big, but it should include the staff who are in charge of all relevant areas of business such as human resources, finance, legal, procurement, compliance, audit, risk, product or materials management, and other functions.
- If you have the budget available, consider hiring external topic experts to help with your due diligence.



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- Your human rights due diligence will necessarily vary in complexity, depending on your company's size, the risk of severe human rights impacts and the nature and context of your operations. But in all cases, it will need to include four steps:
 1. Assessing actual and potential human rights impacts.
 2. Integrating and acting upon the findings.
 3. Tracking responses.
 4. Communicating how impacts are addressed.
- This four-step process, articulated in the UN Guiding Principles, is rooted in a risk management approach that is largely familiar to companies in the jewellery supply chain. But its application to human rights and business relationships can take time to implement. Members and auditors should consider the need for systems to be put in place over successive years as part of a continual improvement process.
- Specific guidance for each of these steps is included below. Note that for human rights due diligence you can:
 - implement a stand-alone process (in alignment with **LGMS 7 Due diligence for responsible sourcing, including from conflict-affected and high-risk areas**);
 - integrate it into an existing risk and impact assessment; or
 - use the RJC Risk Assessment Toolkit or Human Rights Due Diligence Toolkit (available on the [member portal](#)).
- Risks can change over time; your due diligence should be ongoing and regularly reviewed. The frequency of your review should be risk-based and triggered by changes in your business, for example:
 - every time you start a significant new activity or business relationship;
 - if you receive a grievance or allegation;
 - if you start sourcing new products or from a new country; or
 - if the country you are operating in, or sourcing from, undergoes a change that affects the risk of human rights (for example, political change).



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Step 1. Assess impacts

- You must first develop an understanding within your company of how human rights relate to what your company does, and not just in terms of frequently discussed issues such as working conditions.¹⁰
- You can assess human rights impacts as a separate exercise in due diligence, or as part of a broader risk management system. Either way, you must be able to show that your assessment goes beyond material risks to your own company to focus on assessing the impacts to rights-holders such as customers, employees, suppliers, communities and other stakeholders (see box 'Salient human rights risks').
- Your assessment, however approached, should include a review of potential and actual risks and impacts:
 - from your own business's operations; and
 - arising through your business relationships. Use the OECD Guidance to map key human rights risks related to your suppliers (see **LGMS 7 Due diligence for responsible sourcing, including from conflict-affected and high-risk areas**).
- When reviewing your risks and impacts, ask yourself who is at risk, where and why. Consider the following questions:¹¹
 - Who might be adversely affected by our operations? Is anyone particularly vulnerable?
 - Are there circumstances in which we need a stand-alone human rights impact assessment because human rights risks are particularly high?
 - What other internal and external sources of information can we draw on to help us: media, expert reports, feedback from staff and stakeholders, grievance mechanism?
 - Can we engage potentially affected groups directly? If not, what other credible sources can help us understand their views and concerns?
 - What written resources or experts can help us test our assumptions?
- It might not be feasible or practical for you to assess every single supply chain risk. The UN Guiding Principles is not intended to make you scrutinise the human rights record of every company you do business with. If you have to prioritise your efforts, you should focus on the most salient human rights risks (see box 'Salient human rights risks').
- Members who have identified possible human rights abuse risks through the due diligence processes (see Provision 7 Due diligence), need to confirm that the identified risks are occurring, by collecting authoritative data from a variety of sources such as NGO reports, UN reports, government reports, reach out to civil society organisations who operate or are based on the ground in/around the site, check the status of the site assessed or mapped through various government, industry or multi-stakeholder initiatives. If the necessary information is not available to confirm the occurrence of a possible or identified human rights risks members should consider conducting an on the ground human rights risk assessment of the site.
- The due diligence process should extend to the origins of the material (i.e the growing facility). The due diligence process needs to be appropriate to the nature of the business and also consider the relationship with their business partners.
- For small businesses with limited resources, it may not be possible to confirm human rights abuse risks beyond the immediate suppliers, and even then it may be difficult given their size and nature of its operations.

10 Assessing Human Rights Risks and Impacts: Perspectives from Corporate Practice (2016) <https://www.globalcompact.de/wAssets/docs/Menschenrechte/Publikationen/Assessing-Human-Rights-Risks-and-Impacts.pdf>

11 UN Human Rights, The Corporate Responsibility to Respect Human Rights: An Interpretive Guide (2012) <https://digitallibrary.un.org/record/734366?ln=en&v=pdf>



LGMS 6 Human rights

SALIENT HUMAN RIGHTS RISKS

Salient human rights risks are the human rights at risk of the most severe negative impact through a company's activities and business relationships. They impact people (rather than businesses) and have the potential to actually occur. They include (but are not restricted to) security, child labour, forced labour and human trafficking, health and safety, freedom of association and the right to collective bargaining, discrimination and gender equality, disciplinary practices, working hours, remuneration.

Source:

- UN Guiding Principles Reporting Framework, Salient Human Rights Issues

ASSESSING IMPACTS AS AN SME

If you are a small company with few staff and limited resources available to assess your human rights impacts:

- Use publicly available resources to create a list of human rights risks to assess, both in your own operations and in your supply chain.
- Prioritise from that list based on salience in your particular context. For example:
- If you rely on contracted labour, prioritise a review of recruitment practices (to verify that they are ethical and that your workers aren't at risk of forced labour).
- If you use hazardous chemicals, prioritise a review of on-site procedures (to confirm there's no risk of environmental pollution, which could harm nearby communities).
- If you are an office-based business, prioritise a review of historical employee feedback (to identify risks such as excessive working hours or unequal pay).

Step 2. Integrate and act on findings

- Once you have assessed your human rights risks and impacts, you need to act on your findings. Actual risks or impacts need to be addressed as soon as possible to make sure they don't materialise or happen again. Appropriate action will depend on whether you have caused or contributed to the impact or been linked to it. For the former, you will need to cease and prevent whatever is causing or contributing to the impact. For the latter, you will need to use your leverage to prevent the impact from happening.
- If actual human rights impacts have occurred, you will need to provide for or support legitimate efforts to remedy them as outlined in LGMS 6.1c below.
- Assign identified risks and impacts to key staff in relevant areas of business and make them responsible for reviewing existing practices to identify the root cause of the risk and how to prevent reoccurrence. For example, if you find that your staff are not getting paid accurately, ask human resources to update their processes to stop this from happening again.



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Step 3. Track responses

- All companies are expected to track their performance.
- Make sure everyone responsible for reviewing and updating practices reports to the core due diligence team regularly.
- Your tracking activities should relate to actual impacts, and what is being done to manage or remedy them, rather than simply tracking processes or procedures.
- If you are a small business, consolidate all your tracking activities and make someone specifically responsible for reviewing them; this will help you when it comes to communicating your findings later.

Step 4. Communicate efforts

- Communication is the last step in human rights due diligence; it is also the subject of LGMS 6.1g. See below for specific guidance on this topic.

LGMS 6.1C: REMEDY MECHANISM

As a minimum, members shall:

- c. Provide for, or support legitimate *processes* to enable, the remedy of any *adverse human rights impacts* that they have caused, contributed to or been linked with.

Actions to be taken:

- If your company has caused or contributed to an adverse human rights impact, you must provide for, or support, legitimate processes to remedy it. In situations where you may be **linked** to a negative human rights impact, you do not have direct responsibility to provide remedy, although you are still expected to support the actions of others, such as a government agency or court, to do so.
- At its core, the concept of remedy aims to restore those that have been harmed by a company's activities to the situation they would have been in had the impact not occurred. This is not always possible, so in practice, remedy can take many forms: acknowledgement and apology, compensation (financial or other) for the harm, or other (see box 'Remedy in practice').
- Prioritise the remedy process based on the severity of the impact at hand. In all cases, consider how to communicate progress and outcomes in situations of remedy.
- You must co-operate with, and not impede access to, any legitimate state-based judicial and non-judicial grievance mechanisms, as well as any other relevant non-state mechanism, to support those seeking remedy through these channels. That includes not undermining the rights of legitimate trade unions.
- You must also have your own operational grievance mechanism that allows you to receive, process and provide adequate response or remedy for grievances in line with LGMS 6.1E and LGMS 2.6.
- For members seeking to remediate and mitigate for instances of historical human rights abuses, the members should enact remediation and mitigate to any direct or indirect human rights abuses within a reasonable timeframe.



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REMEDY IN PRACTICE

There is no single recipe for remedying human rights impacts. A good general resource for exploring remedy options is the [Human Rights and Business Dilemmas Forum](#), which hosts a broad range of case studies showing how different businesses have addressed human rights dilemmas. Similarly, the [Human Rights Translated 2.0: A Business Reference Guide](#) uses real-life situations companies encounter as case studies.

Providing remedy can be complex and fraught with tension depending upon the scale and types of human rights impacts to be remedied. The process of seeking remedy can be more successful when a third party is involved in developing it. For example, businesses may commission independent reports to help improve access to remedy for people harmed at or around their operations, and work with non-governmental organisations (NGOs) to engage with local, national and international stakeholders. This can help companies to determine remedy actions.

In other cases, providing remedy can be more straightforward. In some cases, companies' efforts on bonded labour and protecting vulnerable migrant workers have seen the prevention of suppliers from charging workers excessive recruitment fees. Under such policies, suppliers need to reimburse any fee greater than one month's net wages. Some companies have enforced such policies as part of their regular bonded labour audits and have as a consequence, seen evidence of suppliers having reimbursed fees in line with the policy.

Regardless of the impact caused, businesses are encouraged to consult stakeholders, including affected individuals, local NGOs and subject-matter experts, to help create an action plan to provide the appropriate remedy based on the situation, and put in place controls to mitigate future risks and prevent any unintended consequences that could further harm the individuals whose human rights were impacted.

LGMS 6.1D: PREVENT & MITIGATE

As a minimum, members shall:

- d. Use *best endeavours* based on their *ability to influence* their *business partners* to prevent or mitigate their contributions to *human rights* risks and impacts.

Actions to be taken:

You should consider the following hierarchy when determining best endeavour measures:

- Avoid: making changes to the project, product or service to avoid the impact.
- Reduce: implementing actions to minimise the impacts.
- Restore: taking actions to restore or rehabilitate to the conditions that existed prior to the impact.
- Compensate: compensating in kind or by other means, where other mitigation approaches are neither possible nor effective.



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- If a small business has identified possible human rights abuse risks, given the size and scale of its business, the member may have limited options to mitigate the impacts. In this case the member should consider alternative mitigation measures with the suppliers or business partners. For example, the member's only option may be, as a last resort, whether to take the step to disengage from suppliers or business partners presenting these risks.
- Below in Table 7 are examples proposed by the Danish Institute for Human Rights when determining actions to take:

TABLE 7. DETERMINING APPROPRIATE ACTIONS TO ADDRESS HUMAN RIGHTS IMPACTS IDENTIFIED

Type of Impact	Impacts caused by the business	Impacts to which the business contributes	Impacts directly linked to a business's operations, products or services through its business relationships, contractual and non-contractual
Required actions	Take necessary steps to cease and prevent the impact. Provide for, or collaborate in, remediation for actual impacts caused.	Take necessary steps to cease or prevent contribution to the impact, including through exercising leverage and taking steps to increase leverage if this is needed. Provide for, or cooperate in, the remediation of adverse impacts.	Exercise existing leverage to prevent or mitigate the impact. Increase and exercise leverage if existing leverage is inadequate. <i>The business may not be required or be able to provide remediation, although it may take a role in doing so.</i>
Example	A bank that is using algorithmic credit risk scoring that is indirectly discriminating against ethnic minorities should immediately stop using the system until any issues have been fixed.	An AI developer develops an automated decision-making algorithm for 'efficient hiring' and markets it to business customers. Some of its customers misuse the algorithm in a way that means that the AI developer contributes to negative human rights impacts. The AI developer can e.g. contact the customers, inform them of the potential risks and train them on how those risks can be avoided.	A private equity fund invests in a biotech company operating in a country without data protection laws. Following its due diligence, the fund recommends changes in the company's data protection practices. However, upon an external audit it is found that the company retained excessive data without the users' knowledge. The fund can use its leverage as an investor to demand improved practices in the future, as well as to delete the excessive data retained.



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Below in Table 8 are examples proposed by the Danish Institute for Human Rights about how to use best endeavours to address Human Rights Impacts:

TABLE 8. EXAMPLES OF EXERCISING AND INCREASING LEVERAGE TO ADDRESS HUMAN RIGHTS IMPACTS APPROPRIATE ACTIONS TO ADDRESS THE IMPACTS IDENTIFIED

Examples of types of leverage	Examples of exercising leverage
<p>Traditional commercial leverage – leverage that sits within the activities the company routinely undertakes in commercial relationships, such as through contracting.</p>	<ul style="list-style-type: none"> • Include human rights standards in contracts – purchasing and sales contracts as well as licensing and other forms of agreements. • Retain a right to assess compliance with human rights standards included in sales contracts. • For developers: Include information in contracts about ways in which the digital product or service should not be used. • For developers: Put in place an application process for the sale of the product or service and develop an ‘allow list’ of acceptable customers. This can serve to ‘gate’ the use of the product or service so that only certain planned use-cases are accepted. • For companies and state actors procuring digital products or services: Include human rights standards in pre-qualification criteria in bidding processes, in order to ensure that bids without human rights considerations are not competitive. For a state actor this could include the procurement of e.g. digital health service platform or the development of a contact tracing app.
<p>Broader business leverage – leverage that a company can exercise on its own through activities that are not routine or typical in commercial relationships, such as capacity building.</p>	<ul style="list-style-type: none"> • Build the capacity of business partners to meet the responsibility to respect human rights – e.g. developers of algorithms that assist in capacity building efforts of those buying the algorithms to address potential bias issues and to ensure other human rights are not impacted in the application, or the other way around.
<p>Leverage together with business partners* – leverage created through collective action with other companies in or beyond the same industry.</p>	<ul style="list-style-type: none"> • Work with business partners to establish common pre-qualification criteria for specific bidding processes. • Work with peers to develop capacity-building materials together on the appropriate use of the digital products or services developed. • Engage with peer companies in the same sector who may be facing similar issues to share lessons learned and identify and co-create possible solutions for the sector. This may include: social media platforms developing standard, public methodologies, in collaboration with one another around disinformation around election results. <p>* Important note: ensure that collaboration stays clear of anti-competitive behaviour. Remember at all times the need to collaborate with industry peers in ways that do not amount anti-competitive behaviour.</p>



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Examples of types of leverage	Examples of exercising leverage
<p>Leverage through bilateral engagement – leverage generated through engaging bilaterally and separately with one or more other actors, such as government actors, business peers, international organisations and/or CSOs.</p>	<ul style="list-style-type: none"> Engage government actors on identified issues that are likely to need policy responses rather than individual company actions due to their systemic nature. For example, a development finance institution (DFI) investing in digital transition projects in a country should engage with the government in case it has found that it may be linked to negative impacts on the right to privacy due to in-existent data protection regulations in the country.
<p>Leverage through multi-stakeholder collaboration – leverage generated through collective, collaborative action with business peers, governments, international organisations and/or NGOs or CSOs.</p>	<ul style="list-style-type: none"> Develop shared standards for developers and/or those procuring digital products or services through multi-stakeholder initiatives, thereby enhancing the credibility of the standards. Use the business' brand and reputation to convene relevant stakeholders (from industry peers and government actors to civil society and academics) to address identified systemic issues that are beyond one single entity to solve. For example, to conduct collective public policy advocacy around the need for clear laws and regulations, based on international human rights principles, to address harmful content online.* Collectively encourage governments and international institutions to adopt policies, practices, and actions that are consistent with identified relevant human rights.** For example, telecommunications companies and other stakeholders issuing joint public statements on network and service shutdowns.***
<p>References:</p> <p>* See e.g. Global Network Initiative (Oct 13, 2020), "Addressing Digital Harms AND Protecting Human Rights – GNI Shares Recommendations for Policymakers": https://globalnetworkinitiative.org/content-regulation-policy-brief/</p> <p>** See e.g. Global Network Initiative's "Implementation Guidelines", particularly in relation to Multi-Stakeholder Collaboration: https://globalnetworkinitiative.org/implementation-guidelines/</p> <p>*** Global Network Initiative & Telecommunications Industry Dialogue (July 12, 2016), "Joint Statement on Network and Service Shutdowns": https://globalnetworkinitiative.org/gni-id-statement-network-shutdowns/ [Accessed Oct 28, 2020]</p>	

Source:

- Adapted from Shift (2013), "Using Leverage in Business Relationships to Reduce Human Rights Risks", New York: Shift, p.14-24.

LGMS 6.1E: GRIEVANCES

As a minimum, members shall:

- Provide a publicly accessible and effective complaints and *grievance mechanism* in line with LGMS 2.6 for raising human-rights-related concerns and grievances.

Actions to be taken:

- Refer to the guidance notes for LGMS 2.6.
- Where complaints are raised via the RJC complaints mechanism that can be resolved through engagement and dialogue at the operational level, they will be first directed to the RJC member.
- Your grievance mechanism should be appropriate for the purpose, nature, scale and impact of your business operations, and be the same one as (or closely aligned with) the one used to meet RJC requirements for **LGMS 7 Due diligence for responsible sourcing, including from conflict-affected and high-risk areas**. All the actions to be taken under LGMS 7 (about accessibility, transparency, record-keeping and time-bound actions) apply here.



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- Make sure your grievance mechanism allows grievances to be raised by:
 - employees or other on-site workers;
 - stakeholders within the communities where you operate; and
 - affected groups or individuals.
- You can establish a stand-alone mechanism to deal with human rights impacts, or use an integrated mechanism that covers other areas of your business too (see **LGMS 16 Harassment, discipline, grievance procedures and non-retaliation**).
- However, the grievance mechanisms for external stakeholders may require a different approach than your internal procedures (see **LGMS 16 Harassment, discipline, grievance procedures and non-retaliation** and **LGMS 2 Policy and management systems**).
- Wherever possible, establish a complaints and grievance mechanism before any disputes arise, not in reaction to their occurrence.
- The complaints and grievance mechanism must be legitimate, accessible by and rights compatible for all affected parties. A “contact us” function or email address may be appropriate depending on the location of the member. If in an area with different cultures, alternative contact means may be required. Additional guidance on developing Complaints Resolution Mechanisms is provided in guidance for LGMS 2.6.

→ HUMAN RIGHTS GRIEVANCE MECHANISM TEMPLATE

LGMS 6.1F: REVIEW

As a minimum, members shall:

- Periodically review, at least annually, *human rights policy, procedures and due diligence processes* for effectiveness, and take corrective action where improvement opportunities have been identified.

Actions to be taken:

- You should consider making the review process part of the review undertaken for LGMS 2.7
 - see guidance notes for LGMS 2.7.
- Schedule a recurring annual meeting to review the company’s human rights policy, procedures and due diligence process involving relevant stakeholders.
- Keep a record of the meeting including any outcomes and decisions.
- Ensure that corrective actions are implemented where gaps or opportunities for improvement are identified.
- Ensure that these actions do not introduce any unintended risks or human rights harm.



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LGMS 6.1G: COMMUNICATION PLAN

As a minimum, members shall:

- g. Communicate annually with *Affected People or Groups* and publicly report on their *human rights due diligence* efforts, including the methods used to determine *human rights* issues, list identified *human rights* impacts and remedy activities in accordance with LGMS 3 (Reporting).

Actions to be taken:

- Under both the UN Guiding Principles and the OECD Guidance, companies are expected to communicate about their efforts to prevent and address human rights risks as part of their due diligence process. That means communicating internally (for example, between business units) and externally (including with affected people, groups, civil society organisations, local communities, topic experts, investors and any other interested party). Reporting should be aligned with your other reporting (**LGMS 3 Reporting**) and any due diligence reports (**LGMS 7 Due diligence for responsible sourcing, including from conflict-affected and high-risk areas**).
- There are lots of different ways you can communicate with these stakeholders, for example by:
 - issuing a regular sustainability report;
 - writing a letter or email;
 - publishing information on your website; or
 - having a meeting or other face-to-face engagement.
- Your decision on how you communicate should be based on how effective it will be. For example it may be appropriate to have a publicly available sustainability report for external stakeholders, but you may want to consider providing direct communication about this to your employees, especially those who may have a direct impact on your performance in this area.
- Members that belong to larger groups can choose to report annually either on an individual basis or on a consolidated group basis if it is clear which individual companies are part of the group and any company-specific information related to human rights is disclosed.
- Wherever and whenever you identify a human rights risk, communicate with potentially affected stakeholders to explain how you are addressing the risk; consider literacy, language and cultural communication barriers.
- Similarly, if you identify a human rights impact, do not wait for someone to ask for more information. Get in touch with those affected as quickly and directly as possible and give them all the safety and welfare information they may need; at the same time, share your plans for managing the impact and providing remedy.



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LGMS 6.2: ADDRESSING ADVERSE IMPACTS

Members that have contributed directly or indirectly through association with their *business partners* to a confirmed *adverse human rights impacts*, shall:

- a. Cease or change any activities that are contributing to the adverse impacts.
- b. Mitigate and remediate adverse impacts on the extent of their contribution. Mitigation measures shall involve consultation with *Affected People or Groups*.
- c. Use *best endeavours* to influence other *business partners* to cease or change their activities.
- d. Establish corrective actions to prevent a recurrence of the *human rights impacts*.

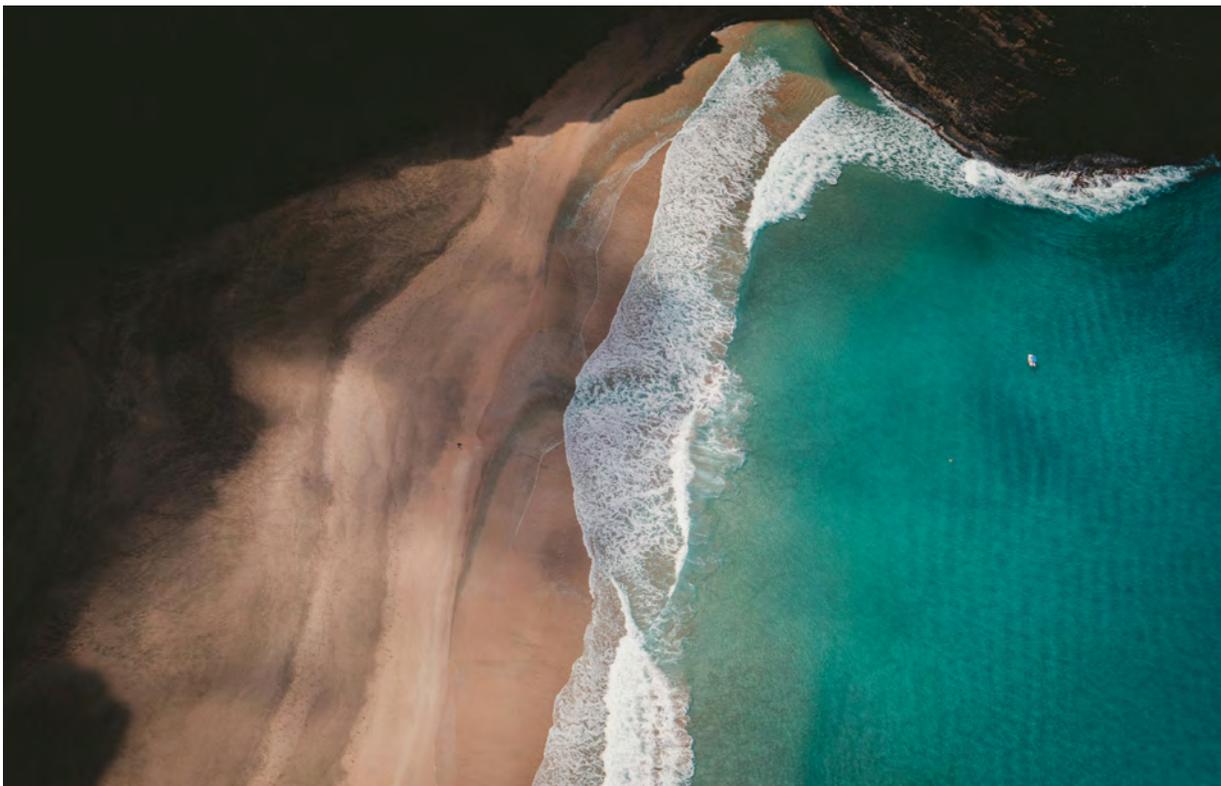
Actions to be taken:

- Identify whether you have, through your association with your business parties, contributed to any human rights impacts. This should be periodically reviewed over time, and conducted whenever there are new business partner arrangements. See guidance notes for **LGMS 5 Business partners**.
- Where human rights impacts have been identified and confirmed, you should cease your association with the business partner or make changes to the activities that are contributing to the human rights impacts.
- You need to set actions in consultation with those affected to remedy the human rights impacts where you had had direct contribution.
- Use your best endeavours to work with or influence the business partner mitigate indirect human rights impacts and to change the activities conducted by the business partner that contributed to the human rights impacts.
- Refer to the guidance notes in LGMS 6.1d for how to implement corrective actions.
- Also refer to the examples (in Table 7 and Table 8) extracted from the Danish Institute for Human Rights for actions to remedy and mitigate impacts through your association with business partners.

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✓ CHECK

- Can you show the auditor a written policy commitment to respect human rights (either as a stand-alone policy or as part of another one)?
- Do your operational procedures and the expectations you make of business partners match your company's human rights policy?
- Can you show the auditor how you have carried out your human rights due diligence? Have you done a risk assessment to assess and identify human rights risks and impacts?
- Have you made efforts to integrate the results of your risk assessment into business operations?
- Can you show the auditor how you communicated with stakeholders about identified human rights risks (for example, by providing copies of reports, letters or meeting minutes)?
- Do you have a complaints and grievance mechanism that is accessible by the public?
- Do you know if you caused, contributed to or are linked to any human rights impact?
- Can you show how you have provided for, or co-operated in, remedy processes as and where appropriate?
- Can you show how you are tracking and communicating your efforts to address impacts (for example, through your grievance mechanism protocol, investigations and outcome records)?





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Q&A: HUMAN RIGHTS

1. Do I have to use the term 'human rights' in my policy statement?

Yes. For some businesses, particularly SMEs, it might be relevant to frame a human rights statement around specific issues that have tangible meaning to employees, such as worker health and safety, labour rights, responsible business practices or responsible sourcing efforts.

2. If I have a contractual relationship with another company, am I 'contributing' to all the adverse impacts that they may cause?

Not necessarily: the key issue is the actual impact itself and how it has happened, not that you have a business relationship with them. If your business partner causes an adverse impact as an unintended consequence of an action of yours, then you have 'contributed' to that impact. For example, if your supplier is forced to breach labour standards to fulfil an order that you changed at last minute without adjusting production deadlines and prices, you may be considered to have 'contributed' to the breach. In situations where your business, products or services may be linked to a negative human rights impact, you do not have direct responsibility to provide remedy. You do, however, have the opportunity to use your leverage to work with others to ensure remedy is provided. You also have an opportunity to use leverage to prevent and mitigate future adverse impacts.

3. What if my business has no leverage with my suppliers? If I identify adverse human rights impacts by that supplier, what should I do?

If you find that your supplier is causing adverse human rights impacts, you can try to influence their practice by offering capacity building or other incentives. Alternatively, you can consider ending your relationship; but in making this decision you should also assess the potential adverse human rights impacts of doing so. Ending the relationship might also be difficult if the supplier provides an essential product or service for which there is no reasonable alternative source. In this situation, you may decide to prolong the relationship, after careful review of the legal and non-legal consequences to your company and the severity of the human rights impact. The more severe the impact, the quicker you should try to find an alternative.

4. Does human rights due diligence involve a full audit of all my business partners?

The UN Guiding Principles is not intended to require you to assess the human rights record of every company you do business with, and the LGMS does not require this. In cases where human rights risks are high, you may choose to audit or visit your business partners as part of your due diligence process. Due diligence is an ongoing process: you may want to consider mechanisms such as capacity building or contractual provisions to help prevent or mitigate impacts over time.

5. What does a human rights due diligence process look like for a small business?

The RJC Human Rights Due Diligence Toolkit (available on the [member portal](#)) offers a template for due diligence specifically designed for small business use.



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E FURTHER INFORMATION

WEBSITES

- [Business & Human Rights Resource Centre, UN Guiding Principles on Business and Human Rights \(six languages\)](#)
- [UN Global Compact, Human Rights: Tools and Guidance](#)
- [UN Human Rights, What Are Human Rights?](#)

PUBLICATIONS

- [Business & Human Rights Initiative/Global Compact Network Netherlands, How to Do Business with Respect for Human Rights: A Guidance Tool for Companies \(2010\)](#)
- [Ethical Trade Initiative, Human Rights Due Diligence Framework](#)
- [European Commission, My Business and Human Rights. A Guide to Human Rights for Small and Medium-Sized Enterprises \(2012\)](#)
- [Global Compact Network Germany, Five Steps Towards Managing the Human Rights Impacts of Your Business \(2015\)](#)
- [Harvard Kennedy School, Rights-Compatible Grievance Mechanisms: A Guidance Tool for Companies and their Stakeholders \(2008\)](#)
- [Institute for Human Rights and Business, State of Play: The Corporate Responsibility to Respect Human Rights in Business Relationships \(2012\)](#)
- [Monash University, UN Global Compact and UN Human Rights, Human Rights Translated: A Business Reference Guide 2.0 \(2016\)](#)
- [Shift, Remediation, Grievance Mechanisms and the Corporate Responsibility to Respect Human Rights \(2014\)](#)
- [Social Accountability International \(SAI\), United Nations Guiding Principles on Business and Human Rights: A Six-Step Approach to Supply Chain Implementation \(2012\)](#)
- [UN Global Compact, Guidance on Responsible Business in Conflict-Affected and High-Risk Areas: A Resource for Companies and Investors \(2010\)](#)
- [UN Global Compact, A Guide for Business: How to Develop a Human Rights Policy, Second Edition \(2015\)](#)
- [UN Human Rights, The Corporate Responsibility to Respect Human Rights: An Interpretive Guide \(2012\)](#)
- [UN Human Rights, Guiding Principles on Business and Human Rights \(2011\)](#)
- [UN Human Rights, How to Develop a Human Rights Policy \(2011\)](#)
- [UN Working Group on Business and Human Rights, Companion Note II: Corporate Human Rights Due Diligence – Getting Started, Emerging Practices, Tools and Resources \(2018\)](#)



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LGMS 7 Due diligence for responsible sourcing, including from conflict-affected and high-risk areas

A APPLICABILITY

This provision applies to all RJC members.

Supply Chain Point	LGMS 7 Due diligence for responsible sourcing, including from conflict-affected and high-risk areas			
	7.1	7.1a	7.1b	7.1c
Lab-grown materials producer	✓	✓	✓	✓
Lab-grown materials cutter and/or polisher	✓	✓	✓	✓
Lab-grown materials trader	✓	✓	✓	✓
Jewellery and watch manufacturer and/or wholesaler	✓	✓	✓	✓
Jewellery and watch retailer	✓	✓	✓	✓
Recycler	✓	✓	✓	✓
Service industry	✓	✓	✓	✓

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 and impacts in their supply chain, including those 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 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 'CAHRAs and Annex II risks').

In 2018, the OECD Due Diligence Guidance for Responsible Business Conduct was published to support companies implement risk-based due diligence processes to avoid and address adverse impacts associated with their operations, their supply chains and other business relationships.

For the purpose of this provision, the term 'OECD Guidance' will refer to both 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 Areas¹ and the OECD Due Diligence Guidance for Responsible Business Conduct². The implementation guidance in section D will help you determine when to use one or the other document or combine elements from both.

1 OECD, OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Third Edition (2016) https://www.oecd.org/en/publications/2016/04/oecd-due-diligence-guidance-for-responsible-supply-chains-of-minerals-from-conflict-affected-and-high-risk-areas_g1g65996.html

2 OECD Due Diligence Guidance for Responsible Business Conduct <https://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf>

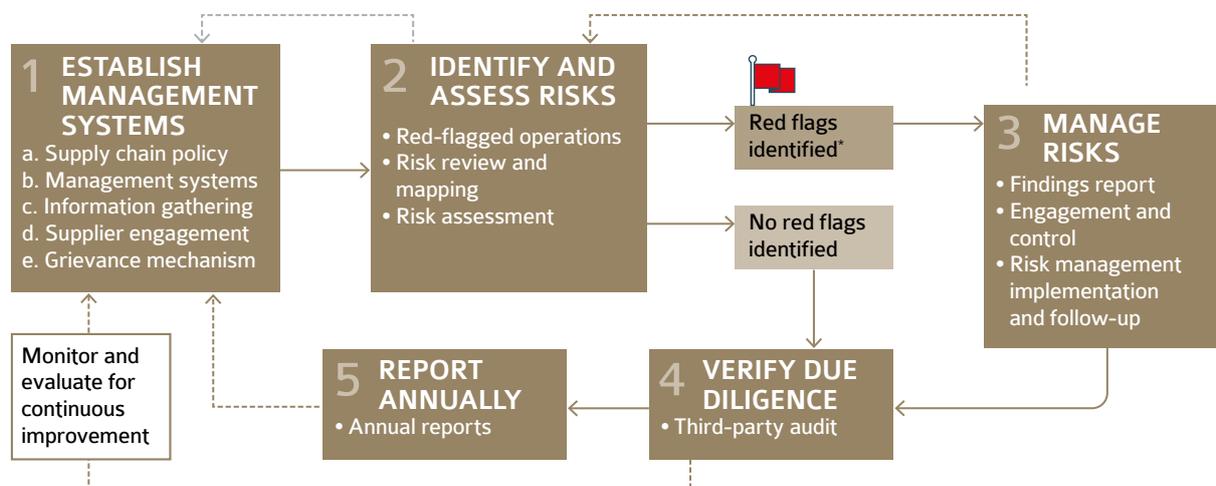
LGMS 7 Due diligence for responsible sourcing, including from conflict-affected and high-risk areas

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:

- **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 7).

FIGURE 7. THE KEY ELEMENTS OF OECD'S FIVE-STEP FRAMEWORK FOR DUE DILIGENCE



* For the purpose of this guidance, adverse impacts as referred to in the OECD Due Diligence Guidance for Responsible Business Conduct that your organisation has identified as significant, may be equivalent to red flags referred to in the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.



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CAHRAS AND ANNEX II RISKS

Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas identifies five major risks associated with sourcing from CAHRAs. Your supply chain policy should address each one:

1. 1. Serious abuses associated with lab-grown material production, transport or trade of materials (aligned with **LGMS 6 Human rights**. 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 materials.
5. Money laundering and non-payment of taxes due to governments (aligned with **LGMS 10 Know Your Counterparty: money laundering and financing of terrorism**).

CONSIDERATIONS FOR CONDUCTING DUE DILIGENCE ON INPUT SUBSTANCES USED IN GROWING OF LAB-GROWN MATERIALS

The OECD Due Diligence Guidance for Responsible Business Conduct identifies a number of key risks associated with companies' business operations. For members involved in the **growing of lab-grown materials** should identify these risks as part of their due diligence on the materials they include in the growing process. This should also be included in your supply chain policy. The due diligence risks can be related to:

- The sector (e.g. products and their supply chains, services and other activities)
- Geography (e.g. governance and rule-of-law, conflict, pervasive human rights or environmental adverse impacts)
- Enterprise-specific risk factors (e.g. known instances of corruption, misconduct, implementation of standards for RBC).

For examples of adverse impacts, see Q1 of the annex of the OECD Due Diligence Guidance for Responsible Business Conduct or Table 13 below.



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C KEY REGULATIONS, STANDARDS AND INITIATIVES

INTERNATIONAL INITIATIVES

The **OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas** is a detailed framework for due diligence for a company's responsible supply chain management of minerals. The third edition of the OECD Guidance was published in April 2016 and contains the OECD Council Recommendation, the text of the OECD Guidance, the 3Ts Supplement (for tin, tungsten and tantalum) and the Gold Supplement.

The **OECD Due Diligence Guidance for Responsible Business Conduct** is a guidance document designed to support companies with implementation of responsible business conduct, in support of the OECD Guidelines for Multinational Enterprises. The guidance was released in 2018 and focuses on risk-based due diligence to avoid and address adverse impacts associated with their operations, their supply chains and other business relationships.

Also see the guidance chapter for **LGMS 6 Human rights** for information on the UN Guiding Principles on Business and Human Rights.

NATIONAL LAW

Some countries have laws to protect against risks related to sourcing from CAHRAs. Many countries also have laws to ensure companies check they are not sourcing from suppliers with serious human rights breaches such as through the introduction of modern slavery laws and regulations. Members are expected to have awareness of and comply with any applicable laws related to LGMS 7.

D IMPLEMENTATION GUIDANCE

LGMS 7.1: EXERCISE DUE DILIGENCE

Members shall exercise *due diligence* over their lab-grown material supply chains; for lab-grown material producers, this also includes materials that are directly included in the growing of lab-grown materials. This shall be conducted in accordance with the *OECD Due Diligence Guidance for Responsible Business Conduct* and, where applicable, 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 the purpose, nature, scale and impact of the business *operations*.

- a. Members shall adopt and communicate a supply chain policy publicly and to their suppliers. The policy shall be consistent at a minimum with Annex I, Question 14 of the *OECD Due Diligence Guidance for Responsible Business Conduct*, Annex II of the *OECD Guidance* or with other RJC-recognised due diligence frameworks with respect to risks identified and sourcing from *conflict-affected and high-risk areas* where relevant.
- b. The member's *due diligence* process shall adopt *best endeavours* to confirm that suppliers are legitimate and have not been implicated in *money laundering, financing of terrorism, fraud* or serious *human rights* abuses, and are not otherwise subject to sanctions.
- c. The *due diligence process* shall be reviewed periodically and at least annually, and its determination outcomes updated if required.



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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 OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas in this way will be listed on the RJC website or in the Certification Process Requirements document and can then be used by members to comply with this provision.

This provision is mandatory for all members handling lab-grown materials. This implementation guidance does not replace the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas or the OECD Guidance for Responsible Business Conduct, but offers an approach to help RJC members implement it when dealing with lab-grown materials in the jewellery and watch supply chain including producers, traders, cutters and polishers, manufacturers and jewellers.

The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas applies to members sourcing lab-grown materials and is applied to their lab-grown material supply chain.

In this standard, the OECD Guidance for Responsible Business Conduct applies to members who produce lab-grown materials (growers). This standard shall be applied to the materials that go into the growing process, such as the hydrocarbon gases used or other materials, for example hydrogen, methane, nitrogen, graphite, Pyrophyllite, iron, cobalt, nickel, boron, silica.

D1 LAB-GROWN MATERIALS IMPLEMENTATION GUIDANCE

This section is for companies in the lab-grown materials supply chain as illustrated in Figure 8. The supply chain is divided into

- **Upstream:** LGM producers and rough exporters (first export from country of origin).
- **Midstream:** traders, cutters and polishers,
- **Downstream:** traders (only polished), jewellery manufacturing, wholesaler or retail.

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FIGURE 8. THE LAB-GROWN MATERIAL SUPPLY CHAIN



The expectations of companies differ across the supply chain and this is highlighted throughout the document. A summary of the steps for each type of company is included at the end of Section D in Table 16 Application of the five-step framework to the lab-grown material supply chain.

FOLLOWING THE OECD FIVE-STEP FRAMEWORK

This guidance presents information on applying the OECD framework in the order that the steps are described in the OECD Guidance, but companies should carry out the various parts of Steps 1 and 2 in the order that works best for them. For example, some may find it more useful to start with initial information gathering (Step 1C) and preliminary identification of red flags (Step 2) before finalising the structure of their internal management systems (Step 1B), supplier engagement (Step 1D) and grievance mechanism (Step 1E).

For the purpose of this guidance, the 6 stages of due diligence outlined in the RJC guidance are covered by the OECD 5 step framework, by integrating stage 6 remediation into OECD step 3.



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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 and, at a minimum, each of the major risks associated with CAHRAs. See Annex D1 for a template policy.
- For lab-grown producers, your policy should also include information on your responsible sourcing of materials that go into the growing of your lab-grown materials.
- Your policy and associated management system can be stand-alone or part of a broader policy. If it is separate, make sure it is aligned with and linked to your policies and procedures on human rights (**LGMS 6 Human rights**), KYC (**LGMS 10 Know Your Counterparty: money laundering and financing of terrorism**) and other relevant policies.
- 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 lab-grown materials 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 as a paper or electronic copy available on request);
 - 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.
- State expectations with respect to the environmental, social and governance (ESG) should be included in new or updated contracts with suppliers of critical input materials, obtain confirmation from the supplier that the policy has been acknowledged and understood and that failure to conform with the policy will result in mitigation actions or termination of business relations with the supplier.
- Communicate the policy to workers for example during onboarding of new staff or through other training in an accessible manner and as appropriate for their role.
- Update the policy as risks evolve in your operations, supply chain and business relationships.

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. Remember to align your due diligence systems with those you already have in place related to other LGMS requirements, particularly **LGMS 6 Human rights**, and **LGMS 10 Know Your Counterparty: money laundering and financing of terrorism**.
- 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 in your company that implement and support the supply chain policy; and
 - allocating enough resources to run and monitor the system effectively.



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- Assign a senior staff member to lead your due diligence management system. This person should be suitably qualified 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: these may also be used as evidence during audits.
- To ensure your due diligence remains effective over time, review your management system regularly and look for opportunities to improve it. Be sure to do this at least once a year. It may be useful to get input from relevant staff members on specific aspects of the policy and identified risks.

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 Tables 9, 10 and 11).
- Upstream and midstream companies are required to share information with buyers. Note that there is a difference in the information you need to collect as part of your internal system and the information you should share with your buyers for their due diligence.
- Whatever your company type, you are expected to keep, as a minimum, internal inventory and transaction documents to be able to retrospectively identify material inputs and outputs (lab-grown materials). That means collecting:
 - information on the product classification, type and weight of material inputs; and
 - supplier details, including KYC information (see **LGMS 10 Know Your Counterparty: money laundering and financing of terrorism**) and information on their due diligence systems (policy and management systems and due diligence findings).
- When you gather information on inputs, if there are inconsistencies between your inspection of shipments and the information provided by the supplier, you should temporarily suspend the transaction until the inconsistency is resolved.



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TABLE 9. THE INFORMATION THAT DOWNSTREAM AND MIDSTREAM COMPANIES ARE EXPECTED TO GATHER AND SHARE

Midstream and downstream companies:		
	<ul style="list-style-type: none"> Gather information for your own operations for each of your suppliers. You can gather or share information on a, b and c once and then just update it when there are changes; review the information at least once a year. You may need to gather or share information on c and d for every shipment, parcel or consignment if these vary. This information may not always be available; use your best endeavours to gather what information is available. 	
	Information to gather for your internal systems (and/or from suppliers if applicable)	Information to share with buyers
All supply chains	a. The origin of stones, with the greatest possible specificity. This information can be provided in aggregated form (for example, a list of all producers, companies, regions or geographical locations that material come from).	Same as information to gather, with due regard for commercial confidentiality.
	b. All locations where stones are consolidated before export.	Same as information to gather, with due regard for commercial confidentiality.
	c. The weight and, if relevant, other characteristics of the stones (for example, product classification, type and physical description).	Same as information to gather, with due regard for commercial confidentiality.
	d. The transportation routes of stones (information shared with due regard to security).	Same as information to gather, with due regard for commercial confidentiality.
Red-flag supply chains only	e. The identity of all suppliers and relevant service providers (for example, transport companies) from the origin through to export/import – in particular, their ownership (including beneficial ownership); corporate structure (including names of corporate officers and directors); and business, government, political or military affiliations. These checks are already covered under LGMS 10 Know Your Counterparty: money laundering and financing of terrorism for immediate suppliers of lab-grown material, but for red-flag supply chains should be extended to all upstream suppliers and relevant service providers.	Assurance that you are gathering this information; and evidence of your participation in RJC certification (if applicable).
	f. All taxes or fees paid to government related to the material's production, trade, transport and export.	
	g. All payments or compensation made to government agencies and officials related to the material's production, trade, transport and export (including facilitation payments).	
	h. All payments made to public or private security forces or other armed groups at all points in the supply chain from production onwards (unless prohibited under applicable law).	

- See Annex D1 for template information forms that you can use to provide or request information.



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TABLE 10. INFORMATION NEEDED TO DETERMINE THE SOURCE OF DIFFERENT TYPES OF MATERIAL

Material type	Definition	Information needed in determining source
Lab-grown material	Rough and polished lab-grown materials that come from an lab-grown material producer.	Seek information on the origin and/or source as outlined in Table 9 according to your position in the supply chain.
Recycled material	Polished lab-grown materials that had a prior use by a consumer and have re-entered the supply chain to be recut and polished and/or resold.	Confirm that the material received is recycled material and obtain sufficient information to reasonably confirm that the stones are not falsely represented as recycled to hide their origin.

TABLE 11. THE INFORMATION THAT PRODUCER (GROWING) COMPANIES ARE EXPECTED TO GATHER AND SHARE

Lab-grown producer (growing) companies:	
<ul style="list-style-type: none"> Gather information for your own operations for each of your suppliers for materials and input substances that go into the growing of your lab-grown materials. This information may not always be available; use your best endeavors to gather what information is available. 	
Information to gather for your internal systems (and/or from suppliers if applicable)	Information to share with buyers
Sector risk information (e.g. products and their supply chains, services and other activities)	
Geographical risk information (e.g. governance and rule-of-law, conflict, pervasive human rights or environmental adverse impacts)	
Enterprise-specific information (e.g. known instances of corruption, misconduct, implementation of standards for RBC)	

THE 'COMPLY OR EXPLAIN' APPROACH

In practice, the information you want simply may not be available. This is acceptable under a due diligence approach as long as you can explain the steps you've taken to seek information and your plans to improve your data over time.

- In practice you can gather information in several ways:
 - Use checklists, forms and invoices that clearly state what information you need.
 - 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.
 - Online credible and verifiable sources such as sustainability reports that have been independently assessed, government website information about companies.
 - You may use any relevant information collected as part of **LGMS 5 Business Partners**.

In all cases, be sensitive to commercial confidentiality concerns. See the OECD Guidance for tips on how

7 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>



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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.⁷

- 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 further downstream and auditors.
- If information is not forthcoming, adopt a road map with your suppliers to obtain it over an agreed time frame and then document discussions and agreements with suppliers as evidence of your due diligence activities. Your suppliers should demonstrate some level of improvement. If they make no effort at all to provide you with information, then at some point a decision to disengage from that supplier may be appropriate.

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.
- If possible, 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 the relationship should your best efforts to engage the supplier fail. 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 nondisclosure 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.



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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.
- In your commercial contracts with suppliers, include provisions for sharing due diligence information.
- Where practical, encourage suppliers to include provisions in their own contracts with their suppliers.

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 **LGMS 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

Red flags

- 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 Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (see Table 12). These red flags are an indicator of a potential risk that requires further investigation through a subsequent risk assessment.

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TABLE 12. LIST OF RED FLAGS, AS DEFINED BY OECD

Type of red flag	Description of red flag	Applicability
Red-flag locations (locations of origin and transport)	The material originates from or has been transported through a CAHRA.	Lab-grown materials
	The material is claimed to originate from a country with limited known supplies (that is, the declared volumes of lab-grown materials from that country are out of keeping with its known reserves or expected production levels).	Lab-grown materials
	The material is claimed to originate from a country through which material from CAHRAs is known or reasonably suspected to pass through.	Lab-grown materials
	The material is claimed to be recycled in a country where lab-grown materials from CAHRAs are known or reasonably suspected to pass through.	Lab-grown materials
	Locations with significant adverse impacts related to the topics covered in Table 13 for example disclosure, human rights etc.	Materials used in the growing of lab-grown materials
Red-flag supplier	Suppliers or other known upstream companies that operate in one of the above-mentioned red-flag locations, or have shareholder or other commercial interests in suppliers from these red-flag locations.	Lab-grown materials
	Suppliers or other known upstream companies are known to have sourced material from a red-flag location in the last 12 months.	Lab-grown materials
	Suppliers with significant adverse impacts related to the topics covered in Table 13 for example disclosure, human rights etc.	Materials used in the growing of lab-grown materials
Red-flag circumstances	Anomalies or unusual circumstances are identified through the information collected, which give rise to a reasonable suspicion that the lab-grown material production, transport or trade of the material may contribute to conflict or be associated with serious abuses or harm (see Table 13 for further examples).	Lab-grown materials and Materials used in the growing of lab-grown materials

- The process for identifying location or supplier red flags varies depending on where you are in the supply chain:
 - If you are a **downstream company or a midstream company**, you need to look at all countries, regions and areas that you operate in, source from, plan to source from or transport material through, and establish whether or not they are CAHRAs (see Figure 9 and box 'Resources for identifying a CAHRA').
- You should review this at a frequency that is aligned with your information gathering in Step 1C – that is, collected once for each supplier, updated when there are changes and, at a minimum, reviewed every year (see Tables 9 and 10).
- 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; and that
 - you report publicly on your due diligence practices as per Step 5.

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RESOURCES FOR IDENTIFYING A CAHRA AND ADVERSE IMPACTS IN THE SUPPLY CHAIN

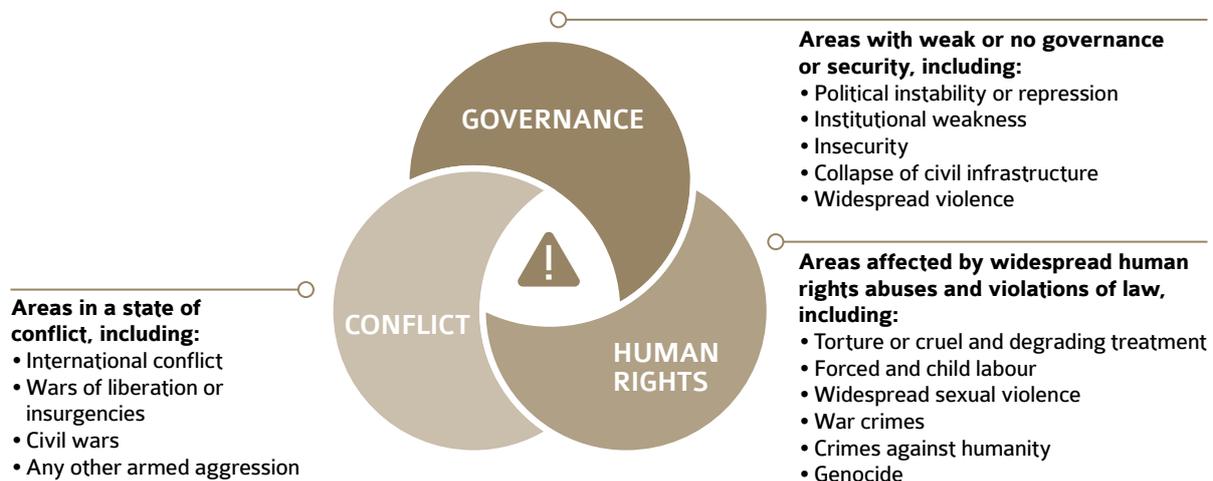
You can review a range of documents and resources from credible sources to check for CAHRAs. This includes:

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

The EU Commission has published a list of publicly accessible resources that can be used to identify CAHRAs.⁸ 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.⁹

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

FIGURE 9. CAHRA CHARACTERISTICS



Risk assessment

- Your risk assessment is meant to look for the presence of red flags or significant adverse impacts, as highlighted in Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (see box 'What are adverse impacts related to CAHRAs?') and section 2.1 of the OECD Due Diligence Guidance for Responsible Business Conduct.

⁸ Commission Recommendation (EU) 2018/1149 (2018) <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32018H1149>

⁹ OECD, Portal for Supply Chain Risk Information <http://www.oecd.org/daf/inv/mne/oecd-portal-for-supply-chain-risk-information.htm>



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WHAT ARE ADVERSE IMPACTS RELATED TO CAHRAS?

Adverse impacts specifically related to lab-grown materials supply chains are:

- Serious abuses associated with the production of lab-grown materials.
- 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 due to governments.

Source:

- OECD Guidance Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Annex II Model Supply Chain Policy

TABLE 13: ADVERSE IMPACTS TO CONSIDER WHEN CONDUCTING DUE DILIGENCE ON MATERIALS USED IN LAB-GROWN MATERIAL GROWING

TOPIC	EXAMPLES OF ADVERSE IMPACTS
Disclosure	<ul style="list-style-type: none"> • Failing to disclose material information on the financial and operating results of the enterprise; enterprise objectives, major share ownership and voting rights, remuneration policy for members of the board and key executives, and information about board members, related party transactions, foreseeable risk factors, issues regarding workers and other relevant stakeholders, governance structures and policies. • Failing to provide the public and workers with adequate, measurable and verifiable (where applicable) and timely information on the potential environment health and safety impacts of the activities of the enterprise.
Human Rights	<ul style="list-style-type: none"> • Forced labour. • Wage discrimination for equal work or work of equal value. • Gender-based violence or harassment including sexual harassment. • Failing to identify and appropriately engage with indigenous peoples where they are present and potentially impacted by the enterprise's activities. • Involvement in reprisals against civil society and human rights defenders who document, speak out about, or otherwise raise potential and actual human rights impacts associated with projects. • Restriction on people's access to clean water.

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TOPIC	EXAMPLES OF ADVERSE IMPACTS
Employment and industrial relations	<ul style="list-style-type: none"> • Failing to respect the right of workers to establish or join trade unions or representative organisations of their own choosing and have trade unions and representative organisations of their own choosing recognised for the purpose of collective bargaining. • Failing to engage in constructive negotiations, either individually or through employers' associations, with such representatives with a view to reaching agreements on terms and conditions of employment. • Child labour, including worst forms of child labour. • Discrimination against workers with respect to employment or occupation on such grounds as race, colour, sex, religion, political opinion, national extraction or social origin, or other status. • Failing to adapt machinery, equipment, working time, organisation of work and work processes to the physical and mental capacities of workers. • Failing to replace hazardous substances by harmless or less hazardous substances wherever possible. • Payment of wages that do not meet the basic needs of workers and their families. • Threatening to transfer the whole or part of an operation unit in order to hinder workers from forming or joining a trade union.
Environment	<ul style="list-style-type: none"> • Ecosystem degradation through land degradation, water resource depletion, and/or destruction of pristine forests and biodiversity. • Unsafe levels of biological, chemical or physical hazards in products or services. • Water pollution (e.g. through discharging waste water without regard to adequate wastewater infrastructure).
Bribery, Solicitation and Extortion	<ul style="list-style-type: none"> • Bribery of public officials to win public procurement contracts. • Bribery of public officials to obtain favourable tax treatment or other preferential treatment or access to confidential information. • Bribery of public officials to obtain customs clearance. • Bribery of public officials to obtain authorisations or permits. • Selling products to government agencies at an elevated price to provide public officials with a share of the profit. • Bribing public officials to ignore or avoid regulations or controls. • Providing gifts, meals and entertainment to those with whom the enterprise does business without adequate controls or records. • Receiving gifts from business partners or public officials without adequate controls or record.
Consumer Interests	<ul style="list-style-type: none"> • Goods and services do not meet all agreed or legally required standards for consumer health and safety, including those pertaining to health warnings and safety information. • Failing to provide accurate, verifiable and clear information that is sufficient to enable consumers to make informed decisions, including information on the prices and, where appropriate, content, safe use, environmental attributes, maintenance, storage and disposal of goods and services. • Representations or omissions of information, or any other practices, that are deceptive, misleading, fraudulent or unfair.

Source: OECD Due Diligence Guidance for Responsible Business Conduct



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- Where red flags are identified, you need to assess the risk that significant adverse impacts are occurring as follows:
 - If you are a **downstream or midstream company**, map the factual circumstances of all red-flag territories for current and future operations. See box 'Mapping factual circumstances of red-flag supply chains'.

MAPPING FACTUAL CIRCUMSTANCES OF RED-FLAG OR HIGH-RISK SUPPLY CHAINS

Map the factual circumstances of red-flag and high-risk territories for current and future operations by gathering available information, for example through:

An in-depth review of the context of all red-flag and high-risk locations:

- Generate or review reports, maps and relevant literature on production, transport and trade in the red-flag location.
- Engage with stakeholders by consulting, for example, with local and central governments, local civil society organisations, community networks, etc.
- If you are sourcing from other upstream suppliers, review their working policies and systems (for example, through desktop research).

On-the-ground assessments to generate and maintain information on how lab-grown materials are produced, traded, handled and exported. Whether you are a lab-grown material producer only dealing with your own production or a lab-grown materials producer, rough trader, exporter or importer sourcing from other lab-grown materials producers, carry out your assessment ensuring that:

- Your assessors are independent from the activity being assessed and free from conflicts of interest.
- The appropriate level of competence and expertise is deployed, whether this is with internal or external experts.

When establishing the resources required to carry out the on-the ground assessment consider the following:

- Selection of team members with:
 - Credible and relevant experience
 - Knowledge of appropriate industry standards
 - Known and credible collaborative relationship with people known to credible internationally recognised bodies
- In situations where many companies are operating in a similar area, consider establishing a joint assessment team with other companies or through an industry or multi-stakeholder mechanism or initiative.

If you identify a red flag or high level of risk for a supplier of recycled lab-grown materials, review information such as the value of transaction, place of transaction, type of material, unusual circumstances and type of supplier. Consider carrying out on-site visits to the supplier to confirm the legitimacy of the recycled source.



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- In all cases, keep a record of the information and evidence you used to determine high- and low-risk sources in your red-flag supply chain.
- Do not automatically disengage a source if it is deemed high-risk: engage with your suppliers first and adopt a risk mitigation strategy (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 risks 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 only on external parties, including the RJC, to undertake any aspect of due diligence on your behalf.
- For lab-grown producers conducting due diligence on materials used in the growing of lab-grown materials, once you have identified the most significant risk areas you should prioritise these as the starting point for a deeper assessment of potential and actual impacts. For further guidance on prioritizing risks, see Q3 of the OECD Due Diligence Guidance for Responsible Business Conduct.

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

- If you identified a high risk of an adverse impact occurring in Step 2, you will need to design and implement a risk management strategy.
- Start by sharing the result of the risk assessment carried out in Step 2 with senior management. Include:
 - an outline of the information gathered from the risk assessment; and
 - details of the risks and whether adverse impacts have been identified in the supply chain.
- Outline your response to risks in a risk management plan. The response you decide upon depends on the type of risk identified (see Table 14).

TABLE 14. APPROPRIATE RESPONSE IF YOU IDENTIFY A REASONABLE RISKS OF ADVERSE IMPACTS (BASED ON THE OECD GUIDANCE ANNEX II MODEL SUPPLY CHAIN POLICY)

Identified risk of adverse impact	Appropriate response
Serious abuses associated with the production, trade and transport of lab-grown materials	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 lab-grown materials production 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 lab-grown materials	Continue, or temporarily suspend, trade with suppliers, but implement measurable mitigative actions. Suspend or disengage if mitigation measures are ineffective.

- Prioritise for action any activities that are causing or contributing to adverse impacts, based on the enterprise's assessment of their involvement with adverse impacts.



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- Factors such as severity and probability of an adverse impact are important in determining the scale and complexity of the due diligence response.
- In all cases, make sure that your risk management plan is appropriate to your size and realistic ability to implement it. In devising mitigation measures:
 - consult the recommendations included in Annex II and III of the OECD Guidance OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and section II, point 3 of the OECD Due Diligence Guidance for Responsible Business Conduct;
 - reach out to companies and individuals in your supply chains that can most effectively and most directly mitigate the identified risks; and
 - where possible, consult affected stakeholder groups before agreeing a risk mitigation plan.
- Your mitigation management plan for red flags and risks should:
 - Establish a traceability system that collects and maintains information that is specific to red-flag supply. This means that parcels can be tracked from production through to export and each actor involved in the trade and transport can be identified.
 - Enhance physical security practices over the supply chain.
 - Consider monitoring and tracking performance of risk mitigation in co-operation or consultation with local and central authorities and other relevant stakeholders. Consider establishing or supporting worker or community-based networks to monitor risk mitigation.
- In some cases, material may have been purchased with adequate due diligence and in good faith before becoming aware of a reasonable risk of serious abuses or support to non-state armed groups (and therefore before suspending or disengaging trade as outlined in Table 14). In these cases, you should temporarily physically segregate supplies you have already purchased until the risk is resolved. If the risk is not resolved, seek legal advice on selling the material and be transparent with potential clients about your good faith due diligence efforts and mitigation actions.

NOTE ON TRACEABILITY

Traceability is only required when red flags or risks are identified (see Table 12 and 13). Traceability can be per mixed parcel or batch.

- Your risk management plan should include enhanced engagement with suppliers and strengthening systems of information collection. This includes ensuring that the information you receive from suppliers on the source with the identified risk is regularly updated.
- 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 should disengage from the supplier for a minimum of three months.
- Consider your communication approach with your buyers, sharing information in a timely way about red flags you've identified, your risk assessment and your mitigation strategy, doing so at least annually in line with Step 5.



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- When the member identifies or has caused or contributed to, directly or indirectly, actual adverse impacts, address such impacts by providing for or cooperating in their remediation. Remediation should be proportionate to the significance and scale of the adverse impact and may include the following (source: OECD Due Diligence Guidance for Responsible Business Conduct):
 - Comply with the law and seek out international guidelines on remediation where available, and where such standards or guidelines are not available, consider a remedy that would be consistent with that provided in similar cases. The type of remedy or combination of remedies that is appropriate will depend on the nature and extent of the adverse impact and may include apologies, restitution or rehabilitation (e.g., reinstatement of dismissed workers, recognition of the trade union for the purpose of collective bargaining), financial or non-financial compensation (for example, establishing compensation funds for victims, or for future outreach and educational programmes), punitive sanctions (for example, the dismissals of staff responsible for wrongdoing), taking measures to prevent future adverse impacts.
 - In relation to human rights impacts, consult and engage with impacted rightsholders and their representatives in the determination of the remedy.
 - Seek to assess the level of satisfaction of those who have raised complaints with the process provided and its outcome(s) in accordance with your complaints and grievance mechanism (see **LGMS 2 Policy and management systems**).
- Remediation actions may be defined in a stand alone plan or part of your risk management plan,
- For further guidance on remediation, refer to LGMS 6. You may choose to combine your remediation actions with those required by LGMS 6.

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

- Regardless of your position within the supply chain, your due diligence practices will be audited as part of the normal LGMS certification process. RJC auditors will look to verify that you have made reasonable and good faith efforts to implement the requirements of LGMS 7 based on a continual improvement approach. In practice this means that compliance can be achieved even if you are starting with very little information on sources, as long as you can show you have effective management system processes and plans for improvement and can demonstrate that improvement over time.



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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 aligned with your other reporting (**LGMS 3 Reporting**) and any human rights due diligence reports (**LGMS 6 Human rights**).
- The information you need to include varies according to your business type (see Table 15).
- Match the level of detail in your report with the level of risk in your supply chain. For example, if you did not identify any red flags or risks, you don't need to include information related to OECD 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 that is available upon request will do.

TABLE 15. ANNUAL REPORTING REQUIREMENTS UNDER OECD STEP 5 (AND RJC COP CERTIFICATION)

Category	Reporting information to include:
1. Management systems	Supply chain policy.
	Management structure and responsibilities for due diligence programme.
	Internal control systems, processes for information collection and record-keeping.
2. Risk assessment	Systems for identifying red-flag locations.
	Steps taken to engage with suppliers and seek supply chain information.
	Actual or potential risks identified and how these were prioritized based on significance.
	Description of any red flags or adverse impacts or risks in supply chains and steps taken to map them.
	Methods, practices and information yielded by on-the-ground assessment teams.
	A summary of high risks identified (within your existing supply chain only).
3. Response	Steps taken to strengthen internal control systems to collect reliable information from red-flag supply chains.
	Steps taken to manage risks, including involvement of affected stakeholders and remediation actions.
	Efforts made to monitor and track performance for risk mitigation and remediation.
	Number of instances where you decided to disengage from suppliers.
	All instances of risk mitigation and results of follow up after six months.



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OECD 5 STEPS CHECKLIST FOR LAB-GROWN MATERIALS SUPPLY CHAIN

OECD step	Check list
Step 1: Management system	<ul style="list-style-type: none"> • 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? • Have you developed systems and procedures for collecting information from suppliers and sharing information with buyers? • Do you have a grievance mechanism in place?
Step 2: Identify and assess risks	<ul style="list-style-type: none"> • Have you identified any 'red flags' or significant risks in your supply chain? • If yes, have you mapped the factual circumstances of the red-flag supply chain and have you identified the presence of any adverse impacts? • Are you satisfied that your known suppliers furthest upstream in your supply chain have carried out due diligence in a way that is consistent with the OECD Guidance? • If you have not identified red flags or adverse impacts, proceed to Step 4.
Step 3: Manage risks	<ul style="list-style-type: none"> • 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 and remediation efforts?
Only for red flags	<ul style="list-style-type: none"> • Have you established a traceability system to collect and maintain segregated information for all inputs and outputs from production through to import? • Have you enhanced your engagement with red-flag and high-risk suppliers and strengthened systems of information collection?
Step 4: Verify	<ul style="list-style-type: none"> • Have you arranged your independent RJC certification audit?
Step 5: Report annually	<ul style="list-style-type: none"> • Do you, or are you planning to, annually report publicly on your implementation of the OECD Guidance?
Only for red flags	<ul style="list-style-type: none"> • Have you disclosed the identity of the of the local exporter of lab-grown materials located in red flag locations in your annual report?

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TABLE 16. APPLICATION OF THE FIVE-STEP FRAMEWORK TO THE LAB-GROWN MATERIALS SUPPLY CHAIN

OECD step	Upstream	Midstream	Downstream	
	Rough stones		Polished stones	Diamond jewellery
	Lab-grown material production/growing	Rough exporter Cutter and polisher Trader Jewellery manufacturer and retailer		
Step 1: Establish a company management system	<ul style="list-style-type: none"> • Implement Step 1 A–E. • Gather information from Table 9 from your sources on adverse impacts related to materials used in growing of lab-grown materials. • Share information from Table 9 with your buyers. 	<ul style="list-style-type: none"> • Implement Step 1 A–E. • Gather information from Table 9 from your sources. • Ask about the due diligence of your suppliers. • Share information from Table 9 with your buyers. 		
Step 2: Identify and assess risk in the supply chain	<ul style="list-style-type: none"> • Identify adverse impacts in your own operations and, from sources who provide materials used in growing of lab-grown materials. <p>If risk of adverse impacts:</p> <ul style="list-style-type: none"> • Map factual circumstances in high risk locations. • Assess risk of adverse impacts. 	<ul style="list-style-type: none"> • Review evidence of due diligence by suppliers. • Identify red flags in supply chain of lab-grown material sources. <p>If red flags:</p> <ul style="list-style-type: none"> • Map factual circumstances of red-flag locations. • Assess risk in the supply chain of adverse impacts. 		
Step 3: Design and implement a strategy to respond to identified risks These actions are only for red-flagged portions of your supply chain	<ul style="list-style-type: none"> • Establish traceability on high-risk supply chains. • Gather information from Table 9 for high risk supply chains. • Share findings of risk assessment with senior management. • Devise, adopt and monitor risk management plan. 	<ul style="list-style-type: none"> • Establish traceability of red-flag supply chains through your last point of involvement (pre-export/import). • Gather information from Table 9 for red-flag supply chains. • Share findings of risk assessment with senior management. • Devise, adopt and monitor risk management plan. 		
Step 4: Third-party audit	Accredited RJC auditor carries out independent third-party audit of due diligence.			
Step 4: Third-party audit	Report annually on implementation of OECD framework (see Table 15).			



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ANNEX D1 LAB-GROWN MATERIALS

- [EXAMPLE SUPPLY CHAIN POLICY TEMPLATE \(D LAB-GROWN MATERIALS\)](#)
- [DUE DILIGENCE INFORMATION REQUEST FORM TEMPLATE](#)
- [DUE DILIGENCE INFORMATION REQUEST FORM TEMPLATE FOR LAB-GROWN PRODUCERS](#)

E FURTHER INFORMATION

The websites and publications listed below have further information on conflict-affected areas.

WEBSITES

- [Geneva Academy](#)
- [Heidelberg Institute for International Conflict Research](#)
- [International Alert](#)
- [International Crisis Group, Crisis Watch Global Conflict Tracker](#)
- [OECD, Portal for Supply Chain Risk Information](#)
- [UN Peacekeeping, Current Peacekeeping Operations](#)
- [UN Security Council, Resolutions](#)
- [Uppsala University, Uppsala Conflict Data Program](#)
- [U.S. Department of State, Human Rights Reports](#)
- [U.S. Securities and Exchange Commission \(SEC\)](#)

PUBLICATIONS

- [OECD \(2018\), OECD Due Diligence Guidance for Responsible Business Conduct](#)
- [OECD, OECD Due Diligence Guidance on the Responsible Supply Chains of Minerals from Conflict-Affected](#)
- [UN Human Rights, Guiding Principles on Business and Human Rights \(2011\)](#)

OTHER REFERENCES

- [European Union, Study on the Support System for SME Supply Chain Due Diligence](#)
- [The Impact Facility](#)



LGMS 8 Community development

A APPLICABILITY

This provision applies to all members.

Supply Chain Point	LGMS 8 Community development
Lab-grown materials producer	8.1 ✓
Lab-grown materials cutter and/or polisher	✓
Lab-grown materials trader	✓
Jewellery and watch manufacturer and/or wholesaler	✓
Jewellery and watch retailer	✓
Recycler	✓
Service industry	✓

B ISSUE BACKGROUND

Community development is a process designed to create conditions of economic and social progress for the whole community, with its active participation and fullest possible reliance upon its own initiative. Done well, a company's initiatives to support community development can also be good for business by improving workforce recruitment and retention, enhancing brand reputation and boosting employee loyalty.

The way companies contribute to community development varies markedly across different settings (for example, across low- or high-income settings, rural or urban ones) and also depends on the type, size and corporate culture of a company. All companies have a duty to support community development as part of their corporate social responsibility. Every company's approach should be determined by local conditions, available resources, partners (particularly government and civil society organisations) and, most importantly, the community's self-determined needs and priorities.

Successful approaches to community development are based on community consultation, regional co-operation and partnership, and they are framed by local community priorities, national development goals and existing programmes of work. They might include, for example, working with government agencies, non-governmental organisations (NGOs) or local groups to strengthen existing long-term programmes for education, health, gender equality, environment, health and safety, economic development and cultural activities. Companies should always keep an eye on the long term and work to ensure the sustainability of any community development they support. They should also avoid filling roles that are the responsibility of governments or other local institutions, but instead focus on leveraging opportunities related to their own core business.



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LGMS 8 Community development

In practice, this may include:

- creating local employment opportunities through training, employment and staff retention;
- supporting local procurement by investing in local financial institutions and enterprise development programmes);
- promoting educational opportunities by liaising with local and regional educational centres;
- providing support and resources, where feasible, to community-based health and safety initiatives; and
- training local community members in environmental monitoring and natural resource management.

In all cases, meaningful community development takes an inclusive approach, considering the priorities of all parts of a community and paying particular attention to the needs and participation of disadvantaged and vulnerable groups – for example, creating opportunities for women to participate more meaningfully in decision-making, or investing in children’s safety, education and health.

C KEY REGULATIONS, STANDARDS AND INITIATIVES

INTERNATIONAL STANDARDS

The 2030 Sustainable Development Goals (SDGs, <https://sustainabledevelopment.un.org/sdgs>) are a key driver of ongoing national development planning. They also provide an important framework for community development planning. It may be governments that have committed to the SDGs, but the private sector has a critical role in driving the transformational changes needed to achieve them, so it is important that companies consider how best to align their community development priorities with the SDGs and monitor progress (see **LGMS 2 Policy and management systems** for more information on embedding the SDGs into organisational goals and policies).

NATIONAL LAW

RJC members are expected to be aware of applicable law related to community development.

D IMPLEMENTATION GUIDANCE

LGMS 8.1: COMMUNITY DEVELOPMENT

Members shall seek to support the social, economic and institutional development of the *communities* in which they operate and support *community* initiatives.

Actions to be taken:

- Look to community development as an opportunity to work in partnership with others. A strategic approach can serve to align company objectives with existing and future local or regional development plans and the SDGs.
- Your first step should be to do a stakeholder mapping exercise to identify those parts of the community that are interested in and affected by company activities. Be sure to include disadvantaged and vulnerable groups and those that may be underrepresented in the main community groups.
- Outline and document the aims of your community initiatives, the key principles to be followed and the expectations of staff and other stakeholders.



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LGMS 8 Community development

- Members should ensure that their community development includes clear objectives, indicators and actions in how they will support the social, economic and institutional development.
- Examples of development opportunities may include training and education, use of safe plant and equipment and implementation of fit for purpose and effective management systems. The nature of the development initiative should depend on the nature and scale of your business. Larger members are more likely to fund and support more far-reaching community development programs, but a small business is not likely to have the resources or capacity beyond smaller local programs.

SMALL BUSINESSES

Community development initiatives may be challenging for small businesses. Where a small business cannot justify these community development initiatives whether due to unreasonable costs or lack of resources, then alternative means should be established. For example, a small business may donate to local charities or participate in local community events such as supporting local schools.

- Involve communities as much as possible. All community members, including disadvantaged and vulnerable groups, should be enabled to participate in decisions about what projects will do and how they will work.
- Be responsive to community priorities, needs and interests in identifying self-sustaining programmes. Make sure you have sufficient resources and the right kind of expertise to develop and support initiatives that can endure over the long term. This includes drawing on appropriate community development expertise to understand and address local, regional and national contexts.
- Working in formal or informal partnerships can reduce duplication, costs and dependency on your operation. Private, government, non-government and community organisations all bring different skills and resources to collaborative efforts.
- Monitor your community development initiatives and periodically evaluate them against selected indicators, including the SDGs. Regular monitoring and evaluation will allow you to adjust your programmes to ensure continuous improvement and sustainability.
- Including community members in participatory monitoring processes is a useful way to enhance feedback and facilitates the communication of progress to the wider community. Additional communication of progress and challenges, through internal and external reporting of results, can encourage a broader support base for programmes.



LGMS 8 Community development

✓ CHECK

- Have you identified priority stakeholders in the affected community?
- Are community members involved in the design and delivery of your community initiatives?
- What initiatives have you done to support the development of affected communities?
- How will they have a beneficial impact and how will this be evaluated?
- Is your company compliant with community development mandated by national law?

E FURTHER INFORMATION

☰ WEBSITES

- [International Finance Corporation \(IFC\), CommDevProgram](#)
- [Sustainable Development Goals](#)
- [World Bank, Community Driven Development](#)

LGMS 9 Bribery and facilitation payments



A APPLICABILITY

This provision applies to all RJC members.

Supply Chain Point	LGMS 9 Bribery and facilitation payments		
	9.1	9.2	9.3
Lab-grown materials producer	✓	✓	✓
Lab-grown materials cutter and/or polisher	✓	✓	✓
Lab-grown materials trader	✓	✓	✓
Jewellery and watch manufacturer and/or wholesaler	✓	✓	✓
Jewellery and watch retailer	✓	✓	✓
Recycler	✓	✓	✓
Service industry	✓	✓	✓



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LGMS 9 Bribery and facilitation payments

B ISSUE BACKGROUND

A few decades ago, bribes were a tax-deductible business expense in many countries. Today, bribery is a criminal offence in nearly all nations, regardless of whether the bribery took place at home or overseas. The change comes from a growing recognition of the detrimental effects of bribery and corruption. In the early 1990s, the first international initiatives started raising awareness of the prevalence of corruption and of the many ways in which it hinders economic development, corrodes the fabric of society and distorts national and international trade. Since then, the discourse on bribery and corruption has expanded to acknowledge their role in undermining environmental and labour standards, access to human rights and the rule of law.

Bribes come in all shapes and sizes, including money, gifts in kind, hospitality, expenses, advantage or even just a verbal commitment to influence the outcome of an action or vote. They can be given or received, promised or expected. Bribes that are given are known as 'active bribery' and bribes received are 'passive bribery': in most situations both can lead to a criminal charge. Another crime related to (and often confused with) bribery is extortion. The difference is that bribery offers a positive reward ('do this for me and I'll do something for you'), while extortion threatens violence or some other negative outcome ('do this for me or I'll hurt you in some way').

While bribery is widely condemned by people all over the world, facilitation payments have a more mixed response. In countries where wages are low, or where gift giving is intrinsic to relationships, the use of small, unofficial payments to 'speed' up action are widely accepted as part of daily life. In some countries, they are even legal. But the line between facilitation payments and bribes is blurry and it is often difficult to distinguish between the two. That is why in most countries they are treated as the same thing and why they are banned by most anti-corruption initiatives and laws.

Bribery and corruption can be a big problem for business. For a start, they make business more expensive: the UN Global Compact estimates that they add 10 per cent or more to the costs of doing business in some parts of the world.¹ And in some sectors, they have eroded reputations and investor confidence through repeated ethics scandals. A general consensus is emerging that corruption and bribery damage company integrity, degrade the business environment and do not create competitive advantage. Businesses are increasingly taking a strong stand against corruption.

C KEY REGULATIONS, STANDARDS AND INITIATIVES

INTERNATIONAL STANDARDS

The OECD Anti-Bribery Convention (www.oecd.org/corruption/oecdantibriberyconvention.htm), signed in 1997, was the first international mechanism to tackle corruption in cross-border business deals. It has since been ratified by all 36 OECD countries and 8 non-member countries. National governments and businesses have used the convention to improve legislation and raise standards: bribing a foreign official is now a criminal offence in all signatory countries.

In 2003, the UN Convention against Corruption (UN CAC, www.unodc.org/unodc/en/corruption/uncac.html) became the first legally binding international anti-corruption instrument. More than 185 countries have signed the convention, which covers many different types of corruption (including bribery) and sets out requirements for anti-corruption measures in five key areas: prevention, law enforcement, international co-operation, asset recovery, and technical assistance and information exchange.

¹ UN Global Compact, Engaging on Anti-Bribery and Corruption www.unpri.org/download?ac=1826

LGMS 9 Bribery and facilitation payments

The UN CAC also paved the way for the 10th principle of the UN Global Compact (www.unglobalcompact.org) on anticorruption, which commits its members not only to avoid bribery and corruption, but also to proactively develop policies and programmes to address corruption within their operations and supply chains.

Transparency International (www.transparency.org) is a non-governmental organisation working against corruption, with a presence in more than 100 countries. In 2003, it published Business Principles for Countering Bribery as a framework for companies to develop and implement comprehensive anti-bribery programmes. Last updated in 2013, the principles set out best practice for countering bribery and cover a range of topics, from what to include in internal anti-bribery policies and practices to how to deal with business partners and the supply chain. The principles describe elements required to implement an anti-bribery programme, and are intended for use by companies of all sizes (see Figure 10).

FIGURE 10. TEN ELEMENTS REQUIRED TO IMPLEMENT AN EFFECTIVE ANTI-BRIBERY PROGRAMME

1	Organisation & responsibilities	6	Communication & reporting
2	Business relationships	7	Internal controls & record keeping
3	Human resources	8	Monitoring & review
4	Training	9	Cooperation with authorities
5	Raising concerns & seeking guidance	10	Independent assurance

Source:

- [Transparency International, Business Principles for Countering Bribery \(2013\)](#)

NATIONAL LAW

In most jurisdictions, any form of bribery is illegal, including facilitation payments. There are, however, some countries where facilitation payments are customary and may even be legal. All RJC members are expected to be fully informed of all relevant legislation and regulations in every jurisdiction where they operate.



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ANTI-BRIBERY LAWS OLD AND NEW

Some countries have had anti-bribery laws in place for decades. Others have only recently developed legislation against bribery. Different laws define different expectations of companies, and they all vary in scope. A few key examples are summarised below.

UK Bribery Act 2010

In 2010, the United Kingdom enacted its UK Bribery Act to enhance existing legislation and better address requirements of the 1997 OECD Anti-Bribery Convention. It is now among the strictest legislation on bribery anywhere in the world. The Act, which entered into force in 2011, has important implications for companies registered, or doing business, in the United Kingdom. It creates four prime offences:

- two general offences for giving or receiving a bribe;
- a separate offence for bribing a foreign public official; and
- a new offence for corporate failure to prevent a bribe. In this case, an organisation will have a complete defence if it can show that it has 'adequate procedures' in place to prevent bribery (where adequate procedures are understood to mean procedures based on six principles set out in the UK Bribery Act 2010 official guidance).

US Foreign Corrupt Practices Act (FCPA) of 1977

The FCPA, amended in 1998, is the most widely enforced anti-corruption law. It was the first to introduce corporate liability, responsibility for third parties and extraterritoriality for corruption offences, meaning that companies and individuals can be held criminally and civilly responsible for corruption committed abroad. The FCPA was specifically enacted to make it unlawful for certain types of people and entities to pay foreign government officials for help in getting or retaining business. It makes a narrow exception for facilitation payments that are specifically made to foreign officials to 'expedite or secure ... routine governmental action'.

India's Prevention of Corruption Act (PCA)

The PCA was enacted in 1988 to prevent corruption in public offices, with limited success. Two decades later, after years of deliberations, an amendment to the Act hopes to further improve on this. The PCA (Amendment) Act came into force on 26 July 2018 and seeks to bring the Indian anti-corruption legal framework in line with the UN CAC and international best practice. The amended Act includes new provisions for companies doing business in India and makes the bribery of public servants by companies an offence (although, like the UK Bribery Act 2010, it provides for a defence based on having 'adequate procedures' in place).



LGMS 9 Bribery and facilitation payments

D IMPLEMENTATION GUIDANCE

LGMS 9.1: POLICY AND PROCEDURES

Members shall establish and *publicly* disclose policies and *procedures* that:

- a. Prohibit all forms of *corruption*, including *bribery* in all business practices and transactions carried out by themselves and by agents acting on their behalf.
- b. Protect *workers* from any penalty or adverse consequences for identifying in good faith concerns related to suspected *bribery*, refusing to participate in *bribery* or refusing to pay a facilitation payment where *facilitation payments* are prohibited, even if this action may result in the enterprise losing business.
- c. Set the criteria and approval *procedures* in line with *internationally recognised* standards for *workers* to follow when offering and/or accepting gifts to or from third parties.

Actions to be taken:

- Put a senior manager in charge of running your anti-corruption programme. This includes being aware of applicable law, including the extraterritorial reach of legislation if relevant. If uncertain, seek advice from qualified legal advisors.
- Make sure your anti-corruption programme is built on formal policies and procedures that are written down and endorsed at the highest level of your business. These policies and procedures should:
 - explicitly meet provisions 9.1a–c above;
 - also cover political donations, charitable (and similar or equivalent) contributions and sponsorships;
 - include clear, practical criteria and instructions for recording, approving and accepting third-party gifts, including hospitality and entertainment (use your judgement to set acceptable thresholds for these gifts, in the context of local customary practice versus risk of corruption);
 - be communicated to all workers such as employees, agents, contractors and anybody else who may act on your behalf;
 - be referenced in appropriate contract documents; and
 - be publicly accessible, for example by posting them on your company website, or by making them available on request or visible to visitors.
- Use these policies and procedures as a foundation for establishing awareness of corruption issues and risks and embedding an anti-corruption culture in the organisation.
- Make sure there is a named contact person or office to provide advice and receive complaints or concerns about compliance with your anti-corruption policies and procedures.
- Review your anti-corruption policies and procedures at least once a year to make sure they are up to date and still reflect the latest applicable law.

→ ANTI BRIBERY & CORRUPTION POLICY TEMPLATE



LGMS 9 Bribery and facilitation payments

LGMS 9.2: RISK MANAGEMENT

Members shall have *systems* in place to manage *bribery* risk in their organisations. The *systems* shall include:

- a. Identification and monitoring of those parts of their business that pose high risk of participation in *bribery*.
- b. Training of relevant managers and *workers* on policies and *procedures*.
- c. Recording of relevant gifts to and from third parties in a gift register, as per the member's policy.
- d. A whistle-blowing or other mechanism for *workers* or other *Affected People or Groups* to raise concerns.
- e. Investigation of any incidences of suspected *bribery* within the organisation.
- f. Sanctions for *bribery* and attempted *bribery*.

Actions to be taken:

- Bribery risk varies across different business types and geographical locations, but they often involve people with the power to influence transactions or business relationships with third parties, including government entities (and entities in which public officials have interests).
- Do a risk assessment to identify those parts of your business that are exposed to bribery risk:
 - consider getting expert help, especially if you have a complex business operating in multiple locations.
 - the RJC has a risk assessment toolkit (available on the [member portal](#)), that includes a general risk assessment template you might find useful, particularly if you are a small business. Alternatively, use your own tried and tested risk assessment process.
- Your risk assessment should cover all types of bribery risk relevant to your business and local context; it should also distinguish between different parts of the business according to their level of risk so that anti-corruption programmes, controls, training and monitoring can concentrate on areas of greatest risk.
- Establish a documented anti-corruption programme based on the policies and procedures developed under LGMS 9.1 and, starting with the areas of greatest risk, work to mitigate all identified bribery risks. Use a range of tactics, appropriate to your business's circumstances, including:
 - training for all employees, agents and contractors;
 - formal approval procedures that avoid concentration of authority with individuals;
 - enhanced oversight of higher-risk transactions;
 - documented selection criteria supported by due diligence for hiring new agents and contractors;
 - appropriate anti-corruption compliance provisions embedded in contract documents; and
 - the recording of any instances of attempted bribery and their investigation.
- Create a third-party gift register, either as a stand-alone system or as part of a broader payment system. Record all gifts given, received and accepted using the criteria set under LGMS 9.1.



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- Gifts include major charitable contributions, sponsorships, community payments and any significant hospitality expenses that are offered in commercial circumstances with bribery risks.
- To help you spot incidents of bribery when they occur and ensure compliance with your anti-corruption policies and procedures:
 - Establish a whistle-blowing or other suitable mechanism for employees and others to anonymously report bribery and corruption concerns.
 - Monitor the risk of bribery using methods appropriate to your business's circumstances. These may include, for example, financial analyses, interviews and approval 'tests'.
 - Get competent personnel who are free of conflict of interest to periodically review compliance with your anti-corruption policies and procedures.
 - Establish sanctions for non-compliance, communicate these to all workers such as employees, agents and contractors, and implement them for all confirmed cases of bribery or attempted bribery.

Transparency International characterise facilitation payments or small bribes as transactions required in everyday activities such as at border crossings, but where these transactions may not be officially sanctioned by applicable laws. Transparency International note that facilitation payments or small bribes may be:

- **Situational:** They occur in situations where a public official demands a bribe for a service to which a person or company is entitled. They may also be demanded by police or other officials backed by a threat of a fine or other adverse consequence.
- **Transactional:** Small bribes are commonly demanded in certain transactions or activities, typically in travel, logistics or seeking approval of some kind such as a visa, licence, certificate, utility service or regulatory approval.
- **Private sector risk:** Small bribes can be also demanded by private sector employees especially as a consequence of privatisation.
- **Many forms:** Small bribes can take the form of cash, vouchers, pre-paid phone cards, alcohol, perfume, cigarettes, and tickets to events.

LGMS 9.3: FACILITATION PAYMENTS

Where *facilitation payments* are allowed by *applicable law*, members shall:

- Act to eliminate all *facilitation payments*, or, where elimination is not possible, reduce the size and frequency of *facilitation payments* over time.
- Ensure that *facilitation payments* are of limited nature and scope.
- Implement controls to monitor, oversee and fully account for any *facilitation payments* made by them or made on their behalf.
- Annually publicly disclose *facilitation payments* made to public or government officials.



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Actions to be taken:

- Make sure you know the applicable law on facilitation payments.
- If these payments are not permitted under applicable law, make sure they are addressed by provisions LGMS 9.1 and LGMS 9.2.
- If they are permitted by law, make sure that:
 - your anti-corruption policy and procedures provide clear and practical guidance on acceptable and unacceptable facilitation payments;
 - all facilitation payments are approved by a responsible manager; and
 - all facilitation payments are fully accounted for and recorded, for example in a register.
- Consider informing external parties who receive facilitation payments about your policies limiting their nature and scope.
- Monitor the implications and consequences of facilitation payments, with a view to identifying those that could be reduced or eliminated.
- You need to report facilitation payments as part of their transparent reporting on their anti-corruption programmes. This public reporting can be part of the reporting required under LGMS 3.1.

CHECK

- Do you know the applicable law regarding bribery and facilitation payments?
- Have you established an anti-bribery policy and communicated it to employees and agents, whilst also making it publicly available?
- Can you show the auditor your systems for managing bribery risk, such as a risk assessment, training, a gift register, a whistle-blowing mechanism, and procedures for investigation and sanctions?
- Do you have appropriate controls over facilitation payments, where permitted by law, and if you make them, with the intent to reduce and eliminate them over time?
- Do you annually publicly disclose facilitation payments made to public or government officials?



LGMS 9 Bribery and facilitation payments

E FURTHER INFORMATION

WEBSITES

- [The UK Bribery Act 2010](#)
- [Publish What You Pay](#)
- [Transparency International, Adequate Procedures Guidance](#)
- [Transparency International, The UK Bribery Act](#)
- [Transparency International, Global Anti-Bribery Guidance](#)
- [UN Global Compact, Anti-corruption](#)
- [UN Office on Drugs and Crime \(UNODC\), UNODC's Action Against Corruption and Economic Crime](#)
- [US Department of Justice, Foreign Corrupt Practices Act](#)
- [World Economic Forum, Partnering Against Corruption Initiative](#)

PUBLICATIONS

- [KPMG, The Prevention of Corruption \(Amendment\) Act, 2018: Key Highlights \(2018\)](#)
- [OECD, OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions \(1997\)](#)



LGMS 10 Know your counterparty (KYC): money laundering and financing of terrorism

A APPLICABILITY

This provision applies to all facilities.

Supply Chain Point	LGMS 10 Know Your Counterparty (KYC)			
	10.1	10.2	10.3	10.4
Lab-grown materials producer	✓	✓	✓	✓
Lab-grown materials cutter and/or polisher	✓	✓	✓	✓
Lab-grown materials trader	✓	✓	✓	✓
Jewellery and watch manufacturer and/or wholesaler	✓	✓	✓	✓
Jewellery and watch retailer	✓	✓	✓	✓
Recycler	✓	✓	✓	✓
Service industry	✓	✓	✓	✓

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 11).

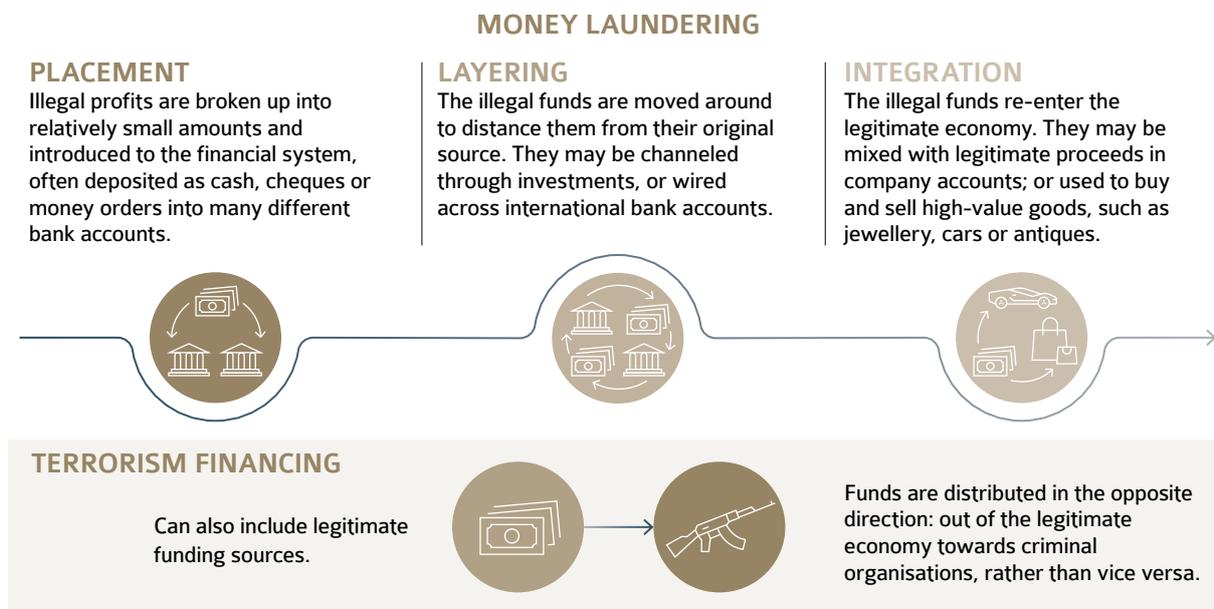
The very nature of precious metals, diamonds, coloured stones and jewellery makes them attractive to criminal organisations looking to legitimise assets: they have intrinsic value, are easily smuggled and can be bought and sold anywhere in the world. That makes dealers in these high-value goods, including 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 LGMS 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.

LGMS 10 Know your counterparty (KYC): money laundering and financing of terrorism

FIGURE 11. THE THREE STAGES OF MONEY LAUNDERING (AND TERRORISM FINANCING)



C KEY REGULATIONS, STANDARDS AND INITIATIVES

INTERNATIONAL STANDARDS

In 1989, at its summit in Paris, the G7 established the Financial Action Task Force (FATF) on money laundering to co-ordinate an international response to money laundering. In 2001, the FATF mission was expanded to include reducing or eliminating the financing of terrorism.

The FATF Recommendations¹ (updated in October 2018) sets out the measures that national governments should take to implement programmes for preventing, detecting and suppressing both money laundering and terrorist financing, as well as other types of financial crime.

The FATF has also issued guidance on using a risk-based approach to combat money laundering and terrorist financing, designed specifically for dealers in precious metal and stones.

NATIONAL AND INTERNATIONAL LAW

Most countries have strict legislation and regulations to prevent money laundering, which is a criminal activity. You must ensure you are aware of the local anti-money laundering (AML) laws and regulations in every jurisdiction in which you operate. Dealing in high-value goods, such as precious metals, stones or jewels, often triggers regulatory requirements to implement internal transaction monitoring and controls.

¹ FATF, The FATF Recommendations (2012–2018) www.fatf-gafi.org/publications/fatfrecommendations/documents/fatf-recommendations.html

LGMS 10 Know your counterparty (KYC): money laundering and financing of terrorism

D IMPLEMENTATION GUIDANCE

LGMS 10.1: KNOW YOUR COUNTERPARTY POLICY AND PROCEDURES

Members shall document and apply KYC policy and *procedures* for counterparties and *business partners* that are suppliers of and *customers* for lab-grown materials, or *jewellery products* containing lab-grown 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*, members shall determine and record the *beneficial ownership* and principals of the *counterparty*.
- b. Verify that the *counterparty* and, if applicable, its *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 *financing of terrorism* to the relevant authority as applicable.
- e. Maintain adequate *records* for either a minimum of five years or as long as required by national legislation, whichever is longer.

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 12).

FIGURE 12. FOUR AREAS OF DOCUMENTED PROCEDURES THAT UNDERPIN A ROBUST KYC PROGRAMME





LGMS 10 Know your counterparty (KYC): money laundering and financing of terrorism

Actions to be taken:

- KYC procedures should enable you to identify all the suppliers and customers of lab-grown materials or 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).
- KYC needs to be applied to materials that you source that go into the production/growth of lab-grown materials. For example, you may source nickel or cobalt to use in the growth of the lab-grown stone. KYC needs to be applied to the supplier of nickel or cobalt.
- 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.
- 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.

→ [KYC POLICY AND PROCEDURES TEMPLATE](#)

→ [KYC REQUEST FORM TEMPLATE](#)



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LGMS 10 Know your counterparty (KYC): money laundering and financing of terrorism

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. This includes members of foreign stock exchanges that belong to the World Federation of Diamond Bourses, companies listed on the officially registered Belgian diamond companies website or the American Gem Trade Association.

Relevant information may also be available through sector-specific initiatives that support KYC. For example, the Antwerp World Diamond Centre and the Federal Public Service Economy co-host an online database of registered diamond companies in Belgium that allows businesses to identify their counterparties (www.registereddiamondcompanies.be).

In India, the Gem and Jewellery Export Promotion Council has a similar database called MyKYCBank that allows companies to store their KYC information and share it with selected trading partners, banks and other financial intermediaries. The database is currently limited to companies based in Belgium and India but may be expanded to include other countries (www.mykycbank.com).

Source:

- [FATF, RBA Guidance for Dealers in Precious Metal and Stones \(2008\)](#)

- 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, 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 **LGMS 7 Due diligence for responsible sourcing, including 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 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.



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LGMS 10 Know your counterparty (KYC): money laundering and financing of terrorism

- 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 US Office of Foreign Assets Control's Specially Designated Nationals and Blocked Persons List www.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.
- 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.



LGMS 10 Know your counterparty (KYC): money laundering and financing of terrorism

LGMS 10.2: KYC RESPONSIBILITY

Members shall assign authority and responsibility to a *senior staff* member for implementing the KYC policy and *procedures*.

Actions to be taken:

- 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.
- Large or high-risk businesses should consider hiring an independent qualified auditor to regularly review and test your KYC programme.





LGMS 10 Know your counterparty (KYC): money laundering and financing of terrorism

LGMS 10.3: KYC REVIEW

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

Actions to be taken:

- Review your KYC policy and procedures regularly – at least once a year or based on any changes to your business.
- Consider making this review as part of the policy and management system review in LGMS 2.7.
- 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.

LGMS 10.4: KYC CASH RECORDS

Members 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, members shall report such transactions to the relevant designated authority.

Actions to be taken:

- 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.)
- 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.



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LGMS 10 Know your counterparty (KYC): money laundering and financing of terrorism

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 LGMS 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.

Your 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's mutual valuation reports that assess individual countries' compliance with the FATF Recommendations. See www.fatf-gafi.org/topics/mutualevaluations.



LGMS 10 Know your counterparty (KYC): money laundering and financing of terrorism

✓ CHECK

- Have you got a documented KYC policy and procedures for business partners?
- Have you carried out a risk assessment of these business partners to identify vulnerability to involvement in money laundering or the finance of terrorism?
- For high-risk suppliers and customers, or where required by regulation, have you established beneficial ownership and principals?
- Can you show the auditor how you monitor transactions for unusual or suspicious activity, against a general knowledge of the nature of their business?
- Do you have procedures for reporting suspicious transactions to the relevant designated authorities?

E FURTHER INFORMATION

☰ WEBSITES

- [Financial Action Task Force \(FATF\)](#)
- [FATF, Mutual Evaluations, by country](#)
- [International Money Laundering Information Network \(IMoLIN\)](#)
- [US Jeweler's Vigilance Committee](#)
- [Registered Belgian Diamond Companies](#)
- [UN Office on Drugs and Crime \(UNODC\), UNODC on Money-Laundering and Countering the Financing of Terrorism](#)

☰ PUBLICATIONS

- [FATF, International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation: FATF Recommendations \(2012, updated 2016\)](#)
- [FATF, RBA Guidance for Dealers in Precious Metals and Stones \(2008\)](#)
- [World Bank Group, Reference Guide to Anti-Money Laundering and Combating the Financing of Terrorism \(2006\)](#)



INTRODUCTION	GENERAL REQUIREMENTS	RESPONSIBLE SUPPLY CHAINS AND HUMAN RIGHTS	LABOUR RIGHTS AND WORKING CONDITIONS	HEALTH, SAFETY AND ENVIRONMENT	LABORATORY GROWN MATERIAL PRODUCTS
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LGMS 11 Security

A APPLICABILITY

This provision applies to all RJC members that handle jewellery products, use security guards and/or engage public or private security providers.

Supply Chain Point	LGMS 11 Security		
	11.1	11.2	11.3
Lab-grown materials producer	✓	✓	✓
Lab-grown materials cutter and/or polisher	✓	✓	✓
Lab-grown materials trader	✓	✓	✓
Jewellery and watch manufacturer and/or wholesaler	✓	✓	✓
Jewellery and watch retailer	✓	✓	✓
Recycler	✓	✓	✓
Service industry	✓	✓	✓

B ISSUE BACKGROUND

Individuals, communities, businesses and governments alike all need to feel safe and secure in their day-to-day work. At all levels of the jewellery supply chain, where high-value materials are known to be a target for criminals, the risks to personal safety and property require responsible security measures.

This may include the use of security personnel, both public and private (see box 'Private and public security'). In both cases, these personnel's primary role is to protect the company's people, property, product, IP and reputation from security threats, which can emanate from criminal groups, local communities, company workers, for example. They include things like:

- General theft;
- Fraud;
- Violent disturbances;
- Sabotage of infrastructure;
- Organised theft (company product, fuel or other commodities);
- Kidnapping, intimidation or assassination of staff;
- Cyber security – hacking, ransom wear, access to customer personal data not covered but probably one of the most likely security issues at this time; and
- Industrial espionage – espionage conducted for commercial purposes

While companies have a legitimate responsibility to staff and shareholders to protect people and property, working with security personnel can, in some circumstances, pose further risks that need to be managed. For example, there are many documented cases where security personnel (both public and private) have been implicated in serious human rights abuses, pursued corrupt policies or practices, resorted to inappropriate use of force or firearms, or otherwise created conflict. Disadvantaged and vulnerable groups may be at greater risk of abuse; all companies need to factor this into their security strategy.



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LGMS 11 Security

Ongoing social unrest and conflict at a regional or national level can add complexity to a company's security strategy as company personnel, assets or strategic facilities can all be the target for violent action in these situations.

PRIVATE AND PUBLIC SECURITY

Many companies employ private contractors to provide their security. In these cases, companies have a duty to ensure that these contractors work in ways that protect and promote human rights, for example by embedding acceptable policies and procedures into contracts and maintaining clear oversight over all security activities.

In some cases, member operations rely on public security providers (the police or military) to protect their people and property. In return, companies may be required or expected to contribute to the costs. The potential for corruption, conflict and political violence is no less when using public compared with private security. Indeed, while public security is expected to uphold local, national and international humanitarian law, abuses can and have been known to occur. In repressive societies, public security organisations can have a particularly troubled history.

In all cases, companies that rely on public security must be vigilant to the risks of human rights abuses, and do what they can to ensure public security personnel maintain a respect for human rights.

C KEY REGULATIONS, STANDARDS AND INITIATIVES

INTERNATIONAL STANDARDS

The International Code of Conduct Association (ICoCA, www.icoca.ch) promotes the responsible provision of private security services and respect for human rights. ICoCA has three interrelated core functions:

- Certification of member companies to ensure their systems and policies meet the wide range of standards and principles that make up the code;
- Monitoring of company compliance; and
- Handling of complaints on alleged violations of the code.

Specifically, the code includes rules for the use of force, prohibition of torture, sexual violence, human trafficking and child labour. It also sets out a series of management and governance principles on, for example, the selection, vetting and proper training of security personnel.

NATIONAL LAW

Most countries have legislation and regulation regarding the appropriate role of security and military forces in society. In many national and state jurisdictions, individuals must be trained and have a licence before they can carry weapons such as firearms, batons or pepper sprays. Police or military certification may be required for certain security duties.



LGMS 11 Security

D IMPLEMENTATION GUIDANCE**LGMS 11.1: SECURITY MEASURES**

Members shall assess security risks and establish measures that protect *workers*, *visitors* and personnel employed by relevant *business partners* against product theft, damage or substitution of products within the premises and during events, exhibitions and *shipments*.

Actions to be taken:

- Make a senior management function responsible for managing security, which should be considered for directly and indirectly employed workers and anyone else that comes to your premises, as well as for all those involved in (or whose security is potentially affected by) your business activities outside the premises (for example, during transport or at events or exhibitions).
- Establish processes that can identify structural and emergent security threats and address them at various levels through effective security management and, where relevant, community engagement. This could include, for example, developing:
 - security policies and procedures that clearly prioritise the protection of people over product;
 - training for workers on relevant security policies and procedures;
 - internal control procedures to rapidly detect theft, should it occur;
 - appropriate arrangements for security during shipment, and for protection of security personnel involved in transportation;
 - relationships with local law enforcement agencies, where appropriate; and
 - regular consultation with host governments and local communities about the impact of security, where appropriate.
- Always protect and strictly control sensitive security-related documents. Note that even though your auditors may not be granted access to the specifics of your security measures, they can still use interviews and observation to determine whether your security measures are appropriate.
- Your risk assessment should consider:
 - the full range of security risks (including political, economic, civil, social and environmental where applicable);
 - the potential for violence;
 - the risk of human rights abuses related to equipment transfers, where appropriate.
- You may also consider using competent professionals to carry out a formal risk assessment to evaluate security risks and the potential for human rights abuses. The risk assessment shall draw on credible information from affected stakeholders including vulnerable groups and expert advice, human rights records of the host government or local political environment. The approach taken, inputs used and outcomes of the risk assessment actions to be taken to prevent or mitigate identified risks, and monitoring that will be conducted to ensure that mitigation measures are effective, shall be documented in a risk management plan.



LGMS 11 Security

SECURITY AND VULNERABLE GROUPS

Any security risk assessment must consider the particular risks facing disadvantaged and vulnerable groups. This includes assessing the potential impact that putting security measures in place might have on these groups. Security personnel can encounter disadvantaged and vulnerable groups in various ways: as employee's family members or community members, and as victims, perpetrators or witnesses of alleged crimes on company property.

When developing security strategies and measures, take particular care to protect the rights of children who, because of their young age and physical weakness, are at a greater risk of abuse, intimidation and harassment. Children should never be used by security providers for any tasks, including food procurement, logistics, administration or espionage.

LGMS 11.2: SECURITY PERSONNEL

Members shall ensure that all security personnel respect the *human rights* and dignity of all people and use force only when strictly necessary, using the minimum proportionate to the threat.

Actions to be taken:

- Develop a written policy or agreement on the conduct of security personnel that:
 - emphasises the need to respect human rights;
 - sets the boundaries for security activities;
 - outlines appropriate procedures for managing security issues and conflicts; and
 - states the consequences of any human rights abuses.
- Make arrangements for monitoring performance against the policy, and for carrying out investigations and disciplinary actions.
- Certain situations and activities may require that security personnel be armed, and this may be determined by the security provider in accordance with their own risk assessments. If this is the case, make sure that any armed personnel are properly trained and licensed in accordance with applicable law.
- All these requirements also apply to any security that you outsource to a third party. Before using any third-party security provider, as part of your due diligence, assess their ability to operate within your defined policy. In all cases, incorporate your security policy into contractual agreements with third-party security providers.
- If you hire a third party security provider, it is best practice to encourage them to adopt the practices of the ICoCA.

1 The Voluntary Principles on Security and Human Rights http://docs.wixstatic.com/ugd/f623ce_60604aa96d1c4bdcb633916da951f25.pdf



LGMS 11 Security

ADDITIONAL BEST PRACTICE:

- Initial training to employed or contracted security personnel prior to their deployment and ongoing refresher training that incorporates the member's security and human rights related policies procedures, risks and controls, applicable laws, and expected conduct in relation to respect for human rights and the appropriate use of force and firearms.
- Keep records on training delivered to all security personnel.
- Processes that ensure that weapons, such as firearms, are only used for the purpose of self-defence or the defence of others or property from armed intrusion if there is an imminent threat of death or serious injury.
- Impose appropriate disciplinary action to prevent and deter abusive or unlawful acts by security personnel and acts that contravene the company's policies on rules of engagement, the use of force and firearms, human rights, and other relevant policies.
- Take appropriate actions to mitigate and provide remediation for human rights impacts, injuries or fatalities caused by security providers.

LGMS 11.3: INTERNATIONAL CODE OF CONDUCT FOR PRIVATE SECURITY

Members whose business it is to provide private security services to the jewellery supply chain shall be certified members of the International Code of Conduct Association (*ICoCA*).

Actions to be taken:

Members providing private security services must be certified against International Code of Conduct Association (ICoCA). Your certification status will be verified during your audit. If you are in the process of obtaining certification against the ICoCA, a minor non-conformance will be raised and compliance will be verified during your next scheduled audit.

✓ CHECK

- Have you assessed security risks and do you have appropriate security measures in place based on those risks?
- Do the security measures prioritise the protection of people?
- Do security personnel know the expectations of their conduct?
- If you provide private security services, are you a member of the International Code of Conduct for Private Security Service Providers?



LGMS 11 Security

E FURTHER INFORMATION**WEBSITES**

- [Business & Human Rights Resource Centre](#)
- [International Business Leaders Forum](#)
- [International Code of Conduct Association \(ICoCA\)](#)
- [International Committee of the Red Cross \(ICRC\). Resource Centre](#)
- [The Montreaux Document on private military and security companies](#)
- [Registered Belgian Diamond Companies](#)

PUBLICATIONS

- [OECD, Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones \(2006\)](#)
- [OECD Watch, Fact Sheet 3: Assessing Adherence to the OECD Guidelines' Human Rights Provisions \(2007\)](#)
- [UNICEF, Child Rights and Security Checklist \(2017\)](#)
- [UNICEF, Child Rights and Security Handbook \(2018\)](#)



LGMS 12 Claims

A APPLICABILITY

This provision applies to all RJC members except LGMS 12.6 which only applies to members selling directly to consumers.

Supply Chain Point	LGMS 12 Claims					
	12.1	12.2	12.3	12.4	12.5	12.6
Lab-grown materials producer	✓	✓	✓	✓	✓	✓
Lab-grown materials cutter and/or polisher	✓	✓	✓	✓	✓	✓
Lab-grown materials trader	✓	✓	✓	✓	✓	✓
Jewellery and watch manufacturer and/or wholesaler	✓	✓	✓	✓	✓	✓
Jewellery and watch retailer	✓	✓	✓	✓	✓	✓
Recycler	✓	✓	✓	✓	✓	✓
Service industry	✓	✓	✓	✓	✓	✓

B ISSUE BACKGROUND

Consumers are becoming increasingly interested in where their products come from, demanding greater transparency and better understanding of the impact their purchases have on people and the planet. Businesses in the jewellery supply chain are increasingly asked about the conditions under which their products have been produced or sourced. In turn, they are increasingly doing more to understand their own supply chain and ensure the materials they sell do not contribute to conflict, child labour, human rights abuses, environmental destruction and other risks. The industry is continually adapting to these changing consumer demands, and this is reflected in not only the practices of companies globally, but also in the claims they make about their processes and products.

Claims around sustainable and ethical practices are now helping provide a competitive edge for many companies globally, often illustrating to consumers the positive impact of their operations. Many companies have also taken to using claims to detail their findings and assure their customers that the products they sell have not contributed to negative social or environmental impacts. It is critical that all claims companies make are both truthful and representative of the systems in place to 'deliver' on the claim: misleading or deceptive claims pose a significant risk to the reputation of individual companies and the industry. The robustness of systems is critical to the credibility of this claim.

The need for greater transparency around claims is becoming increasingly apparent, and this is evident in particular through the greater number of regulations and industry guidelines being released about accurate and verifiable claims.

Further, provenance claims are voluntary and the RJC does not require its members to make any provenance claims. If provenance claims are made, they must meet the requirements in this provision, and be audited as part of the LGMS audit. Only claims that go beyond the requirements of the LGMS will be audited as a provenance claim.

The claims section of the LGMS has been designed to enable our members to define their own claims, while ensuring that any such claims are transparent, well reported and underpinned by effective management systems.

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LGMS 12 Claims

Provenance claims can take many different forms depending on how a business operates, and what commitment it wants to make. The LGMS covers four main, but not exhaustive or mutually exclusive, scenarios for making provenance claims, for when a business:

- Traces material back through the supply chain to its origin, for example through invoices from the growing operation or through systems using new technologies like blockchain;
- Verifies the sources or practices related to the material, for example working with suppliers to source recycled material;
- Sources material from certified suppliers, for example buying from PAS7000 certified suppliers; and
- Scrutinises materials or sourcing in another way, for example going beyond the **LGMS 7 Due diligence for responsible sourcing, including from conflict-affected and high-risk areas** requirements by carrying out due diligence on environmental impacts related to production.

Driven by concerns about greenwashing, many countries have increased their regulations and/or monitoring of sustainability claims, including environmental and social claims. It is increasingly important that RJC members ensure that any business practice claims related to the LGMS, COP and COC comply with applicable laws and the requirements of the RJC standards.

C KEY REGULATIONS, STANDARDS AND INITIATIVES

INTERNATIONAL STANDARDS

The International Organization for Standardization (ISO) 14020 series of standards provides businesses with a globally recognised and credible set of international benchmarks against which they can prepare their environmental labelling. These provide a useful reference for claims and how to communicate them, especially **ISO 14020:2023**¹. Environmental statements and programmes for products – Principles and general requirements on general principles for product-related environmental statements and environmental statement programmes. Environmental statements result from environmental statement programmes and include self-declared environmental claims, ecolabels, environmental product declarations (EPDs) and footprint communications.

ISO 14020 is part of a suite of standards in the ISO 14020 series. The Standard ISO 14021:2016 Environmental labels and declarations – Self-declared environmental claims (Type II environmental labelling) sets out rules for self-declared environmental claims related to products, including statements, symbols, and graphics. It also explains commonly used terms in environmental claims and provides guidelines for their usage. This International Standard outlines a general methodology for evaluating and verifying self-declared environmental claims, as well as specific methods for evaluating and verifying the chosen claims within this International Standard. ISO 14021:2016 does not disregard, supersede, or alter legally mandated environmental information, claims, or labelling, or any other relevant legal requirements.

ISO/TS 17033:2019 Ethical claims and supporting information — Principles and requirements was developed to give users principles and requirements for developing and declaring ethical claims and to provide information to support these, in particular where specific standards have not been developed, or to supplement existing standards.

¹ ISO 14020:2022 Environmental statements and programmes for products – Principles and general requirements (2022) <https://www.iso.org/standard/79479.html>



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LGMS 12 Claims

NATIONAL LAW

Provenance claims are a form of representation and may be regulated by consumer protection laws that prohibit false and misleading advertising (see **LGMS 27 Product disclosure**).

The EU green claims directive aims to ensure that environmental claims made by companies about their products or services are reliable, comparable, and verifiable across the EU. It requires companies to substantiate claims with evidence and scientific data, and prohibits misleading green claims.

The FTC Green Guides provide guidance to marketers on how to make environmental claims that are truthful and not misleading. They include principles and examples on how to substantiate claims like “recyclable,” “biodegradable,” and “carbon neutral”. Note that some changes are being made to legislation to move away from allowing carbon neutral or negative claims based on the offsetting of greenhouse gas emissions.

The UK Green Claims Code is a set of guidelines developed by the UK’s Competition and Markets Authority (CMA) to help businesses ensure that their environmental claims are accurate, clear, and not misleading. Launched in September 2021, the Code aims to protect consumers from “greenwashing” and promote honest communication about the environmental impact of products and services.

D IMPLEMENTATION GUIDANCE

LGMS 12.1: CHECK APPLICABILITY

Members shall check whether they make any *claims* that apply under this provision that relate to:

- RJC membership
- RJC certification
- *Provenance claims* about lab-grown materials, or products containing lab-grown materials
- *Product claims* or *marketing claims*
- *Sustainability claims* about the members or their products, services and/or business practices in relation to the scope of the RJC standards

Actions to be taken:

- Establish whether this provision applies to you by reviewing all your advertising, marketing and other sales-related documentation, as well as product invoices and any other type of communications, to determine whether you are making any claims, as defined in sections A and B (also see box ‘Examples of claims’).
- If you are a large company, co-ordinate your review across departments to make sure you don’t miss any claims. This can include asking:
 - Do any clients have specific requirements for their products or materials?
 - To whom does the marketing team talk before developing promotional material?
- If your review determines that this provision does not apply to you, document the results and get them approved by an appropriate senior manager. Include details on what materials were checked and which colleagues were spoken to.



LGMS 12 Claims

LGMS 12.2: SYSTEMS

Members that make one or more *claims*, whether to other businesses, the end *consumer* or the public, shall have management *systems* that:

- a. Ensure that the *claims* meet *applicable law* and are truthful and substantiated by evidence.
- b. Ensure that *workers* who are responsible for implementing the *claims*, and responding to enquiries about the *claims*, are trained, understand the *claims* and can explain them accurately.
- c. Provide information to suppliers, *customers*, end *consumers* or members of the public who ask about a claim.
- d. Revoke *claims* that are found to be misleading, untruthful or not verifiable, take corrective action to avoid their recurrence, and inform *Affected People or Groups* about the revoked *claims*, and the corrective actions.

Actions to be taken:

For provision LGMS 12.2a Systems:

- If you intend to make claims, then you need to establish management system to ensure the claims are truthful and can be verified with objective evidence. Consider integrating these claims related management systems as per the requirements in provision **LGMS 2 Policy and management systems**.
- Claims may be made in your public reports as required in **LGMS 3 Reporting**. Information in the GRI or ESG reporting guidelines (referenced in the Guidance for **LGMS 3 Reporting**) helpful to determine the evidence required you need to back up these types of claims.
- If you make a claim, you must be able to substantiate it with an underpinning management system fit for the claim being made – that is, a system that ensures you can uphold your claim consistently (see box 'Examples of claims').
- You can make claims with one or more existing industry standards. You do not, however, have to adopt any particular industry standards and can choose to develop your own internal systems. If you do, make it transparent so that your system (for example,) is clear and publicly available.
- Be careful when using ESG related words, for example 'ethical', 'responsible' or 'sustainable' and only do so if you clearly define the term within the wording of the claim itself. ISO/TR 17033 provides further guidance on how to make such claims and the required data or elements for transparency and accuracy.
- Note that you can still make claims even if they only apply to some, rather than all, of your materials. You need to make this clear in the claim. That means using qualifying phrases such as 'when requested', 'we can offer...' or 'at least 95% of our diamonds...'
- It is important that you can communicate to customers about changing claims and, if there is significant change or if a new claim is made, that this is audited as soon as possible...'
- Systems should include procedures, record keeping and internal material controls (see Figure 13).

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LGMS 12 Claims

FIGURE 13. SYSTEMS TO ENSURE VALID CLAIMS



For provision LGMS 12.2b Training:

- Identify staff that need training (for example, those making claims, those that are part of the underpinning systems).
- Develop appropriate materials and establish clear procedures for training staff. Keep a register and records of each training session (including attendance sheets and certificates, both of which provide good evidence for auditors).
- Nominate one or more responsible managers to oversee the training programme.
- Make sure employees have access to all relevant documentation on all your claims.

For provision LGMS 12.2c Transparency:

- This requirement is not meant to restrict your ability to summarise claims for marketing purposes; complying with this provision does not mean you must use the exact words that were approved by the auditor during your audit every time you want to talk about your claim. You do, however, need to ensure that the meaning is never changed.
- Your stakeholders should be able to get more information on any of your claims by simply asking for it (with due regard for any confidential information). Do not make a claim that can only be supported with the use of confidential information.
- You may find it useful to establish a list of all your claims alongside the systems that sit behind each one. This will help ensure accurate messaging when communicating with customers or answering their requests for more information. If you make it available at the point of sale and/or on your website, it will also help you meet the requirements of LGMS provision 12.6.
- Ensure that your complaints and grievance mechanism in line with **LGMS 2 Policy and management systems** (see LGMS 2 for a 'Grievance mechanism template') is accessible for any stakeholder making complaints or seeking clarification about your claims.



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LGMS 12 Claims

For provision LGMS 12.3d Revoking claims:

- Ensure that, as soon as you discover that there is a mistake with a claim, that the claim had not been verified, is no longer valid, or is untruthful or misleading, you need to implement corrective actions which may also require you to revoke the claim.
- You should issue a public statement to clarify the mistake or the untruthful and misleading claim to all affected stakeholders.
- If you issue a revised or new claim, remember it needs to be validated as per the requirements of LGMS 12.2.

CLAIMS ABOUT MATTERS COVERED IN THE LGMS

Claims that relate to compliance with the LGMS will be audited as part of the relevant LGMS provision, and will not be certified as provenance claims. This includes claims on:

- Sourcing in accordance with the OECD Guidance (in accordance with **LGMS 7 Due diligence for responsible sourcing, including from conflict-affected and high-risk areas**);
- Testing for undisclosed laboratory-grown diamonds or claims that the diamonds are 'natural' (in accordance with LGMS 28.3).

Claims that relate to product quality, or place of manufacture, similarly do not count as provenance claims under this provision and will not be audited as such. This includes claims such as 'Made in (country)', which require a specific location of manufacture.

CLAIMS ABOUT MATTERS COVERED IN THE COP

For COP certified members, claims that relate to compliance with the COP will be audited as part of the relevant COP provision, and will not be certified as provenance claims. Much like the above for LGMS, the COP includes claims on provisions 7 Due diligence for responsible sourcing, including from conflict-affected and high-risk areas, COP 29 for product disclosure. The COP also includes claims on COP 30. See the COP standard for more detail.

CLAIMS ABOUT MATTERS COVERED IN THE COC

For COC certified members, claims that relate to compliance with the COC will be audited as part of the relevant COC provision, and will not be certified as provenance claims. This includes claims on:

- Sourcing or producing COC certified materials; and
- Having effective segregation systems in place for separating COC and non-COC materials.



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LGMS 12 Claims

EXAMPLES OF CLAIMS

Membership-related claims

- [Member name] is a member of the Responsible Jewellery Council (RJC) and fully supports the RJC vision for a responsible world-wide supply chain that promotes trust in the global jewellery and watch industry [Link to Member page on the RJC website].
- [Member name] joined RJC in [year]. [Link to Member page on the RJC website].

Certification-related claims

- [Member name] is a member of the Responsible Jewellery Council (RJC). We are committed to achieving certification to the Laboratory Grown Material Standard to support responsible practices in the jewellery and watch industry. [Link to Member page on the RJC website].
- [Member name] is a member of the Responsible Jewellery Council (RJC). We are working towards achieving certification to the Laboratory Grown Material Standard by [relevant date e.g., within 2 years of joining RJC, or an internal target date]. [Link to Member page on the RJC website].
- [Member name] is certified to the Responsible Jewellery Council (RJC) Laboratory Grown Material Standard (LGMS) and our LGMS certification is valid until [enter the expiry date as it appears on the certificate] [Link to Member page on the RJC website].
- At [Member name], we are committed to responsible and sustainable practices. That is why we are certified as meeting all applicable provisions in the Responsible Jewellery Council (RJC) Laboratory Grown Material Standard (LGMS). Our Laboratory Grown Material Standard certification scope covers [enter the scope as it appears on the certificate] and is valid until [enter the expiry date as it appears on the certificate] [Link to Member page on the RJC website].

Claims about responsible sourcing of RJC COC materials

- In 2024, we [Member name] sourced [x kg/tonnes] of RJC COC Material [or you can be specific about which material e.g. gold, silver, etc]. This COC material was produced by a complete supply chain of RJC Certified members.
- In 2024, [x%] of our total production consisted of RJC COC Material [or you can be specific about which material eg gold, silver, etc] sourced from an unbroken supply chain of RJC Certified members.

Sustainability or ESG related claims when selling to end consumers

- At the point of sale and/or on your website 'We sell responsibly produced lab-grown diamonds, from RJC LGMS certified companies.'



LGMS 12 Claims

EXAMPLES OF CLAIMS

Unacceptable claims

- *[Member name] is a Member of the Responsible Jewellery Council (RJC). Our membership means that [e.g., we have responsible or sustainable or green or an excellent human rights record – in other words, any claim relating to performance, where RJC certification has not been achieved].*

Below are examples of unacceptable product claims:

- *Our LGMs are carbon neutral because we use renewable energy* – it is unlikely that such a claim could be supported purely on this one element, given the amount of energy used in production and the associated emissions arising from the procurement and processing of raw materials, process gas exhaust, cutting & polishing, logistics etc. When making carbon neutral claims you would need to be able to show a full life-cycle analysis taking all relevant activities into account.
- *Our jewellery products use less energy and produce lower greenhouse gas emissions because we use recycled materials* – comparative product claims like this cannot be made unless you have conducted a comprehensive lifecycle analysis using credible information that has been verified including for all recycled materials and their origins not just when they re-enter the supply chain.
- *Our jewellery products use lab-grown stones which are better because natural stones are more expensive.* – subjective product claims like this cannot be made as there is no supporting verifiable evidence and a lack of specific detail provided.
- *Our jewellery products use lab grown stones which are better than natural stones because they are not sourced from conflict affected areas.* – this is similar to the previous unacceptable product claim. It has no verifiable basis and lacks specific detail.

Note

Remember that Certification against the LGMS alone does not permit any claims about lab-grown material or jewellery and watch items. Claims can only be about specific practices or processes as these relate to the LGMS and the member's certification scope.

LGMS 12.3: PROVENANCE CLAIMS

Members that make one or more *Provenance claims* shall ensure that:

- Claims* being made are clear, unambiguous and not misleading.
- Claims* are transparent and include statements about the underpinning *systems* and verifiable supporting evidence that substantiate the *claims*.
- All *Provenance claims* are independently verified during an RJC audit and reviewed by RJC.
- For situations when an existing RJC verified *provenance claim* is no longer valid or truthful due to a change to the member's business *operations* or to other external factors, it implements actions in line with LGMS 12.2d and notifies its certification body and RJC in writing within 7 business days with information about the situation and associated evidence of actions taken.
- Once certified to the LGMS, a new *provenance claim* or a change to an existing validated *provenance claim* shall be verified and reviewed in line with LGMS 12.3c.



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LGMS 12 Claims

Actions to be taken:

- If you make a provenance claim, you must be able to substantiate it with an underpinning management system fit for the claim being made – that is, a system that ensures you can uphold your claim consistently (see box ‘Examples of provenance claims’).
- Only claims that go beyond the requirements of the LGMS will be audited as a provenance claim.
- Systems should include procedures, record keeping and internal material controls as per the requirement in LGMS 12.2 above.
- If an RJC-certified member makes a provenance claim that is has not been verified during an RJC audit, stakeholders can raise a complaint through the RJC Complaints Mechanism.
- If you wish to make a new provenance claim and you do not have an audit booked within 6 months of making the provenance claim, then you must arrange a bolt on audit to take place – see the Member Certification Handbook.
- Under this provision, in addition to the steps above, the guidance under 12.1 also applies.

EXAMPLES OF PROVENANCE CLAIMS

Good practice

- *‘When requested, we can source lab-grown stones from Canada, buying them directly from a Canadian growing operation.’* This company commits to buying (and selling) Canadian lab-grown diamonds (the promise) and does this by buying directly from the growing facility (how they achieve the promise). Customers can find out more information about the growing facility on request.
- *‘We sell only post-consumer, recycled lab-grown diamonds. This is confirmed by due diligence on our suppliers.’* This company details in their provenance claim how they verify that the diamonds they sell are recycled.
- *‘We sell responsibly produced lab-grown diamonds, as we source from companies certified against the RJC Laboratory Grown Material Standard.’* This company commits to selling lab-grown diamonds that are certified to a scheme (the promise) and can do this because it is certified against the scheme (how they achieve the promise). Customers should be able to find out more about the RJC Laboratory Grown Material Standard through links online.

“All our lab-grown diamonds are sourced from [x country], as part of the [insert traceability program] which tracks the diamonds from the point of origin.”



LGMS 12 Claims

EXAMPLES OF PROVENANCE CLAIMS**Poor practice**

- ‘*We source all our materials responsibly.*’ This claim does not make a clear promise (it’s vague); nor does it say how the promise is achieved (the systems or requirements in place).
- ‘*We source responsibly sourced lab-grown stones based on written assurances from our suppliers.*’ This claim does not explain how ‘*responsibly sourced*’ is defined.
- “We test 100% of our stones and they are all lab-grown” or “Based on written assurances from our suppliers, our stones are lab-grown.” Claims covering actions to avoid buying and selling undisclosed materials are covered under LGMS 27 Product Disclosure.

Traceability claims

Many new technologies to enable traceability of material have emerged over recent years, for example blockchain and radio-frequency identification (RFID), both of which are increasingly used to trace materials through the supply chain.

If you make any traceability claims using these kinds of systems, you must ensure they are both credible and transparent. This includes checking that you carry out a sufficient technically competent review or verification of the system.

LGMS 12.4: PRODUCT CLAIMS

Members that make one or more product *claims* shall ensure that the *claims* being made are not misleading and are verifiable. This includes responsible sourcing, environmental and sustainability *claims*.

Actions to be taken:

- If you make product claims, these need to:
 - be accurate, not misleading and unlikely to result in misinterpretation;
 - be substantiated and verifiable;
 - be relevant and specific to that particular product;
 - be presented in a manner that clearly indicates whether the statement applies to the complete product, or only to a product component or packaging, or to an element of a service;
 - be transparent about how the statement is developed (e.g. specified requirements and criteria, declared parameters, PCR documents, calculation and testing methods);
 - take into consideration all relevant stages of the life cycle of the product;
 - Note 1 This does not necessarily mean that an LCA needs to be undertaken.
 - Note 2 Self-declared claims often address only one stage of the product life cycle.



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LGMS 12 Claims

- be presented in a manner which does not imply that the product is endorsed or certified by a third-party organisation when it is not;
- has accompanying supporting information and this is readily available;
- if a comparative statement is made, be specific and make clear the basis for the comparison;
- if based on a pre-existing but previously undisclosed aspect, be presented in a manner that does not lead the intended audience to believe that the statement is based on a recent product modification;
- be reassessed and updated as necessary to reflect changes in technology, competitive products or other circumstances that could alter the accuracy of the statement.
- Product statements and any supporting information should not:
 - be restated using different terminology to imply multiple benefits for a single claim;
 - either directly or by implication, suggest a comparative improvement which does not exist, or is overstated;
 - be made if, despite the statement being literally true, it is likely to be misinterpreted by intended audiences or is misleading through the omission of relevant facts;
 - be made where they are based on the absence of ingredients or features which have never been associated with the product category;
- RJC members should take special note of the above when making comparative claims – such as claiming that “our product has less impact on climate change” or “our product contains more recycled content”. When making a comparative claim, you need to have the data for the reference product or system against which the comparison is being made. For a comparative claim to be valid, the reference product or system must be the same as the one that is being claimed as “better”. Members should be aware of and ensure compliance with relevant legislation on comparative claims.
- Any claims made on recycled material should be in line with LGMS 12.3 Provenance claims.

LGMS 12.5: RJC LOGO USE

Members shall ensure that any use of the RJC logo, including its use in association with *jewellery products*, abides by the rules for use of the logo, trademarks and intellectual property.

Actions to be taken:

- If you use the RJC logo, it needs to follow the rules and guidelines in the RJC Certified Member Logo Usage document available on the [member portal](#) or contact the RJC directly.



LGMS 12 Claims

LGMS 12.6: PROTECTING CONSUMERS

Members who sell directly to *consumers* must make available at the point of sale, and on their website, further details about the *claims* being made, including data to support the verification of the *claims*, and the *systems* in place to achieve them.

Actions to be taken:

- This provision applies when members sell directly to consumers. The point of sale may be a physical retail store or online, for example on your website.
- If you sell directly to consumers, you must be truthful, clear and transparent in your claims. Take extra care to avoid confusion in how you word your claims, and make sure that your customers have access to all the information they may need at the point of sale to make their purchasing decision.
- You may choose to provide additional information on your website or display information with a QR code that the end consumer can access.
- When buying your product, consumers must be able to understand all the claims you are making, and what you do to uphold these. This means you must communicate your claims clearly and comprehensively at point of sale through, for example, a high-level summary of your systems or some other documentation (see provisions 12.2a and 12.2c).
- You can use a combination of point-of-sale and online statements to ensure consumers have all the information they need when buying your products. For example:
 - At the point of sale: ‘100% of the energy we used in growing our lab-grown diamonds was renewable under OFGEM certification.’
 - On your website: ‘We define renewable energy as a mix of energy coming from natural resources that are replenished naturally and continuously, such as wind, hydro or solar. We source 100% of our energy from suppliers certified by OFGEMs Renewable Energy Guarantees of Origin (REGO) scheme to produce only renewable energy [insert link].’
- Consider adding a link to your RJC webpage from your website and sales materials so that consumers can check certificates and membership status for themselves.

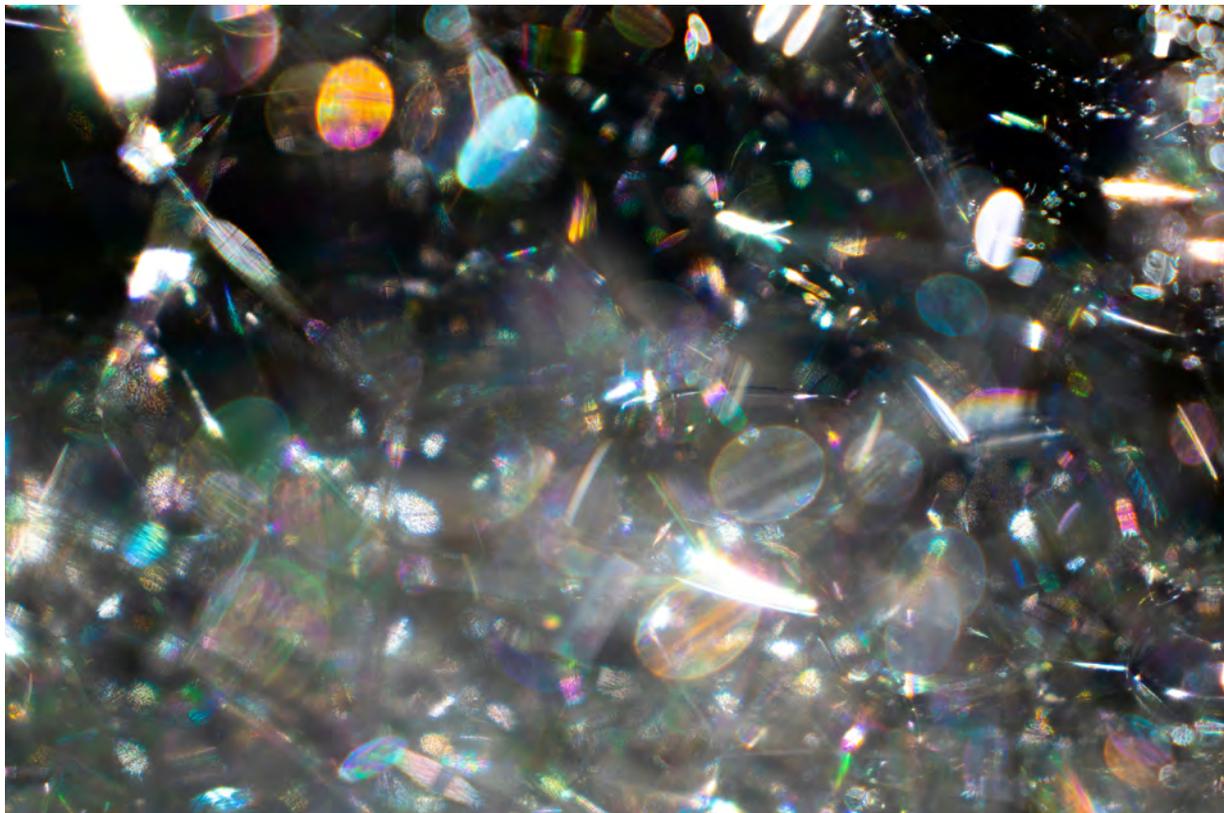
✓ CHECK

- Have you confirmed whether you make any claims? Can you provide evidence of this?
- If you make claims, do you have systems in place to ensure they are truthful and substantiated?
- Do you have procedures for checking how you achieve the claim’s promise?
- If you make multiple claims, or claims that only apply to some of your products, do you have controls to protect the integrity of materials?
- Do you train relevant employees on the claims you make?
- Can you show how customers can access more information on what your claims mean?
- Do you have a working complaints mechanism?

LGMS 12 Claims

E FURTHER INFORMATION**WEBSITES**

- [ISO Environmental labels and declarations standards](#)
- [ISO 14020:2022 Environmental statements and programmes for products – Principles and general requirements \(2022\)](#)
- [ISO 14021:2016 Environmental Statements and Programmes for products – Self-declared environmental claims](#)
- [14024:2018 Environmental Statements and Programmes for products – Ecolabels](#)
- [ISO 14025:2006 Environmental Statements and Programmes for products – Environmental Product Declarations](#)
- [ISO 14026:2017 Environmental Statements and Programmes for products – Footprint Communications](#)
- [ISO TR 14027:2017 Environmental Statements and Programmes for products – Product category rules](#)
- [Sustainability Claims Good Practice Guide](#)



LGMS 13 General employment terms

A APPLICABILITY

This provision applies to all RJC members.

Supply Chain Point	LGMS 13 General Employment Terms				
	13.1	13.2	13.3	13.4	13.5
Lab-grown materials producer	✓	✓	✓	✓	✓
Lab-grown materials cutter and/or polisher	✓	✓	✓	✓	✓
Lab-grown materials trader	✓	✓	✓	✓	✓
Jewellery and watch manufacturer and/or wholesaler	✓	✓	✓	✓	✓
Jewellery and watch retailer	✓	✓	✓	✓	✓
Recycler	✓	✓	✓	✓	✓
Service industry	✓	✓	✓	✓	✓

B ISSUE BACKGROUND

The employment relationship is the legal link between employers and employees. It exists when a person does work or provides services under certain conditions in return for remuneration. The corresponding legal instrument is an employment contract, which should be formalised in writing and given to employees for their own records and reference.

It is through the employment relationship, however contractually defined, that reciprocal rights and obligations are created between the employee and the employer. This relationship is also the main vehicle for workers to access the rights and benefits associated with employment laid down by labour social security laws. Keeping accurate records of employees' benefits and entitlements is an essential part of the employer's role in ensuring that workers' rights and benefits are upheld.

The traditional employment relationship used to be based on full-time work with a single employer, under a contract of employment for unlimited duration, with protection against unjustified dismissal. Over the past 30 years, new patterns of employment have emerged in the global economy. These include an increasing use of fixed-term contracts and other contractual arrangements where workers are not strictly employees. Some of these workers – particularly migrant workers and homeworkers – are often afforded weaker protection under labour or social security law.

Exploitative working arrangements have also emerged, such as false apprenticeship schemes, where workers get reduced wages or fewer benefits during a 'training period' without any real intent to impart skills or provide regular or ongoing work afterwards.

Homeworking, successive short-term contracts, apprenticeships, subcontracting and labour-only contracting can all be legitimately used within employment relationships if they are lawfully permitted, adequately documented and not used to exploit workers. But they all tend to carry a higher risk of not meeting legal obligations to workers. The LGMS does not unduly restrict the general use of these working arrangements. But under the LGMS, they cannot be used to avoid labour and social security obligations; nor can they be used for extended periods of time to cover ongoing, routine tasks necessary for the organisation to operate.



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LGMS 13 General employment terms

C KEY REGULATIONS, STANDARDS AND INITIATIVES

INTERNATIONAL STANDARDS

In 2006, in recognition of the growing number of workers without protection in their employment relationships, the International Labour Organization (ILO) adopted the Employment Relationship Recommendation R198. This offers countries guidance on how to reform national law and practice to protect workers against the circumvention of obligations through contractual or other legal arrangements.

NATIONAL LAW

National laws and regulations, as well as collective bargaining agreements, offer workers protections. They also help address discrimination in employment terms through mandatory disclosure requirements (see box 'Addressing gender pay gaps'). It is essential to keep up to date on the legal requirements for employment contracts, expectations for employee–employer relationships and reporting requirements in all jurisdictions of operation.

ADDRESSING GENDER PAY GAPS IN THE UNITED KINGDOM

All over the world, across diverse sectors, women are generally paid less than men. The difference between the average earnings of men and women who are working is commonly known as the 'gender pay gap' (or 'gender wage gap').

In 2017, the United Kingdom introduced mandatory gender pay gap reporting for the first time. Under the new legislation, UK-based organisations with 250 or more employees must publish and report specific figures about their gender pay gap, including:

- The mean and median gender pay gap in hourly pay;
- The mean and median bonus gender pay gap;
- The proportion of men and women in each pay quartile; and
- The proportion of men and women receiving bonus payments.

This data provides information on the difference between the average pay of men and women across an organisation, irrespective of their role. This means that a company can be paying women and men equally for equal work and still have a significant gender pay gap if they are employing more men in senior roles.

Source:

- [UK Government, Gender Pay Gap Reporting: Overview \(2017\)](#)



LGMS 13 General employment terms

D IMPLEMENTATION GUIDANCE**LGMS 13.1: EMPLOYMENT TERMS**

Members shall implement policies and *procedures* regarding their approach to managing *workers* and employment terms with regards to wages, *working hours* and other employment conditions and communicate these policies and terms to *workers* in writing before employment starts, in a language that is understood by them. This shall include:

- a. Informing *workers* of their employment rights under *applicable law* including that they are free to join a *workers'* organisation of their choosing without any negative consequences or *retaliation* from the operating company, and of their rights to applicable *collective bargaining* in line with LGMS 19 (Freedom of Association and Collective Bargaining).
- b. Where applicable, provide *workers* with a copy of the collective agreement and the contact information for the appropriate *workers'* representative.

Actions to be taken:

- Employment contract requirements differ from country to country and can change over time. It is your responsibility to understand and adhere to applicable law in all countries where you operate. Establish a process to stay up to date with legal requirements for employment relationships and contracts.
- Give all your workers written contracts of employment that clearly define and communicate conditions of employment (such as wages, working hours, overtime, compensation and benefits). These must comply with applicable law and any collective bargaining agreements in place.
- Write all contracts in a language that your workers will understand, remembering that some workers (such as migrant workers) can be particularly vulnerable when negotiating employment terms because of education, literacy and language barriers, and cultural and social differences. Make sure written contracts are verbally explained to vulnerable workers in terms they understand, as part of the recruitment process.
- All workers, whether directly or indirectly employed, should be given a contract before they start work; and copies of these should be kept within workers' employment files. Make sure you communicate this expectation to your business partners that are responsible for indirectly employed workers on your sites (see **LGMS 5 Business partners**).
- Under LGMS 13.1, you are not allowed to simply substitute contracts or add supplemental agreements to the original contract after a worker arrives on-site. In cases where there are material changes to contract conditions, make sure you:
 - draft an amended employment contract;
 - get written agreement by the employee;
 - give the employee a printed copy of the new contract; and
 - keep a copy in the worker's employment file.



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- You need to inform all workers about their employment rights based on where you are located and the relevant applicable law. You also need to let workers know that they are able to join a workers' organisation of their choosing without conditions or consequence, as well as their rights to collective bargaining. However, this needs to be in line with **LGMS 19 Freedom of association and collective bargaining**, noting that in some countries, Freedom of Association and the Right to Collective Bargaining are limited by Applicable Law.
- You also need to let workers know about your complaints and grievance mechanism in line with LGMS 2.6. The mechanism needs to be understood and accessible by all workers.
 - The complaints and grievance mechanism can be used by workers to raise concerns about workplace-related conditions.
 - Information required to facilitate the processing of a worker grievance may only be legally accessed by human resources (see **LGMS 16 Harassment, discipline, grievance procedures and non-retaliation**)
 - the grievance mechanism should be inductions and relevant refresher training, posted on the intranet or in paper form onto notice boards in common areas.

LGMS 13.2: LABOUR AND SOCIAL SECURITY OBLIGATIONS

Members shall not:

- Avoid fulfilling legal labour and social security obligations, including *collective bargaining agreements* or other legitimate *worker*-organising efforts, by using labour-only contracts, false apprenticeship schemes, excessive consecutive short-term employment contracts or zero-hour contracts and/or subcontracting or homeworking arrangements.
- Hire replacement *workers* in order to prevent, undermine or cease a legal strike, support a lockout, or avoid negotiating in good faith, unless the labour hire replacement *workers* are to ensure that critical maintenance, *health and safety*, and environmental control measures are maintained during a legal strike.

Actions to be taken:

- If you use labour-only contracting, you must make sure contracts are legitimate and that they are not being used as a way of avoiding legal obligations to employees, including collective bargaining agreements or other legitimate worker organising effort. Some forms of labour-only contracting are prohibited under applicable law. Many jurisdictions have guidelines or criteria that define permissible contracting arrangements. These can include, for example:
 - whether workers provide the materials or equipment to do the work;
 - whether they can delegate their work;
 - whether they provide their services through an independent business; and
 - whether they also provide these services to others.
- Using labour agents or providers to hire workers can be risky if you have no control or oversight of the conditions of recruitment. See **LGMS 18 Forced labour** for more guidance on monitoring for risks of human trafficking.



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APPRENTICESHIPS

- Apprenticeship schemes have an important role in training and are allowed under the LGMS. But many jurisdictions regulate the period of training and the level of compensation that is payable to apprentices, so it is important that you understand applicable law within countries of operations to ensure all apprenticeships and training positions align with legal requirements.
- If there are no legal protections against reduced wages for apprentices, you should make sure that the 'training period' during which the worker receives reduced wages is not excessive and that it is defined within the apprentice's employment contract.
- Apprenticeships or traineeships are 'false' if they are used to underpay workers or avoid legal obligations, or if they operate without any real intent to impart skills or provide regular employment. Children and young workers are particularly vulnerable to being exploited through such false schemes.

TEMPORARY WORKERS

- The RJC recognises that temporary or outsourced labour is sometimes needed to manage varying business demand; and the use of short-term employment contracts, subcontracting and homeworking is allowed under the LGMS. You must not, however, use these employment arrangements to avoid your statutory obligations to employees.
- The use of short-term contracts (less than six months) might be considered excessive:
 - if you employ large numbers of workers under these terms to perform ongoing, routine tasks; or
 - if your workers have to reapply for successive short-term contracts over long periods of time.
- Where such practices exist, consider developing policies and programmes to improve business planning and enhance job security for workers.

LGMS 13.3: RECORD KEEPING

Members shall maintain appropriate *records* for all *employees*, whether on a full-time, part-time or seasonal basis. *Records* shall include proof of identity and age, piece-rate and wage payments as well as *working hours* relevant to the role type, and where applicable, work permits documents according to applicable migration laws.

Actions to be taken:

- Find out if there are any legal, certification or buyer requirements where you operate related to gender pay gaps or any other type of disclosure involving worker records. If there are, make sure you define procedures to collect and maintain data in a way that allows it to be shared securely without compromising privacy laws.
 - If relevant to your workforce, also check laws pertaining to records for migrant labour or even for expatriates.
- Keep worker records in a way that is consistent with the terms and conditions of the employment contract and the role type. Different methods may be required for different role type such as managers or office staff on a set annual salary versus those workers paid on an hourly rate or even as a piece rate:
 - Where wage payments depend on working hours, you should record individual worker hours on a daily, weekly or monthly basis as part of your time-keeping system to ensure accurate payment (see **LGMS 15 Remuneration**).



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- Where working hours do not vary (for example, in a general office or retail environment) or are at the discretion of the worker (for example, for management positions), you can simply describe working hours in employment contracts.
- Where wages are paid by piece instead of by hours worked (as part of a piece-rate payment scheme), you should keep accurate records of individual worker output as well as hours worked. (To learn more about piece-rate payment schemes and wage expectations, see box 'Piece-rate payment schemes' under guidance for **LGMS 15 Remuneration**.)
- In all cases, note that recording output, hours worked and total wage payments will also help you check conformance with **LGMS 14 Working hours** and **LGMS 15 Remuneration**.

LGMS 13.4: DISMISSAL AND RETRENCHMENT

Prior to implementing any *collective dismissals* or retrenchments, the member shall carry out an analysis and explore alternatives to *retrenchment*. If the analysis does not identify viable alternatives to *retrenchment*, a *retrenchment* plan that is based on the principle of *non-discrimination* (see LGMS 20 Non-Discrimination) and where practicable, that minimises adverse impacts on the retrenched *workers* shall be developed in consultation with *workers*, their representatives and, where appropriate, relevant official agencies.

Actions to be taken:

- If due to legitimate reasons you need to carry out collective dismissals or retrenchments, then you need to explore practicable and viable alternatives for the workers involved. Legitimate reasons may include, but not limited to:
 - Plant closure or cost savings during adverse economic circumstances
 - Restructuring or reorganisation
 - Divestment or acquisitions.
- Examples of alternatives may include negotiated working-time reduction programs, employee capacity-building programs; long-term maintenance works during low production periods, etc. (Source: [IFC 2005 Managing Retrenchment Good Practice Note](#)).
- If you cannot implement any viable alternatives, you need to develop a plan to manage the retrenchments in a manner that minimises, where possible, adverse impacts to the workers. Examples of adverse impacts may include:
 - Loss of productivity, increased workload and low morale for works remaining;
 - Impacts to families of the workers that have been dismissed or retrenched especially if multiple family members are included in the same collective retrenchment or dismissal;
 - Impacts to the local community and local economy especially for low income earning demographics or in times of high unemployment rates; and
 - Increased prevalence of workplace harassment or social stressors such as domestic violence.



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- The plan should outline the criteria and reasons for the retrenchments. The plan for workers subject to retrenchment should be objective, fair, and transparent. The retrenchment should not be based on personal characteristics unrelated to inherent job requirements. It cannot be biased or discriminatory in any way (See provision **LGMS 20 Non-discrimination**).
- For small businesses', a fit for purpose approach may be more appropriate so long as the principles of assessing alternatives has been carried out in line with the nature and scale of your business operations.

LGMS 13.5: DISMISSAL NOTICE AND SEVERANCE PAYMENTS

Members shall provide *workers* with reasonable notice of dismissal and severance payments mandated by *applicable law* and collective agreements. Severance payments including outstanding back pay, social security benefits and pension contributions and benefits shall be paid on or before the termination of the working relationship, or in accordance with a timeline agreed through a collective agreement. Payments shall be made directly to *workers*, or to appropriate institutions for the benefit of *workers*, and *records* of the payment provided to *workers* in line with LGMS 15 (Remuneration).

Actions to be taken:

- All of your workers should be afforded reasonable notice for their dismissal or retrenchment, at least in accordance with applicable laws. In the absence of applicable laws, consider factors such as a worker's role type, age, length of service, salary, seniority of position, prospective pension, availability of other employment, and anything the worker sacrificed to commence employment. When determining the notice period, other factors may be considered including:
 - Accrued unpaid leave
 - Nature of the employment role such as seasonal, casual or fixed term
 - The worker's position and risk to the organisation.
- Ensure you have clearly communicated the process, details of severance payments and notice periods. If feasible and available, you may offer employee assistance programs including support to find new employment.
- You need to ensure all severance payments and entitlements are paid in accordance with applicable laws and in a timely manner. (See provision **LGMS 15 Remuneration**).
- In some jurisdictions companies may be obligated by law to transfer certain payments to specific institutions such as pension fund administration, health funds, etc. In such cases companies would not provide payments directly to the worker but, for the benefit of the worker, to the appropriate institution. In cases where payments to certain institutions are optional the company should allow the worker to choose either a direct cash payment or payment to a defined institution.



LGMS 13 General employment terms

CHECK

- Can you show the auditor that workers understand their employment terms?
- Do both directly and indirectly employed workers receive contracts in a language they understand before they start employment?
- Do you keep copies of employment contracts in workers' employment files?
- If employment terms have changed, can you show that you followed the correct procedures for updating contracts (that is, that you drafted an update, got written agreement from the employee, gave one copy to the employee and saved another copy in their employment file)?
- If you use labour-only contracting, apprenticeships, consecutive short-term employment contracts, subcontracting or homework arrangements, are these structured so that employees receive the right labour and social security benefits?
- Can you show that your apprenticeships comply with local law?
- Have you identified disclosure requirements involving employee records; and do you have procedures in place to report the required information without compromising privacy laws?
- Do you have records of piece-rate and wage payments and working hours for all employees?
- If you have conducted dismissal and retrenchments, have you investigated viable alternatives.
- Where alternatives were not deemed viable, did you establish a retrenchment plan that does not discriminate the worker, and offer reasonable notice and severance in accordance with applicable laws?

E FURTHER INFORMATION

WEBSITES

- [ILO, Decent Work Indicators](#)
- [ILO, Employment relationship](#)
- [Verité, Fair Hiring Toolkit](#)

PUBLICATIONS

- [Business for Social Responsibility \(BSR\), Good Practice Guide: Global Migration \(2010\)](#)
- [ILO, The Employment Relationship: An Annotated Guide to Recommendation No. 198 \(2007\)](#)
- [SAI, Guidance Document for Social Accountability 8000 \(SA8000®:2014\) \(2016\)](#)
- [UK Government, Gender Pay Gap Reporting: Overview \(2017\)](#)

LGMS 14 Working hours

A APPLICABILITY

This provision applies to all RJC members and applies to directly employed workers and indirectly employed workers who regularly work at members' sites.

Supply Chain Point	LGMS 14 Working Hours					
	14.1	14.2	14.3	14.4	14.5	14.6
Lab-grown materials producer	✓	✓	✓	✓	✓	✓
Lab-grown materials cutter and/or polisher	✓	✓	✓	✓	✓	✓
Lab-grown materials trader	✓	✓	✓	✓	✓	✓
Jewellery and watch manufacturer and/or wholesaler	✓	✓	✓	✓	✓	✓
Jewellery and watch retailer	✓	✓	✓	✓	✓	✓
Recycler	✓	✓	✓	✓	✓	✓
Service industry	✓	✓	✓	✓	✓	✓

B ISSUE BACKGROUND

Working hours are a fundamental component of safe and humane working conditions. The first ever International Labour Organization (ILO) Convention in 1919 focused on working hours, stipulating a maximum of 48 hours per working week. Excessive working hours in manufacturing and extractive industries remains one of the most regularly raised issues by civil society and trade unions. In addition to concerns about exploitation and impact on family life, excessive working hours also create workplace health and safety risks.

The seasonal nature of the jewellery industry contributes to long working hours in midstream and downstream companies in the supply chain. A business's ability to deal with customer demands and workers' desire to work overtime can all contribute to excessive working hours. Working hours are also strongly linked to wages because employees may seek to work longer hours to increase their income. Some factories pay by item completed (or 'piece'), rather than by hour, which can also lead to longer working hours.

Weekly rest and paid annual leave are expected as a normal part of working agreements, typically required by national and local law, and must be provided to employees as part of their benefits. Where shift rosters mean workers don't always get one rest day in seven, alternative arrangements should be agreed in compensation. Special leave, such as maternity, paternity and compassionate leave, should be provided for in compliance with applicable national law.

Some companies set a shorter normal working week that allows more flexibility for expanded hours during peak demand and creates the opportunity for workers to have more rest days within the week. Others provide long leave periods during special holidays. The RJC's approach to working hours takes these measures into account in recognition of the seasonal nature of the jewellery supply chain.



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C KEY REGULATIONS, STANDARDS AND INITIATIVES

INTERNATIONAL STANDARDS

A combination of ILO conventions provides the global (and LGMS) standards on working hours, weekly rest and annual leave (see Table 17).

TABLE 17. ILO CONVENTIONS PROVIDING STANDARDS ON WORKING HOURS, WEEKLY REST AND ANNUAL LEAVE

ILO convention		Year	International standard for workers
ILO-1	Hours of Work (Industry)	1919	Maximum working hours of 8 hours per day; or 48 hours per week. • This principle forms the basis of much national legislation.
ILO-30	Hours of Work (Commerce and Offices)	1930	
ILO-116	Reduction of Hours of Work	1962	Maximum working hours per week of 40 hours. • A principle prominent in high-income countries
ILO-14	Weekly Rest (Industry)	1921	At least 24 hours consecutive rest each week.
ILO-106	Weekly Rest (Commerce and Offices)	1957	• Employers may agree alternative arrangements in consultation with trade unions or other worker representatives.
ILO-132	Holidays with Pay (Revised)	1970	At least three weeks of guaranteed holiday each year.
ILO-183	Maternity Protection	2000	Access to at least 14 weeks maternity leave for women following childbirth. Time during the day to breastfeed for women returning to work after maternity leave.

Both conventions ILO 1 and ILO 30 allow for some departure from maximum working-hour limits in certain circumstances. For example, there are exceptions for employees whose work is by nature intermittent or must be done outside the limits laid down for other employees. There are exceptions for work that has to be carried out continuously by a succession of shifts (in which case, a weekly maximum is set at 56 hours with weekly rest days compensated by a process secured under national law). And the conventions also recognise the need for temporary exceptions, for example to complete urgent work or repairs, or because alternative arrangements have been agreed between workers' and employers' organisations and by the government.

NATIONAL LAW

National law may vary from the ILO conventions described above. It is essential to understand the relevant legislation and regulations in every country you have operations. Note that, if national law differs from LGMS requirements, the RJC expects you to follow whichever is more stringent.

Nearly all countries have national or local legislation to govern working hours overall, as well as for specific sectors or jobs. In many countries, there is a limit on the number of normal working hours an employee can work each week, although precise limits may vary. For example, Chinese law limits overtime to 3 hours per day, and 36 hours per month; Vietnamese law sets a daily limit of 4 hours, and an annual limit of 200 hours. Brazil, India, Indonesia, Italy, Pakistan and Thailand all also have explicit limits on hours worked within a particular period.

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National and local legislation also define requirements for weekly rest days and annual holiday entitlements, as well as maternity and paternity leave. Failure to comply with these laws can lead to penalties ranging from fines to imprisonment.

D IMPLEMENTATION GUIDANCE

LGMS 14.1: WORKING HOURS

As a minimum, members shall comply with *applicable law on working hours*. The *normal working week*, not including *overtime*, shall not exceed 48 hours. Where *workers* are employed in shifts, the 48-hour week may be exceeded provided that the average number of normal hours worked over a three-week period does not exceed 48 hours per week.

Actions to be taken:

- Identify applicable national and local laws related to working hours and leave in all countries of operations.
- Make a senior management function, such as human resources, responsible for setting and overseeing working hours, overtime and rest and leave entitlements, and make sure it establishes documented procedures for monitoring, approving and managing in accordance with local law and LGMS requirements.
 - Compile all your collective bargaining agreements with trade unions or other worker organisations and:
 - make sure they define the agreed-upon working hours, overtime, breaks and leave; and
 - confirm that the terms of each agreement comply with applicable law.
- Make sure your staff are adequately trained and educated on all relevant issues. This includes:
 - training those responsible for daily management on applicable law, LGMS requirements and your own policies and procedures for managing working hours;
 - educating managers and workers on the normal working hours and overtime limits, your timekeeping system and the process to report errors in time reporting; and
 - special training for managers and supervisors on working hours for children and young workers (which are usually different) to help ensure these workers are not put at risk of working overtime or of working during time periods when they legally cannot work (see also **LGMS 17 Child labour**).
- Where relevant, do a risk assessment appropriate to your business's circumstances to assess where there is a risk of maximum working hours being exceeded or leave entitlements being breached. Get senior management to review the results to determine how it can reduce overtime by, for example, adjusting capacity and timelines or hiring temporary labour.
- Working hour limits for both the normal working week and overtime (LGMS 14.2) apply to hourly workers, and managers with a contract with defined working hours. They do not apply to salaried managers (although employment terms for salaried managers must still comply with applicable law, and also should be defined in the employee's contract).
- The LGMS defines the normal working week at 48 hours per week. If national or local law differs from this, you should follow whichever is more stringent. That is:
 - if local law sets a weekly limit above 48 hours, you must comply with the LGMS; and
 - if it sets a limit below 48 hours you must comply with local law.



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- The only exceptions to the 48-hour requirement are for industrial environments that operate on a roster cycle or rotational shift basis, or in emergency situations, while still complying with applicable law. Where the exceptions to the 48 hour requirements are justified, you must still take appropriate safeguards to protect your workers' health and safety.
- In line with best practice, the ILO recommended maximum working hours a day is 8 hours. However, in some cases, personnel (for example roaming sales personnel or shift workers) may exceed 8 hours in one day. Similarly, in some companies, employees may wish to negotiate moving to a 4-day working week whilst completing the usual 48 hours, in which case the 8 hours a day may be exceeded. Where these greater than 8-hour days occur, you should maintain justification reasons.
- According to the ILO, working in shifts is "a method of organization of working time in which workers succeed one another at the workplace so that the establishment can operate longer than the hours of work of individual workers" at different daily and night hours.
- The LGMS does not set a daily working-hour limit. But you should review applicable law and comply with any legally defined daily limits.
- If you use a piece-rate or other incentive system, make sure that the minimum daily production quota is achievable by most workers within an eight-hour shift. This will help ensure that most workers do not have to work more than eight hours per day to earn minimum (or prevailing industry) wage. Consider designing your system so that a significant portion of your workers exceed the daily quota, to earn extra pay.
- Calculate the normal working week for part-time workers using a pro rata basis against a normal full-time week.
- Where allowed under applicable law, you can average the number of hours of work over a legally defined time period to help manage and report hours worked per normal working week and overtime.
 - Note that formal and procedural requirements may need to be attached to such calculations, such as obtaining permission from the relevant authorities.
- Averaging of work hours over a reference period of three weeks is permissible in case of shift work; and the 8-hour-day and 48-hour-week limits may be exceeded in case of continuous processes working by a succession of shifts where a 56-hour weekly maximum limit may be applied. Note that the ILO encourages multi-national enterprises to progressively reduce from 48 hours to 40 hours in the week, without reduction of wages.
- Shift workers are also subject to temporary exceptions in exceptional cases of pressure of work, accident, force majeure, and urgent repair work; averaging of work hours over an undefined period, but only in exceptional cases and where there is an agreement between the workers and employers' organisations which has been transformed to regulations by the competent authority.
- ILO has issued recommendations to reduce (where feasible) the normal working week to a maximum of 40hrs (excluding overtime) with no reduction of pay. Where feasible RJC members should strive to provide this to their employees / contractors: "[ILO – The Reduction of Hours of Work Recommendation, 1962](#)".



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LGMS 14.2: OVERTIME

If *overtime* work is required for business needs, members shall ensure that:

- a. They use voluntary *systems* for *overtime* work. Required *overtime* is only acceptable where it is allowed under *applicable law* or *collective bargaining agreements*, within the limits defined by LGMS 14 (Working Hours) and outlined in employment contracts.
- b. In all other circumstances, *overtime* work shall be requested under a voluntary system and within limits set under *applicable law* or *collective bargaining agreements*. The imposition of *overtime* during which *workers* cannot leave the work premises or are in any way forced to accept it (through abuse, threats of dismissal or other means) is not allowed. Refusal to work *overtime* shall not be punished, retaliated against or penalised in any way.
- c. *Overtime* is limited to 12 hours per week. 12 hours per week may be exceeded provided that the average number of *overtime* hours worked over a three-week period does not exceed 12 hours per week.
- d. The sum of the *normal working week* and *overtime* hours shall not exceed 60 hours in a week unless:
 - i. Defined otherwise by *applicable law* or a *collective bargaining agreement*, that allows for working-time averaging including adequate rest periods;
 - ii. There are exceptional circumstances (such as *production peaks*, accidents or emergencies), which will be assessed as outlined in the guidance for LGMS 14 (Working Hours). Peak production periods are allowed so long as the longer work time is *occasional*, voluntarily performed, and compensated at the appropriate premium level established by law and in line with LGMS 15.2.
 - iii. Through consultations with *workers* (or *workers'* representatives, where applicable) members conduct a risk assessment for extended *working hours* and take appropriate measures to protect *workers* and minimize the impact of longer *working hours* on the health, safety and welfare of *workers* in line with LGMS 22 (Health and Safety).

Actions to be taken:

- Establish a system with an understandable policy stating that overtime is voluntary and that workers will not be required to work overtime involuntarily, and will not be punished, retaliated against or penalised in any way for refusing to work overtime. This includes the threat of dismissal or denunciation to authorities.
- Required overtime can be defined and agreed within employment contracts if allowed by law or collective bargaining agreements. By signing contracts with these terms, workers are voluntarily consenting to mandatory overtime. While the ILO does not set the maximum number of overtime hours, a common benchmark is 12 hours additional per week for max of 60 normal and overtime hours. Communicate your policy to supervisors and employees so they are aware and understand how to report non-compliances. And make sure grievances related to this policy can be raised through your existing grievance mechanism and procedures (see LGMS 16.4d).
- Make sure you have appropriate controls to avoid children and young workers from working overtime or from being asked to work at times they legally cannot. For more guidance, see **LGMS 17 Child labour**.



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- Always try to make allowances for the personal and domestic circumstances of individual workers when requesting overtime; and make provision for the needs of pregnant or nursing women or people with disabilities.
- The LGMS defines the maximum number of hours an employee can work (including normal working week plus overtime) as 60 hours per week. You should pay the normal working week at the normal wage rate (at or above minimum wage) and pay overtime hours at a premium rate. If national or local law differs from this, you should follow whichever is more stringent.
- You can make overtime arrangements through a collective bargaining agreement with trade union representatives. In countries like India, where there are few trade unions, you can establish overtime arrangements through written records of meetings with other representatives freely designated by the workers, without your obstruction or intervention. For more information on determining conformance in such situations, see **LGMS 19 Freedom of association and collective bargaining**.
 - Note that collective bargaining agreements do not take precedence over applicable law. That means that if local law sets a limit for the normal working week plus overtime at less than 60 hours per week, the agreement must comply with the lower limit.
- Where allowed under applicable law, you can calculate hours of work including overtime as an average over a period of longer than one week.
 - Note that the ILO encourages multi-national enterprises to progressively reduce from 48 hours to 40 hours in the week, without reduction of wages.

OVERTIME VARIATIONS

The RJC has adopted an approach that defines a degree of tolerance for overtime that occurs due to exceptional circumstances (such as peak production, emergencies and accidents). The tolerance level is strictly defined based on severity and pervasiveness thresholds. This is to clearly distinguish between isolated instances of limited overtime (conformance) and routine or excessive overtime (non-conformance). This means that a non-compliance related to employees working 70 hours a week for two weeks will not be assessed in the same as one related to employees working 70 hours a week for several consecutive months.

RJC auditors will assess working-hour compliance using an average of the total working hours per week to identify any non-conformances based on predefined thresholds (see Table 18). The conformance assessment will be applied across the facility and for specific areas or job functions.

In cases where local law does not limit hours, or the threshold exceeds 84 hours per week, RJC members should reduce working hours to the 60-hour industry standard in accordance with Table 18 so that there are no critical or major non-conformances.



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TABLE 18. TOLERANCE LEVELS FOR ASSESSING CONFORMANCE WITH LGMS REQUIREMENTS ON WORKING HOURS

Total working hours per week (average for the week)	% of working weeks with overtime (total or specific area or job function)		
	Between 1% and 5%	Between 5% and 40%	Greater than 40%
More than 84 hours per week*	Critical non-conformance		
More than 72 and less than or equal to 84 hours per week (and less than local law limit)	Major non-conformance	Critical non-conformance	Critical non-conformance
More than 60 and less than or equal to 72 hours per week (and less than local law limit)	Minor non-conformance (conformance in exceptional circumstances**)	Major non-conformance	Critical non-conformance
More than local law limit*** and less than or equal to 60 hours per week	Minor non-conformance (conformance in exceptional circumstances**)	Minor non-conformance (conformance in exceptional circumstances**)	Major non-conformance (minor non-conformance in exceptional circumstances**)
Less than or equal to 60 hours per week or local law limit (whichever is lower)	Conformance		

* Note that a tolerance of 1% of population is allowed. So, if less than 1% of workers is detected to do more than the legal limit, then this is conformance (except if more than 84 hours).

* Overtime exceeding 84 hours per week will always be assessed as a 'critical' non-conformance even if local law does not limit working hours or the legal (or collective bargaining agreement) overtime limit exceeds 84 hours per week.

** If working hours exceed 60 hours per week, the assessor will verify whether the case meets the definition of exceptional circumstances. If so, and if the facility has supporting records to demonstrate exceptional circumstances occurred, it will not be assessed as a non-conformance. Any hours worked above 72 hours per week will be assessed as a non-conformance, even if the facility can demonstrate exceptional circumstances.

*** Where local law sets the working week limit lower than 60 hours per week.

LGMS 14.3: REST DAYS

Members shall provide all *workers* with at least one rest day in seven consecutive working days in accordance with International Labour Organization (*ILO*) Convention 14.

Actions to be taken:

- Make sure all employees are given at least one rest day (equal to 24 consecutive hours) each week.
- If you want employees to work on a rest day (for example, due to scheduling demands), make sure you give them an alternative rest day within the same week or the one immediately after, as in accordance with local law.



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- Where shift rosters mean that employees work a number of weeks of consecutive days followed by a number of weeks of leave, they must still be provided with an average of at least one day rest day in seven consecutive working days.
 - For example, if a worker works 21 consecutive days, followed by five rest days, which is not uncommon with fly in fly out working arrangements on remote mine site, the averaging requirement as outlined in the provision has been met.
- If work-time averaging has been agreed through a collective bargaining agreement and is permitted by local law, make sure that workers' occupational health and safety has been assessed and is not being compromised.
- Peak production is defined as a 17-week period (a third of the year) when exceptions to the rest day requirement can be made in conformance with this provision. This is not a continuous period but cumulative sum, which can take place at different times throughout the year.

LGMS 14.4: LEAVE

Members shall provide *workers* with all legally mandated public holidays and leave, including parental, compassionate, sick and paid annual leave. Where no *applicable law* exists, paid annual leave and parental leave shall be provided, in accordance with *ILO Convention 132* and *ILO Convention 183*, respectively. Special leave or working-time arrangements for *workers* with family responsibilities shall apply to all *workers* regardless of gender.

Actions to be taken:

- Annual leave should be paid at the same rate as a worker's standard wages.
- Identify all public holidays and paid leave entitlements required by applicable law and make sure these dates are recorded and tracked to manage your scheduling and capacity planning. Define these public holidays and leave entitlements within employment contracts.
- Where major local holidays (such as Eid, Diwali, Christmas or Chinese New Year) require operations to be temporarily shut down, you can offset the period of vacation against annual leave. But make sure you communicate this to workers in writing in advance.
- Where allowed under applicable law, a collective bargaining agreement may provide for swapping alternative periods of leave in lieu of public holidays.
- Work with employees with family responsibilities to accommodate scheduling requests. This could include temporarily (or permanently) adjusting the employee's working hours. For example, a worker might need to take a morning off to take their child to the doctor. You may be able to accommodate this request by either rescheduling their work for a later shift, or allowing them to make up the time later that day. Similarly, if a worker needs to get home before their child comes out of school, it may be possible to adjust their standard schedule to ensure an earlier finish.
- Where RJC members operate in countries where no applicable law exists, it encourages its members to provide paternity/paternal leave in line with ILO recommendations.



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LGMS 14.5: BREAKS

Members shall provide all *workers* with time off for meals and breaks, in accordance with *applicable law*. If there is no *applicable law*, then members shall provide *workers* with at least one uninterrupted meal and work break of reasonable duration if they work longer than six hours.

Actions to be taken:

- Review applicable law and identify what type of workday breaks, and how many, employees are entitled to.
- If local law doesn't specify workday breaks, you must give your employees at least one uninterrupted work break if their shift is six or more hours.
- Schedule breaks for the middle of a worker's shift. A reasonable duration for coffee and tea breaks is commonly 10 to 30 minutes; for meal breaks it is 30 minutes to two hours.
- Establish internal procedures to give and track work breaks and communicate this information to supervisors and employees.
- Bathroom breaks should be given as and when needed by the worker and are different to work and meal breaks. Note that some people may require more frequent bathroom breaks, for example when pregnant or due to medical conditions.

LGMS 14.6: RECORDS OF WORKING HOURS

Members shall maintain *records* of work hours, *overtime* and annual and sick leave for each *worker*, in accordance with *applicable law* and in line with LGMS 2.5.

Actions to be taken:

- Develop a timekeeping system – such as time cards or other record of working hours, including overtime – for all workers (permanent, contracted or temporary) to accurately track their working hours whether paid by piece or hour. This system can be used to calculate wages.
 - Note that it is considered best practice for workers to personally record the time they begin and end their workday because it creates a level of worker oversight in the timekeeping system.



LGMS 14 Working hours

 CHECK

- Have you effectively communicated your working-hour policies and procedures to workers?
- Are you aware of, and do you comply with, applicable law related to working hours and leave in all countries of operation (including laws about child and young workers)?
- Do you comply with national law, existing collective bargaining agreements if applicable, and LGMS requirements for regular working week and overtime limits and rest days?
- Can you show that any cases where working hours exceed the 60-hour limit fit the LGMS's exception criteria?
- Can you show that all overtime is voluntary and that workers are not penalised if they decline to work overtime?
- If you use production quotas or piece-rate systems, can you show that the minimum daily quota is achievable by most workers within an eight-hour shift?
- Do you give workers at least one rest day every week? If not, can you show that the work time complies with a collective bargaining agreement or with applicable law?
- Do you give workers reasonable breaks during shifts – specifically, if an employee's shift is six or more hours?
- Do you have a reliable and accurate system for recording the number of hours worked by each worker, and for tracking overtime, leave entitlements and parental leave in compliance with national law and regulations?
- Have you retained all records relating to working hours?

LGMS 14 Working hours

E FURTHER INFORMATION**WEBSITES**

- [ILO, Conventions \(conventions 1, 14, 132 and 183 are particularly useful\)](#)
- [ILO, Inclusive Labour Markets, Labour Relations and Working Conditions Branch](#)
- [ILO, Q&As on business and working time](#)

PUBLICATIONS

- [The Factories Act, 1948 as amended by the Factories \(Amendment\) Act, 1987 \(1987\) India](#)
- [Fair Labour Association, FLA Workplace Code of Conduct and Compliance Benchmarks \(2011\)](#)
- [ILO, Better Work 8: Working Time \(2013\)](#)
- [ILO, C030–Hours of Work \(Commerce and Offices\) Convention \(1930\)](#)
- [ILO, Rest Periods: Definitions and Dimensions \(2015\)](#)
- [SAI, Guidance Document for Social Accountability 8000 \(SA8000®:2014\) \(2016\)](#)





LGMS 15 Remuneration

A APPLICABILITY

This provision applies all to RJC members.

Supply Chain Point	LGMS 15 Remuneration								
	15.1	15.2	15.3	15.4	15.5	15.6	15.7	15.8	15.9
Lab-grown materials producer	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lab-grown materials cutter and/or polisher	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lab-grown materials trader	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jewellery and watch manufacturer and/or wholesaler	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jewellery and watch retailer	✓	✓	✓	✓	✓	✓	✓	✓	✓
Recycler	✓	✓	✓	✓	✓	✓	✓	✓	✓
Service industry	✓	✓	✓	✓	✓	✓	✓	✓	✓

B ISSUE BACKGROUND

Wage-related benefits vary by country, but often include items such as holiday, overtime pay, sick pay, health benefits, incentives and bonuses, limited family leave benefits with pay and savings plans. In some cases, workers may be given nonwage benefits such as health care, accommodation, education and basic services such as water and electricity.

The minimum wage is the minimum amount that must be paid to the workers of a country. It is generally set on an hourly, daily or monthly basis. More than 90 per cent of countries have legislation setting the minimum wage. Ideally, the minimum wage is calculated as a 'living wage' that can cover the minimum needs of the worker and his or her family, in light of the country's prevailing economic and social conditions. But this is not always the case, especially in labour-intensive countries. This can lead to a detrimental cycle of employees taking on too much work and overtime to make ends meet; working hours and remuneration are closely linked.

In addition to needing living wages, workers also need to receive these regularly to meet their domestic needs. The frequency of payments – weekly, fortnightly or monthly, for example – should be predetermined and respected.



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LGMS 15 Remuneration

PIECE-RATE PAYMENT SCHEMES

Some employers pay wages by piece instead of by hours worked, especially in labour-intensive roles. In many factories, failure to reach production quotas can lead to fines or deductions from wages. These payment schemes are often difficult for workers to understand, leaving them vulnerable to underpayment because they can't easily calculate or verify their wages. Piece-rate payment schemes can also drive excessive working hours as workers take on more and more overtime to meet unreasonable quotas to avoid penalties. They also tend to incentivise verbal or physical abuse.

Properly implemented, piece-rate payment schemes can serve to benefit workers because they allow for bonus pay without overtime. In India, for example, a 'monthly fixed rate' is increasingly used in the diamond sector to set a legal minimum wage based on the average output of piece-rate workers during normal working hours.

Source:

- [SAI, Guidance Document for Social Accountability 8000 \(SA8000®:2014\)/\(2016\)](#)

C KEY REGULATIONS, STANDARDS AND INITIATIVES

INTERNATIONAL STANDARDS

In 1928, the International Labour Organization (ILO) adopted **Convention 26**, which required signatory nations to establish a minimum wage-fixing body that should 'take account of the necessity of enabling the workers to maintain a suitable standard of living'.

In 1970, the ILO adopted **Convention 131**, which outlined the factors that must be included when calculating a minimum wage: 'the need of workers and their families, their general level of wages in the country, the cost of living, social security benefits, relative living standards of other social groups, requirements of economic development, the country's level of productivity and maintenance of high levels of employment'.

ILO Convention 30 on Hours of Work (Commerce and Offices) recommends that signatory nations establish an overtime rate of no less than one-and-a-quarter times the regular rate.

The right to just and favourable remuneration is also enshrined in Article 23.3 of the **Universal Declaration of Human Rights** (1948). This states that remuneration should ensure for the worker and his/her family an existence worthy of human dignity.

NATIONAL LAW

Nearly all countries have a national body that determines minimum wages nationally, or for sectors or occupations. Wages and other benefits may also be directly negotiated through collective bargaining agreements between employers and workers represented by independent trade unions or other worker representatives.

In most jurisdictions, overtime must be paid at a premium. As this varies between sectors and countries, it is essential to be aware of all relevant wage conditions in all jurisdictions of operation.



LGMS 15 Remuneration

D IMPLEMENTATION GUIDANCE

Assign responsibility for setting and overseeing remuneration and statutory benefits to a senior management function, such as human resources. If you have a collective bargaining agreement, make sure it deals with wages, benefits, overtime rates, methods of payment and deductions (if applicable).

LGMS 15.1: WAGES FOR NORMAL HOURS WORKED

Members shall pay all *workers* a wage rate for normal hours worked, not including *overtime*, based on the higher of either the applicable legal or collective agreement *minimum wage* plus associated statutory benefits, or the prevailing industry standards, or where possible a *living wage*. Wages paid on a performance-related basis shall not be less than the higher of either the applicable legal or collective agreement *minimum wage* plus associated statutory benefits, or the prevailing industry standard for a *normal working week*. Members shall ensure that comparable wages are given to all *workers* for carrying out work of equal value with processes to assess and remediate any potential wage disparity that discriminates against any category of *workers*.

Actions to be taken:

- The legal minimum wage varies with region, type of facility and skill level of the worker: be careful to identify and understand the applicable law in all countries of operation.
- If you have part-time workers, calculate pro rata wages for them based on full-time annual rates.
- Aim to ensure that the minimum wage you pay is high enough for workers to maintain a normal standard of living (that is, a 'living wage'). A living wage is not always the same as the statutory minimum wage and can vary a lot between and within countries (see box 'Living wage').

LIVING WAGE

The 1966 International Covenant on Economic, Social and Cultural Rights defines a wage that enables people to meet their basic living needs as a universal human right. The covenant states that workers should be remunerated fairly, women and men should be paid equally for the same work and that both should be able to make a decent living for themselves and their families. Yet, many workers do not earn this 'living wage', which makes them vulnerable to exploitation.

There are different methods for calculating and implementing living wages. The following resources include practical guidance on both:

- Ethical Trading Initiative, Living wage resources www.ethicaltrade.org/issues/living-wage-workers/living-wage-resources
- Global Living Wage Coalition <https://www.globallivingwage.org/>
- WageIndicator Foundation <https://wageindicator.org/wageindicatorfoundation>

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LGMS 15 Remuneration

- If you employ apprentices:
 - Make sure they make at least minimum wage; do not use apprenticeships to pay workers lower wages or benefits.
 - Find out whether the local government has any extra requirements relating to young workers (because most apprentices tend to be young).

APPRENTICESHIPS' PAY IN INDIA

In September 2014, the Indian Ministry of Labour and Employment amended the Apprenticeship Act detailing the minimum rate of stipend per month payable to trade apprentices for four years of training as follows:

Year of training	Percentage minimum wage of semi-skilled worker
Year 1	70%
Year 2	80%
Year 3	90%
Year 4	90%

The Act is not specific to the gem and jewellery industry and some industry stakeholders consider that the minimum wage for apprentices is set too high. This is because of the high costs associated with training apprentices who generally start out unskilled and because of the risks of damage to high value goods. The act is therefore not being fully implemented.

The table below tries to account for this by introducing some flexibility in assessing conformance with this provision. In all cases apprentice training records will need to be kept for the entirety of the apprenticeship.

Year of training	Conformance	Minor non-conformance	Major non-conformance
1	Pay ≥ 70%	–	Pay < 70%
2	Pay ≥ 80%	Pay = 75% to 79% (and an annual rise in apprentice salary)	Pay < 75% (or no annual rise in salary)
3	Pay ≥ 90%	Pay = 75% to 89% (and an annual rise in apprentice salary)	Pay < 75% (or no annual rise in salary)
4	Pay ≥ 90%	Pay = 75% to 89% (and an annual rise salary)	Pay < 75% (or no annual rise in salary)

Source:

- [Government of India. Ministry of Labour and Employment](#)



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LGMS 15 Remuneration

- If you use probationary or training periods for employment, make sure that:
 - these are legally allowed;
 - the wage does not fall below the legal minimum applicable for that category of work; and
 - any substandard wages for this period are limited to a defined period of time that is strictly adhered to and clearly communicated to workers.
- If you pay workers by the hour, establish clear processes and procedures for calculating wages and use an effective time management system to help ensure accuracy (see **LGMS 14 Working hours**).
- If you pay workers by piece, set a minimum daily or weekly production quota low enough to make it achievable by most workers within their agreed normal working hours. This will help ensure your workers don't have to work beyond the normal working week, excluding overtime, to earn a minimum wage (or the prevailing industry wage, whichever is higher).
- In all cases, make sure that wages:
 - are paid regularly and in a timely manner; and
 - are paid equitably across all workers performing similar roles. You are expected to actively work to prevent any actual or perceived wage disparity based on gender, ethnicity, age, migrant status or any other demographic as outlined in LGMS 20.1. You should conduct annual wage reviews to identify pay gaps and address any potential pay-based discrimination against vulnerable workers.

PROVIDENT FUND CONTRIBUTIONS IN INDIA

In India, EPF Employees' Provident Fund is a retirement benefits scheme in which, the employee and the employer contribute to the EPF India scheme on a monthly basis in equal proportions relative to the basic salary and dearness allowance.

In 2011, two high courts in India, in two separate cases, ruled that various allowances paid by an employer to its employees (including conveyance, education, food concession, medical, special holidays, night shift incentives and city compensatory allowance) qualified as basic wages and must be included when calculating monthly provident (or pension) fund contributions.

In 2012, the Employees' Provident Fund Organisation (EPFO), which administers India's largest compulsory provident fund scheme, issued a circular to clarify the basis for calculating contributions, and which appeared to corroborate the findings of the two high court cases. The circular has been temporarily suspended since December 2012, pending further investigation by the EPFO.

In view of EPFO's ongoing efforts to clarify the process for calculating provident fund contributions, the RJC's position is that all members must justify their calculations to auditors and be able to show that these are based on applicable law.



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LGMS 15 Remuneration

LGMS 15.2: OVERTIME WAGES

Members shall reimburse *overtime* work at a rate at least equal to that required by *applicable law* or a *collective bargaining agreement*, or, where *applicable law* does not require a premium for *overtime* hours, by either a minimum of 1.25 x base wage or a premium rate above the regular wage at least equal to the prevailing industry standards.

Actions to be taken:

- It is important that you are aware of any applicable laws, collective bargaining agreements and industry standards, and calculate overtime pay in accordance with these. See also guidance on **LGMS 1 Legal compliance**.
- If there is no applicable law or collective bargaining agreement (or if neither provides specific direction on payments for overtime), calculate overtime pay at a premium rate, that is, a higher rate than the normal working week rate. This should be either one and a quarter (1.25 of the employees base rate of pay) in accordance with ILO Conventions 1 and 30 or match prevailing industry standards if these are higher.
- For areas where the base rate of pay is not outlined in applicable law, base rate of pay can be determined using 15.1.
- Overtime pay premiums apply to all workers and to any managers with a contract with defined hours; they may not be required for managers who genuinely set their own work schedules.
- Also, overtime rates may not apply where workers are granted formally or through informal agreements, the ability to bank hours that can then be taken as time off in lieu or as leave, with consideration to local applicable laws. For example, a salaried employee may have justifiably worked an additional 2 hours, these extra hours may contribute to leave rather than be paid as overtime.
- In most cases, overtime calculations are based on hours worked, so make sure you also follow the guidance for **LGMS 14 Working hours**.
- If you use a piece-rate pay scheme, calculating overtime pay can be very complex. A simple incentive system that provides a higher rate for every piece completed beyond the production quota can be easier to understand, and therefore implement, for both workers and managers. Alternatively, you can adopt a 'monthly fixed rate' system that sets a legal minimum wage based on the average output of your workers in normal working hours and pays anything above this output at a higher rate as an 'incentive payment'.



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LGMS 15 Remuneration

LGMS 15.3: METHOD OF PAYMENT

Members shall make wage payments to *workers* in accordance with the law that are:

- a. Regular and predetermined, and not delayed or deferred.
- b. By bank transfer to an account controlled by the *worker*, or in cash or cheque form in a manner and location convenient to the *worker*.
- c. Accompanied by a wage slip that clearly details wage rates, benefits and *deductions* where applicable, and is in a format that *workers* can easily understand.
- d. If employment agencies are used, made through *systems* that ensure equitable compensation and workplace standards, and ensure that wages are effectively received by *workers*, including migrant, contract, contingent and temporary *workers*.

Actions to be taken:

- Pay your workers regularly and reliably. That means making sure that you:
 - comply with any relevant national laws and regulations on frequency of remuneration;
 - establish clear procedures for calculating, checking and distributing wages;
 - use a bank transfer to an account controlled by the worker, cash or cheque to pay workers; and
 - pay wages directly to your worker, and not to a third party.
- You cannot offer promissory notes, coupons or merchandise in lieu of wages. This is because promissory notes allow payments to be delayed; and vouchers or coupons can force workers to buy specifically from the company-owned store, limiting their choices and tying them to their employer. Payment should be made in a timely manner so that workers do not have to stay for a prolonged period to receive payment for work already completed.
- Your workers should be able to understand how their wages are calculated and be able to report any incorrect payments without fear of retaliation. To that end:
 - Stipulate the level of wages and how they will be paid in all employment contracts.
 - Give your workers regular wage slips that clearly show and explain the rates of pay, as well as any benefits paid or deductions made.
 - Train your workers in how to read these wage slips.
 - Establish a clear process for reviewing and correcting payment errors and communicate it to your workers so that they know what to do if their wages have been incorrectly calculated.
- Your workers should not be obliged to travel any significant distance, or incur costs, to collect their pay.
- You are expected to keep time, wage and leave records (see **LGMS 13 General employment terms**).
- Members shall ensure that agency staff are made aware of and have access to the members grievance mechanism in line with **LGMS 2 Policy and Management Systems**, or whistleblowing policy (if relevant).



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LGMS 15 Remuneration

LGMS 15.4 AND 15.5: DEDUCTIONS

15.4 Members shall only make *deductions* from wages if these *deductions*:

- a. Comply with the law and, if applicable, are governed by *collective bargaining agreements*.
- b. Are determined and calculated following a documented due *process* that is clearly communicated to *workers*.
- c. Do not result in a *worker* receiving less than the *minimum wage*.

15.5 Members shall not make *deductions* for disciplinary purposes.

Actions to be taken:

- All deductions must:
 - be determined by due process;
 - be accurately calculated and administered according to applicable law;
 - be communicated to workers as part of their employment contract; and
 - must not result in an employee receiving wages below the minimum wage.
- Acceptable deductions under the LGMS include those that are either required or permissible by law.
 - Common legally required deductions include taxes, health care and social insurance. They may also include lawful wage garnishments, where employers are required to deduct funds from workers' wages, for example as a result of a court order to pay off a debt. (Note that lawful wage garnishments are subject to applicable law and fall outside the scope of provision 15.4b.)
 - Common legally permissible deductions include transportation, meals, medical assistance, childcare, union fees, loan repayments and lodging.
- Unacceptable deductions under the LGMS include:
 - Recruitment fees, either to the employer or to an agency.
 - Charges for personal protective equipment, which must be provided free of charge to comply with LGMS 22.5.
 - Any form of payment for, deposit or advance on equipment.
 - Deductions as a disciplinary measure for worker behaviour.
- Voluntary deductions – for example, to pay back a loan voluntarily taken from the employer – fall outside the scope of LGMS 15.4.



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LGMS 15 Remuneration

LGMS 15.6: PROVISIONS AND SERVICES

Members shall not force *workers* to buy provisions or services from their own business or facilities; where there is no alternative, members shall not charge excessive rates for these.

Actions to be taken:

- Forcing your workers to buy provisions from you can be a form of bonded labour, as outlined in **LGMS 18 Forced labour**, and can undermine the intent of proper remuneration practices.
- If your workers have limited access to provisions and services at work, for example in isolated factories, make sure provisions are charged at an affordable price. Buying provisions at work should not result in a worker earning less than the minimum wage.

LGMS 15.7: LOANS

Members that provide wage advances or loans shall ensure that the interest and repayment terms are transparent and fair, and not deceptive to the worker.

Actions to be taken:

- Make sure that any wage advances or loans you offer workers comply with applicable law.
- Compare your interest rates and terms for repayment with those offered by other available sources of credit to make sure they are fair and not excessive.
- Do not let the repayment period for a loan exceed the term of your worker's employment contract, as this can be a form of bonded labour, which is prohibited under **LGMS 18 Forced labour**.
- Both you and your worker will need to sign an advance written agreement on the terms and conditions of the loan and its repayment.
- You should both receive signed copies of the loan agreement and keep your copy in the worker's personal file as part of your record-keeping process.

LGMS 15.8: BENEFITS

Members shall ensure that all benefits are given to *workers* in accordance with *applicable law*.

Actions to be taken:

- Review local law and identify the legal requirements on all benefits, including maternity, paternity and childcare benefits. Compare these with what you currently offer workers and adjust your policy and practice to comply with (or go beyond) applicable law.
- Inform workers of which benefits are legally required and which are additional ones provided by you. This will help ensure workers know you are abiding by the law, while helping you retain staff.
- Where payment of statutory benefits depends on registering workers into social insurance schemes and the like, you are responsible for doing the necessary administration to ensure your workers receive their benefits in accordance with applicable law.



LGMS 15 Remuneration

LGMS 15.9: COMPENSATION FOR WORK RELATED INJURIES

Members shall ensure that *workers*, and/or their dependents where relevant, are compensated for work-related injuries, illnesses and fatalities in accordance with *applicable law*, and any *collective bargaining agreements*. Where legal instruments do not exist, *ILO Standard 102* on employment injury benefits or a comparable *internationally recognised* standard shall be met.

Actions to be taken:

- You should always provide a safe workplace that meets applicable laws and the requirements in **LGMS 22 Health and Safety**.
- If an accident or some other event occurs that leads to a workplace related injury or illness, or even a fatality, then workers and/or their families need to be compensated.
- Compensation should be as per the applicable laws. If there are no applicable laws, you should seek advice or look at industry standard for your region or use the [ILO Standard 102 Part VI on Employment Injury Benefit](#).

CHECK

- Can you show that your workers understand their wage payments?
- Do your employment contracts accurately detail all benefits (that is, standard wage rate, overtime wage rate, piece-rate information, deductions, paid holiday and annual leave)?
- Can you show that workers' wages are paid directly, accurately, regularly and in a timely manner, by bank transfer, cheque or cash?
- Do payments for normal working hours and overtime comply with local law and collective bargaining agreements?
- Can you show that all deductions are legal, communicated to the worker and verified to ensure a worker isn't earning less than minimum wage?
- Are your employees forced to buy provisions from you? If you sell provisions to employees, are they sold at a reasonable rate that does not result in employees earning less than minimum wage?
- If you provide wage advances or loans, can you show the auditor that the repayment terms are transparent, fair and do not lead to debt bondage?
- Do you keep signed copies of all loan agreements and provide copies to the concerned employee(s)?
- Do you provide legally mandated parental and childcare benefits?



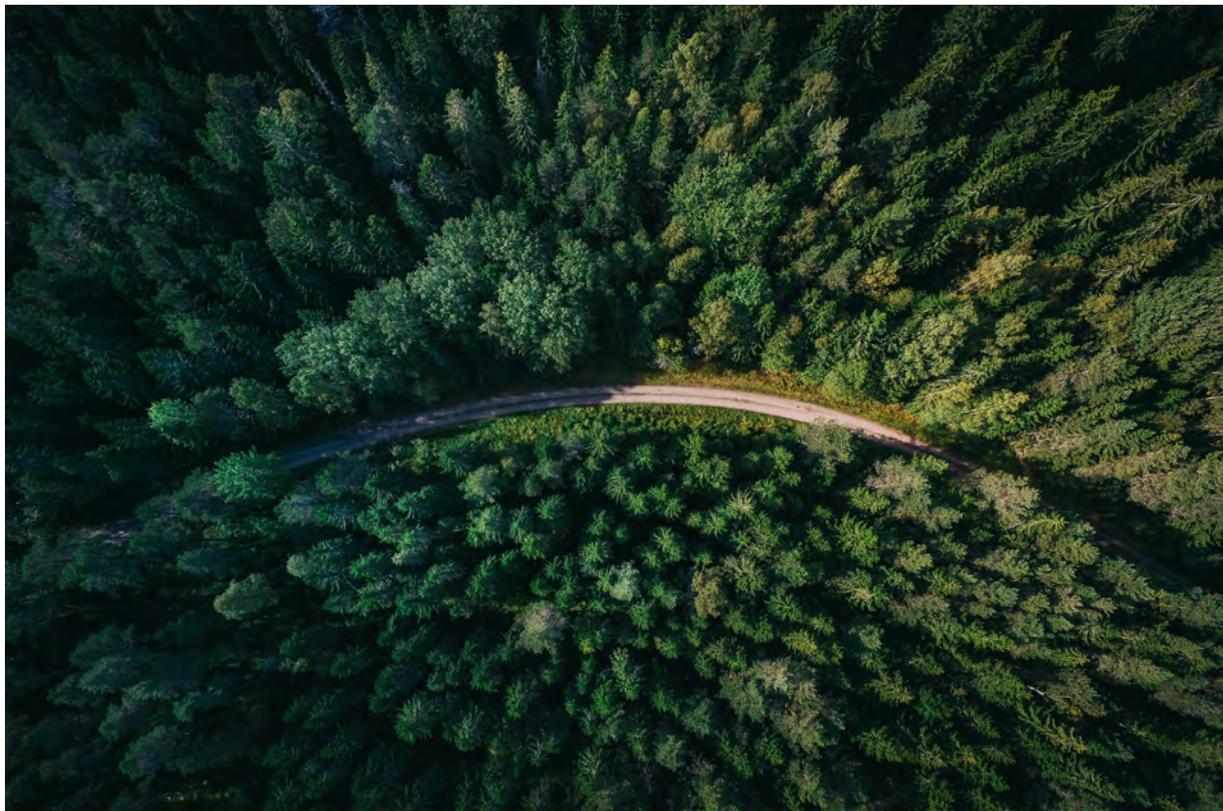
LGMS 15 Remuneration

E FURTHER INFORMATION**WEBSITES**

- [ILO, Resource Guide on Minimum Wages](#)
- [ILO, Working Conditions Laws Database](#)

PUBLICATIONS

- [Ethical Trade Initiative \(ETI\), Base Code Guidance: Living Wages](#)
- [ETI, Living Wages in Global Supply Chains: A New Agenda for Business \(2015\)](#)
- [ILO, C100 – Equal Remuneration Convention \(1951\)](#)
- [Oxfam, Steps Towards a Living Wage in Global Supply Chains \(2014\)](#)
- [SAI, Guidance Document for Social Accountability 8000 \(SA8000®:2014\) \(2016\)](#)





LGMS 16 Harassment, discipline, grievance procedures and non-retaliation

A APPLICABILITY

This provision applies to all RJC members.

Supply Chain Point	LGMS 16 Harassment, Discipline, Grievance Procedures and Non-Retaliation				
	16.1	16.2	16.3	16.4	16.5
Lab-grown materials producer	✓	✓	✓	✓	✓
Lab-grown materials cutter and/or polisher	✓	✓	✓	✓	✓
Lab-grown materials trader	✓	✓	✓	✓	✓
Jewellery and watch manufacturer and/or wholesaler	✓	✓	✓	✓	✓
Jewellery and watch retailer	✓	✓	✓	✓	✓
Recycler	✓	✓	✓	✓	✓
Service industry	✓	✓	✓	✓	✓

B ISSUE BACKGROUND

HARASSMENT

Preventing harassment in the workplace is part of creating decent working conditions for employees and protecting workers' rights to a safe working environment. Harassment comes in many different forms, from a single supervisor publicly shouting at a worker to a group of workers consistently harassing someone because of their gender, religion or ethnicity.

More severe forms of harassment include intimidation, threats and physical or sexual violence. But harassment can also come in seemingly benign communications that are not made in anger, such as jokes or comments on appearance or lifestyle (see box 'Sexual harassment in the workplace'). Harassment can also be indirect, for example conduct, remarks or malicious gossip about an employee shared between people behind the employee's back. Third parties observing sexual harassment can also be the victim of the harassment. It's important for employers to understand the different forms of possible harassment in order to create a non-hostile working environment. It's also important to be aware that some workers are more vulnerable to harassment in the workplace and that vulnerability can vary across pace and culture. RJC does not tolerate any form of harassment or violence, regardless of severity. This includes cyber bullying and online harassment.

Companies play a vital role in addressing harassment by setting and enforcing responsible workplace standards and policies to drive behaviour change. Investing in workforce education to help workers and supervisors understand what harassment is and why it cannot be tolerated is a critical step towards creating a harassment-free work environment. But it is just as important to invest in training and empowering workers to speak up if they experience or witness violence or harassment in the workplace. Employers are responsible for creating an environment that not only encourages employees to speak up, but ensures no retaliatory actions will result. Employers should also consider what extra protection is needed for vulnerable workers.



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LGMS 16 Harassment, discipline, grievance procedures and non-retaliation

SEXUAL HARASSMENT IN THE WORKPLACE

The International Labour Organization (ILO) defines sexual harassment as a sex-based behaviour that is both unwelcome and offensive to its recipient. It can take two forms:

1. Quid pro quo, in which a job benefit – such as a pay rise, a promotion or even continued employment – is made conditional on the victim acceding to demands to engage in some form of sexual behaviour.
2. Hostile working environment in which the harassment behaviour creates conditions that are intimidating or humiliating for the victim.

Sexual harassment in the workplace can be both physical and psychological. It includes behaviours that are:

- Physical: for example, physical violence, sexual assault, touching, unnecessary close proximity.
- Verbal: for example, comments and questions about appearance, lifestyle or sexual orientation, offensive phone calls, inappropriate 'jokes'.
- Non-verbal: for example, wolf whistling, making sexually suggestive gestures, displaying sexual materials.

While men and boys can experience sexual violence and harassment, the vast majority of victims are women and girls. Creating harassment-free workplaces is critical to achieving decent work for all and gender equality.

Sources:

- [ILO, Ending Violence and Harassment Against Women and Men in the World of Work \(2018\)](#)
- [ILO, Sexual Harassment at Work: Fact Sheet](#)

DISCIPLINE

For companies to operate effectively, they need clearly defined, and fully respected, standards for performance and conduct. Cases of minor misbehaviour or unsatisfactory performance can be best dealt with informally: a quiet word is often all that is needed to improve an employee's conduct or performance. It is also important to ensure that the complainant (if there is one) is informed of your actions as a result of the complaint.

In cases that require formal disciplinary action, the type of action that is reasonable or justified will depend on the specific circumstances. But in all cases, managers should act promptly, fairly and consistently. And in all cases, discipline in the workplace should only ever be seen as a way to correct problem behaviours or performance issues, not as a way to punish employees.

Unfortunately, in some workplaces discipline can take on extreme forms of abuse, including physical (corporal punishment), mental, psychological, verbal or sexual abuse. Documented examples of unreasonable disciplinary practices include employees being yelled at or shamed; forced to do push-ups or run laps; made to stand in the sun for extended periods; beaten or hit; threatened with violence; sexually or racially harassed; or denied wages, food or services. All of these, or similar actions, are considered to violate basic human rights.

LGMS 16 Harassment, discipline, grievance procedures and non-retaliation

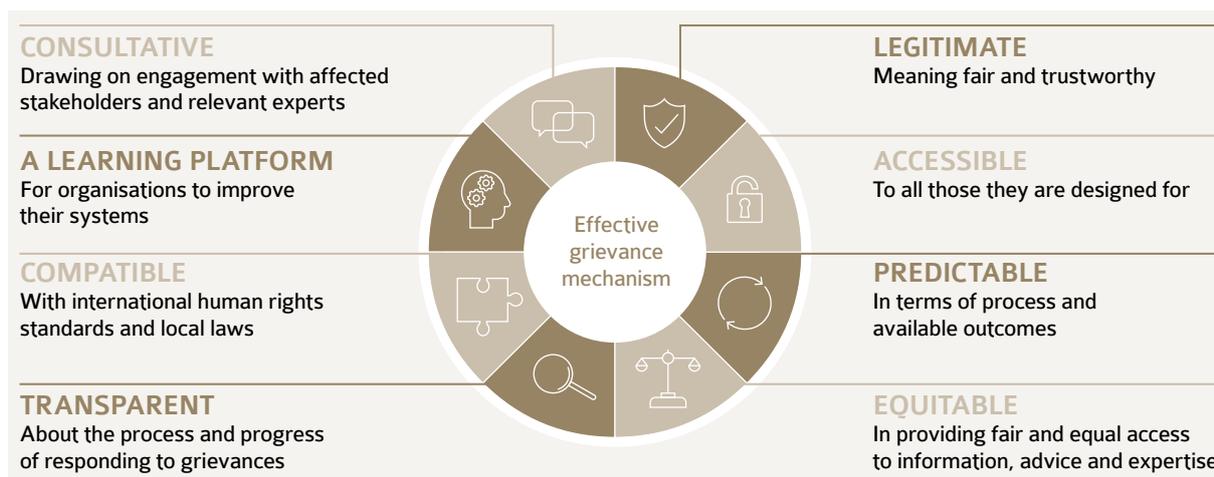
GRIEVANCE PROCEDURES AND NON-RETALIATION

If workers are harassed, disciplined inappropriately, paid incorrectly or treated unfairly, they should be able to report their grievances through a confidential channel for their employer to review and address appropriately. These channels, called grievance mechanisms or procedures, create an effective avenue for companies to receive, process and provide adequate response or remedy for grievances raised by employees.

A grievance mechanism can only really serve its purpose if people know it is there, know how to use it and trust that it works fairly. The UN Guiding Principles on Business and Human Rights sets out eight criteria for designing an effective grievance mechanism that can do this, ranging from making the process legitimate and accessible to ensuring it is rights-compatible and rooted in engagement (see Figure 14).

In all cases, it is important that nobody suffers negative consequences from raising a grievance.

FIGURE 14. CHARACTERISTICS OF AN EFFECTIVE GRIEVANCE MECHANISM



C KEY REGULATIONS, STANDARDS AND INITIATIVES

INTERNATIONAL STANDARDS

Both the 1948 **Universal Declaration of Human Rights** (UDHR)¹ and the 1966 **International Covenant on Civil and Political Rights**² prohibit torture or 'cruel, inhuman or degrading treatment or punishment'. Article 23 of the UDHR further states that everyone has the right to 'just and favourable conditions of work'.

The 1975 **Declaration on the Protection of All Persons from Being Subjected to Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment**³ states that 'any act of torture or other cruel, inhuman or degrading treatment or punishment is an offence to human dignity and shall be condemned as a denial of the purposes of the Charter of the United Nations and as a violation of the human rights and fundamental freedoms proclaimed in the Universal Declaration of Human Rights'.

1 UN, Universal Declaration of Human Rights (1948) www.un.org/en/universal-declaration-human-rights

2 UN, International Covenant on Civil and Political Rights (1966) www.ohchr.org/en/professionalinterest/pages/ccpr.aspx

3 UN, Declaration on the Protection of All Persons from Being Subjected to Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (1975) www.ohchr.org/en/professionalinterest/pages/declarationtorture.aspx



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LGMS 16 Harassment, discipline, grievance procedures and non-retaliation

These treaties and declarations have been ratified by most UN member states.

The ILO is reviewing gaps in legal protections against violence and harassment in the workplace. As part of its efforts, it is convening members to discuss a new international legal instrument – which might be a convention, a recommendation or some combination of both – to protect workers.

NATIONAL LAW

Many countries prohibit corporal punishment, usually within their constitutional framework. Some countries also have legislation specifically aimed at employers about disciplinary practices, abuse, harassment and grievance procedures. RJC members are expected to know the legal requirements in all countries where they operate.

LGMS 16.1 & 16.2: NO VIOLENCE OR HARASSMENT

16.1 All forms of workplace *violence and harassment*, directly and indirectly in any form, including intimidation or during disciplinary actions, are prohibited.

16.2 Members shall develop and implement measures to ensure that *workers* are treated with dignity and respect and are not subjected to violence or *harassment*, or threatened with violence or *harassment*, towards themselves, their family or colleagues.

Actions to be taken:

- Make sure you have policies that prohibit all forms of violence and harassment in the workplace; and communicate this information to supervisors and workers. The policy should explicitly prohibit all forms of violence and harassment based on (at a minimum) the following criteria:
 - Race
 - Colour
 - Ethnicity
 - Caste
 - National origin
 - Religion
 - Social aspects including minority status or
 - Migrant worker status
 - Disability or genetic information
 - Gender
 - Sexual orientation or other LBTQ status
 - Union membership
 - Political affiliation
 - Marital status



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- Parental or pregnancy status
- Physical appearance
- Health and wellbeing including mental health
- HIV, Tuberculosis, COVID-19 or other illness
- Age
- Any other personal characteristic unrelated to the inherent requirements of the work
- Your policy must be supported by written procedures. Together they should define and address direct and indirect harassment, as well as harassment that can occur outside the workplace. This should include things like business trips or social events (for example, after-work drinks) and non-work-related communications between co-workers (sharing messages and photos).
- Your policies and procedures for addressing gender-based violence should focus on helping victims, preventing any further harm to them and having disciplinary measures for perpetrators. That includes disallowing retaliation against victims and giving victims flexibility in their ability to take leave or other related benefits that help safeguard them.
- To effectively address gender-based violence, your policy should also:
 - respect the confidentiality of the situation;
 - defer to the victim's assessments of safety wherever reasonably possible; and
 - actively promote prevention and awareness training.
- Use a risk assessment to help you identify training needs for supervisors and workers on acceptable workplace behaviours and on how to report grievances.
- Help create a positive work environment by removing offensive, explicit or pornographic materials such as calendars, posters or literature from the workplace.
- Carry out periodic audits to monitor the working environment and incidence of sexual harassment. This can be internal audits. For smaller companies, this can be a relatively straightforward periodic internal check.



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UNACCEPTABLE BEHAVIOURS

Below are some examples of workplace harassment and abuse; all are considered unacceptable behaviours.

- 'Staring' or standing too close to someone.
- Inappropriately touching hands, arms or hair.
- A man intentionally brushing up next to a woman in a queue.
- A man touching a woman's breasts.
- Making inappropriate comments about a woman's or man's appearance, body or sexual habits.
- Asking for sexual favours in return for something (for example, overtime or job security).
- Forced kissing or fondling.
- Coercive sex (rape).
- Using sexually explicit language.
- Abusive name-calling (for example, 'prostitute' or 'slut').
- Verbal abuse or use of foul language.
- Shouting, with the intent to demean, bully or intimidate.
- Pushing, pulling, hitting or shoving someone of the opposite sex.
- Pulling hair.
- Slapping, pinching, pricking with pins.
- Displaying sexually explicit pictures on the wall.
- Sending abusive or sexual messages, photographs or images by phone, email or social media.

Source:

- ILO International Training Centre, Gender-Based Violence in Global Supply Chains: Resource Kit (2013)

LGMS 16.3: KEY STAFF TRAINING

Managers, medical professionals and other key personnel among security staff and others shall be regularly trained to recognise signs of *violence and harassment* and understand relevant laws and organisational policies.

Actions to be taken:

- Managers, medical professionals (such as doctors or nurses) and other key personnel can be uniquely placed to help prevent and address violence and harassment in the workplace (including gender-based violence). It is critical that these people are trained to help identify victims, both individuals and groups, of workplace violence who may not feel safe reporting incidents through the grievance procedures.
- Identify the relevant key staff who are best positioned to help prevent violence and hostile environments in the workplace and focus training on them (see box 'Practical training references').



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- Consult with local organisations and law enforcement to identify and understand all relevant laws related to violence and harassment, including:
 - Race
 - Colour
 - Ethnicity
 - Caste
 - National Origin
 - Religion
 - Social aspects including minority status or
 - Migrant worker status
 - Social aspects including minority status or
 - Migrant worker status
 - Disability or genetic information
 - Gender
 - Sexual orientation or other LBTQ status
 - Union membership
 - Political affiliation
 - Marital status
 - Parental or pregnancy status
 - Physical appearance
 - Health and wellbeing including mental health
 - HIV, Tuberculosis, COVID-19 or other illness
 - Age
 - Any other personal characteristic unrelated to the inherent requirements of the work
 - Local and national victim support services available; and
 - Requirements for reporting incidents to local authorities.

PRACTICAL TRAINING REFERENCES

A practical reference for recognising gender-based violence is the ILO's toolkit with case studies and implementation guidance. Module 6 covers practical ways to identify, monitor and report on gender-based violence and sexual harassment, with a specific focus on low- and non-unionised workplaces.

Sources:

- [ILO International Training Centre, Gender-Based Violence in Global Supply Chains: Resource Kit \(2016\)](#)

Other sources with indicators for medical professionals include:

- [UNFPA, A Practical Approach to Gender-Based Violence: A Programme Guide for Health Care Providers and Managers \(2001\)](#)
- [UNFPA and WAVE, Strengthening Health System Responses to Gender-Based Violence in Eastern Europe and Central Asia \(2014\)](#)



LGMS 16 Harassment, discipline, grievance procedures and non-retaliation

LGMS 16.4: DISCIPLINARY PROCESS

Members shall clearly and actively communicate their disciplinary process and related standards on appropriate *disciplinary procedures* and *worker* treatment in line with LGMS 16.1 and apply these equally to all management and staff. Members shall keep *records* of all disciplinary actions taken, and ensure confidentiality and anonymity are protected, as appropriate.

Actions to be taken:

- Develop a written policy and procedures for disciplinary action, outlining the legal and company-specific penalties for different types of inappropriate action, both in terms of worker and supervisor behaviour. Make sure you proactively communicate it with your workers.
- Make a senior management function, such as human resources, responsible for discipline and grievance procedures; and strictly prohibit anyone else from disciplining workers. Security guards and the military, in particular, should not be allowed to discipline the workforce; their role must be clearly limited to safeguarding the premises and the personnel and product therein.
- Disciplinary measures, if and when required, should be applied consistently and fairly among all workers.
- Never use discipline to punish, humiliate or intimidate your workers. Instead, use it to promote and encourage a high standard of personal conduct. In particular, your disciplinary measures must not include:
 - any deductions to wages (see **LGMS 15 Remuneration**);
 - retaliation for submitting a grievance or complaint;
 - compulsory labour as a punishment; or
 - punishment for taking part in a strike (unless there has been serious misconduct or criminal acts). Note that in this case, 'punishment' includes deducting wages beyond that corresponding to time lost during a strike, terminating or failing to renew workers' contracts, reducing benefits or seniority, and imposing heavier workloads.
- The risks of inappropriate disciplinary measures may be higher or more evident in specific countries, sectors or roles (such as security provision). Do a risk assessment to identify risks in your operations.
- In all cases, establish a series of escalating steps for disciplinary procedures to remediate unacceptable behaviour or performance. This should begin with verbal and written warnings before progressing to more serious disciplinary action, unless the seriousness of the offence warrants immediate escalation.
- Train your staff, especially those in any position of authority, on how to manage disciplinary issues appropriately. Include explicit training on what type of discipline, and by who, is and is not allowed, and what the penalties are for breaching disciplinary procedures.
- Make sure workers are aware of the disciplinary procedures as part of new-hire and regular worker training.



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LGMS 16 Harassment, discipline, grievance procedures and non-retaliation

- When subject to disciplinary action, workers have the right to know why they are being disciplined and the right to defend themselves. In practice, that means you must, in all cases and without any negative consequences:
 - give the worker details of the allegations;
 - provide an opportunity for them to respond to allegations, and to appeal any disciplinary decisions; and
 - allow them to consult with, or be represented by, a trade union (or other chosen person).
- If misconduct is alleged, give the worker time to prepare a defence.
- Make sure you have a robust system for keeping records of any disciplinary actions taken, such as verbal and written warnings, suspensions and dismissals within worker files. Ensure that confidentiality and anonymity are protected, as appropriate.

LGMS 16.5: GRIEVANCE PROCEDURES FOR WORKERS

In addition to the requirements of LGMS 2.6, members shall:

- Actively communicate its complaints and *grievance mechanism* to all *workers* including new *workers* at the time of recruitment.
- Ensure that *workers* acting individually or with other *workers* are free to submit grievances through the complaints and *grievance mechanism* without suffering any penalty or *retaliation*.
- Allow in the complaints and *grievance mechanism* for the involvement of a *workers'* representative, if requested by the *worker*.

Actions to be taken:

- Establish procedures for workers to raise grievances; at minimum, these must ensure the confidentiality and anonymity of the person raising the grievance and protect them from retaliation. They will need to involve your human resources department. For this reason, your grievance procedures for workers will likely have to be different from those used for external stakeholders to meet requirements of **LGMS 6 Human rights** and **LGMS 7 Due diligence for responsible sourcing, including from conflict-affected and high-risk areas**.
- The complaints and grievance mechanism must be legitimate, accessible by and rights compatible for all affected parties. A contact us or email address may be appropriate depending on the location of the member. If in an area with different cultures, alternative contact means may be required. The UN Human Rights Council provides general guidance for design. Additional guidance on developing Complaints Resolution Mechanisms can be found at:
 1. The Harvard University's Rights Compatible Grievance Mechanisms;
 2. The CAO's Grievance Mechanism Toolkit;
 3. The UNDP Supplemental Guidance on Grievance Redress Mechanisms.



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LGMS 16 Harassment, discipline, grievance procedures and non-retaliation

- Your grievance procedures should reflect the size and scale of your operations, and the needs of your workers and local communities. In all cases, they should meet the effectiveness criteria set out by the UN Guiding Principles (see Figure 14), and must define:
 - how workers and individuals can file grievances;
 - how management investigates grievances and decides how to remedy them;
 - how management communicates the outcomes after a grievance investigation; and
 - how outcomes are documented and kept confidentially.
- Think carefully about who will manage and investigate grievances. Whoever it is should be a trusted person, equipped with the necessary cultural and gender sensitivity to meet the needs of vulnerable populations in the workplace that are more likely to receive unfair treatment. The person must
 - be able to assess grievances, dependent on gender and consider other protected characteristics such as age, disability, marital status, pregnancy and maternity, race, religion or belief
 - be trained and empowered to make decisions, or at least have access to decision-makers.

In some cases, the person may operate outside your business.
- Your grievance procedures as required under LGMS 2.6, should be inclusive of all who may wish to use them. To that end, make sure you:
 - train all supervisors and workers on the procedures, and specifically on how to raise a grievance or concern;
 - make communications about grievance procedures available in languages that all workers understand;
 - let workers be accompanied by a fellow worker or union official during formal processes; and
 - allow non-employees to submit grievances about the workplace and give them the same level of confidentiality and protection from retaliation as employees.
 - make sure you have a policy prohibiting retaliation. This can be a stand-alone policy, or part of an overarching company policy (as part of **LGMS 2 Policy and management systems**).
 - either way, you should have procedures in place to support your non-retaliation policy.
 - if you have any concerns that someone raising a grievance will suffer retaliation, make extra efforts to prevent this from happening. That might include adjusting the person's working hours or reassigning them to another supervisor.

→ HARASSMENT, DISCIPLINE & NON-RETALIATION GRIEVANCE MECHANISM TEMPLATE



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LGMS 16 Harassment, discipline, grievance procedures and non-retaliation

✓ CHECK

- Do you have policies that prohibit retaliation, harassment and violence in the workplace; and have those been implemented and communicated to workers and supervisors?
- Can you show that key personnel have been trained to recognise signs of gender-based violence?
- Have supervisors and security personnel been trained on appropriate disciplinary procedures and what types of discipline are not acceptable?
- Can you show that security guards are not allowed to discipline workers?
- Do you keep records of disciplinary actions in employee records?
- Can you show that workers know in advance what allegations are being made against them, and that they have a right to defend themselves?
- Can you show that your grievance procedures meet the UN Guiding Principles' effectiveness criteria?
- Does your facility keep investigation records of submitted grievances in a secure location to protect confidentiality?
- Are the people responsible for reviewing grievances properly trained?

E FURTHER INFORMATION

☰ WEBSITES

- [Acas \(Advisory, Conciliation and Arbitration Service\), Discipline](#)
- [Chartered Institute of Personnel and Development, Discipline and Grievance at Work](#)
- [UN Human Rights, Convention Against Torture and Other Cruel, Inhumane or Degrading Treatment or Punishment](#)
- [Verité, An Introduction to Grievance Mechanisms](#)

LGMS 17 Child labour

A APPLICABILITY

This provision applies to all RJC members and applies to directly employed workers and indirectly employed workers who regularly work at members' sites.

Supply Chain Point	LGMS 17 Child Labour		
	17.1	17.2	17.3
Lab-grown materials producer	✓	✓	✓
Lab-grown materials cutter and/or polisher	✓	✓	✓
Lab-grown materials trader	✓	✓	✓
Jewellery and watch manufacturer and/or wholesaler	✓	✓	✓
Jewellery and watch retailer	✓	✓	✓
Recycler	✓	✓	✓
Service industry	✓	✓	✓

B ISSUE BACKGROUND

Child labour is one of the highest-profile and most widely condemned social performance issues. And yet it is still widespread in many parts of the world. The ILO and UNICEF's 2021 global report on child labour found that the number of children working in child labour¹ has increased by 8.4 million in the last four years to 160 million worldwide, with 79 million in hazardous work. Children aged 5 to 11 years form the largest share of those in child labour and also form a substantial share of those in hazardous work. Forty-eight per cent of all those in child labour are in the 5–11 years age bracket, 28 per cent are aged 12–14 years, and 25 per cent fall into the 15–17 years age range. Children in child labour in the services and industry sectors number 31.4 million and 16.5 million, respectively.

It is important to understand the context in which child labour occurs and the impacts it can have. There are various reasons why children enter employment; financial need is the most common. Families in marginal economic circumstances may depend on children earning incomes.

But child labour ultimately impedes economic growth and development. It deprives children of the opportunity to be educated for productive and decent work, often consigning them to low-paying and unskilled jobs in adulthood. Child labour can also have a negative effect on adult working conditions, creating a downward pressure on wage levels and leading to increased adult unemployment rates. This in turn reinforces poverty and lack of development, circumstances that drive child labour in the first place.

These complexities and interrelated factors mean that addressing child labour is rarely a simple matter of removing children from the workforce. Efforts to tackle child labour must be approached with an understanding of the economic drivers at hand, and a sensitivity to the alternatives available.

¹ <https://www.ilo.org/publications/major-publications/child-labour-global-estimates-2020-trends-and-road-forward>



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LGMS 17 Child labour

C KEY REGULATIONS, STANDARDS AND INITIATIVES

INTERNATIONAL STANDARDS

The ILO leads the world's efforts to set standards for child labour through two major conventions: the Minimum Age Convention 138 (1973) and the Worst Forms of Child Labour Convention 182 (1999). These are summarised below. Even if ILO member states have not ratified either of these 'core' conventions, they are still bound to promote the effective abolition of child labour through the [1998 ILO Declaration on Fundamental Principles and Rights at Work](#).

The **ILO Minimum Age Convention 138 (ILO C138)** offers the most comprehensive and authoritative international definition of minimum working age, which it sets at 15 years or statutory school-leaving age, whichever is higher. Exceptions to this rule are made for:

- Hazardous work, which carries a higher minimum working age of 18 (in exceptional circumstances, countries can, under ILO C138, allow hazardous work from 16, provided that the health, safety and morals of the young persons concerned are fully protected and that they have received adequate specific instruction or training);
- Light work, which carries a lower minimum working age of 13 (factors to consider in determining whether a particular job constitutes light work for a child relate to whether the work is likely to be harmful to their health or development and includes hours of work, school attendance and performance, participation in vocational orientation or training, and the working environment); and
- Countries whose economy and educational facilities are insufficiently developed, in which case the minimum working age can be initially reduced to 14 years.

Through ILO C138, countries are required to set the minimum age for entry into work or employment and to establish national policies to eliminate child labour. The convention also defines a range of protections for young persons that are older than the minimum working age but are still under 18.

ILO C138 does not apply to work done by children in schools as part of their education or training. Nor does it apply to work done by children at least 14 years old in businesses, provided that the work is part of a school or training institution programme or is a government-approved apprenticeship.

The **ILO Worst Forms of Child Labour Convention 182 (ILO C182)** calls on countries to prohibit and eliminate the worst forms of child labour; it applies to all children under 18. Through ILO C182, countries are also required to define in law what constitutes 'hazardous work', and to find ways to monitor how the convention is applied.

Beyond the ILO, international efforts to protect against child labour include:

- The **Convention on the Rights of the Child**, which was adopted by the UN General Assembly in 1989, and which spells out the basic human rights to which children everywhere are entitled, such as the right to survival and the right to the development of their full physical and mental potential.



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- The **UN Guiding Principles on Business and Human Rights**, which sets out companies' responsibilities to respect all human rights, including the right to be free from child labour. Under these principles, companies must avoid causing or contributing to child labour through their own activities; they must also seek to prevent and mitigate child labour that is directly linked to their operations, products or services by their business relationships, such as suppliers. If instances of child labour are found, companies also have a duty under the UN Guiding Principles to ensure the affected children have access to effective remedy. This requires careful consideration of how best to rehabilitate children away from the workplace in a way that enables them to return to school. More information about the UN Guiding Principles and the RJC's expectations for remedy and human rights due diligence are outlined in **LGMS 6 Human rights**.

NATIONAL LAW

Most countries have national legislation establishing a minimum working age, often with particular provisions for different sectors (see box 'Child labour law in India').

CHILD LABOUR LAW IN INDIA

On 28 August 2012, the Union Cabinet of India approved amendments to the Child and Adolescent Labour (Prohibition and Regulation) Act, 1986. The Act bans all forms of child labour under the age of 14 and makes the employment of these children a criminal offence. The Act further prohibits the employment of children (or 'adolescents') aged 14–18 in hazardous work.

Under the 2012 Amendment Bill, 'hazardous work' includes, among other things:

- any occupation connected with mines (underground and underwater) and collieries;
- gem cutting and polishing; and
- any processing that involves toxic metals and substances such as lead, mercury, manganese, chromium, cadmium, benzene, pesticides and asbestos.

In 2016, another amendment was published to expand protections for children and adolescents, focusing on the rehabilitation of children and adolescents who have already been employed in contravention to the age limits set out in the bill.

Source:

- [India, The Child Labour \(Prohibition and Regulation\) Amendment Bill, 2016](#)



LGMS 17 Child labour

D IMPLEMENTATION GUIDANCE**LGMS 17.1 AND 17.2: MINIMUM WORKING AGE OF 15 YEARS AND WORST FORMS OF CHILD LABOUR**

17.1

- a. Members shall not engage in or support *child labour* as defined in ILO Convention 138 and Recommendation 146, which set a basic *minimum working age* of 15 years, to enable children to complete compulsory schooling.
- b. Members operating in countries where compulsory schooling ends earlier than 15 years can start RJC membership but cannot achieve or maintain RJC certification if there are *workers* below the *minimum working age* of 15 years.

17.2 Members shall not engage in or support the *worst forms of child labour* as defined in ILO Convention 182 and Recommendation 190, which include:

- a. Hazardous *child labour*, which by its nature or circumstances is likely to jeopardise the health, safety or morals of persons younger than 18 years.
- b. All forms of child slavery and practices similar to slavery, including *debt bondage*, the trafficking of children, forced *child labour* and the use of children in armed conflict.

Actions to be taken:

- Make a senior management function, such as human resources, responsible for the child labour policy and procedures, and all remediation of potential and confirmed non-compliances.
- Establish a policy prohibiting the use of child labour and preventing young workers from doing hazardous work. Do this in a stand-alone policy or incorporate it into an existing policy. Either way, make sure you communicate the child labour policy to all managers and staff as well as any business partners that employ workers on your sites.
- The minimum age for hazardous work shall not be less than 18 years of age.
- Even having reached the minimum age, children below the age of 18 years must be protected from hazardous work or other worst forms of child labour (e.g., forced labour, use in commercial sexual exploitation or illicit activities). If a child above the general minimum age is found in hazardous work, it may be possible to change the task he or she is carrying out, or the conditions of work, so that it is no longer hazardous, thereby allowing the young person to keep working. If the work is inherently hazardous, such as working in confined spaces or with high temperature processes, and reassignment to a non-hazardous job is impossible, the young person needs to be removed from the work.
- Hazardous work lists are crucial especially for this latter group of children, who are old enough to work, but who still need to be protected as children, including from hazardous work.



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- You will need to do a risk assessment appropriate to your business circumstances to identify areas where there may be a risk of child labour in your operations or supply chain. Do this as part of your human rights due diligence (see **LGMS 6 Human rights** and **LGMS 7 Due diligence for responsible sourcing, including from conflict-affected and high-risk areas**) and make sure you include the following activities, as appropriate:
 - Identify responsibilities related to hazardous work, and map current worker ages against these to confirm that no young worker is involved.
 - Identify all indirectly employed workers on-site to confirm that they all meet the minimum working age requirements.
 - Assess any light work done by young workers to ensure that it complies with applicable law and the LGMS, and that it does not interfere with schooling (note that you should support young workers participating in a structured formal education programme in these cases).
- Develop procedures and management systems to help implement your child labour policy. In particular:
 - Establish a process for verifying age as part of your hiring process, and keep copies of proof of age documents with employment records. If using a recruitment or labour agency to hire workers, make sure they confirm proof of age before employing workers on your site or assigning them hazardous work.
 - If an applicant doesn't have official documents to prove their age, use several different verification approaches and 'triangulate' them. For example, do a medical examination, get copies of other documents like school certificates or family testimonies and carry out interviews. In all cases, remain sensitive to gender and culture. Make sure that anyone responsible for hiring and assigning tasks to workers are trained on how to avoid hiring underage workers or giving young workers hazardous work.
 - Attach proof of age and a description of duties to the employment records of all workers under 18 years of age. This will help you confirm your workers are not subjected to hazardous work or the worst forms of child labour.
 - Create and maintain a list of young workers and monitor their work schedules and duties to verify compliance with local law and the LGMS with regards to working-hour limits, scheduling and school attendance. That includes ensuring that schedules and work assignments comply with:
 - ILO Convention 33, which prohibits young workers from working night hours; and
 - ILO Convention 182 and Recommendation 190, which allows children that are 13 to 15 years of age to do light work, as long as it does not threaten their health and safety or hinder their education or vocational orientation and training.
- Note that you must not dismiss child workers in advance of your RJC audit; you are expected to remedy non-compliances as set out in LGMS 17.3.



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LGMS 17 Child labour

LGMS 17.3: WHERE CHILD LABOUR IS FOUND AT A FACILITY

Notwithstanding LGMS 17.1 and LGMS 17.2, where *child labour* is discovered, members shall immediately withdraw children engaged in *child labour* and develop documented remediation processes that include steps for the continued welfare of each *child* and the financial situation of the child's family. Remediation shall include:

- For a *child* not still subject to compulsory education laws or attending school, attempts to source alternative income generation and/or vocational training opportunities, which can include decent and permissible employment.
- For a *child* still subject to compulsory education laws or attending school, offering adequate support to enable the *child* to attend and remain in school until the completion of compulsory education.
- A systemic review of the member's approach to avoiding *child labour*, to identify root causes of non-conformances and implement controls to avoid any recurrence.

Actions to be taken:

- Instances of child labour require considered responses that take account of local circumstances and applicable law. All forms of remedy and corresponding stakeholder communication should align with **LGMS 6 Human rights** and **LGMS 7 Due diligence for responsible sourcing, including from conflict-affected and high-risk areas**.
- Develop appropriate remediation strategies to deal with instances of non-conformance with the ILO conventions and applicable law (see Table 19).

TABLE 19. REMEDIATION STRATEGIES FOR NON-CONFORMANCES WITH ILO CONVENTIONS AND APPLICABLE LAW

Where children or young workers are found	Remediation strategies
In child labour	Remove children under the minimum working age from employment and give them appropriate remedy, including access to good quality education with real prospects of meaningful employment when they leave school. This is especially important where there is a risk that simply withdrawing children from employment will result in their working for other organisations with uncontrolled working conditions.
In worst forms of child labour, doing hazardous work	Remove children or young workers from the situation immediately, report it to relevant authorities and deploy a remediation strategy as above, seeking alternative light work for young workers.



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- If children not engaged in worst forms of child labour continue to work during the remediation process, you must ensure that they:
 - do not work during school hours;
 - do not spend more than 10 hours a day in work and school combined (including time spent travelling to and from work and school);
 - can have at least 12 hours night-time rest;
 - have a minimum of customary weekly rest days;
 - are given fair payment for their work; and
 - are not allowed to work any overtime.
- Achieving this in practice is not easy. Under the RJC LGMS, if you have identified an instance of child labour, are in remediation and are adhering to all these points, you will not be in a situation of critical breach. You must, however, immediately develop procedures to prevent any more children from being employed.
- A member should develop a program for the transition of any child found to be performing child labour that enables the child to attend and remain in quality education or vocational training until no longer a child. Adequate support may include time to attend schooling or in some cases arrangement to provide education services directly, appropriate to the members size and circumstances.
- When designing and implementing any remediation strategy, consider working with local non-government organisations to ensure your approach is informed by local cultural and geographical priorities and perspectives. This will help guard your strategies against unintentionally causing further harm to the child or community.
- Consider supporting community development initiatives to eradicate the root causes of child labour. These can usually only be implemented in co-operation with other agencies such as national or local government, international organisations, trade unions, non-government organisations and community groups. They include local programmes and projects specifically aimed at improving access to education, or at withdrawing children from child labour and enrolling them in school or vocational training.

CHECK

- Is a senior management function, such as human resources, responsible for child labour policies and procedures?
- Do you have a written policy against child labour?
- Do you have written procedures for verifying workers' age during recruitment?
- Do you keep proof of age within employee files?
- Have you done a risk assessment to identify areas of hazardous labour and checked to make sure no workers under 18 years of age are involved?
- If any children are found in employment, do you have a remediation process in place? And is it in accordance with provision 17.3?



LGMS 17 Child labour

E FURTHER INFORMATION

WEBSITES

- [Children's Rights and Business Principles](#)
- [Ethical Trade Initiative \(ETI\), Child Labour](#)
- [Global Child Forum](#)
- [Human Rights Watch, Child Labour](#)
- [ILO, What Is Child Labour](#)
- [UN Global Compact, Principle Five: Labour](#)
- [US Department of Labor, List of Goods Produced by Child Labor or Forced Labor](#)

PUBLICATIONS

- [Child Labour Platform, Report 2010-2011: Business Practices and Lessons Learned on Addressing Child Labour \(2011\)](#)
- [ILO, Age Verification: Protection for Unregistered Children from Child Labour \(2016\)](#)
- [ILO, C138 – Minimum Age Convention \(1973\)](#)
- [ILO, C182 – Worst Forms of Child Labour Convention \(1999\)](#)
- [ILO, Child Labour: Global estimates 2020, trends and the road forward \(2021\)](#)
- [ILO, R146 – Minimum Age Recommendation \(1973\)](#)
- [ILO, Towards the Urgent Elimination of Hazardous Child Labour \(2018\)](#)
- [SAI, Social Accountability SA8000® International Standard \(2014\)](#)
- [STerre des Hommes, Child Labour Report 2017: The Neglected Link \(2017\)](#)
- [UN Global Compact, UNICEF and Save the Children, Children's Rights and Business Principles \(2012\)](#)
- [Child Labour: Global estimates 2020, trends and the road forward](#)

LGMS 18 Forced labour

A APPLICABILITY

This provision applies to all RJC members.

Supply Chain Point	LGMS 18 Forced Labour		
	18.1	18.2	18.3
Lab-grown materials producer	✓	✓	✓
Lab-grown materials cutter and/or polisher	✓	✓	✓
Lab-grown materials trader	✓	✓	✓
Jewellery and watch manufacturer and/or wholesaler	✓	✓	✓
Jewellery and watch retailer	✓	✓	✓
Recycler	✓	✓	✓
Service industry	✓	✓	✓

B ISSUE BACKGROUND

Forced labour can be found in high- and low-income countries alike. It exists in formal and informal economies, and it can be found in the supply chains of multinational companies as well as those of small and medium-sized enterprises (SMEs). The 2017 Global Estimates of Modern Slavery suggests that there are around 24.9 million men, women and children in forced labour around the world today. Among them, 16 million are exploited in the private economy, with women and girls disproportionately affected.

Forced labour does not necessarily involve physical violence or sexual abuse. Debt bondage affects half of all victims of forced labour imposed by private actors – giving a worker wages or other form of compensation does not necessarily mean that the labour is not forced or compulsory. Most victims of forced labour suffer multiple forms of coercion from employers or recruiters, ending up in situations where they cannot leave their job without being penalised (or threatened with penalty). Such penalty or threat might be physical constraint or punishment, but it could also be other forms of abuse, such as threat of deportation, restricted movement, confiscation of passports, deceptive recruitment or debt bondage (see LGMS 18.1).

Trafficking involves the movement of a person, sometimes across international borders but more commonly within a country, for the purpose of exploitation. Human trafficking is broader than forced labour as it also includes trafficking people for forced marriage, organ removal or adoption.

Companies can be affected by human trafficking in several ways. They can be directly linked to it, for example by recruiting trafficking victims as workers or by using company vehicles or premises to transport or harbour trafficking victims. They can also be indirectly linked to trafficking through the actions of their suppliers or business partners, including subcontractors, labour brokers or private employment agencies. This means that companies can be implicated in trafficking if they source goods or use services that are produced or provided by trafficking victims.



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LGMS 18 Forced labour

VULNERABLE MIGRANT WORKERS

Migrant workers are particularly vulnerable to forced labour, especially if they have illegal or restricted employment status, are economically vulnerable or belong to an ethnic group subject to discrimination. Unscrupulous recruiters or labour intermediaries can exploit these vulnerabilities by using deceptive recruiting tactics, charging recruitment fees, or withholding identity documents and threatening denunciation to authorities and deportation. Under these conditions, migrant workers may accept to pay large fees to secure their job and work in substandard conditions and end up in forced and bonded labour.

If you have migrants in your workforce, particularly if you use a third party to recruit them, you should:

- Know who these workers are and where they come from;
- Ensure that their recruitment was completely legitimate, done without deception, coercion or recruitment fees;
- Develop a company policy on recruiting migrant workers; and
- Only engage reputable recruitment and employment agencies.

RESPONSIBLE RECRUITMENT

One of the major causes of forced labour in today's global supply chains involves deceptive recruitment practices and the charging of recruitment fees. These practices disproportionately affect vulnerable workers and leaves them open to exploitation and bonded labour. Responsible recruitment is an effort to break the cycle of exploitation and recruitment-related debt.

With a focus on migrant workers, and rooted in the Dhaka Principles for Migration with Dignity (see box 'Dhaka Principles'), responsible recruitment starts with the principle that 'no fees are charged to migrant workers' and that employers should meet all the costs associated with recruiting migrant workers. This 'employer pays' model of recruitment (www.employerpays.org) is supported and implemented by a group of leading companies known as the Leadership Group for Responsible Recruitment. It has been adopted by many business-led organisations including the Responsible Business Alliance and Building Responsibly. This model, which is seen as the first step to eliminating workers' debt burden and preventing forced labour, is also increasingly being used by companies across a range of sectors and countries.



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LGMS 18 Forced labour

DHAKA PRINCIPLES

The Dhaka Principles for Migration with Dignity (the ‘Dhaka Principles’) aim to enhance respect for the rights of migrant workers from the moment they are recruited, through their employment overseas, to the moment they move on to further employment or return safely to their home countries.

Based on the UN Guiding Principles on Business and Human Rights and international human rights and labour standards, the Dhaka Principles are intended for use by all industry sectors and in any country where workers migrate, in or out. The 12 Dhaka Principles are:

1. All workers are treated equally and without discrimination.
2. All workers enjoy the protection of employment law.
3. No fees are charged to migrant workers.
4. All migrant worker contracts are clear and transparent.
5. Policies and procedures are inclusive.
6. No migrant workers’ passports or identity documents are retained.
7. Wages are paid regularly, directly and on time.
8. The right to worker representation is respected.
9. Working conditions are safe and decent.
10. Living conditions are safe and decent.
11. Access to remedy is provided.
12. Freedom to change employment is respected, and safe, timely return is guaranteed.

Source:

- [Institute for Human Rights and Business, The Dhaka Principles for Migration with Dignity \(2012\)](#)

C KEY REGULATIONS, STANDARDS AND INITIATIVES

INTERNATIONAL STANDARDS

The freedom from forced and compulsory labour is enshrined in Article 4 of the Universal Declaration of Human Rights, which states that ‘no one shall be held in slavery or servitude’.

The ILO leads the world’s efforts and has set standards to prevent forced labour through two major international conventions:

- **Forced Labour Convention, 1930 (ILO C029):** this was the first convention demanding ILO member states to take action against forced labour. It sets the most comprehensive and authoritative definition of forced labour (see Section A), and lists five exceptions: compulsory military service, normal civic obligations, minor communal services, legitimate prison labour and work exacted in emergencies.
- **Abolition of Forced Labour Convention, 1957 (ILO C105):** this complements ILO C029, with a focus on five types of state-imposed forced labour that emerged after the Second World War. These include forced labour as punishment for expressing political views or taking part in strikes, as a means of discrimination or labour discipline, or for purposes of economic development.



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Even if ILO member states have not ratified either of these two ‘core’ conventions, they are still bound to eliminate all forms of forced and compulsory labour as these conventions are mentioned in the 1998 ILO Declaration on Fundamental Principles and Rights at Work ([ILO 1998 Declaration on Fundamental Principles and Rights at Work and its Follow-up | International Labour Organization](#)) that applies to all member states to the ILO.

In 2014, the ILO adopted another two instruments against forced labour:

- **Protocol of 2014 to the Forced Labour Convention, 1930 (ILO P029):** this is a legally binding instrument that establishes ILO member states’ obligations to prevent forced labour, protect victims and provide them with access to remedies. Emphasising the link between forced labour and human trafficking, the protocol also reaffirms the importance of prosecuting all perpetrators of forced labour.
- **Forced Labour (Supplementary Measures) Recommendation, 2014 (ILO R203):** this provides non-binding practical advice on how to strengthen national law and policy on forced labour to meet the obligations set out in the new protocol.

The increasing awareness of human trafficking over the past 20 years has led to new international and regional anti-trafficking instruments emerging beyond the ILO, including the UN Protocol to Prevent, Suppress and Punish Trafficking in Persons Especially Women and Children, or the ‘Palermo Protocol’, and the Council of Europe Convention on Action against Trafficking in Human Beings. These instruments convey a growing consensus that trafficking in persons can include, result in or be undertaken for the purpose of forced labour, slavery and servitude. The adoption and ratification of these instruments has contributed to rapid changes in legislation and practice in many countries and the adoption of new policies in this field.

NATIONAL LAW

Applicable national and local laws in most countries (and regulations generally) are quite clear in addressing trafficking, involuntary servitude, prison labour and bonded labour. It is essential to be aware of all relevant legislation and regulation in all jurisdictions of operations, especially those extraterritorial laws that impose specific requirements on companies to conduct due diligence or report on steps they have taken to prevent forced labour in their operations and supply chain. Such laws are rapidly expanding.

For more information on some of the most recent legislation in 2018 – including the UK and Australian Modern Slavery Acts, the French Duty of Vigilance Law and the California Transparency in Supply Chains Act – see the box ‘Recent regulations’ in LGMS 6 Human rights.



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D IMPLEMENTATION GUIDANCE

LGMS 18.1: NO FORCED LABOUR

Members shall not engage in or support the use of *forced labour*, including bonded, indentured or involuntary *prison labour* as defined in *ILO Convention 29*.

Actions to be taken:

- Clearly state your position against forced labour, either in a stand-alone policy or as part of a broader human rights policy, and communicate this expectation to all business partners in your supply chain. In cascading your expectation within the supply chain, you should reinforce an understanding that your company will potentially terminate business with any suppliers that use forced labour.
- Note that clearly communicating your position against forced labour to business partners is also important to implement your human rights policy as required in **LGMS 6 Human Rights**.
- Make a senior management function, such as human resources, responsible for forced labour issues.
- To help prevent use of forced labour in your business:
 - Use standard employment contracts, including statutory and collectively agreed terms, working hours and wages. This includes ensuring workers understand the terms of employment and are given a copy of the final employment contract, and that standard regular wage payments are made directly to the worker and are not replaced by in-kind remuneration (see **LGMS 13 General employment terms**).
 - Formally prohibit any employee or contractor from using (or threatening to use) violence or penalties, or from using intimidating practices, such as bullying. This includes ensuring that all workers and contractors know how to use your grievance mechanism to anonymously report any infringements (see **LGMS 16 Harassment, discipline, grievance procedures and non-retaliation**).
- If you use contractors, suppliers, agencies or labour providers, make sure your human rights due diligence includes assessing these business partners for potential instances of forced labour.
- The ILO defines 11 indicators of forced labour that you can use to help you identify instances in your supply chain. If you find evidence of one indicator, there may be unfair labour practices present; evidence of two or more indicators suggests a heightened risk of forced labour. The 11 indicators are:
 - Abuse of vulnerability
 - Deception
 - Restriction of movement
 - Isolation
 - Physical and sexual violence
 - Intimidation and threats
 - Retention of identity documents
 - Withholding of wages
 - Debt bondage
 - Abusive working conditions
 - Excessive overtime



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LGMS 18.2: VOLUNTARY WORK

Members shall ensure that all *workers* are working in voluntary situations. Members shall not:

- a. Unduly restrict the freedom of movement of *workers* in the workplace or in on-site housing.
- b. Retain original copies of a worker's personal documentation, such as identity papers.
- c. Use deceptive recruitment practices and/or require *workers* to pay any deposits, equipment advances or recruitment fees (either wholly or partially) as part of the recruitment *process*. If any such fees are found to have been paid by *workers*, they shall be reimbursed.
- d. Withhold any part of a worker's salary, benefits or property to force a *worker* to continue working.
- e. Prevent *workers* from terminating their employment after reasonable notice or as established by *applicable law*.

Actions to be taken:

- If you use security measures (such as locked doors and security guards at exits) to protect workers and property on your sites, make sure workers can still leave with no, or only limited and duly justified, restrictions at the end of their shift and in any case of danger or threat to their person.
 - Note that as long as you can prove that workers can leave without threat or penalty, and that all work is voluntarily done, taking security precautions at exits is not considered forced labour.
- Giving workers freedom of movement also includes making sure:
 - workers can leave their workstation for specific purposes, such as going to the bathroom, having a hydration break or seeking medical attention (under no circumstance must you restrict access to food, water, toilets or medical care in the workplace as a way of disciplining workers); and
 - workers have no unreasonable restrictions on moving around in any employer-provided housing, including both employer operated and third party-contracted residences.
- Do not keep workers' original identity documents, such as their passport, under any circumstances other than to respond to local work-related administrative processes (such as obtaining a work visa, local ID, etc.).
- It is considered best practice to give workers free access to a secure place where they can keep their valuables and personal documents while at work. This can include safety deposit boxes if your employees need to have their passports stored securely.
- Do not charge workers, either directly or indirectly, any fees or deposits for recruitment. If you find that a worker has paid recruitment fees, you must set up a system that will compensate workers for the full amount they paid.
- Be proactive in ensuring that neither you nor your business partners defer or withhold any part of a worker's wage payments to make them work for longer; and follow guidance for **LGMS 15 Remuneration** to make sure workers are paid appropriately.
- In the absence of contractual notice period, if a worker resigns, you can ask them to keep working for a fixed period of time until you can find a replacement. But make sure the worker is free to decline your request without being threatened or having their remaining wages withheld.



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LGMS 18.3: HUMAN TRAFFICKING

Members shall not engage in or support *human trafficking* or any other type of deceptive recruitment and/or *bonded labour* practices. Members shall clearly communicate this requirement to labour recruiters, agencies and providers with whom they work, and shall monitor their relationships and remedy negative *human rights* impacts as they occur, as defined in LGMS 6.1.

Actions to be taken:

- Clearly state your position against human trafficking, deceptive recruitment and bonded labour (either in a stand-alone policy or as part of a broader human rights policy) and communicate this to any labour recruiters, agencies or providers that you work with.
- Use due diligence to identify any risk of human trafficking or deceptive recruitment or bonded labour in your own operations and those of your supply chain (see **LGMS 6 Human rights** and **LGMS 7 Due diligence for responsible sourcing, including from conflict-affected and high-risk areas**).
- If you use labour recruiters, agencies and providers:
 - Only use those whose business is formally licensed or certified by the competent authority.
 - Carry out due diligence to check for any instances of human trafficking or deceptive recruitment or bonded labour, especially if migrant workers are involved (see Figure 15).
 - Make sure they do not engage in any practice that puts workers at risk of human trafficking or deceptive recruitment or bonded labour (including recruitment fees, debt bondage or intimidation).
- Continue to monitor your own operations and those of any labour recruiters, agencies and providers that you use to ensure ongoing compliance with LGMS 18.3. For example, by:
 - holding regular worker interviews or surveys;
 - doing desktop reviews of policies and procedures to confirm they have the right controls in place (this could include reviewing employee contracts); and
 - requiring formal audits.

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FIGURE 15. KEY INDICATORS OF FORCED LABOUR THAT CAN BE USED TO SUPPORT DUE DILIGENCE PROCESSES FOR SELECTING AND MONITORING LABOUR RECRUITERS, AGENCIES AND PROVIDERS

Indicators of forced labour	Recruitment Initial and subsequent recruitment (including travel)	<ul style="list-style-type: none"> Use of deception, false promises. Payments to intermediaries to get jobs, identity papers, travel documents, etc. Job imposed as a condition of other benefits. Forced recruitment, kidnapping. Kind of travel arrangements (if relevant). Change of job without possibility of refusal. Violence or threats of violence in case of refusal to change job.
	Living conditions during employment	<ul style="list-style-type: none"> Freedom to choose living quarters. Wage deductions for lodging or work tools. Freedom to leave the premises, contact family, talk with people outside. Surveillance of living quarters. Quality, quantity and price of employer-provided food. Freedom to buy food outside the workplace.
	Worker coercion to make the employee work or to stop them from leaving	<ul style="list-style-type: none"> Withholding of salary. Debt manipulation. Abuse of worker's vulnerability resulting from irregular migration status. Retention of identity papers or travel documents. Close surveillance of worker's movements. Impossibility of leaving the work premises. Violence or threat of violence. Threats against worker or family members if worker leaves. Threats of denunciation or deportation.

Source:

- [ILO, Hard to See, Harder to Count: Survey Guidelines to Estimate Forced Labour of Adults and Children \(2012\)](#)



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Q&A: FORCED LABOUR

1. If an employee has verbally or in writing given his or her consent to work, how can there be a question of forced labour?

The formal consent of an employee does not always guarantee that the employee works voluntarily. For example, where consent to work has been given under the threat of violence, there can be no voluntary offer to work. Similarly, if a worker is induced by deceit, false promises or the confiscation of identity documents, they cannot be said to offer their work voluntarily and so are in forced labour.

2. Does keeping personal documents during the term of employment count as forced labour?

Only if workers cannot access these documents when they want to, or if they feel they cannot leave employment without risking the loss of these documents.

3. Is compulsory overtime to meet production deadlines considered forced labour?

Not if it stays within the limits set out by national legislation or collective agreements. Forced labour occurs if overtime exceeds the weekly or monthly limits allowed by law and is made compulsory (irrespective of the reason why). Overtime is also considered forced labour if workers are penalised, fined or threatened for refusing to do it (see LGMS 14 Working hours).

4. If I am giving my workers full wages and benefits, can a forced labour problem ever arise?

If a person is not free to leave his or her employment without threat or penalty, they are in forced labour regardless of whether or not you give them full wages or other forms of compensation.

5. I hire security personnel and lock the doors of my workplace to prevent theft and protect the security of my employees and property. Is this considered forced labour?

Not if workers can leave without threat or penalty and all work is performed voluntarily. The unreasonable restriction of movement by security personnel can indicate forced labour and so should be treated with caution. Make sure your security arrangements also comply with LGMS 13 Security.

Source:

- [ILO, Q&As on Business and Forced Labour](#)



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CHECK

- Have you assessed the risks of forced labour and human trafficking in your company, within your supply chain and in any recruitment agencies?
- Do your security arrangements unreasonably restrict movement via penalty or threat of penalty to workers?
- Can workers access their identity documents and passports when they need to?
- Can you show that workers are not forced to perform compulsory overtime?
- Can you show that workers were informed of employment terms and given an accurate contract in a language they understand before beginning work?
- Have you confirmed workers were not charged recruitment fees as part of their hiring process? If a worker was charged recruitment fees, can you show these were fully reimbursed?
- Can you show that workers are free to leave employment after reasonable notice without penalty or deliberate retention of wages?
- Can you show that you are assessing and monitoring facility labour recruiters, agencies and providers?

E FURTHER INFORMATION

WEBSITES

- [ILO, Special Action Programme to Combat Forced Labour](#)
- [Social Accountability SA 8000® International Standard](#)
- [UN Global Compact, Principle Four: Labour](#)
- [UN Global Initiative to Fight Human Trafficking \(UNGIFT\)](#)
- [Verité, Fair Hiring Toolkit](#)



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PUBLICATIONS

- [The Danish National Board of Social Services, Managing the Risk of Hidden Forced Labour: A Guide for Companies and Employers \(2014\)](#)
- [Institute for Human Rights and Business, Migration with Dignity: A Guide to Implementing the Dhaka Principles \(2017\)](#)
- [ILO, C029 – Forced Labour Convention \(1930\)](#)
- [ILO, C105 – Abolition of Forced Labour Convention \(1957\)](#)
- [ILO, Combating Forced Labour: A Handbook for Employers and Business \(2015\)](#)
- [ILO, Forced Labour and Human Trafficking: Handbook for Labour Inspectors \(2008\)](#)
- [ILO, General Principles and Operation Guidelines for Fair Recruitment \(2016\)](#)
- [ILO, Hard to See, Harder to Count: Survey Guidelines to Estimate Forced Labour of Adults and Children \(2012\)](#)
- [ILO, ILO Indicators of Forced Labour \(2012\)](#)
- [Responsible Recruitment Toolkit, Eliminating Recruitment and Employment Fees Charged to Workers in Supply Chains \(2017\)](#)
- [Stronger Together, Tackling Modern Slavery in Global Supply Chains Toolkit \(2017\)](#)
- [UN, Protocol to Prevent, Suppress and Punish the Trafficking in Persons, Especially Women and Children \(2000\)](#)
- [UNGIFT, Human Trafficking and Business: Good Practices to Prevent and Combat Human Trafficking \(2010\)](#)



LGMS 19 Freedom of association and collective bargaining

A APPLICABILITY

This provision applies to all RJC members.

Supply Chain Point	LGMS 19 Freedom of Association and Collective Bargaining		
	19.1	19.2	19.3
Lab-grown materials producer	✓	✓	✓
Lab-grown materials cutter and/or polisher	✓	✓	✓
Lab-grown materials trader	✓	✓	✓
Jewellery and watch manufacturer and/or wholesaler	✓	✓	✓
Jewellery and watch retailer	✓	✓	✓
Recycler	✓	✓	✓
Service industry	✓	✓	✓

B ISSUE BACKGROUND

The right to freedom of association is proclaimed in the Universal Declaration of Human Rights. At work, this means the right to freely form workers' organisations. Workers who do not wish to join such organisations also have their rights protected and cannot be coerced into joining against their will.

Freedom of association does not mean that companies should organise workforces or invite unions into the workplace. It simply means that employers must not interfere in an employee's decision to join an association or discriminate against the employee for their choice. This includes indirect undermining of freedom of association, for example by preventing unions from accessing workers or by interfering or influencing the election outcomes of workers' organisations.

Collective bargaining is a voluntary process that takes place between workers' representatives and employers' representatives. It usually focuses on negotiating the terms and conditions of employment, such as wages, working hours, working conditions, grievance procedures and the rights and responsibilities of both workers and employers. The main principle for the negotiation is that it should be carried out in good faith, with genuine effort to reach agreement in reasonable time. The mutually acceptable result of collective bargaining is called a 'collective bargaining agreement'. If the parties cannot reach agreement, they enter dispute settlement procedures, which range from conciliation to mediation to arbitration.

Freedom of association has not yet received the same level of attention from companies as health and safety or abolition of child labour. With increasing globalisation, privatisation and legal action against companies is bringing freedom of association into greater focus. As part of the framework of basic human rights, it should be high on the agenda of all companies.



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COLLECTIVE BARGAINING: GOOD FOR BUSINESS

According to the International Labour Organization (ILO), 'far from dragging businesses down and reducing productivity, there is considerable evidence that collective bargaining agreements actually reduce wage inequality and can contribute to productivity and competitiveness'.

The collective voice of workers can be an important influence not only in stabilising labour relations but in improving management performance. Research shows that a trade union presence in a company is associated with:

- Greater wage equality;
- A higher share of income allocated to social benefits;
- Lower employee turnover, leading to lower recruitment and training costs;
- Skills retention and development;
- Smoother changes in workplace practices; and
- Increased productivity.

Source:

- [Ethical Trading Initiative, Freedom of Association in Company Supply Chains: A Practical Guide \(2013\)](#)

C KEY REGULATIONS, STANDARDS AND INITIATIVES

INTERNATIONAL STANDARDS

Article 20 of the **Universal Declaration of Human Rights** states that 'everyone has the right to freedom of peaceful assembly and association', and that 'no one may be compelled to belong to an association'. Article 23.4 specifically provides for the right to join a trade union.

The ILO leads global efforts to define and set standards for upholding these rights through two major conventions:

- **Freedom of Association and Protection of the Right to Organise Convention, 1948** (ILO C087); and
- **Right to Organise and Collective Bargaining Convention, 1949** (ILO C098).

Together, these conventions highlight six features of what it means to have freedom of association (see Figure 16).

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FIGURE 16. SIX ELEMENTS OF FREEDOM OF ASSOCIATION

1. The right to form and join organisations

Workers have the right to form or join any workplace organisation they choose, without interference from employers or the government.

3. The free functioning of trade unions

Neither management nor government should meddle with the internal affairs of a trade union. This includes giving funds, but not providing facilities, such as an office or telephone. Management cannot be present during union meetings; nor can it demand to approve union meeting minutes.

5. The union's right to form or join federations and confederations

This freedom is particularly important in jurisdictions where unions only include employees from a single factory.

FREEDOM OF ASSOCIATION

2. Non-interference in election or duties of union representatives

Union members must be free to choose their representatives. Elected officers should be free to carry out their duties without interference, as long as they comply with applicable law and any collective bargaining agreement.

4. Non-interference by non-union bodies

Legally-based non-union worker organisations exist in some countries; these must not undermine the position of trade unions or their representatives.

6. The right to collective bargaining

Workers have the right to form or join any workplace organisation they choose, without interference from employers or the government.

Source:

- [ETI, Freedom of Association in Company Supply Chains: A Practical Guide \(2013\)](#)



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Even if ILO member states have not ratified either of the 'core' conventions, they are still bound to uphold freedom of association and the right to collective bargaining through the [1998 ILO Declaration on Fundamental Principles and Rights at Work](#).

Other ILO conventions further support freedom of association and the right to collective bargaining. For example, ILO Convention 135¹ deals with workers' representatives and states that management should not try to place restrictions on whom the union elects as its officers (for example, by stipulating that elected officers must have certain levels of education or have served the company for certain lengths of time). Under Convention 135, union members must be free to choose their representatives, who should then be free to carry out their duties without interference. This does not mean that representatives can do whatever they want or give up working. They should function in accordance with national law and/or under a collective agreement on such matters as the facilities they can use and the amount of time they can take off work for union duties.

NATIONAL LAW

Most national labour and employment laws have very specific provisions on freedom of association, collective bargaining and the structures that support these. Some countries restrict freedom of association through trade unions at a country level, within special economic zones or for certain categories of workers, such as migrant workers. In other countries where freedom of association is legal, there may still be restrictions on the full expression of freedom of association.

It is essential to be aware of all relevant legislation in the jurisdictions of operation.

COUNTRIES WHERE FREEDOM OF ASSOCIATION IS CURRENTLY RESTRICTED BY LAW

- Most of the Gulf States (Bahrain, Oman, Qatar, Saudi Arabia, United Arab Emirates): trade unions are banned completely.
- China and Vietnam: unions are government controlled and not independent.

1 ILO, C135 – Workers' Representatives Convention (1971) www.ilo.org/dyn/normlex/en/f?p=1000:12100::NO:12100:P12100_INSTRUMENT_ID:312280



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D IMPLEMENTATION GUIDANCE

LGMS 19.1: RESPECT EMPLOYEES' RIGHT TO ASSOCIATE FREELY

Members shall respect the right of *workers* to associate freely in *workers' organisations* of their choice, without interference or negative consequences in alignment with the *ILO Declaration on Fundamental Principles and Rights at Work 1998*. Members shall ensure that *workers* seeking to form, join or participate in an organisation of their own choosing, including participating in a legal strike, are not subject to any form of *harassment* as outlined in LGMS 16.1.

Actions to be taken:

- Make a senior management function, such as human resources, responsible for being aware of, and complying with, this provision.
- Make sure that your procedures for hiring, terminating and reviewing the performance of employees do not discriminate against union members, or those seeking to form a union in accordance with applicable law (see **LGMS 20 Non-discrimination**). Establish grievance mechanisms that allow workers to raise any concerns (see **LGMS 16 Harassment, discipline, grievance procedures and non-retaliation**).
- It is your responsibility to ensure your workers understand their right to organise, which they must be free to do without any interference from you. Establish a formal process for communicating, in an unbiased way, with workers about their right to join or form trade unions.
- Be careful not to promote any particular union or workers' association, and do not force your workers to join or leave one.
- Do not obstruct or intervene in any way the election of union representatives.
- Make sure unions and their representatives have the right to carry out their activities as described under applicable law.

LGMS 19.2: RESPECT THE RIGHT OF EMPLOYEES TO COLLECTIVE BARGAINING

Members shall respect the right of *workers* to *collective bargaining*, and shall adhere to *collective bargaining agreements*, where these exist. Members shall, subject to *applicable law*, participate in any *collective bargaining* processes in good faith.

Actions to be taken:

- Where a workers' organisation exists, negotiate with it to reach a collective bargaining agreement.
- You are expected to negotiate and bargain in good faith and not to engage in undue litigation or other actions to slow, stop or limit the bargaining process. This means that during negotiations, you should show a willingness to discuss, compromise and reach a mutually agreed solution.



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- A case before the Federal Court of Australia, reported that acting in good faith could be shown to “act honestly and with a fidelity to the bargain; an obligation not to act dishonestly and not to act to undermine the bargain entered or the substance of the contractual benefit bargained for; and an obligation to act reasonably and with fair dealing having regard to the interests of the parties (which will, inevitably, at times conflict) and to the provisions, aims and purposes of the contract, objectively ascertained” (Paciocco v Australia and New Zealand Banking Group Limited (2015) FCAFC 50)
- Acting in good faith does not mean a party has to act against its own interests.
- Acting in ‘good faith’ is likely involves elements of:
 - fairness
 - honesty
 - reasonableness
 - not undermining the contractual objectives
 - not acting arbitrarily or capriciously
 - having regard to the interests of the other party, without having to subordinate one’s own interests to the interests of the other.
- You should also seek to reach agreement in a timely manner. The IRMA Responsible Mining Standard describes a timely manner to vary based on the issues being discussed. The Member and workers, or workers’ representatives should agree on the timeframes for receipt of information that is critical to any negotiations. The frequency of engagement should also be agreed by the operating company and workers’ representatives.
- All collective bargaining agreements must comply with applicable law. As this can vary significantly across jurisdictions, it is important that you take time to identify and understand your legal obligations.
- Once a collective bargaining agreement is reached – at a company, sector or national level – make sure you fully implement it within your business.
- Note that collective bargaining agreements may also be subject to other LGMS requirements, for example those in:
 - **LGMS 14 Working hours** if they are used to set out workers’ collective agreement to working overtime in some circumstances, working longer hours, or averaging rest days; and
 - **LGMS 15 Remuneration** if they are used to define the agreed overtime wage rate or the circumstances under which wage deductions can be made.



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CONFORMING WITH LGMS 19 IN INDIA

In some businesses or jurisdictions, there may be forms of worker engagement or agreements that do not seem to satisfy the requirements of LGMS 19.

For example, many companies in India do not have trade unions, so collective bargaining does not take place. Instead, 'works committees' provide forums for raising and discussing issues between workers and management. The members of these committees are not officially elected; rather, they are usually nominated by general consensus among the workers. Their discussions with management, along with any outcomes and agreements reached, are usually documented in meeting minutes and are sometimes written up as a memorandum of understanding (MOU). These are not, however, considered equivalent to 'collective bargaining agreements' under Indian law, because the committee is not a freely associating workers' organisation or trade union.

Under Indian legislation (the Indian Industrial Disputes Act), works committees serve to secure and preserve good relations between a company and its workers, comment upon common matters of interest or concern and try to settle any material difference of opinion. In all cases, the RJC encourages the use of these committees, especially as a way of raising awareness about the RJC LGMS.

Depending on the specific form of worker engagement or agreement in place, your business may or may not conform with LGMS 19, as follows:

- **Conformance:** Collective bargaining agreements comply with applicable law and govern relevant work terms or conditions.
- **Minor non-conformance:** Some form of legally constituted worker engagement exists, and an agreed document (such as an MOU or minutes of properly constituted meetings) governs relevant work terms or conditions. In this case, the agreed document is not considered a collective bargaining agreement under applicable law and corrective action is needed to either turn it into a legally recognised collective bargaining agreement, or to ensure employment terms and conditions comply with applicable law.
- **Major non-conformance:** No form of legally constituted worker engagement governs the relevant work terms and conditions.



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LGMS 19.3: COUNTRIES WHERE RIGHTS ARE RESTRICTED

Where legislation restricts the right to *freedom of association* and *collective bargaining*, members shall not obstruct alternative means that are allowable under *applicable law*, nor *seek to influence* or control these mechanisms.

Actions to be taken:

- Respect legal alternative means for workers to associate.
- Examples of legal alternative means may be a health and safety committee which is about the welfare of all workers including management.
- It is important that you do not influence or control alternative means. Do not pressure your workers to join a company-controlled organisation in place of an organisation created and controlled by workers.
- You ought to assist them. This could involve creating issue committees, for example a health and safety committee which is about the welfare of all workers including management. Where feasible by local laws, you can also support workers to freely choose their own workplace representatives, educating the workforce about the framework for worker representation before elections, and providing elected worker representatives with external, independent training.

CHECK

- Do you let your workers associate freely in the organisations or unions of their choice?
- Do you have processes to communicate with workers in a non-biased way about their right to organise?
- Do you participate in collective bargaining agreements in good faith and adhere to the agreed outcomes?
- Do collective bargaining agreements comply with applicable law?
- In countries where workers' rights to associate are restricted, do you let your workers associate in state-controlled unions or alternative legal means of association?



LGMS 19 Freedom of association and collective bargaining

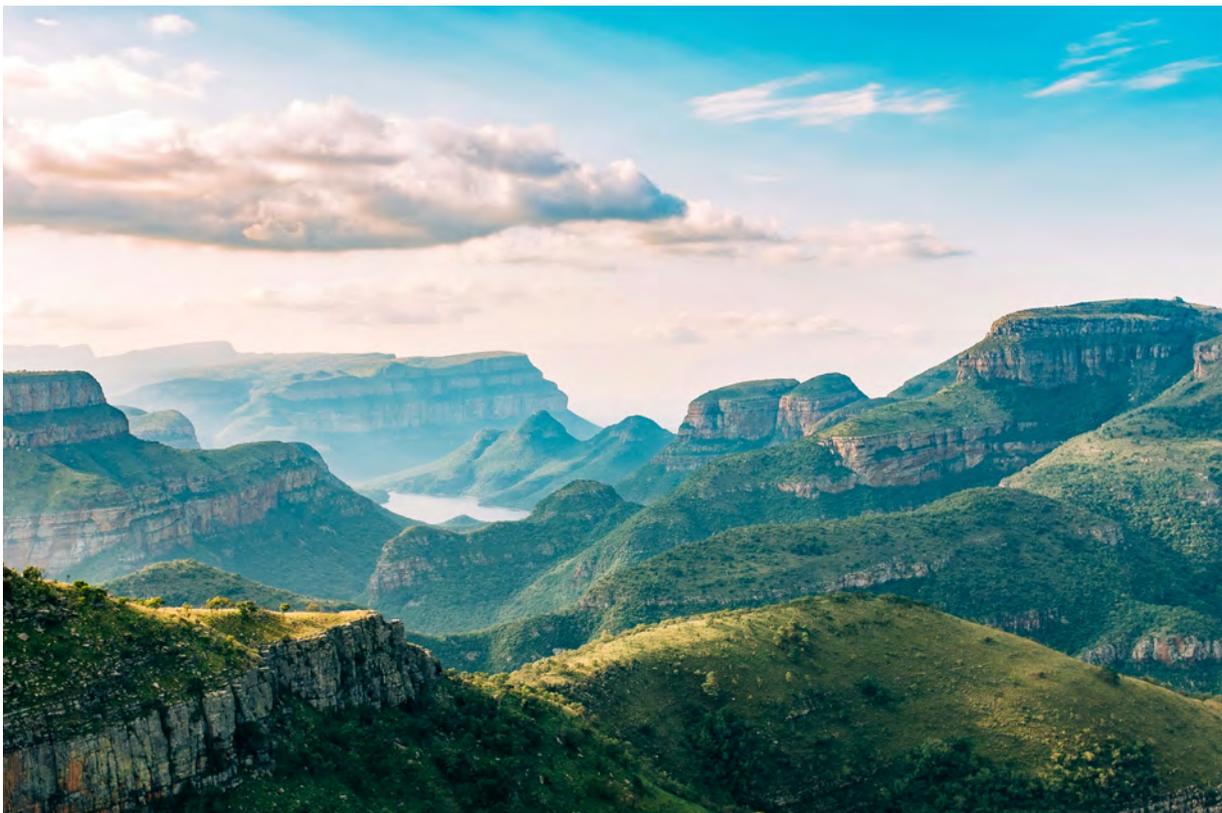
E FURTHER INFORMATION

WEBSITES

- [ETI, The ETI Base Code](#)
- [ILO, ILO Declaration on Fundamental Principles and Rights at Work](#)
- [UN Global Compact, Principle Three: Labour](#)

PUBLICATIONS

- [Better Work, Guidance Sheet 4: Freedom of Association and Collective Bargaining \(2009\)](#)
- [ETI, Freedom of Association in Company Supply Chains: A Practical Guide \(2013\)](#)
- [ILO, C087 – Freedom of Association and the Right to Organise Convention \(1948\)](#)
- [ILO, C098 – Right to Organise and Collective Bargaining Convention \(1949\)](#)
- [Sedex and Verité, Sedex Supplier Workbook. Chapter 1.3: Freedom of Association and Collective Bargaining \(2014\)](#)
- [UN, Universal Declaration of Human Rights: Article 20 \(1948\)](#)





LGMS 20 Non-discrimination

A APPLICABILITY

This provision applies to all RJC members and to all directly employed workers and indirectly employed workers who regularly work at members' sites.

Supply Chain Point	LGMS 20 Non-Discrimination
	20.1
Lab-grown materials producer	✓
Lab-grown materials cutter and/or polisher	✓
Lab-grown materials trader	✓
Jewellery and watch manufacturer and/or wholesaler	✓
Jewellery and watch retailer	✓
Recycler	✓
Service industry	✓

B ISSUE BACKGROUND

Discrimination at work takes many forms and occurs in diverse sectors and occupational settings. It is found in high- and low-income countries, in rural and city settings, and in low- and high-technology workplaces. It can affect how an employee is given responsibilities, training or promotion; how they are treated at work; or how secure their job is. It can even stop someone getting a job in the first place. Ultimately, discrimination creates and reinforces inequalities and is a breach of human rights.

Globally, women suffer some of the most discrimination, in terms of the jobs available to them, their remuneration, benefits and working conditions, and access to decision-making positions. Other groups routinely discriminated against include young people and older people, migrant workers and refugees, ethnic minorities, people with disabilities and people with HIV/AIDS.

For employers, direct discriminatory practices arise when, for example, laws, rules or customs explicitly cite a reason such as sex or race to deny equal opportunity. Indirect discrimination is much more common and much more difficult to identify in practice. It happens when rules, practices or attitudes seem to be neutral but in fact lead to exclusions or preferential treatment. Harassment is also considered discrimination when it is based on discriminatory grounds (see **LGMS 16 Harassment, discipline, grievance procedures and non-retaliation**). Where discrimination is indirect or is culturally ingrained, it requires a conscious effort from employers to identify and address in a purposeful way.

Freedom from discrimination is a fundamental human right. But bringing equality to the workplace has economic benefits, too. Employers who eliminate discrimination can access a larger and more diverse workforce. Workers who enjoy equality have greater access to training, often receive higher wages and improve the overall quality of the workforce.



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LGMS 20 Non-discrimination

C KEY REGULATIONS, STANDARDS AND INITIATIVES

INTERNATIONAL STANDARDS

Non-discrimination principles are enshrined in the **Universal Declaration of Human Rights**:

- Article 2 states that everyone is entitled to the rights and freedoms of the declaration, without distinction of any kind.
- Article 7 states that all are equal before the law and are entitled to equal protection against any discrimination in violation of the declaration.
- Article 23 states that everyone has the right to equal pay for equal work.

These rights have also been defined in international labour law through two major conventions of the International Labour Organization (ILO):

- **Discrimination (Employment and Occupation) Convention, 1958 (ILO C111)**: Under ILO C111, countries must develop and implement a national policy to promote equal opportunity and treatment, with a view to eliminating discrimination in the workplace. This includes eliminating discrimination in access to vocational training, employment, particular occupations, and terms and conditions of employment.
- **Equal Remuneration Convention, 1951 (ILO C100)**: This requires countries to ensure men and women are given equal pay for work of equal value.

Even if ILO member states have not ratified either of these 'core' conventions, they are still bound to eliminate discrimination in respect of employment and occupation through the [1998 ILO Declaration on Fundamental Principles and Rights at Work \(ILO 1998 Declaration on Fundamental Principles and Rights at Work and its Follow-up | International Labour Organization\)](#).

NATIONAL LAW

Most national labour and employment laws have provisions for non-discrimination. In some countries, however, there is provision for 'positive' discrimination that seeks to redress historical inequalities such as gender or race.

It is essential to be aware of all relevant legislation in all jurisdictions of operation.



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LGMS 20 Non-discrimination

D IMPLEMENTATION GUIDANCE

LGMS 20.1: NOT PRACTICE OR CONDONE ANY FORM OF DISCRIMINATION

Members shall base *employment relationships* on the principles of equal opportunity and fair treatment, and members shall not practise or condone any form of *discrimination* in the workplace in terms of hiring, continued employment, *remuneration*, *overtime*, access to training, professional development, promotion, termination or retirement, in alignment with the *ILO Declaration on Fundamental Principles and Rights at Work 1998*. This includes *discrimination* based on race, colour, ethnicity, caste, national *origin*, religion, disability or genetic information, gender, sexual orientation, union membership or partaking in a legal strike, political affiliation, marital status, parental or pregnancy status, physical appearance, HIV status, age or any other personal characteristic unrelated to the inherent requirements of the work. Members shall ensure that all *individuals* who are *fit for work* are given equal opportunities and are not discriminated against on the basis of factors unrelated to their ability to perform their job.

Actions to be taken:

- Make a senior management function, such as human resources, responsible for discrimination issues.
- Review applicable laws relating to discrimination and with the [1998 ILO Declaration on Fundamental Principles and Rights at Work](#).
- Take action to reduce the risks of discrimination, remembering that these may be higher or more evident in certain countries, industry sectors, particular occupations, or on issues such as union membership or pregnancy or maternity.
- Review your operations and assess the risks of discrimination. The RJC hosts a risk assessment toolkit that includes a general risk assessment template you might find useful, especially if you are a small business. Alternatively, use your own tried and tested risk assessment process.
- Where appropriate, develop hiring, termination, promotion and performance review policies and procedures to address any potential or actual discrimination issues.
- Train anyone involved in hiring, firing and managing employees in diversity and anti-discrimination to make sure they make decisions based on a person's qualifications, skill and experience.
- Use anti-discrimination training to raise awareness of what direct and indirect discrimination looks like, and how employees can report it confidentially without fear of retaliation (see **LGMS 16 Harassment, discipline, grievance procedures and non-retaliation**).
- Management should carefully review any reported or suspected cases of discrimination. Make sure that any response takes local circumstances into account, while still aligning with the LGMS.



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LGMS 20 Non-discrimination

CHECK

- Is a senior management function responsible for all discrimination issues?
- Are there risks of discrimination in your company and are senior managers aware of these?
- Where risks are identified, do you have policies and procedures to address them?
- Have those employees responsible for recruitment, placement, training and advancement procedures been given diversity and anti-discrimination training?
- Have the rest of your employees received anti-discrimination training? And do they know how to report any potential discrimination through your grievance mechanism?

E FURTHER INFORMATION

WEBSITES

- [ILO Declaration on Fundamental Principles and Rights at Work](#)
- [ILO, Equality and Discrimination](#)
- [ILO, Working Conditions Laws Database](#)
- [UN Global Compact, Principle 6: Labour](#)

PUBLICATIONS

- [Better Work, Guidance Sheet 2: Discrimination \(2009\)](#)
- [International Finance Corporation \(IFC\), Good Practice Note: Non-Discrimination and Equal Opportunity \(2006\)](#)
- [UN, Universal Declaration of Human Rights Articles 2, 7 and 23 \(1948\)](#)



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LGMS 21 Diversity, equity & inclusivity

A APPLICABILITY

This provision applies to all RJC members.

Supply Chain Point	LGMS 21 Diversity, Equity & Inclusivity		
	21.1	21.2	21.3
Lab-grown materials producer	✓	✓	✓
Lab-grown materials cutter and/or polisher	✓	✓	✓
Lab-grown materials trader	✓	✓	✓
Jewellery and watch manufacturer and/or wholesaler	✓	✓	✓
Jewellery and watch retailer	✓	✓	✓
Recycler	✓	✓	✓
Service industry	✓	✓	✓

B ISSUE BACKGROUND

One in six people worldwide experience discrimination in some form, with women and people with disabilities disproportionately affected. Inequality threatens long-term social and economic development, jeopardizes social cohesion, harms poverty reduction and causes disparities in opportunities and outcomes, impeding economic efficiency. Promoting diversity, equity and inclusion throughout business operations is an important step in tackling inequality and eliminating discrimination worldwide.

Non-discrimination is rooted in the Universal Declaration of Human Rights upon which international human rights principles are founded. Article 1 articulates the inalienable and inherent rights that “all human beings are born free and equal in dignity and rights.” Article 2 provides that “no one shall be discriminated against in the enjoyment of the rights laid down in the Declaration on the grounds of “race, colour, sex, language, religion, political or another opinion, national or social origin, property, birth or another status.”

The Ten Principles of the United Nations Global Compact¹ reiterate these universal rights and, aligned with the UN Guiding Principles on Business and Human Rights, drive the contribution companies can make toward the enjoyment of human rights, including the right to equality and non-discrimination: Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights and Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.²

¹ The Ten Principles of the United Nations Global Compact <https://unglobalcompact.org/what-is-gc/mission/principles>

² UN Global Compact. Diversity, Equity and Inclusion. <https://unglobalcompact.org/take-action/action/dei>



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LGMS 21 Diversity, equity & inclusivity

C KEY REGULATIONS, STANDARDS AND INITIATIVES

INTERNATIONAL STANDARDS

United Nations. Ten Principles of the Global Compact, in particular Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

International Labour Organisation. [C100 Equal Remuneration Convention, 1951](#).

International Labour Organisation. [C111 Discrimination \(Employment and Occupation\) Convention, 1958](#).

International Labour Organisation. [C183 Maternity Protection Convention, 2000](#).

International Labour Organisation. [C156 Workers with Family Responsibilities Convention, 1981](#).

NATIONAL LAW

Nearly all jurisdictions have a regulatory framework for the various aspects of diversity, equity and inclusivity.

RJC members are expected to be familiar with applicable law and understand the legislative and regulatory framework for diversity, equity and inclusivity in all areas of operation.

D IMPLEMENTATION GUIDANCE

LGMS 21.1: POLICY, PROCESSES AND PROCEDURES

The member shall establish and maintain:

- a. A *publicly available* documented policy endorsed by *top management* with commitments that promote *worker* diversity, equity and inclusivity in all levels of the organisation and across functions including (but not limited to) recruitment, professional development and mobility, and equitable employment conditions.
- b. Supporting processes and *procedures* with measures to support the policy implementation

Actions to be taken:

- Policy statements should:
 - be endorsed at the highest level of your organisation;
 - set clear expectations of your employees and business partners;
 - be reflected in your operational systems and procedures; and
 - be regularly reviewed for currency, adequacy and suitability.
- In all cases, your policy should apply to all parts of your business covered by RJC's certification scope. Note that if you have multiple entities that do not operate under a central management, each one will need to have a diversity, equity and inclusivity policy.
- Make sure your policies are publicly accessible, for example by posting them on your company website, or by making them available on request or visible to visitors.



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LGMS 21 Diversity, equity & inclusivity

- Consider appending relevant policies to company contracts, to raise awareness of your commitment with business partners, service providers and suppliers.
- Update your policies as soon as possible if the nature or activity of your business changes.
- Make sure your policies are reflected in operational procedures to embed the commitment throughout your business.
- The policy, processes and procedures should be developed with specific outcomes intended in order to facilitate effectiveness review required in LGMS 21.3.
- Processes and procedures are established to provide consistent information to workers across different levels and areas of the member's organisation. If preparing these materials for the first time, think of ways to be efficient. For example, processes and procedures can be recorded in a presentation used for training purposes.
 - Remember the extent of documentation will be dependent on the complexity of the organisation. Documentation should be fit for purpose and consistent with the nature, scale and purpose of the organisation. Processes and procedures may need to be complex and far reaching for large multi-national organisations but quite simple for smaller organisations.
 - It is suggested that processes and procedures be integrated as much as possible to reduce redundancy and duplication. For example, use your existing training processes to cover training requirements covered by the LGMS or extend your existing record keeping processes to cover control of records required by the LGMS. This can increase the successful implementation of your processes and procedures.
- Communicate processes and procedures to all workers who have a direct impact on the LGMS requirements.
- Record keep to manage important data and information, enhance accountability and measure progress over time.
- Communicate all policies and procedures to managers, employees and any affected business partners, ensuring that they understand your expectations of them and are equipped to embed the policy and procedures into their ways of working. RJC recommends that members should actively communicate your policies as widely as possible and raise awareness any time there are substantial changes or incidents relating to them. (Substantial change would be impacting their work or daily tasks.).
- Processes and procedures can take many different forms, depending on the nature and scale of a business. For example, the systems and procedures needed to adopt the LGMS requirements at a cutting and polishing facility will look very different from the systems and procedures needed at a small retail business.
- In all cases, the auditor will look to verify that your processes and procedures can fulfil the requirements of the LGMS standard.



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LGMS 21 Diversity, equity & inclusivity

POLICIES, PROCESSES AND PROCEDURES FOR DIVERSITY, EQUITY & INCLUSIVITY²:

- Assess the diversities of language, culture and family circumstance that may exist in your workforce. For example:
 - women constitute a growing proportion of the world’s workforce, but consistently earn less than their male counterparts; and
 - employees with disabilities may have particular needs that should be met, where reasonable, in order to ensure that they have the same opportunities (e.g. for training and advancement) as their peers.
- Focus policies, processes and procedures on making qualifications, skill and experience the basis for the recruitment, placement, training and advancement of staff at all levels. An example diversity, equity and inclusivity policy template is provided below. However, you are encouraged to develop a policy that is suitable and reflects your organisational culture.

→ EXAMPLE D, E & I POLICY TEMPLATE

- Assign responsibility for equal employment issues at a high level, issue clear company-wide policies, processes and procedures to guide equal employment practices, and link advancement to desired performance in this area.
- Work on a case-by-case basis to evaluate whether a distinction is an inherent requirement of a job, and avoid application of job requirements that would systematically disadvantage certain groups.
- Keep up-to-date records on recruitment, training and promotion that provide a transparent view of opportunities for employees and their progression within the organisation.
- Where discrimination is identified, develop grievance procedures to address complaints, handle appeals and provide recourse for employees.
- Be aware of formal structures and informal cultural issues that can prevent employees from raising concerns and grievances.
- Encourage and support efforts to build a climate of tolerance and equal access to opportunities for occupational development such as adult education programs and health and childcare services.
- In foreign operations, companies may need to accommodate cultural traditions and work with representatives of workers and governmental authorities to ensure equal access to employment by women and minorities.

² Adapted from: United Nations Global Compact. [Principle 6: Labour – What Can Companies Do.](#)



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LGMS 21 Diversity, equity & inclusivity

LGMS 21.2: TRAINING

The member shall provide training to its *workers* that promotes a culture of diversity, equity and inclusivity; the policy commitments; and the supporting *systems* and *procedures*.

Actions to be taken:

GENERAL TRAINING:

- One of the most effective ways to implement diversity, equity and inclusivity policies, systems and procedures is through training.
- Diversity, equity and inclusivity training should be given as part of a new employee's induction or orientation process as well as on an ongoing basis.
- Make sure you also provide for extra, relevant training to:
 - all employees with responsibilities which may require additional diversity, equity and inclusivity skills and/or sensitivities; and
 - all managers on how to coach employees on diversity, equity and inclusivity as well as to address situations where employees do not comply who do not comply with the diversity, equity and inclusivity policy, systems and procedures.
- In all cases:
 - training can be formal (for example, facilitated training sessions) or informal (for example, job shadowing);
 - training must be given free of charge, during working hours;
 - training formats and materials must take gender, language and levels of education into account; and
 - records of any training given, including who it was given to, must be kept.
- Training can be through internal resources where that expertise exists within your organisation, or you can select a appropriately qualified external trainer. For MSE's often industry associations or government departments may also offer general awareness training about diversity, equity and inclusivity policies.
- Monitor and test employees to confirm they are following the diversity, equity and inclusivity policy, systems and procedures correctly. Consider setting targets to encourage employees to follow key procedures.
- Consider displaying diversity, equity and inclusivity procedures and information throughout the workplace using simple signs and symbols where appropriate.
- Make sure these materials are written at an appropriate literacy level for most of your workers and in languages most workers can read.
- If a worker is illiterate or cannot read these materials because of language barriers, make sure a manager trains the worker verbally.

TRAINING ON DIVERSITY, EQUITY AND INCLUSIVITY³:

- Conduct unconscious bias training.
- Provide staff training on non-discrimination policies and practices, including disability awareness. Reasonably adjust the physical environment to ensure health and safety for employees, customers and other visitors with disabilities.

³ Adapted from: United Nations Global Compact. [Principle 6: Labour – What Can Companies Do](#).



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LGMS 21 Diversity, equity & inclusivity

LGMS 21.3: EFFECTIVENESS REVIEWS

The member shall review the effectiveness of the diversity, equity and inclusivity policy, processes and *procedures*, at a frequency appropriate to the purpose, nature, scale and impact of its business *operations* and at least in line with LGMS 2.7.

Actions to be taken:

- Get top management to review the effectiveness of policy, processes and procedures at least annually as part of the management review process required under LGMS 2.7. The review needs to assess gaps, and be documented as evidence of conformance with LGMS 21.3. Reviews should also be carried out sooner, depending on the risk or changes to risks resultant from a change in the nature of business activity.
- Effectiveness reviews strive to assess whether the policy, processes and procedures have achieved the outcomes they were set out to achieve.
 - Effectiveness reviews go beyond implementation reviews. An implementation review would evaluate factors such as ‘Has training been conducted’ or ‘have posted been installed’.
 - Effectiveness reviews should evaluate whether a greater degree of diversity, equity and inclusivity has been achieved. Some examples of indicators assessed during an effectiveness review could include ‘how has the wage gap changed’ or ‘how do employees rate their experience of inclusion within the organisation’.
- Make sure you address any gaps identified during the effectiveness review. That might mean amending the policy itself or simply updating your procedures to better embed the policy in business practices.
- Appoint a senior manager to monitor and manage potential non-conformances that result from the review.
- Records outlining the process undertaken and outcomes of the effectiveness review need to be documented. This documentation can include the presentation material circulated to inform the management review as well as minutes of the meeting.
- Periodically, say every three years, consider conducting an independent effectiveness review. You should engage an external organisation to conduct a diversity, equity and inclusivity independent audit. This helps ensure that you have a fit for purpose and meaningful policy and set or processes in place.

SMALL BUSINESS

If you are a small business, you can still benefit from regular discussions about your ongoing commitment to responsible business practices and RJC conformance. These can take place as part of the self-assessment process leading up to your certification audit, as well as after certification.

An annual discussion among senior management serves as an opportunity to review any non-conformance issues, and to check on progress against corrective action plans. If there are no non-conformances, or all these have already been addressed, use the annual discussion to explore opportunities for improvement, either within the business or in communicating the policy to stakeholders. Even brief minutes of these meetings offer objective evidence of your conformance with this provision.



LGMS 21 Diversity, equity & inclusivity

CHECK

- Do you have a written policy or policies committing your company to responsible business practices?
- Can you show how the policy has been embedded into existing business practices?
- Has the policy been approved by senior management?
- Does the policy clearly define expectations and has it been communicated to all employees and individuals responsible for complying with the policy?
- Is it available on your company website or by other means?
- Do you review the policy and its implementation at least once a year? Can you show your auditor minutes of these 'review meetings'?

E FURTHER INFORMATION

WEBSITES

- [United Nations. Ten Principles of the Global Compact, in particular Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.](#)
- [International Labour Organisation. C100 Equal Remuneration Convention, 1951.](#)
- [International Labour Organisation. C111 Discrimination \(Employment and Occupation\) Convention, 1958.](#)
- [International Labour Organisation. C183 Maternity Protection Convention, 2000.](#)
- [International Labour Organisation. C156 Workers with Family Responsibilities Convention, 1981.](#)

PUBLICATIONS

- [“Being transgender at work,” November 10, 2021, David Baboolall, Sarah Greenberg, Maurice Obeid, and Jill Zucker](#)
- [“Women in the Workplace 2021,” September 27, 2021, Tiffany Burns, Jess Huang, Alexis Krivkovich, Ishanaa Rambachan, Tijana Trkulja, and Lareina Yee](#)
- [“The economic state of Black America: What is and what could be,” June 17, 2021, Shelley Stewart III, Michael Chui, James Manyika, JP Julien, Vivian Hunt, Bob Sternfels, Jonathan Woetzel, and Haiyang Zhang](#)
- [“COVID-19’s impact on Asian American workers: Six key insights,” May 6, 2021, Grace Hua, Jess Huang, Samuel Huang, Lareina Yee](#)
- [“The elusive inclusive workplace,” March 23, 2021, Bryan Hancock and Bill Schaninger](#)
- [“Diversity wins: how inclusion matters,” May 19, 2020, Sundiatu Dixon-Fyle, Kevin Dolan, Vivian Hunt, and Sara Prince](#)



LGMS 22 Health and safety

A APPLICABILITY

This provision applies to all RJC members except LGMS 22.9 which is only applicable for diamonds and coloured gemstones cutters and/or polishers.

Supply Chain Point	LGMS 22 Health and Safety								
	22.1	22.2	22.3	22.4	22.5	22.6	22.7	22.8	22.9
Lab-grown materials producer	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lab-grown materials cutter and/or polisher	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lab-grown materials trader	✓	✓	✓	✓	✓	✓	✓	✓	
Jewellery and watch manufacturer and/or wholesaler	✓	✓	✓	✓	✓	✓	✓	✓	
Jewellery and watch retailer	✓	✓	✓	✓	✓	✓	✓	✓	
Recycler	✓	✓	✓	✓	✓	✓	✓	✓	
Service industry	✓	✓	✓	✓	✓	✓	✓	✓	

B ISSUE BACKGROUND

Work-related health and safety needs vary enormously across countries, sectors and social groups. Every year more than two million people globally die from occupational injuries or diseases. Often it is the most disadvantaged and vulnerable groups who are most affected by unsafe and unhealthy working conditions. These conditions are not limited to large-scale factories, they can occur within small businesses and even within homes, for homeworkers.

Every worker has the right to a safe work environment. Every company has a fundamental responsibility to ensure its workers are not harmed because of their work, and to consider the health and safety of other people in the workplace, including visitors and local communities.

Most company health and safety programmes focus on preventing injuries and illnesses at work by minimising specific occupational risks and hazards. There are many such hazards in the jewellery supply chain: lab-grown material production, processing, cutting and polishing can involve toxic chemicals and heavy machinery (see Table 20). In addition, all workplaces carry a risk of injury or illness from general hazards, including slips and trips, manual handling, workstation ergonomics, basic hygiene and transport.

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LGMS 22 Health and safety

TABLE 20. OCCUPATIONAL HEALTH AND SAFETY HAZARDS OFTEN FOUND IN THE JEWELLERY SUPPLY CHAINS

Sector	Common occupational health and safety hazards
Lab-grown material production	<ul style="list-style-type: none"> • Exposure to energy sources including electricity, heat and pressure. • Exposure to dust (including respirable crystalline silica), gases and other chemicals. • Exposure to radiation and plasma. • Use of high-pressure machinery, presses, mechanical polishing and cutting. • Lifting and moving heavy components e.g. metal carriers. • Potential explosion risks. • Exposure to toxic chemicals such as acids, exposed cathodes/anodes used in the recovery of lab-grown stones post-synthesis.
Lab-grown material treatment/enhancement	<ul style="list-style-type: none"> • Use of laser drilling and high pressure and high temperature treatments. • Exposure to toxic chemicals, particularly: <ul style="list-style-type: none"> – hydrogen peroxide (bleaching); – nitric acid (acid bleaching); – sulphuric acid (colouration); – hydrofluoric acid (polishing); – polymers (filling and impregnation); – mercuric chloride (laquer and nacre); – silver nitrate (foiling); – metal oxides (surface and backing coatings); – coloured dyes (dyeing); – beryllium (used in the diffusion process); and – trace elements (emitted during treatments like heating). – Exposure to radioactive diamonds and gemstones during irradiation treatments.
Cutting and polishing and jewellery manufacturing	<ul style="list-style-type: none"> • Dust inhalation, eye strain, poor posture leading to back and shoulder problems. • Long working hours. • Lack or misuse of equipment, including PPE, or use of poorly maintained, outdated or otherwise inappropriate equipment. • Locked emergency exits. • Unhealthy or unsanitary working conditions, including poor ventilation. • Cramped and unsafe on-site housing with limited facilities for washing, sleeping and preparing food. • Lack of training on chemical substances and protective measures. • Exposure to toxic fumes and chemicals. • Eye strain.
Trading, service industries and retail	<ul style="list-style-type: none"> • General workplace risks, including slips and trips, manual handling, workstation ergonomics, basic hygiene and transport. • Repetitive strain or eye strain.



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LGMS 22 Health and safety

Some businesses look beyond simply preventing injury and illness to develop health and safety programmes that support the general health and well-being of workers. This involves incorporating, for example, strategies to tackle stress, obesity, fatigue or substance addiction and abuse, and initiatives to promote fitness for work, reproductive health and work–life balance.

Implementing a holistic approach to health and safety in the workplace can deliver substantial productivity benefits. These include:

- fewer injuries and illnesses among workers;
- fewer sick days;
- fewer insurance claims, premiums and regulatory fines; and
- stronger staff motivation and performance.

In contrast, poor health and safety management programmes result in more sick days, higher accident rates and greater reputational risks, which can impact commercial performance. The International Labour Organization (ILO) estimates the economic burden of poor occupational safety and health practices at 4 per cent of global gross domestic product each year.

There are lots of different approaches to implementing health and safety, but a robust programme will include nine key elements, ranging from policies, procedures and infrastructure to training, equipment and incident investigation (see Figure 17). Even in small businesses, aspects of each of these will need to be included (see box 'Managing health and safety in small businesses' in Section D).

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FIGURE 17. THE NINE COMPONENTS OF A ROBUST HEALTH AND SAFETY PROGRAMME (THESE ALIGN DIRECTLY WITH LGMS PROVISIONS 21.1–21.9)



C KEY REGULATIONS, STANDARDS AND INITIATIVES

INTERNATIONAL STANDARDS

The ILO has more than 70 conventions and recommendations on health and safety issues. These cover preventative and protective measures and include both general risks that apply to multiple sectors as well as specific risks found in individual industries. A select few are summarised below.

- The **Occupational Safety and Health Convention, 1981 (ILO C155)** sets the standards for promoting occupational health and safety and for improving working conditions at the national and company level. This includes setting out company obligations to ensure that processes and equipment are safe, and that workers have access to protective clothing and equipment where necessary.
- The **Promotional Framework for Occupational Safety and Health Convention, 2006 (ILO C187)** was established to promote a preventative safety and health culture. Under ILO C187, countries are required to develop, in consultation with stakeholders, a national policy, system and programme on occupational safety and health. This includes establishing the laws, regulations, authorities and compliance mechanisms needed to implement the national policy at the company level.



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In 2018, the International Organization for Standardization (ISO) released a new international standard on **occupational health and safety (ISO 45001)**, which offers a framework for improving employee safety, reducing workplace risks and creating better, safer working conditions. ISO 45001 aligns with ILO conventions, recommendations and guidelines as well as various national standards. It replaces the widely used British standard for occupational health and safety management BS OHSAS 18001. ISO 45001 is also one of the standards the RJC recognises for compliance with specific parts of this provision (see Certification Process Requirements).

Beyond the ILO and ISO instruments, industries and organisations have developed their own voluntary standards and guidance to help improve workplace health and safety and address industry-specific risks. These include GRI 403 Occupational Health and Safety 2018 which describes the disclosures for organisations to report information about their occupational health and safety-related impacts to workers, and how they manage these impacts.

The **International Finance Corporation (IFC) Environmental and Social Performance Standards** ('IFC Performance Standards', www.ifc.org/performancestandards) define IFC clients' responsibilities for managing environmental and social risks. A global benchmark on good practice, these comprise eight performance standards, including:

- Performance Standard 2: Labor and Working Conditions, which includes requirements for companies to provide safe and healthy working conditions.

The IFC Performance Standards are embedded in the **Equator Principles** (<http://equator-principles.com>); see **LGMS 23 Environmental management** for more information.

The **World Bank Group Environmental, Health, and Safety Guidelines** (EHS Guidelines, www.ifc.org/ehsguidelines) are referred to in the World Bank's Environmental and Social Framework and in IFC Performance Standards and include specific guidelines on occupational health and safety, including general and sector-specific examples of best practice.

More generally, workplace health and safety is part of a broader human rights framework that is addressed under the UN Guiding Principles on Business and Human Rights (see **LGMS 6 Human rights**).



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CONSUMER PROTECTION

Under the 2016 UN Guidelines for Consumer Protection, countries have a duty to protect consumers from hazards to their health and safety. Many countries have consumer protection rules and regulations to ensure that products and services are safe and do not pose risks to consumers.

In addition, the ISO has developed a range of international guidelines that cover all aspects of product safety, including product recall procedures, child-related products, cross-border trade and product safety. For example, ISO 10377 (www.iso.org/standard/45967.html) offers suppliers practical guidance on assessing and managing the safety of consumer products.

Most jewellery products do not pose health and safety risks to consumers. But it is still important that companies assess any potential risks to their consumers and that they mitigate these to ensure their products are safe – first during product design, and again if required during quality assessments before sale. In particular, businesses are generally responsible for:

- Adhering to national and international product safety laws, standards, regulations and bans;
- Communicating health and safety information through product disclosures and labelling (see **LGMS 27 Product disclosure**);
- Monitoring the safety of products over their lifecycle and documenting any issues; and
- Acting on safety issues once you become aware of them, including product recall.

NATIONAL LAW

Regulation on health and safety in the workplace largely resides at a national or even local level; many countries have entire government departments to oversee occupational health and safety.

In the USA, the Department of Labor US Occupational Safety and Health Administration (OSHA) standards for general industry which includes occupational health & safety requirements to protect workers (www.osha.gov).

Enforcement of health and safety legislation varies from country to country, as do sanctions for non-compliant employers. In some countries, local law may require companies to provide rehabilitation or compensation for injured workers. Serious accidents at work often incur significant fines or compensation costs and can jeopardise operating licences and other permits. There are usually substantial penalties attached to any criminal conviction; in some jurisdictions, these can include personal criminal liability for a company's senior managers or directors.



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HEALTH AND SAFETY IN INDIA: COMBINING NATIONAL AND LGMS EXPECTATIONS

The Indian Factories Act of 1948 sets out requirements for factories of a certain type and size that are potentially relevant to LGMS 21. Recognising the challenges that exist in meeting some of these requirements, the RJC has developed four conformance criteria for factories in India that fall within the remit of the Indian Factories Act.

1. **Engagement of a safety or welfare officer.** Recruiting degree-qualified professionals for these roles can be a challenge in some parts of India. In these situations, you can engage safety and welfare officers with other relevant forms of external health and safety training to achieve conformance.
2. **Provision of an ambulance room, trained nurse and doctor on premises.** The LGMS requires that workplaces have firstaid provisions and at least one trained first-aid provider, and absence of these constitutes a major non-conformance. Having an on-site facility such as a first-aid, ambulance or nurse room, with access to appropriate transport to local hospitals, will be considered conformance with this requirement. Other acceptable approaches include several factories pooling resources to support a shared ambulance room.
3. **Provision of canteen.** If a factory has a canteen for its workers, it must be sanitary and provide access to safe and potable drinking water to conform with LGMS 22.1. If there is no canteen, the provision of a meal allowance combined with adequate time and physical access to food prepared outside the factory is enough to achieve conformance.
4. **Provision of crèche.** If a factory provides a crèche for its workers, it must be sanitary and provide access to safe potable drinking water and clean and hygienic washing and toilet facilities to conform with LGMS 22.1. If workers do not wish to use an on-site crèche, conformance can be achieved by showing signed letters from all relevant employees indicating that they have sufficient access to off-site childcare. Auditors must verify through worker interviews that no coercion was involved in obtaining these statements.

RJC members are responsible for identifying, and staying up to date with, all relevant health and safety laws and regulations, including:

- consumer health and safety laws (which may fall under legislation for consumer protection);
- trade regulation;
- reporting requirements;
- enforcement processes; and
- penalties for non-compliance.



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D IMPLEMENTATION GUIDANCE**LGMS 22.1: WORK PLACE SAFETY**

Members shall provide safe and healthy working conditions for all *workers* and *visitors* in accordance with *applicable law* and other relevant *internationally recognised industry health and safety* standards.

Actions to be taken:

- Health and safety is important for all workplaces, including office environments. Regardless of your type of business, you must provide your workers with:
 - a safe workplace and safe ways of working;
 - equipment, tools and machinery in a safe condition;
 - secure facilities for storing chemicals used in the workplace;
 - safe and hygienic facilities, including toilets, eating areas and first aid;
 - information, training and supervision, including notifying workers of the inherent health and safety risks associated with the work;
 - a way to be consulted about, involved in and informed of decisions that may affect their health and safety; and
 - processes for identifying hazards and assessing and controlling risks.
- Make sure that all your buildings follow applicable law and that:
 - all facilities adhere to local regulations and building codes, and have the right permits in place.
 - any on-site housing or other workers' accommodation meets local standards on space, privacy and storage of personal items – note that if local law does not define any standards, you should follow international standards such as the workers' accommodation standards developed by the IFC and European Bank for Reconstruction and Development (EBRD).
- At each workplace, make a senior manager responsible for on-site health and safety.
- Establish procedures to identify and keep up to date with legislation on workplace health and safety, as well as regulatory guidance, compliance issues and procedures, and reporting and record-keeping requirements in all jurisdictions of company operations.
- Seek to establish a safety culture within the workplace:
 - develop a written policy, alongside procedures and management systems, for workplace health and safety (see LGMS 22.2).
 - communicate these to workers and incorporate them into new hire induction programmes and orientation sessions. Make sure they are written in language that workers can understand and display them in common areas in the workplace.



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- Health measures should also be considered, for example:
 - Annual health plans can be used to promote a health culture. Make sure you seek the formal input of all groups of workers, especially vulnerable groups, in developing these.
 - Food, water and sanitation
 - In all facilities and on-site accommodation, make sure you give workers access to:
 - running water, soap and towels or other drying devices;
 - a safe place to store food; and
 - as much potable water as they need – if contamination risks are high, carry out regular tests to ensure the water remains safe to drink, and keep records of the results.
 - If you operate a cafeteria or canteen that handles food for workers, make sure:
 - it complies with all relevant food safety and hygiene legislation; and
 - all staff working in it are given hygiene training or have relevant food-handling certifications.
 - If you provide showers for workers, make these gender-specific (unless they are in a private room intended for individual use with a lockable door).
 - Fire safety and emergency exits
 - All your facilities and on-site accommodation should have fully operational fire safety equipment (including fire extinguishers) that:
 - comply with local law, including requirements for the number and type of equipment and where it is placed;
 - is appropriate to the type of potential fire risks on-site and close to potential sources of ignition; and
 - is well maintained and routinely checked to confirm it works and is accessible and easy to use.
 - All your facilities and on-site accommodation must also have an appropriate number of emergency exits, based on the building's structure, the number of workers and local regulations.
 - Exits must not be locked or impeded (although they may be alarmed). Note that if you have security guards at exits, you must give them special training to ensure workers can leave without restrictions during an emergency.
 - Exits should be easily identifiable, even if the building loses power. This means you need backup power to provide emergency lighting and signage in case of power outages.
 - All exits should lead to open areas and pathways. You will also need an assembly point for workers to safely gather in case of an emergency.
 - Get your managers to monitor conditions and confirm ongoing conformance with these requirements through regular visits to your sites. These visits should include:
 - checking that exits and walkways are kept clear; and
 - confirming that supervisors and workers understand their responsibility to keep exits and walkways clear.
 - Nursing and expectant mothers
 - Give nursing and expectant mothers special consideration to ensure their work does not put them or their children at risk. In practice, that means:
 - establishing procedures to assess potential risks in the workplace;



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- minimising those risks by, for example, assigning them different tasks or workloads; and
- communicating with managers and supervisors to ensure nursing and pregnant workers are not discriminated against because of their condition (see **LGMS 20 Non-discrimination**).
- Respecting Workers' health and safety rights, with a special attention to women's wellbeing
- Preventing sexual Harassment at the workplace
- Identifying and managing psychosocial risks (examples of social factors at work resulting in psychosocial risks are shown in the Table 21 below as extracted from the guidance in ISO 45003 Occupational health and safety management – Psychological health and safety at work – Guidelines for managing psychosocial risks)
- Maintaining materials, equipment, tools and machinery in safe condition
- Providing safe and hygienic facilities, including toilets, eating areas and first aid
- Use of machinery and mobile equipment including guarding, training of operators and maintainers
- Procedures for shutdown to a zero-energy state, and lockout and tag-out procedures
- Inventory, hazard information, storage and handling of materials (including hot metal) and chemicals
- Controlling exposures to hazardous materials in various states, whether solid, liquid, gas, mist, dust and fumes, airborne particles, noise and temperature levels. Consideration to be applied based on the nature of the hazard (corrosive, toxic, carcinogenic, mutagenic, teratogenic, asphyxiant, sensitizer), the pathways of entry to and elimination from the body, the nature of possible effects on target cells/organs/systems, and appropriate control measures
- Working alone
- Working at heights
- Confined spaces
- Energised systems (pressure, temperature, electrical, etc.)
- Heat- and cold- related illness (thermal stress)
- Inadequate lighting and/or ventilation
- Ergonomic hazards
- Biological hazards, such as injury from animals and insects (including vector-borne and insect-borne disease)
- Driving and travel related risks
- Ensuring that workplaces are safe for all Workers, including younger workers (for example under 18 years of age), older Workers, pregnant Workers, nursing Workers, and Workers with disabilities
- General industrial hygiene, food hygiene and sanitation
- Housekeeping issues
- Health data, disaggregated by sex and age, can also be gathered and reviewed by relevant worker committees and management to track health.
- If you have any health staff, they should participate in all worker committees and, as appropriate, management committees to engage on health issues and activities.



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TABLE 21. WORKPLACE PSYCHOSOCIAL RISK FACTORS – SOCIAL FACTORS

Social Factor	Examples
Interpersonal relationships	<ul style="list-style-type: none"> • poor communication, including poor information sharing • poor relationships between managers, supervisors, co-workers, and clients or others that workers interact with • interpersonal conflict • harassment, bullying, victimisation (including using electronic tools such as email and social media), third-party violence • lack of social support • unequal power relationships between dominant and non-dominant groups of workers • social or physical isolation
Leadership	<ul style="list-style-type: none"> • lack of clear vision and objectives • management style unsuited to the nature of the work and its demand • failing to listen or only casually listening to complaints and suggestions • withholding information • providing inadequate communication and support • lack of accountability • lack of fairness • inconsistent and poor decision-making practices • abuse or misuse of power
Organisational /workgroup culture	<ul style="list-style-type: none"> • poor communication • low levels of support for problem-solving and personal development • lack of definition of, or agreement on, organisational objectives • inconsistent and untimely application of policies and procedures, unfair decision-making
Recognition and reward	<ul style="list-style-type: none"> • imbalance between workers' effort and formal and informal recognition and reward • lack of appropriate acknowledgement and appreciation of workers' efforts in a fair and timely manner
Career development	<ul style="list-style-type: none"> • career stagnation and uncertainty, under-promotion or over-promotion, lack of opportunity for skill development
Support	<ul style="list-style-type: none"> • lack of support from supervisors and co-workers • lack of access to support services • lack of information/training to support work performance
Supervision	<ul style="list-style-type: none"> • lack of constructive performance feedback and evaluation processes • lack of encouragement/acknowledgement • lack of communication • lack of shared organisational vision and clear objectives • lack of support and/or resources to facilitate improvements in performance • lack of fairness • misuse of digital surveillance



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Social Factor	Examples
Civility and respect	<ul style="list-style-type: none"> • lack of trust, honesty, respect, civility and fairness • lack of respect and consideration in interactions among workers, as well as with customers, clients and the public
Work / life balance	<ul style="list-style-type: none"> • work tasks, roles, schedules or expectations that cause workers to continue working in their own time • conflicting demands of work and home • work that impacts the workers' ability to recover from Illness or Injury
Violence at work	<ul style="list-style-type: none"> • incidents involving an explicit or implicit challenge to health, safety or well-being at work; violence can be internal, external or client initiated, e.g.: <ul style="list-style-type: none"> – abuse – threats – assault (physical, verbal or sexual) – gender-based violence
Harassment	<ul style="list-style-type: none"> • unwanted, offensive, intimidating behaviours (sexual or non-sexual in nature) which relate to one or more specific characteristic of the targeted individual, e.g.: <ul style="list-style-type: none"> – race – gender identity – religion or belief – sexual orientation – disability – age <p>See LGMS 16 Harassment, Discipline, Grievance Procedures & Non-Retaliation</p>
Bullying and victimisation	<ul style="list-style-type: none"> • repeated unreasonable behaviours which can present a risk to health, safety and well-being at work; behaviours can be overt or covert, e.g.: <ul style="list-style-type: none"> – social or physical isolation – assigning meaningless or unfavourable tasks – name-calling, insults and intimidation – undermining behaviour – undue public criticism – withholding information or resources critical for one's job – malicious rumours or gossiping – assigning impossible deadlines • Bullying and harassment can occur both face to face and electronically (e.g., social media). • See LGMS 16 Harassment, Discipline, Grievance Procedures & Non-Retaliation

Source: ISO 45003



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Q&A

How do I comply with LGMS 22 if I am renting space in a third party owned or operated facility, for example a rented retail store in a shopping mall, or an trading office in a large commercial building?

In scenarios where you do not own the building, some health and safety controls such as emergency equipment (sprinkler systems, exits, etc) are designed, implemented and controlled by the owner.

In these cases, your responsibility is to conduct due diligence to check that the owner or the operator has provisions that meet local applicable laws, for the safety and wellbeing of you, your workers and your visitors (e.g customers and suppliers).

If the building is not safe, or gaps are identified, a decision has to be made on the acceptability of the risks to you and your workers. You should use your best endeavours to have the owner or operator rectify these gaps, especially if the gaps contravene local applicable laws. You should explore other viable options such as establishing your own controls, where practicable to do so, and if nothing can be done, alternative measures such as leaving the premises should be considered.

LGMS 22.2: HEALTH AND SAFETY MANAGEMENT

Members shall:

- a. Develop and implement an occupational *health and safety policy* with commitments to prevent work-related injury and ill health to *workers*; to provide safe and healthy workplaces; and to prioritising the *health and safety of workers over profits*.
- b. Communicate the *policy* to all *workers* and *visitors* to site, and ensure the *policy* is *publicly available*.
- c. Identify *hazards* and assess the risks of workplace *hazards* and implement controls to minimise the risks of accidents and injury to *workers*. The risk assessment shall consider *hazards* associated with the members' activities and products.
- d. Establish and implement occupational *health and safety management systems* with *procedures* and processes to managing *operations* in a manner that aims to eliminate *hazards*, manage identified risks, verify the effectiveness of controls, prevents injuries and fatalities, and demonstrate continuing improvement in *health and safety* performance.
- e. Conduct, at least annually, documented reviews to assess the ongoing suitability and adequacy of the occupational *health and safety management systems*, verify the effectiveness of risk controls, and implement improvements to address any gaps.

Actions to be taken:

- You need to establish occupational health and safety policy and management systems.
 - The policy needs to demonstrate your organisations commitment to ensuring there is a safe working environment for all of your operations and activities, by preventing work place injuries and illnesses. This needs to be the cornerstone of your business ethos over simply making a profit.



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- Your management systems, comprising of procedures, processes as well people that are trained and part of the way you will meet the commitments stated in your health and safety policy.
- Your health and safety management system can be stand alone or integrated in accordance with the policy and system requirements in **LGMS 2 Policy and management systems**.
- Documentation that is fit for purpose and consistent is usually the foundation of a functional Management System, and thus may be quite simple for smaller Businesses.
- International Standard ISO 45001, Occupational Health and Safety Management Systems, offers a model for the establishment, implementation and maintenance of an OH&S Management System. The ISO 45001 standard describes the following inter-related elements of a working occupational health and safety (OH&S) management systems:
 - Context of the organisation
 - Understanding the organisation and its context
 - Understanding the needs and expectations of workers and other interested parties
 - Determining the scope of the OH&S management system
 - OH&S management system
 - Leadership and worker participation
 - Leadership and commitment
 - OH&S policy
 - Organisational roles, responsibilities and authorities
 - Consultation and participation of workers
 - Planning
 - Actions to address risks and opportunities
 - OH&S objectives and planning to achieve them
 - Support
 - Resources
 - Competence
 - Awareness
 - Communication
 - Documented information
 - Operation
 - Operational planning and control
 - Emergency preparedness and response
 - Performance evaluation
 - Monitoring, measurement, analysis and performance evaluation
 - Internal audit
 - Management review

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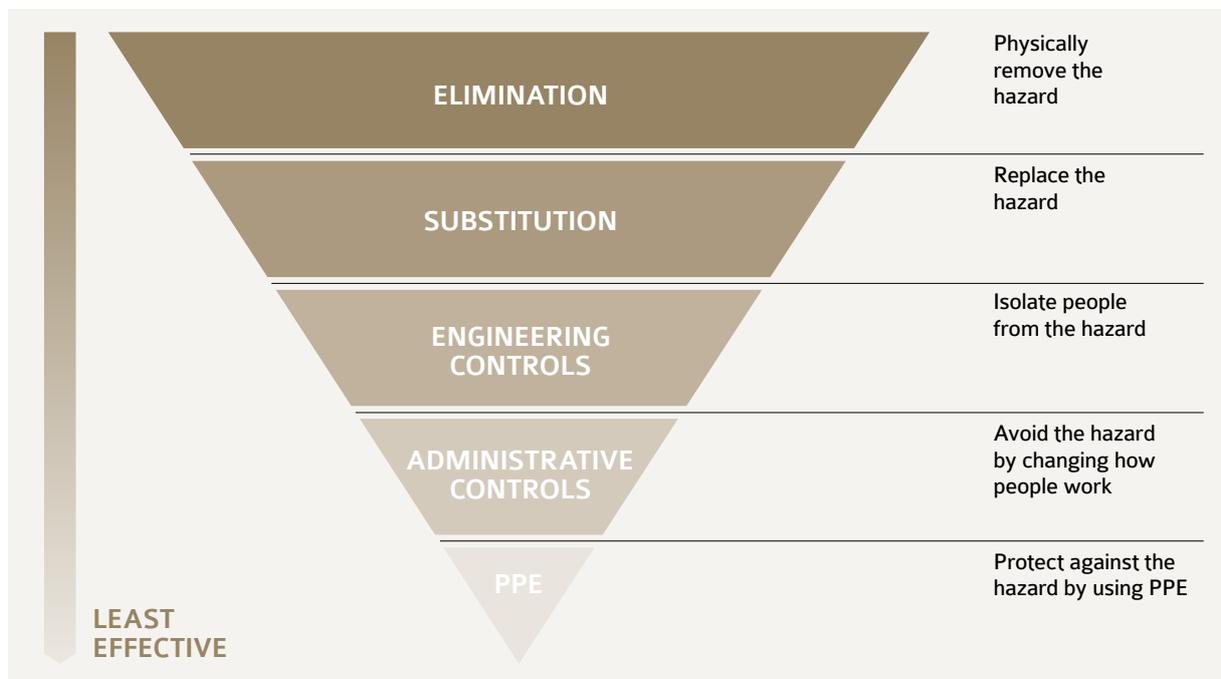
- Improvement
 - General
 - Incident, non-conformity and corrective action
 - Continual improvement.
- Guidance on the establishment, implementation, maintenance and continual improvement of an occupational health and safety (OH&S) management system that can help organisations conform to ISO 45001 is available in the ISO standards ISO 45002 Occupational health and safety management systems – General guidelines for the implementation of ISO 45001:2018.
- Your health and safety management system should be commensurate with the scale, nature, location and impacts of your operations and activities. A simple management system with only a few procedures and work instructions may be sufficient and effective for small businesses with low risks. However, a large multi-national business with operations across multiple part of the supply chain is likely to require more comprehensive management systems. These can be centrally managed and/or with site specific procedures and controls.
- For your management system to be effective, it should involve participation from workers (or their representatives) and promote a culture of wellbeing and safe practices for all workers.
- The management systems need to be designed to comply with applicable laws and international standards including ILO conventions.
- The policy and systems need to be periodically reviewed and updated, at least annually – see **LGMS 2 Policy and management systems**.
- The management systems need to address your health & safety hazards and risks. To do this, you need to carry out a risk assessment appropriate to your business's context and identify where health and safety risks may arise, how likely they are and which practices and procedures could be improved to prevent them.
- The RJC hosts a risk assessment toolkit (available on the [member portal](#)) that includes a general risk assessment template you might find useful, especially if you are a small business. Alternatively, use your own tried and tested risk assessment process.
- Ensure that your risk assessment pays particular attention to known and inherent risks in the process, for example, members producing LGMS using the Chemical Vapor Deposition (CVD) method should ensure hydrogen sulphide explosion risks are specifically included in their assessments.
- Consider your improvement opportunities to address risks using a hierarchy of hazard controls (see Figure 18) that prioritises action in the following order:
 - Eliminate the hazard by removing or modifying the activity causing it – for example, swapping hazardous chemicals for safe ones, or using different manufacturing processes.
 - Control the hazard at the point where it starts – for example, installing local ventilation or dust extraction systems, isolation rooms or acoustic insulation and noise control systems.
 - Minimise the hazard by designing safe work systems and/or taking administrative or institutional measures – for example, providing training or communication materials on safe work procedures, monitoring the workplace, limiting exposure or working hours, or promoting job rotation and better use of PPE.

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- Ensure that where your risk assessment has identified that PPE is required, that the equipment issued is specifically adapted for the identified risks, is provided free of charge, and that its correct use is monitored in line with LGMS 22.5.
- Use the results of your risk assessment to develop an action plan, and establish your management systems to:
 - implement actions in a timely manner;
 - regularly review risks to see if the actions taken have worked, and to identify any new risks; and
 - document all risk assessments, action plans and actions taken.

FIGURE 18. THE HIERARCHY OF HAZARD CONTROLS



Source:

- [CDC, Hierarchy of Controls](#)



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LGMS 22.3: HEALTH AND SAFETY COMMITTEE

Members shall provide *workers* with a mechanism, such as a joint *health and safety* committee, by which they can raise and discuss *health and safety* issues with management, and participate in the development and implementation of the *health and safety* management systems, risk assessments, and establishment of risk controls.

Actions to be taken:

- Establish procedures for workers to choose representatives for the joint health and safety committee (or equivalent mechanism), for example through the union or workforce nominations or elections.
- Make sure that the committee includes:
 - a senior manager, wherever possible;
 - any on-site health staff; and
 - representation to reflect the size and structure of your facility – for example, if you operate multiple shifts, the committee should include representation from all shifts.
- If on-site contractors are not eligible to participate, make sure the committee can still function as a mechanism for them to raise health and safety issues.
- The committee should meet regularly and serve as a forum to discuss health and safety matters requiring collaboration between management and workers, for example:
 - the root causes of recent accidents and how to prevent recurrences;
 - the effectiveness of training;
 - potential health and safety risks; or
 - short- and long-term health trends identified by employees, contractors or management.
- The committee should also consider whether there are special needs for different groups within the workforce, such as women or migrants. This could include reviewing accidents or injuries by group and taking appropriate action.
- For example, if women are not using their PPE, the committee should talk to female workers to find out why: it may be because they don't understand the benefits, or it may simply be because the PPE wasn't designed for women and is uncomfortable to wear or impractical to use.
- Consider using both formal and informal channels to get workers' input on potential risks or improvements for the committee's consideration, including surveys or roundtables and suggestion boxes or team meetings.
- Either way, make sure that workers can raise health and safety issues without fear of criticism or reprisal.
- Keep a record of all committee meetings, including matters discussed and actions taken.



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LGMS 22.4: TRAINING

Members shall provide *health and safety* training to *workers* and information to *visitors* in a format and language that is understandable. This will include training and information on:

- a. Specific role-related *health and safety hazards* and controls.
- b. Appropriate action in the event of an accident or *emergency*.
- c. *Workers'* right and responsibility to stop work or refuse to work in situations with uncontrolled *hazards*, and for any *worker* or *visitor* to immediately flag these situations to those at imminent risk and to management.

Actions to be taken:

- One of the most effective ways to implement health and safety procedures is through training, including both general training on facility-wide health and safety policies and emergency protocols, as well as job-specific training on, for example, how to handle hazardous materials, operate heavy machinery or use PPE.
- General safety training should be given as part of a new employee's induction or orientation process.
- Job-specific safety training should also be given when a new employee starts, as well as every time an employee has to do a new type of work or use a new piece of equipment.
- Make sure you also give extra, relevant training to:
 - all employees with emergency responsibilities – for example, training fire wardens in how to use firefighting equipment, and training first-aid responders in how to administer first aid; and
 - all managers on how to coach employees who do not comply with health and safety procedures, and what to do if protocols are not followed.
- In all cases:
 - Training can be formal (for example, facilitated training sessions) or informal (for example, job shadowing).
 - Training must be given free of charge, during working hours.
 - Training formats and materials must take gender, language and levels of education into account.
 - Records of any training given, including who it was given to, must be kept.
- Monitor and test employees to confirm they are following safety procedures correctly. Consider setting targets to encourage employees to follow key procedures.
- Consider displaying safety procedures and information in areas where high-risk activities are performed, using simple signs and symbols where appropriate.
- Make sure these materials are written at an appropriate literacy level for most of your workers and in languages most workers can read.
- If a worker is illiterate or cannot read these materials because of language barriers, make sure a manager trains the worker verbally.

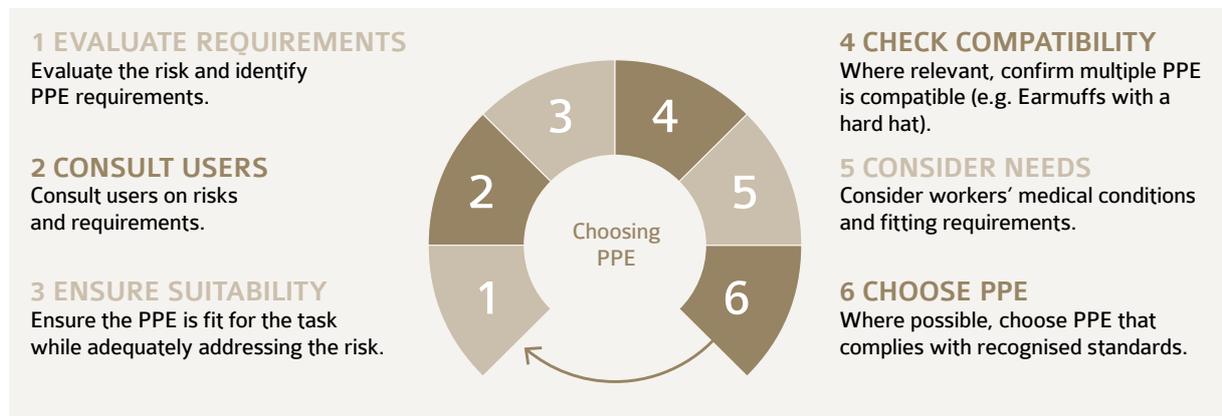
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LGMS 22.5: PERSONAL PROTECTIVE EQUIPMENT

Members shall ensure that appropriate *personal protective equipment* (PPE) to *workers* and *visitors* is provided free of charge and verify that it is current and correctly worn or used.

Actions to be taken:

- PPE includes protective clothing and any other garment (including gloves, protective footwear, helmets, goggles and earplugs) designed to protect the wearer from exposure to job-related occupational hazards.
- Note that some businesses also have additional requirements for safe attire in the workplace, for example long sleeves, closed footwear or respirators.
- Use a robust selection process when buying PPE to ensure it is fit for purpose (see Figure 19) and meets internationally accepted standards.

FIGURE 19. SIX STEPS IN CHOOSING THE RIGHT PPE TO BUY

- PPE needs to be appropriate, clean, hygienic, properly maintained and stored, and replaced when it expires or is damaged. To help ensure this:
 - establish procedures for when and how each piece of PPE should be used in relation to specific job functions; and
 - develop guidance on how the equipment should be stored when not in use.
- Train all workers that have to wear PPE on how to use and store the equipment, and why this is important.
- Put up signs everywhere that workers have to use PPE as a reminder of what type of PPE should be used. Make these signs available in multiple languages as appropriate to most workers.



LGMS 22 Health and safety

LGMS 22.6: MEDICAL FACILITIES

Members shall provide access to adequate on-site first-aid provisions and trained first-aid personnel, have appropriate *procedures* for transportation to local medical facilities in the case of a medical *emergency* and assist *workers* with work-related injuries to physically access medical treatment in accordance with country law and company *policy*.

Actions to be taken:

- Make sure all your sites have, at a minimum, first-aid provisions and at least one trained first-aid responder, even in low-risk environments close to a health clinic or hospital.
- The first-aid response and medical care available must be adequate to the workplace, and take into account the number of workers, the risks of workplace hazards, proximity and means of transport to clinics or hospitals, and access to services after work hours.
- If your site is far from a medical facility, consider providing an on-site medical facility that can respond to workplace injuries.
- If you have an on-site medical facility, note that you must be able to give health providers accurate information if they ask for it. You must also keep health records for as long as the law says you have to, which could be up to 30 years. Records should include information on:
 - the facility's exact location and hours of operation;
 - the gender of healthcare providers at the facility;
 - the types of health products and services available and related costs (if any);
 - how much each product and service costs; and
 - the general quality of care.

Note that you must not give out worker-specific medical information unless the worker asks you to and local laws on health privacy allow you to.

- Give all first-aid responders appropriate first-aid training, focusing on the most significant risks and most common accidents in your facility.
- If a worker is injured at work, make sure they can access any follow-up medical treatment they need. This includes arranging transport to a medical facility immediately after first-aid treatment if necessary, and adjusting the worker's work schedule to accommodate treatment.
- Consider making personal health and well-being materials and services available to employees. This includes, for example, materials on how to manage common health problems such as depression, alcohol or back pain, as well as services such as maternal and reproductive counselling or medicines and vaccines against common illnesses. Investing in prevention activities like these can reduce unplanned absences and boost productivity in the workplace.



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LGMS 22.7: EMERGENCY PROCEDURES

Members shall establish emergency *procedures* and evacuation plans for all reasonably foreseeable *health and safety* emergencies. These shall be accessible or clearly displayed, regularly tested (including through evacuation drills) and periodically updated.

Actions to be taken:

- Your risk assessment should have identified all reasonably foreseeable emergencies, which may include fire, explosion, medical emergency, incidents with hazardous chemicals, bomb threats, armed confrontations and natural disasters.
- For each likely emergency:
 - work with local emergency response services (including fire brigades, hospitals and the police) to develop and implement a written emergency response plan outlining what workers and others in the workplace should do if the emergency arises;
 - communicate the plan to workers; and
 - display the plan clearly in the workplace or make it readily available.
- If the emergency may impact nearby operations or communities, include these stakeholders in your emergency response planning.
- Identify a common external assembly point across all the emergency response plans, where workers should meet during any evacuation away from potential harm. Establish a process to ensure all personnel are accounted for in an evacuation, and make sure all evacuation routes and exits are prominently displayed.
- Test all your emergency plans regularly. Evacuation drills are important to confirm that everyone can be quickly and safely evacuated during an emergency; do one every six months and keep a record of how long it takes to get everyone out.
- Note that you can address concerns about product theft during emergency tests or evacuation drills by planning them in advance and doing them after all product has been secured.
- Review and refine your plans regularly, drawing on lessons learned from tests, drills or actual incidents.

LGMS 22.8: INCIDENT INVESTIGATION

Members shall investigate *health and safety* incidents to establish the contributing causal factors, and feed the results into reviews of relevant *hazard* controls to identify opportunities for improvement and to prevent a recurrence.

Actions to be taken:

- Use incident investigations to try and find the root cause of any health and safety incident that arises (rather than just identifying the last thing to take place before the incident happened).
- Make sure you also investigate near-miss situations, where the actual consequences were minor but the potential consequences could have been serious.



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- Establish procedures for notifying worker health and safety representatives of incidents and near-miss situations, and communicate these to all workers and supervisors.
- Include workers or their representatives in the investigation process; and where available and practicable, include independent personnel or external experts in the investigation team, particularly for significant incidents.
- Document all incidents, making sure to record:
 - a description of the incident;
 - the date and time of the incident;
 - the name of the workers involved;
 - the root cause;
 - the actions taken to prevent recurrences; and
 - any other relevant details, such as compensation paid for lost earnings or productivity time lost during machine replacements.
- Keep records for as long as possible as they provide useful statistical data and help identify trends. At a minimum, you must keep records of all incidents for as long as required by local regulations and at least three years.
- Note that if there is potential for long latency diseases, such as noise-induced hearing loss or occupational cancers, you will need to keep occupational health data for much longer, up to 30 years.
- Analyse your incident records every year to identify trends and feed your results into the next health and safety risk assessment.

LGMS 22.9: COBALT-FREE SCAIFES

Members engaged in the cutting and polishing of lab-grown materials shall use cobalt-free diamond-impregnated scaifes.

Actions to be taken:

- Inhaling cobalt-containing dust can have serious health effects.
- If you have a cutting and polishing facility, confirm that all diamond-impregnated scaifes used are guaranteed by the supplier to be cobalt-free.



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✓ CHECK

- Have you nominated a manager to be responsible for health and safety at each workplace?
- Do you have health and safety policy and procedures and have these been communicated to all staff?
- Do you have a system for staying up to date with local, national and international health and safety laws and regulations?
- Are workplaces inspected to ensure conformance with the requirements set out in LGMS 22.1?
- Have you assessed the risks of workplace hazards and implemented controls to minimise these?
- Do you have a health and safety committee, and do you keep records of its meetings?
- Is there a mechanism in place for workers to raise health and safety issues?
- Do employees know what to do in the event of an accident or emergency?
- Do you give training on general and job-specific health and safety in languages that workers understand?
- Do you provide appropriate PPE, free of charge, and is this used in accordance with company policy and regulatory requirements?
- Are there adequate on-site health and medical facilities? If not, can you show there are adequate facilities within a reasonable distance?
- Are evacuation plans in place for reasonably foreseeable emergencies, and are these displayed and tested?
- Have you considered the off-site implications of emergencies and worked with external stakeholders to develop response plans?
- Are procedures in place to investigate incidents? Do you keep incident records?



LGMS 22 Health and safety

MANAGING HEALTH AND SAFETY IN SMALL BUSINESSES

Health and safety risks are specific to the type of business, industry and tasks performed. Small businesses may not require the same level of controls as large companies, but they still have a responsibility to provide workers with a safe working environment. Some of the most common health and safety risks associated with small business, and recommendations for how to address these, are listed in the table below.

Risk	Recommendation
Fire	Ensure extinguishers are in place, maintained and clearly marked.
Exits	Ensure all fire exits and exit paths are not locked or obstructed and are accessible by workers. The number of exits should comply with local law and be sufficient to the number of workers at the facility.
Electrical	Keep plugs, sockets and switches in good condition. Keep floors clear of extension cords, which should be tested and tagged where required by applicable law. Make sure safety switches are hardwired into electrical switchboards.
Chemical	Keep your workplace chemicals register and safety data sheets (SDS) up to date. Train employees in how to handle and store chemicals to SDS guidelines.
Slips, trips and falls	Keep work areas clean, uncluttered and well lit, and make sure employees wear suitable footwear.
Storage and racking	Make sure that racking systems are stable and in good condition, and that they comply with the specified safe working load. Provide safe access to storage areas.
Noise	Eliminate or reduce noise from loud processes or equipment. Where applicable, give workers hearing protection equipment and put up signs to indicate when and where it must be worn.
PPE	Ensure workers have and use the appropriate PPE. Do not charge workers for PPE.
Heights	Ensure mezzanine floors have safe access and fall protection, and that handrails are secure, steps are well maintained, and any platform ladders are industrial grade and comply with standards.
Manual handling	Eliminate all hazardous manual handling. Provide adequate space to work on or store items and use trolleys to move them. Make sure work areas are between knee and shoulder height and are close to the worker's body.
First aid	Keep a first aid box readily available and appropriately stocked. Make sure qualified first aid staff are available and known to staff, and that you have sufficient amenities for all staff.
Machinery	Provide safe access to machinery and equipment. Make sure moving parts cannot strike or reach people, and assess all other hazards associated with machinery such as fumes, chemicals and noise.
Investigations	Have procedures for reporting and investigating health and safety incidents and communicate these to all workers. Keep records of all incidents and actions taken.



LGMS 22 Health and safety

MANAGING HEALTH AND SAFETY IN SMALL BUSINESSES

Workplace safety doesn't have to be difficult. Use the following steps to improve the way health and safety matters in the workplace are managed:

Step 1. Applicable law and responsibilities

The first place to start is to find out the occupational health and safety laws and regulations that apply to your business. In doing this, assign responsibility for required actions to the appropriate people in your business. This can form the basis of your approach to occupational health and safety.

Step 2. Plan to work safely

Think about what activities happen in your facilities, identifying any potential risks to workers, and actions needed to control these risks.

Step 3. Involve your workers

It is important to talk to workers and indirect employees and set up ways for them to be involved in decisions that may affect health and safety in the workplace. For example, raise health and safety issues with staff and display health and safety information in a format that can be easily understood.

Step 4. Develop procedures

Develop and implement procedures and processes to manage hazards. This includes implementing appropriate controls and assessing any risks to health and safety with their use.

Step 5. Inform and train workers

Give employees, particularly those who are new to the workplace or job, information and training about hazards in their job and workplace. This may vary from a simple training checklist to on-the-job or more formalised training. Use the most appropriate or a combination, based on the nature of the activities, the hazards and the controls. Ensure all training provided is delivered in a manner understood by workers. This may mean having multiple translations of written training materials and posters.

Step 6. Monitor and review

Regularly monitor and review all steps you have taken to manage health and safety. Adjust the controls, procedures and information to address any changes to the law or changes to the activities and materials handled in your premises. Managing health and safety is an ongoing process that should form part of the way you do business. Your processes, operation and staff may change over time and so may the risks. Make sure you continually review your systems to ensure they still provide for the wellbeing of employees and on-site contractors and a safe workplace environment.



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E FURTHER INFORMATION

WEBSITES

- [International Finance Corporation \(IFC\), Environment, Health, and Safety Guidelines](#)
- [ILO, International Labour Standards on Occupational Safety and Health Organization](#)
- [National Skin Centre, Nickel Allergy](#)
- [Ohio University, Risk Management and Safety: Irradiated gemstones](#)
- [US Department of Labor Occupational Safety and Health Administration \(OSHA\)](#)
- [Safety Information Resources, Inc. \(SIRI\), SIRI Material Safety Data Sheet \(MSDS\) Index](#)
- [Social Accountability International \(SAI\), SA8000® Standard](#)

PUBLICATIONS

- [China Labour Bulletin \(CLB\), CLB Research Series: No. 1 Deadly Dust \(2005\)](#)
- [GRI 403 Occupational Health and Safety 2018](#)
- [IFC, General Environmental, Health, and Safety Guidelines: Community Health and Safety \(2007\)](#)
- [ILO, C155 – Occupational Safety and Health Convention \(1981\)](#)
- [International Standards Organisation, ISO 45001 Occupational health and safety management systems – Requirements with guidance for use](#)
- [International Standards Organisation, ISO 45002, Occupational health and safety management systems – General guidelines for the implementation of ISO 45001:2018](#)
- [International Standards Organisation, ISO 45003 Occupational health and safety management – Psychological](#)
- [Ritimo, The Silent Killer: Agate Workers in Khambat Fight Against Silicosis \(2013\)](#)
- [Rosner, D. and Markowitz, G., Deadly Dust: Silicosis and the Ongoing Struggle to Protect Worker's Health \(2006\)](#)
- [Sedex and Verité, Fire Safety Briefing \(2013\)](#)
- [UK Health and Safety Executive, Storing chemicals \(2011\)](#)
- [US Department of Labor Occupational Safety and Health Administration General Industry standards](#)
- [US Nuclear Regulatory Commission, Backgrounder on Irradiated Gemstones \(2016\)](#)



LGMS 23 Environmental management

A APPLICABILITY

This provision applies to all RJC members.

Supply Chain Point	LGMS 23 Environmental Management
	23.1
Lab-grown materials producer	✓
Lab-grown materials cutter and/or polisher	✓
Lab-grown materials trader	✓
Jewellery and watch manufacturer and/or wholesaler	✓
Jewellery and watch retailer	✓
Recycler	✓
Service industry	✓

B ISSUE BACKGROUND

Environmental pollution, degradation and destruction can all adversely impact an ecosystem's ability to function and carry out all the ecological processes it needs to sustain itself and maintain its evolutionary potential over the long term. When this happens, the tangible and intangible benefits that ecosystems provide – ranging from fresh water and climate regulation to soil fertility and cultural heritage – are reduced. We all rely on these 'ecosystem services' to survive; for many disadvantaged and vulnerable groups they also provide a direct source of livelihoods and income. This makes adverse environmental impacts a human rights issue (see **LGMS 6 Human rights**).

As members of both a global society and the local communities where they operate, businesses big and small have a moral duty to sustain the environments and ecosystems around them. At the same time, companies have to minimise adverse environmental impacts to comply with a fast-evolving set of national and international laws and regulations; and to meet the growing expectations of diverse stakeholders, including investors, consumers, communities and environmental organisations.

Good environmental management also makes good business sense. Experience shows that it can reduce operational costs, improve sales and market access, increase worker engagement and enhance brand reputation. That is why many leading companies are now embedding a strong regard for the environment into their core business functions like planning, operations and sourcing. In doing so, they are effectively harnessing the same business systems and management approaches that make their overall enterprise successful.

Exactly how companies approach environmental management varies depending on the nature and scale of the business and the risks and contexts at hand. But in general, an environmental management system is simply a structured framework for managing people, processes and resources so that a company can minimise adverse impacts on its environment, identify environmental benefits that it's already providing, improve the environmental performance of its products and services, and boost productivity and profit.

LGMS 23 Environmental management

These systems usually comprise a set of operational procedures, practices, plans, and related documents (including legal agreements). They almost always start with an assessment of overall operations and business partners and include activities to:

- Set tangible objectives (for example to reduce chemical use, decrease water and energy consumption, use less packaging or packaging with fewer negative environmental impacts, or install pollution prevention measures);
- Implement action plans;
- Review the system and track progress; and
- Take corrective action.

In this way, environmental management systems work as a cycle of continual improvement, commonly known as the 'Plan-DoCheck-Act' cycle (see Figure 20).

FIGURE 20. THE PLAN-DO-CHECK-ACT CYCLE FOR CONTINUOUS IMPROVEMENT



C KEY REGULATIONS, STANDARDS AND INITIATIVES

INTERNATIONAL STANDARDS

The **UN Global Compact** (www.unglobalcompact.org) is a voluntary initiative for businesses to support corporate sustainability. It is built on 10 principles of responsible business that include three directly related to the environment: to support a precautionary approach to environmental challenges (Principle 7), to undertake initiatives to promote greater environmental responsibility (Principle 8) and to encourage the development and diffusion of environmentally preferable technologies (Principle 9).



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The **International Finance Corporation (IFC) Environmental and Social Performance Standards** ('IFC Performance Standards', www.ifc.org/performancestandards) define IFC clients' responsibilities for managing environmental and social risks. A global benchmark on good practice, these comprise eight standards, including:

- Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts, which describes the requirements for a good environmental and social management system.
- Performance Standard 3: Resource Efficiency and Pollution Prevention, which describes how to integrate practices and technologies that use resources more efficiently and sustainably, and that reduce greenhouse gas (GHG) emissions.
- Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources, which sets out requirements for protecting biodiversity and ecosystems.

The IFC Performance Standards are embedded in the **Equator Principles** (<http://equator-principles.com>) – a risk management framework adopted by 94 private financial institutions to ensure that the large-scale development projects they finance appropriately determine, assess and manage potential impacts on the environment and affected communities.

A range of other international initiatives and agreements are driving interest in strong environmental management, by states and businesses alike. This includes agreements like the **UN Framework Convention on Climate Change** (UNFCCC) Paris Agreement, which gives unprecedented recognition to the role that businesses have in mitigating and adapting to the impacts of climate change (see **LGMS 26 Use of natural resources**).

As the number of international standards and initiatives on environmental management rises, certifications like **ISO 14001:2015 Environmental Management Systems** (www.iso.org/standard/60857.html) have emerged to help businesses establish and demonstrate effective environmental management systems. ISO 14001 provides a framework for organisations to follow to minimise negative environmental impacts, meet legal obligations and adopt a continuous improvement approach. It is also one of the standards RJC recognises for compliance with specific environment-related LGMS provisions (see Certification Process Requirements).

ISO standards on environmental management extend beyond ISO 14001, to encompass more than 50 standards (published or under development) covering seven relevant topics, from auditing and labelling to performance evaluation and GHG management (see Table 22 for the published ones).



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TABLE 22. SUMMARY LIST OF PUBLISHED ISO STANDARDS RELATED TO ENVIRONMENTAL MANAGEMENT.

ISO topic	Published standards
Environmental management 6 published standards (5 more under development)	<ul style="list-style-type: none"> • Guide 64:2008 Environmental issues in product standards • 14050:2020 Vocabulary • 14051:2011 and 14052:2017 Material flow cost accounting • 14055-1:2017 Combatting land degradation and desertification
Environmental management systems 5 published standards (5 more under development)	<ul style="list-style-type: none"> • 14001:2015 System requirements • 14004:2016 General guidelines on implementation • 14005:2019 Phased implementation • 14006:2020 Incorporating ecodesign • 14008:2019 Monetary valuation of environmental impacts
Environmental auditing and related investigations 1 published standard (1 more under development)	<ul style="list-style-type: none"> • 14015:2022 Guidelines for environmental due diligence assessment
Environmental labels and declarations 6 published standards (none under development)	<ul style="list-style-type: none"> • 14020:2020 General principles • 14021:2016 Self-declared claims (Type II) • 14024:2018 Labelling (Type I) • 14025:2006 Declarations (Type III) • 14026:2017 Communicating footprint information • 14027:2017 Product category rules • 14029:2022 Environmental statements and programmes for products – Mutual recognition of environmental product declarations (EPDs) and footprint communication programmes
Environmental performance evaluation 4 published standards (5 more under development)	<ul style="list-style-type: none"> • 14031:2021 Performance evaluation • 14033:2019 Quantitative information • 14034:2016 Environmental technology verification (ETV) • 14063:2020 Communication



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ISO topic	Published standards
Lifecycle assessment 11 published standards (2 more under development)	<ul style="list-style-type: none"> • 14040:2006 Principles and framework • 14044:2006 Requirements and guidelines • (14044:2006 Amendment) • 14045:2012 Eco-efficiency assessment of product systems • 14046:2014 Water footprint • 14047:2012 Impact assessment • 14048:2002 Data documentation format • 14049:2012 Goal and scope definition and inventory analysis • 14071:2014 Review processes and reviewer competencies • 14072:2014 Organisational life cycle assessment • 14073:2017 Water footprint examples
Greenhouse gas (GHG) management and related activities 8 published standards (9 more under development)	<ul style="list-style-type: none"> • 14064-1:2018 Quantifying and reporting GHG at organisational level • 14064-2:2019 Quantifying and reporting GHG at project level • 14064-3:2019 Validating and verifying GHG assertions • 14065:2020 Validation requirements for accreditation • 14066:2023 Competence requirements for validation and verification • 14067:2018 Carbon footprint • 14069:2013 Applying 14064-1 • 14080:2018 Methods for climate actions

Source: ISO. Standards Catalogue: ISO/TC 207 Environmental Management www.iso.org/committee/54808/x/catalogue/p/1/u/1/w/0/d/0

NATIONAL LAW

The concept of environment, in legislative terms, has traditionally focused on human surroundings, both man-made and natural. Most countries have formal laws and regulations governing the effects of businesses on the environment. Many of these focus on controlling pollution, although an increasing number of countries now also regulate natural resource management (including forests and water).

In many national and state jurisdictions, companies must be able to satisfy specific conditions on air and water quality, land management, noise and waste disposal. Some kinds of industrial operations must also be licensed under environmental law and these licences must be valid and complied with at all times.



LGMS 23 Environmental management

D IMPLEMENTATION GUIDANCE

LGMS 23.1A AND 23.1B: ENVIRONMENTAL POLICY

Members shall:

- a. Establish an environmental *policy* with commitments for the protection of the *environment*, fulfilment of environmental obligations and enhancement of environmental performance.
- b. Communicate the *policy* to all *workers* and *visitors* to site, and ensure the *policy* is *publicly available*.

Actions to be taken:

- Your first step should be to clearly state your commitment to environmental management, either in a stand-alone environment policy or as part of a broader company policy (see **LGMS 2 Policy and management systems**).
- Make a senior manager responsible for your environment policy, including oversight of an effective environmental management system to fulfil the policy commitments.
- The policy needs to demonstrate your organisation's commitment to protect the environment that is affected by your operations and activities is protected, that you meet all environmental obligations including applicable laws and other non-legal environmental and that over time, you improve your environmental performance.
- The environmental policy can be stand alone or part of your broader policy to meet the LGMS requirements – see **LGMS 2 Policy and management systems**.
 - Your environmental policy needs to be understood by your workers and communicated to visitors. Training and induction for workers should cover the environmental policy
 - As a minimum, you should let visitors know that you have an environmental policy
- This environmental policy must be publicly available. This can be achieved by posting it on your open website, issued to you customers and suppliers, or prominently displaying it where the public can access it.
- For small business that may not have a website, publicly accessible may be to provide the policy to members of the public on demand. Additional tips for small businesses are provided below.



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LGMS 23.1C AND 23.1D: RISKS, IMPACTS AND PERFORMANCE

Members shall:

- c. Conduct an environmental risk assessment of the business activities and products to identify their *significant* impacts including for climate change and *biodiversity*.
- d. Establish *environmental management systems* and controls appropriate to the purpose, nature, scale and impact of the business *operations* to manage the identified *significant* environmental risks.

Actions to be taken:

- This provision is essentially about implementing the Plan-Do-Check-Act cycle of continuous improvement (see Figure 20).
- You need to establish an environmental management system to meet the commitments in your environmental policy.
- Your management systems, comprising of procedures, processes as well people that are trained and part of the way you will meet the commitments stated in your environmental policy.
- Your environmental management system can be stand alone or integrated in accordance with the policy and system requirements in **LGMS 2 Policy and management systems**.
- Documentation that is fit for purpose and consistent is usually the foundation of a functional management system, and thus may be quite simple for smaller businesses.
 - ISO 14004 Environmental management systems – General guidelines on implementation, provides basic guidance for an any organisation including SMEs establish and maintain an environmental management system.
 - Additional tips for small businesses are provided below.
- International Standard ISO 14001, Environmental Management Systems, offers a model for the establishment, implementation and maintenance of an Environmental Management System. The ISO 14001 standard describes the following inter-related elements of a working environmental management systems, which has a very similar structure to other ISO management system standards such as ISO 45001 Occupational health and safety management systems (**LGMS 22 Health and safety**):
 - Context of the organisation
 - Understanding the organisation and its context
 - Understanding the needs and expectations of interested parties
 - Determining the scope of the environmental management system
 - Environmental management system
 - Leadership and worker participation
 - Leadership and commitment
 - Environmental policy
 - Organisational roles, responsibilities and authorities
 - Planning
 - Actions to address risks and opportunities
 - Environmental objectives and planning to achieve them



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- Support
 - Resources
 - Competence
 - Awareness
 - Communication
 - Documented information
- Operation
 - Operational planning and control
 - Emergency preparedness and response
- Performance evaluation
 - Monitoring, measurement, analysis and performance evaluation
 - Internal audit
 - Management review
- Improvement
 - General
 - Incident, non-conformity and corrective action
 - Continual improvement.
- Guidance on the establishment, implementation, maintenance and continual improvement of an environmental management system that can help organizations conform to ISO 14001 is available in the ISO standard ISO 14002 Environmental Management Systems – General guidelines for the implementation of ISO 14001:2018
- Given the similarities between ISO 14001 and ISO 45001, if you chose to adopt these models, you should consider integrating your environmental management system with your health & safety management system.
- Your environmental management system should be commensurate with the scale, nature, location and impacts of your operations and activities. A simple management system with only a few procedures and work instructions may be sufficient and effective for small businesses with low risks. However, a large multi-national business with operations across multiple part of the supply chain is likely to require more comprehensive management systems. These can be centrally managed and/or with site specific procedures and controls.
- For your management system to be effective, it should involve participation from workers (or their representatives) and promote a culture of environmental awareness and responsibility.
- The management systems need to be designed to comply with applicable laws and international standards.
- The management systems need to address your environmental risks and impacts.
- The RJC hosts a risk assessment toolkit (available on the [member portal](#)) that includes a general risk assessment template you might find useful, especially if you are a small business. Alternatively, use your own tried and tested risk assessment process.
- Note that if you have more than one facility, each one should have an environmental management system in place unless the type of facility and location present the same risk in the same context, for example a chain of retail stores in one region.
- Follow the steps below to put your environmental management system in motion.



LGMS 23 Environmental management

USING A LIFECYCLE-BASED APPROACH

The use of life-cycle approaches is integral to ISO 14001 on environmental management systems, which emphasises the need to prevent environmental impacts from being unintentionally shifted elsewhere within the product lifecycle.

A business operation or company as a whole can contribute to various environmental impacts. Life-cycle thinking considers the range of impacts throughout the operation or company, looking at emissions, wastes, and resources consumed, and any other environmental impacts. For example, a decision to collect wastes in one part of operations could result in an increase in emissions. Care needs to be taken to avoid shifting problems from one stage to another and consider the trade-offs in an informed way.

In implementing your environmental management system, you should use life-cycle thinking using a common sense approach, working with employees from different parts of the business to get an informed view on the whole lifecycle of environmental impacts (although you do not need to do a full life-cycle analysis).

Sources:

- [ISO, ISO 14001:2015 Environmental Management Systems – Requirements with Guidance for Use](#)
- [European Commission, Life Cycle Thinking and Assessment for Waste Management waste-waste-LCA-LCT.pdf \(europa.eu\)](#)

PLAN

1. Assess risks and impacts

- Review all business processes and activities to understand how your company interacts with the environment and to identify any actual and potential environmental impacts, which may involve pollution of air, water or soils, use of materials and energy, wastes and emissions, noise and visual effects.
- Environmental impact assessments (EIAs) are a commonly used tool to identify real and potential risks. EIAs are legally required in some countries as part of the approval process for development projects. They are particularly relevant for any large-scale projects.
- Your risk assessment should be appropriate to your circumstances and should identify where the risks lie and how likely they are to turn into real impacts. This will help you spot potentially deficient procedures so you can make appropriate plans to mitigate the risks.
- The RJC hosts a risk assessment toolkit that includes a general risk assessment template you might find useful, particularly if you are a small business. Alternatively, use your own tried and tested risk assessment process.
- The risk assessment must identify significant environmental impacts. ISO 14001 defines this as ‘the potential or actual environmental effect or risk ... that an organization intends to manage or is managing through operational controls’. Judgement must be used to determine what is significant, taking into account:
 - all nearby environments and communities that may be affected, especially those that are sensitive and susceptible to pollution or contamination, for example drinking water sources, sensitive plant and animal species and habitats; and
 - the receiving environment of any emissions and wastes – in highly industrial regions, your relatively low negative individual impact may be contributing to a relatively high negative cumulative impact.
- Document both the process itself as well as any action plans that emerge from it to mitigate and monitor identified risks and impacts.



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2. Check legal compliance

- Make sure you understand all applicable environmental laws and regulations.
- Establish a process to stay up to date with local legislation.
- Define operational controls and standard operating procedures to help managers and workers comply with all requirements.

3. Set targets

- Establish a robust set of objectives, targets and key performance indicators that can be used to guide and evaluate improvements in your environmental performance (as well as in the management system itself).
- Example targets could include reducing GHG emissions, decreasing water and energy consumption, using fewer raw materials or more environmentally preferable materials, reducing the use of chemicals and hazardous materials, and transitioning to zerowaste.

4. Identify options

- Use the results of your risk assessment to identify improvement opportunities and determine what action is needed where.
- Note that the RJC expects all members, regardless of whether their operations have the potential to cause significant adverse impacts on the environment or not, to identify and implement opportunities to improve performance (for example, by recycling, using resources and materials more efficiently and switching to less hazardous substances).
- In considering your opportunities to improve environmental performance, remember to:
 - use the mitigation hierarchy and first ask how you can eliminate the risk or impact at source before thinking about what controls are needed to minimise it (see LGMS 23.2); and
 - give preference to the option that is most likely to avoid irreversible damage to the environment and is cost-effective (including consideration of a 'do nothing' option).

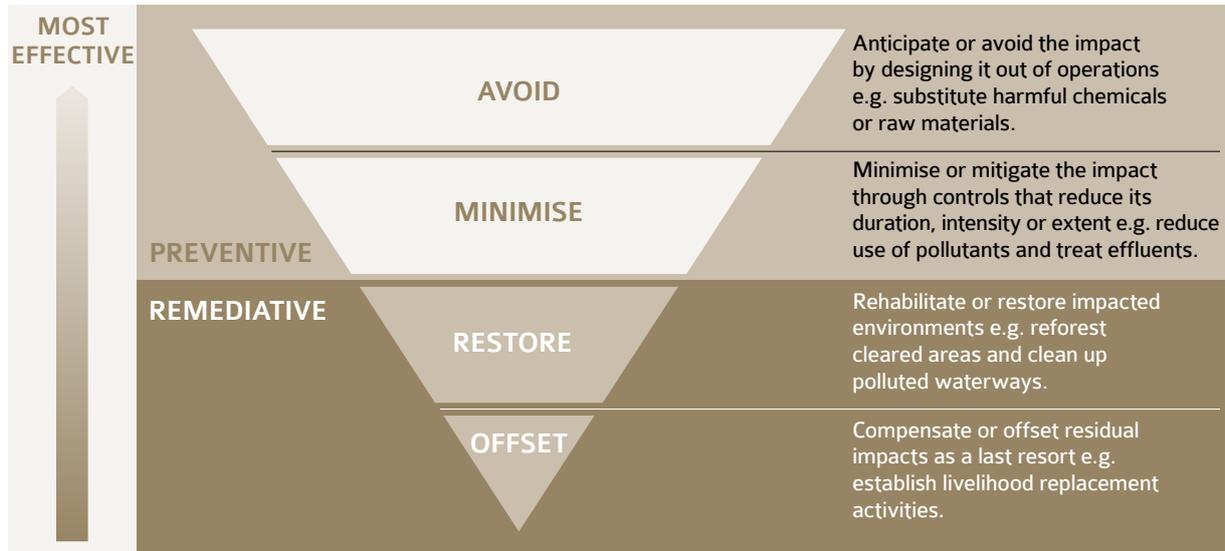
DO

- When developing controls to manage identified risks and minimise negative environmental impacts, use the mitigation hierarchy (see Figure 21). This tool is used to address biodiversity risks and offers a best practice approach to achieving no overall negative environmental impacts.
- Like the hierarchy of hazard controls described in **LGMS 22 Health and safety**, the mitigation hierarchy involves prioritising options in a sequential way, starting with action to avoid impacts, followed by action to minimise them. If the negative environmental impacts are significant, it can also be appropriate to restore and, finally, offset them.
- Note that you should only choose to offset environmental impacts as a last resort to tackle residual impacts. In all cases, residual impacts must be permitted under applicable national law.

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FIGURE 21. THE MITIGATION HIERARCHY



- In practice, implementing options in the mitigation hierarchy may involve changing operational processes, products, work practices or raw materials.
- Consider developing written specific policies and procedures for these control measures when business operations and processes have the potential to cause significant impacts or breach environmental regulations.

CHECK AND ACT

- Monitor, measure and report on processes, discharges and emissions, as appropriate.
- Quantifying changes in impacts can be a useful way to track improvements; however, this may not always be possible for smaller businesses or for some types of risks.
- A risk register can prove useful for tracking performance over time.
- As part of your efforts towards continuous improvement, assess all activities to control environmental impacts regularly and ensure they remain effective, and adapt your control measures accordingly.

LGMS 23.1E: TRAINING AND COMMUNICATION

Members shall:

Provide training and information about environmental risks and controls to all relevant *workers*. These shall be given in a format and language that *workers* can easily understand.

Actions to be taken:

- It is good practice to provide environmental training and information to all your workers. Identify all those who play a part in your environmental management system and develop appropriate training for them. This applies to directly employed workers as well as indirectly employed workers who regularly work at your sites (for example, contractors and subcontractors). Train relevant personnel so that they are aware of potential risks, understand the controls for managing and minimising environmental impacts and appreciate their roles and responsibilities in upholding your environment policy.



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- Make sure that this training:
 - is given to all on-site workers and, where relevant, homeworkers (for example, by incorporating it into induction or orientation training sessions); and
 - is delivered in a language that workers understand (if there are literacy barriers, provide one-to-one verbal training).
- Keep records of all training and use these to plan refresher training sessions.
- Get managers to regularly observe tasks involving hazardous substances and verify workers are following procedures appropriately. If they are not, carry out additional training or revise existing procedures to mitigate identified risks.
- Additional tips for small businesses are provided below.
- Communicate your commitments to, and expectations of, good environmental management to all contractors during the bidding or contracting process. Include compliance requirements within the contract and make it clear that these extend to any subcontractors.

LGMS 23.1F: REVIEW OF ENVIRONMENTAL MANAGEMENT SYSTEMS

Members shall:

- Conduct, at least annually, documented reviews to assess the ongoing suitability and adequacy of the *environmental management systems*, verify the effectiveness of risk controls, and implement improvements to address any gaps.

Actions to be taken:

- The management systems need to be periodically reviewed and updated, at least annually. You should consider making the environmental review part of the management review required by **LGMS 2 Policy and management systems**.
- This should involve top management and workers assigned with overall responsibility for environmental management.
- The review should assess the ongoing suitability and adequacy of the environmental management system should include:
 - a. the status of actions from previous management reviews;
 - b. changes in:
 - external and internal issues that are relevant to the environmental management system;
 - the needs and expectations of interested parties, including compliance obligations;
 - its significant environmental risks and impacts; and
 - risks and opportunities.
 - c. the extent to which environmental objectives have been achieved;



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- d. information on the organisation's environmental performance, including trends in:
 - nonconformities and corrective actions;
 - monitoring and measurement results;
 - fulfilment of its compliance obligations; and
 - audit results.
- e. adequacy of resources;
- f. relevant communication(s) from interested parties, including complaints;
- g. opportunities for continual improvement.
- The outputs of the management review shall include:
 - conclusions on the continuing suitability, adequacy and effectiveness of the environmental management system;
 - decisions related to continual improvement opportunities;
 - decisions related to any need for changes to the environmental management system, including resources;
 - actions, if needed, when environmental objectives have not been achieved;
 - opportunities to improve integration of the environmental management system with other business processes, if needed; and
 - any implications for the strategic direction of the organisation.
- The review should be documented.

CHECK

- Have you made a formal commitment to reduce and manage environmental impacts, either in a stand-alone policy or as part of another company policy?
- Is a senior manager responsible for environmental performance and compliance?
- Have you reviewed all your business activities and identified those with the potential to cause adverse environmental impacts?
- Do you have an overall environmental management system appropriate to your level of risks and impacts?
- Have you identified and implemented controls to eliminate or minimise risks and significant adverse impacts?
- Have you identified opportunities for improvement in your environmental performance? Are they being implemented?
- Have you trained all relevant employees, and can you show the auditor records of this?



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TIPS FOR SMALL BUSINESS

No matter how big or small your business is, identifying and properly managing environmental risks is important. Most jurisdictions have strict controls for managing and disposing of hazardous substances regardless of business size: tiny quantities of incorrectly disposed hazardous waste can lead to significant fines.

Even small businesses, or businesses with low risk, can benefit from good environmental management systems that ensure compliance with applicable law and make better use of resources (water, gas and electricity).

If you are a small business, consider these simple actions to improve your environmental management systems:

- Define your policy and establish management systems to suit your business activities. They only need to be as complex as the purpose, nature, scale and impact of your business operations. For example, if you are a one or two person trader operating out of a rented office or even a small retail outlet in a large shopping mall, then your environmental risks are expected to be limited. Your policy and management systems need only look at your environmental impacts which in this case may be limited to office waste, use of electricity and travel emissions, where relevant.
- Inform employees about proper waste disposal, including for chemical, hazardous and general office waste.
- Install special bins that are properly labelled for hazardous waste (hazardous waste collectors can often provide these for you).
- Engage water or energy providers to do an audit that can identify savings opportunities.
- Talk to peer companies and other members of industry associations to gather ideas on how to improve your environmental performance at minimal cost: there is a good chance someone else has faced the same issue and has done something simple about it.

ISO 14004 Environmental management systems – General guidelines on implementation, provides basic guidance for any organisation including SMEs establish and maintain an environmental management system.

Also see the guidance for **LGMS 24 Hazardous substances**, **LGMS 25 Wastes and emissions** and **LGMS 26 Use of natural resources**.



LGMS 23 Environmental management

E FURTHER INFORMATION

WEBSITES

- [Environment Agency \(UK\)](#)
- [Environment and Climate Change Canada](#)
- [ISO, ISO 14001:2015 Environmental Management Systems](#)
- [ISO, Standards Catalogue: ISO/TC 207 Environmental Management](#)
- [UN Environment \(formerly UN Environment Programme, UNEP\)](#)
- [UN Environment, Global Environment Outlook](#)
- [UN Global Compact](#)
- [UN Sustainable Development Knowledge Platform](#)
- [US Environmental Protection Agency \(EPA\), Environmental Management Systems](#)
- [US EPA, Small Business Gateway](#)

PUBLICATIONS

- [IFC, Environmental, Health, and Safety Guidelines \(2007\)](#)
- [IFC, Good Practice Note: Managing Contractors' Environmental and Social Performance \(2017\)](#)
- [IFC, Guidance Note 3: Resource Efficiency and Pollution Prevention \(2012\)](#)
- [IFC, Performance Standard 3: Resource Efficiency and Pollution Prevention \(2012\)](#)



LGMS 24 Hazardous substances

A APPLICABILITY

This provision applies to all members.

Supply Chain Point	LGMS 24 Hazardous Substances			
	24.1	24.2	24.3	24.4
Lab-grown materials producer	✓	✓	✓	✓
Lab-grown materials cutter and/or polisher	✓	✓	✓	✓
Lab-grown materials trader	✓	✓	✓	✓
Jewellery and watch manufacturer and/or wholesaler	✓	✓	✓	✓
Jewellery and watch retailer	✓	✓	✓	✓
Recycler	✓	✓	✓	✓
Service industry	✓	✓	✓	✓

B ISSUE BACKGROUND

Substances are generally defined as hazardous if they are flammable, oxidising, corrosive, toxic, radioactive or explosive, and if they pose threats to public health or the environment. Hazardous substances can be solid, liquid or a vapour, and their precise effect on people and planet depends on both their toxicity and the extent and duration of exposure. The use of hazardous substances is governed by a broad range of international, national and local laws and is often highly regulated; some materials are completely banned.

In the jewellery supply chain, hazardous substances can be found in:

- input or raw materials, such as seeding agents, treatment and enhancement chemicals, input minerals such as silica, refrigerants, acids and many industrial chemicals and cleaning agents;
- waste streams, such as discharges to air, water or land, waste rock, empty hazardous substance packaging, used oils, batteries and acid sulphate soil; and
- by-products of work activities, such as airborne respirable crystalline silica dust, fibres, welding fumes and diesel exhaust.

Safety data sheets (SDSs), sometimes called material or product safety data sheets, are a critical tool in hazardous substances management. They are essentially easy-to-understand documents containing information on the chemical make-up and potential hazards of a substance along with instructions on how to store, handle and dispose of it safely. They come in different formats, depending on where you are in the world, but they generally include:

- the product's name;
- the chemical and generic name of certain ingredients;
- the chemical and physical properties of the substance;
- health hazard information;
- precautions for safe use and handling;
- first-aid procedures; and
- the manufacturer's or importer's name, address and telephone number.

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LGMS 24 Hazardous substances

SDSs give employers, self-employed persons, workers and other health and safety representatives the information they need to safely manage the risk from hazardous substance exposure. It is important that everyone in the workplace has access to and can read and interpret an SDS.

Other commonly used approaches to managing hazardous substances include labelling, training, communication and various hazard control measures (see the hierarchy of hazard controls in Figure 18 **LGMS 22 Health and safety**).

More information on managing wastes is provided in the guidance for **LGMS 25 Wastes and emissions**.

C KEY REGULATIONS, STANDARDS AND INITIATIVES

INTERNATIONAL STANDARDS

International standards and regulations exist for many of the hazardous substances used in the gold, diamond and coloured gemstone jewellery supply chain. Some of the most significant are listed below.

The **Rotterdam Convention** (www.pic.int), signed in 1998, is a multilateral environmental agreement on the import and export of certain hazardous chemicals. Countries make informed decisions to accept the chemicals they are prepared to receive and exclude those they decide they cannot manage safely. Every year, the list of chemicals covered by the convention is reviewed and updated.

The **Stockholm Convention** (<http://chm.pops.int>) came into force in 2004. It is an international legally binding treaty that aims to protect human health and the environment from the adverse effects of persistent organic pollutants (POPs) that persist in the environment and accumulate in people and wildlife. Signatory countries are required to reduce, restrict or eliminate 29 different POPs listed in the convention's annexes. This impacts companies because as soon as a hazardous substance is added to the list, countries must act to ensure industry compliance.

The **Montreal Protocol** (<https://ozone.unep.org>) is an international agreement ratified by all countries in the world to protect the earth's ozone layer by phasing out of production a number of ozone-depleting substances (with a focus on chlorofluorocarbons (CFCs)). Since its adoption in 1987, it has successfully eliminated more than 98 per cent of controlled substances.

The **International Labour Organization (ILO) Chemicals Convention, 1990 (ILO C170)** has been in force since 1993 to protect workers from the harmful effects of chemicals in the workplace. It requires employers to label all chemicals and make SDSs available to workers, and ensure workers are not exposed to chemicals above the exposure limits defined in the SDS. To help employers meet these requirements, the ILO published a code of practice on safety in the use of chemicals at work.

The **UN Globally Harmonized System of Classification and Labelling of Chemicals (GHS)** (<https://unece.org/about-ghs>) is a system for standardising and harmonising the classification and labelling of chemicals and hazardous substances to support their safe use, transport and disposal. The GHS defines the classification of chemicals by hazard (health, physical and environmental). It also provides a common language for communicating about chemicals and protective measures on labels and SDSs, including standard pictograms. The system is a voluntary agreement, rather than a law; nevertheless, it is already being implemented in more than 70 countries.

The **World Bank Group Environmental, Health, and Safety Guidelines** (EHS Guidelines, <https://www.ifc.org/en/insights-reports/2000/general-environmental-health-and-safety-guidelines>) are referred to in the World Bank's Environmental and Social Framework and in the International Finance Corporation's Performance Standards and include specific guidelines on hazardous materials.



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LGMS 24 Hazardous substances

NATIONAL LAW

Most countries have laws and regulations to govern the handling, management, use and disposal of hazardous substances, which reflect the ILO Chemicals Convention, 1990. Most also have laws to implement the UN GHS, for example requiring all hazardous substances to be accompanied by an SDS or equivalent. Many jurisdictions further require that SDSs must have been issued within the previous three years.

Many countries also define exposure limits for hazardous materials, which may vary across different jurisdictions.

RJC members are expected to be aware of, and comply with, all applicable laws and regulations.

D IMPLEMENTATION GUIDANCE

LGMS 24.1: INVENTORY AND DOCUMENTATION

Members shall maintain an inventory of *hazardous substances* at facilities. Safety data sheets (or equivalent) that meet the requirements of *applicable law* shall be accessible wherever *hazardous substances* are used and their associated risks shall be clearly and actively communicated to all *workers* who work with them.

Actions to be taken:

- At each facility, make a manager responsible for keeping an inventory of hazardous substances. Make sure this person:
 - has the authority to approve the introduction of new chemicals into the facility and to assign appropriate storage areas
 - has adequate resources to respond to incidents specific to the nature of the substance and provide appropriate PPE wherever it is required to handle a specific chemical; and
 - works closely with (or is the same as) the person responsible for your environmental management system (**LGMS 23 Environmental management**) and workplace health and safety (**LGMS 22 Health and safety**).
- The inventory itself shall:
 - list all hazardous substances used at the facility (even where these are rarely used or exist in small quantities);
 - Identify where they are stored;
 - include basic information on the type, quantity and proper disposal of each hazardous substance (see 'Hazardous substances inventory: example template' below); and
 - identify which tasks each hazardous substance is related to.



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LGMS 24 Hazardous substances

- Establish procedures for maintaining inventory records; these should be appropriate to the amount and diversity of hazardous substances present in your workplace. For example:
 - In office and retail environments using limited hazardous substances, you may choose to record quantities as a long-term range (for example, '3 to 5 bottles of 150ml of isopropyl alcohol'), rather than trying to continuously update the figures.
 - In operational workplaces using large volumes of hazardous substances, such as a refiner or manufacturer, you will need a more sophisticated system that regularly updates the quantities, locations and status of each hazardous substance. In these types of environments, it may be appropriate to keep the inventory in an electronic database; various third-party database systems are available for these purposes.
- For each substance listed on your inventory:
 - Make sure the substance has an SDS or equivalent in languages or format understandable by the workers that with the substances. For some commonly used hazardous substances bought in small volumes, you will find the equivalent of an SDS on the label of its container.
 - Review how workers use and handle the substance to identify any risks to workers' health or the environment. (Do this as part of your health and safety risk assessment (**LGMS 22 Health and safety**) or your environmental management risk assessment (**LGMS 23 Environmental management**); use the RJC risk assessment toolkit or your own process.)
 - Establish controls to minimise risks associated with the substance and define operating procedures to ensure it is labelled, handled, stored and disposed of correctly (in line with its SDS). These controls can be managed separately or incorporated into a broader environmental or health and safety management system.
- Establish written policies and procedures on using chemicals. These should explicitly state the need for SDSs to accompany all hazardous substances, and for all relevant workers to be suitably trained and equipped to handle them (see **LGMS 22 Health and safety**).
- Communicate policies and procedures for hazardous substances to anyone that is likely to handle them. This includes:
 - training workers on correct procedures before they start handling a hazardous substance;
 - giving instructions on what to do if there is an incident involving any of the substances on-site; and
 - making SDSs and operating procedures easily available in formats or languages that understandable by the workers, for example stored in your inventory and publicly displayed close to where the substance is used or stored.
- Make sure you keep records of all training.



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LGMS 24 Hazardous substances

TRACKING TIPS

Inventories are subject to constant change as substances are used, moved, replaced and disposed of. Hazardous substances that are kept for a long time, are infrequently used or are used in very small quantities are vulnerable to being misplaced, mislabelled and improperly handled. The points below offer some basic tips to help you avoid costly mistakes and keep accurate track of hazardous substances over time.

- Don't reuse original containers for a different purpose without properly cleaning and relabelling them.
- Always keep labels securely fixed and protected from damage, especially for substances in long-term storage.
- Store all vessels and containers in a way that keeps the label visible.
- Be extra careful when transferring hazardous substances to new containers to ensure they have appropriate physical properties and are properly labelled.
- Never dispose of empty containers and packaging as general waste. These may be contaminated with residual material and their disposal should follow local regulations for hazardous waste.

→ EXAMPLE HAZARDOUS SUBSTANCES INVENTORY TEMPLATE

LGMS 24.2 AND 24.3: INTERNATIONAL BANS

24.2 Members shall not manufacture, trade in or use chemicals and *hazardous substances* prohibited by *applicable law* or subject to international bans.

24.3 Any *hazardous substances* subject to phase out by *applicable law* or international standards, shall not be manufactured or traded in, and their use shall be phased out in accordance with the regulation.

Actions to be taken:

- Chemicals and hazardous substances are usually banned due to their high toxicity to living organisms, environmental persistence, potential for bioaccumulation, irreversible ecological impacts or depletion of the ozone layer.
- Complying with applicable law is often a secure way of avoiding the use of banned substances. But the list of hazardous substances subject to international bans or phase-outs is constantly growing. To make sure you keep up with the changes:
- Review the latest international agreements regularly and confirm you are not using any hazardous substances subject to international phase-outs or bans (see Table 23 for some examples of banned substances).
- Make sure you only procure hazardous substances through legitimate commercial suppliers.
- See guidance for **LGMS 1 Legal Compliance** for conflicts between applicable laws and international bans for chemicals and hazardous substances.
- Note that this provision allows for **non-consumptive** use of hazardous substances, such as CFCs, that were integrated into equipment before restrictions were introduced – if this adheres to applicable law. When products containing nonconsumptive goods such as CFCs are disposed of, this must be done safely and in accordance with the law.



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LGMS 24 Hazardous substances

TABLE 23. SOME EXAMPLES OF INTERNATIONALLY BANNED HAZARDOUS SUBSTANCES

Type of hazardous substance	Examples
Ozone-depleting substances	<ul style="list-style-type: none"> Chlorofluorocarbons (CFCs), hydrobromofluorocarbons (HBFCs) and hydrochlorofluorocarbons (HCFCs) Halons Carbon tetrachloride (CCl₄) Methyl chloroform (CH₃CCl₃) Methyl bromide (CH₃Br)
Persistent organic pollutants	<ul style="list-style-type: none"> Aldrin, chlordane, dieldrin, endrin, hexachlorobenzene, mirex or toxaphene Dioxins and furans Dichlorodiphenyltrichloroethane (DDT) Polychlorinated biphenyls (PCBs) Polychlorinated terphenyls (PCTs)
Other substances	<ul style="list-style-type: none"> Tributyltin (TBT) Hexavalent chromium Brominated flame retardants (BFR) Polybrominated biphenyls Polybrominated diphenyl ether

LGMS 24.4: ALTERNATIVES

Wherever technically feasible and economically viable, members shall use alternatives to *hazardous substances* in their business processes.

Actions to be taken:

- Even if you are a small- to medium-sized business, you may be surprised at the quantity and diversity of hazardous substances in your workplace.
- Following the hierarchy of hazard controls, try to first eliminate and then make substitutions for all hazardous substances in the workplace before resorting to control measures or protective equipment (see **LGMS 22 Health and safety**).
- Focus your attention first on those hazardous substances that pose the greatest risk to workers' health or the environment, but make sure you consider elimination or substitution for all hazardous substances listed in your inventory.
- In some cases, this will be relatively straightforward: many hazardous substances are not commonly recognised as such and are present in small quantities without being used for long periods – these can often be easily eliminated or substituted with safer alternatives.
- In other cases, it will be more difficult; it may even be impossible.
- Before using a potential alternative to a hazardous substance, always:
 - check that it will not pose a greater threat to the environment or workers; and
 - assess its effectiveness to confirm it can be used without compromising business results.
- Never let a minor inconvenience stand in the way of using a non-hazardous alternative.



LGMS 24 Hazardous substances

CHECK

- Is a manager responsible for hazardous substances?
- Do you have a policy and procedures for handling hazardous substances?
- Have individuals who work with hazardous substances received the necessary training before handling the materials? Do you keep training records?
- Do you have an inventory of hazardous substances used?
- Have you done a risk assessment of all hazardous substances used on-site and established controls to address actual and potential risks?
- Are all safety data sheets accessible and in a language that those responsible for handling hazardous substances can understand?
- Have you checked whether your business manufactures, trades or uses any substances subject to international bans or phase-outs?
- Can you show the auditor that you have tried to identify suitable alternatives to hazardous substances used in your business?

E FURTHER INFORMATION

WEBSITES

- [GESTIS Substance Database a free resource to search exposure limits by chemical](#)
- [The Montreal Protocol on Substances that Deplete the Ozone Layer](#)
- [Rotterdam Convention on the Prior Informed Consent for Certain Hazardous Chemicals and Pesticides in International Trade](#)
- [Stockholm Convention on Persistent Organic Pollutants](#)
- [UN Economic Commissions for Europe \(UNECE\), About the GHS](#)
- [UN Environment, Persistent Organic Pollutants \(POPs\)](#)
- [Verisk 3E, Safety Data Sheet \(SDS\) Search](#)

PUBLICATIONS

- [ILO, Safety in the Use of Chemicals at Work \(1993\)](#)
- [UN Environment, Bridging the Emissions Gap: The Role of Non-State and Subnational Actors \(2018\)](#)

LGMS 25 Wastes and emissions

A DEFINITIONS AND APPLICABILITY

Provisions 25.1, 25.2, 25.3, 25.4, 25.5 and 25.6 apply to all members. LGMS 25.7 also applies to members with lab-grown material growing operations

Supply Chain Point	LGMS 25 Wastes and Emissions						
	25.1	25.2	25.3	25.4	25.5	25.6	25.7
Lab-grown materials producer	✓	✓	✓	✓	✓	✓	✓
Lab-grown materials cutter and/or polisher	✓	✓	✓	✓	✓	✓	
Lab-grown materials trader	✓	✓	✓	✓	✓	✓	
Jewellery and watch manufacturer and/or wholesaler	✓	✓	✓	✓	✓	✓	
Jewellery and watch retailer	✓	✓	✓	✓	✓	✓	
Recycler	✓	✓	✓	✓	✓	✓	
Service industry	✓	✓	✓	✓	✓	✓	

B ISSUE BACKGROUND

The jewellery supply chain generates different kinds of waste and emissions (see Figure 22). Improperly managed, these can lead to soil, water and air pollution, threatening human, animal and environmental health. Just one litre of used oil disposed of improperly can contaminate one million litres of water. And climate change fuelled by greenhouse gas (GHG) emissions poses one of the most serious challenges to human and ecosystem survival in the world today.

FIGURE 22. COMMON TYPES OF WASTE AND EMISSIONS FROM JEWELLERY SUPPLY CHAIN



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LGMS 25 Wastes and emissions

In the face of these threats and adverse impacts, companies have a duty to manage their waste effectively and reduce their emissions. This applies both to waste and emissions directly generated by, for example, processing raw materials or replacing old equipment, as well as waste and emissions from indirect sources such as infrastructure development, administration and transport.

Companies also have a legal duty to manage waste effectively, as established in numerous national and international rules and regulations (see Section C). Air and water emissions are attracting increasingly strict regulatory limits and reporting requirements. And a growing public environmental conscience is increasing public pressure on companies to seek clean, ecoefficient and life-cycle approaches to design and production that minimise use of natural resources and reduce environmental impact.

THE SHIFT FROM WASTE MANAGEMENT TO THE CIRCULAR ECONOMY

There are many different ways to minimise and manage waste effectively, depending on the type of waste at hand, where it has been generated and the waste facilities available. Waste management principles have evolved from the basic hierarchy of principles, commonly called the '4 Rs of waste management', apply (see Figure 23) with many concepts moving away from a linear model to a circular economy. A circular economy is one that exchanges the typical cycle of make, use, dispose in favour of as much re-use, repurposing and recycling as possible. The longer materials and resources are in use, the more value is extracted from them. The World Economic Forum Report (2014) defines a circular economy as:

A circular economy is a system that is restorative or regenerative by intention and design. It replaces the end-of-life concept with restoration, shifts towards the use of renewable energy, eliminates the use of toxic chemicals, which impair reuse and return to the biosphere, and aims for the elimination of waste through the superior design of materials, products, systems and business models.

When implementing the circular economy model within the jewellery and watch supply chain, members should take consideration of the potential contextual differences of the high value material supply chains such as precious metals, in comparison to other lower value materials that may usually be discarded e.g. paper. This should also be taken into consideration when calculating the greenhouse gas emissions of such materials. For example, the decision to use a particular waste-prevention strategy e.g. recycling over other strategies, will depend on circumstances and consideration of regional impacts; members should be aware that a higher percentage of recycled content does not necessarily imply a lower environmental impact, and therefore be cautious when making environmental claims tied to waste prevention strategies like recycled content. RJC does not promote any particular source of material over another, but seeks to ensure material is sourced responsibly regardless of origin.

FIGURE 23. THE 4RS OF WASTE MANAGEMENT





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All along the supply chain general waste can comprise diverse materials, including wood, paper, plastics, food, plant-based items, metal, office consumables, outdated site or office equipment, and commercial or shop discards. The first step to managing these waste streams effectively lies in separating them. Opportunities to then reduce, reuse, recycle and recover resources can then be sought. These will vary across individual businesses and countries, but experience suggests that in the face of rising costs for collecting, transporting, storing, treating and disposing of different wastes, practising the 4 Rs makes good financial sense (see box 'Cost savings from reducing waste').

COST SAVINGS FROM REDUCING WASTE

The International Institute for Sustainable Development (IISD) suggests that by reducing waste, reusing products, recycling, and making environmentally conscious purchases, businesses can cut costs and increase profits. Savings take the form of:

- Lower waste treatment and disposal costs;
- Lower energy costs;
- Savings on materials and supplies;
- Reduced regulatory compliance costs;
- Lower storage costs; and
- Cost recovery through the sale of recyclable materials.

Source:

- [IISD, The 4 Rs: Reduction, reuse, recycling and recovery](#)

TACKLING GREENHOUSE GAS EMISSIONS

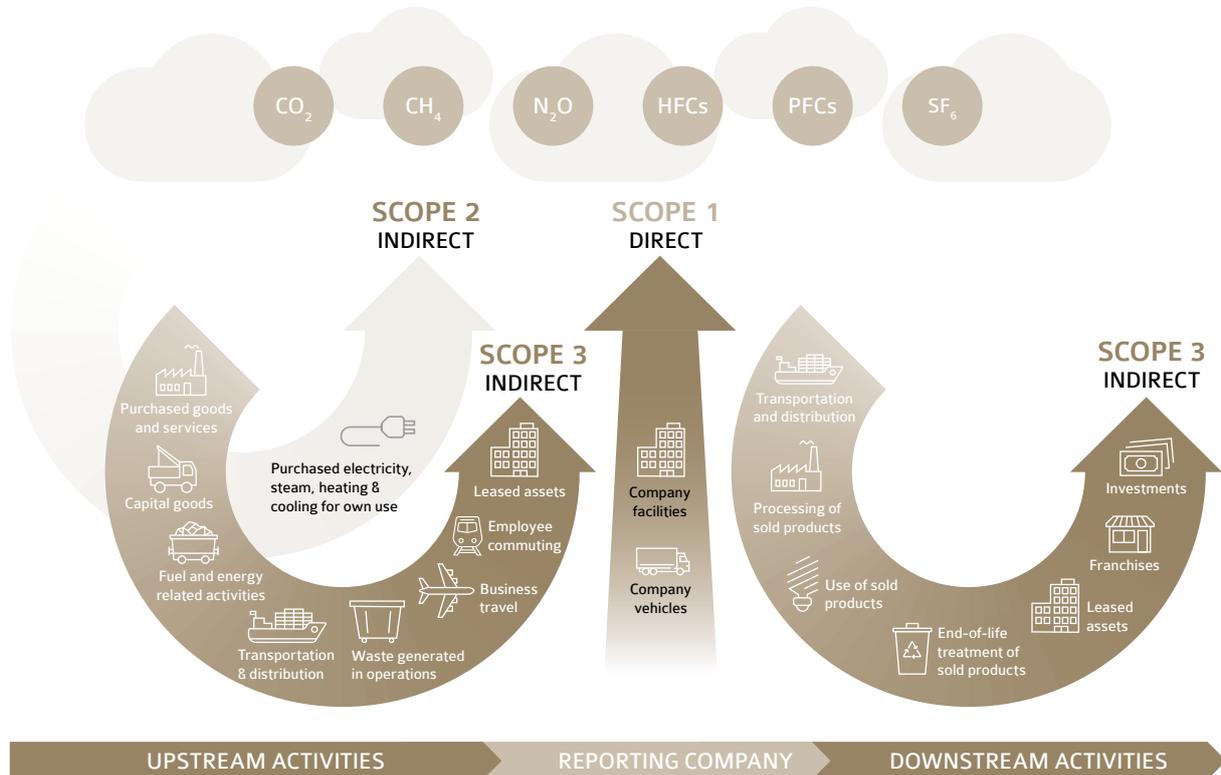
Small or large, all businesses in one way or another are responsible for producing the GHG emissions that fuel climate change. The international emissions accounting initiative GHG Protocol (<http://ghgprotocol.org>) classifies these emissions into three groups, or 'scopes':

1. **Scope 1 or Direct GHG emissions** from sources that the company owns or controls, for example emissions from boilers, furnaces, vehicles or from chemical production.
2. **Scope 2 or Indirect GHG emissions from electricity** bought and consumed by the company. These emissions physically occur at the facility where the electricity is generated (rather than at the company's facilities).
3. **Scope 3 or Other indirect GHG emissions** from sources beyond the company's ownership or control, for example emissions related to the extraction, production or transport of bought materials.

The GHG Protocol describes how these GHG emissions are related to a value chain (see Figure 24).

LGMS 25 Wastes and emissions

FIGURE 24. THE GHG SUPPLY CHAIN EMISSIONS



Source: The GHG Protocol Corporate Value Chain Accounting Standard

For reporting purposes, it is important to note that a company's scope 1, scope 2, and scope 3 emissions are mutually exclusive so that emissions are not double-counted across scopes. In other words, a company's scope 3 inventory does not include emissions that have already been accounted for as scope 1 or scope 2 by the same company. Combined, a company's scope 1, scope 2, and scope 3 emissions represent the total GHG emissions related to company activities.

Under **LGMS 26 Use of natural resources**, RJC members are required to try and reduce their emissions by reducing their energy consumption, improving their energy efficiency and using more renewable sources of energy wherever they can.

Some companies are also adopting other initiatives – including carbon offsetting and emissions trading – to further limit their carbon footprints. Carbon offsetting involves companies investing in environmental projects – such as tree planting, renewable energy, energy conservation and methane capture – to balance out their own carbon footprints (see box 'Calculating my carbon footprint'). Many companies have made commitments to become 'net zero' by 2050, and have set science-based targets in line with a 1.5 degree global warming limit as per the IPCC Paris Agreement. Companies are also expected to move away from setting carbon neutral targets as the use of offsets to balance emissions is no longer favoured. The use of net zero and science-based targets only allow for offsets to be used close to the target year (e.g., 2050) for residual, hard-to-abate emissions.



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Carbon or emissions trading, also called 'cap and trade' schemes, involves the buying and selling of a limited number of 'carbon credits' that allow the credit holder to emit a specific amount of carbon over a specific amount of time. This means that companies that need to discharge more emissions have the flexibility to do so, but at the cost of having to hold more credits.

Emissions trading programmes may be suitable for companies if their emissions:

- Occur over a relatively large geographic area with a significant number of sources; and
- Can be consistently and accurately measured.

C KEY REGULATIONS, STANDARDS AND INITIATIVES

INTERNATIONAL AGREEMENTS

Waste:

Two major international conventions govern hazardous waste management:

- The **Basel Convention** (www.basel.int) on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal was signed in 1989 and is the most comprehensive global environmental agreement on hazardous and other wastes. Aimed at protecting human health and the environment, the convention requires countries to practise environmentally sound waste management and limits the import and export of hazardous waste.
- The **Bamako Convention** (www.informeia.org/en/treaties/bamako-convention) is a treaty of African nations banning the import into Africa of any hazardous wastes. In force since 1998, the Bamako Convention is much stronger than the Basel Convention in prohibiting all imports of hazardous waste and making no exceptions, including for radioactive materials.
- The **Rotterdam Convention** (www.pic.int), signed in 1998, is a multilateral environmental agreement on the import and export of certain hazardous chemicals. Countries make informed decisions to accept the chemicals they are prepared to receive and exclude those they decide they cannot manage safely. Every year, the list of chemicals covered by the convention is reviewed and updated.

Greenhouse gases:

The **UN Framework Convention on Climate Change** (UNFCCC, <https://unfccc.int>) and **Paris Agreement** (<https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>) are two notable global agreements on climate change, both of which include requirements to limit and report on GHG emissions

In addition, the GHG Protocol (<https://ghgprotocol.org/>) provides standards, guidance, tools and training for business and government to measure and manage climate-warming emissions. The GHG protocol is widely used internationally by businesses and government bodies to measure and manage greenhouse gas (GHG) emissions. The GHG Protocol Corporate Accounting and Reporting Standard (<https://ghgprotocol.org/node/485/>) provides a standard accounting platform used internationally by businesses and government bodies to measure and manage greenhouse gas (GHG) emissions. See **LGMS 26 Use of natural resources** for more information.



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INTERNATIONAL STANDARDS

The most widely recognised standard on environmental management is the **ISO14000 family** of standards (www.iso.org/iso-14001-environmental-management.html), developed by the International Organization for Standardization (ISO). ISO 14001 Environmental Management Systems, for example, provides a framework for organisations to minimise negative environmental impacts, meet legal obligations and adopt a continuous improvement approach. It is also one of the standards the RJC recognises for compliance with specific environment-related LGMSs (see RJC Certification Process Requirements).

In February 2024, ISO 14001 was amended to include climate action changes. Specifically, the following additions were made to:

- Clause 4.1 *Understanding the organisation and its context* now requires an organization to determine whether climate change is a relevant issue
- Clause 4.2 *Understanding the needs and expectations of interested parties* now includes a note stating that relevant interested parties can have requirements related to climate change.

Other particularly relevant ISO standards include:

- The **ISO 14060 series** on GHG management and related activities (<https://www.iso.org/committee/546318/x/catalogue/p/1/u/0/w/0/d/0>). This set of eight standards covers topics such as quantifying and reporting GHG emissions at organisation and project level, validating and verifying GHG assertions, validation requirements for external accreditation, calculating carbon footprints and methods for climate actions.
- The **ISO 14040 series** on life-cycle assessment (<https://www.iso.org/committee/54854/x/catalogue/p/1/u/0/w/0/d/0>). Together, these 11 standards set out the framework for applying a life-cycle approach, including how to carry out eco-efficiency assessments, calculate water footprints and document data.
- **ISO 5900 series** on the circular economy (<https://www.iso.org/sectors/environment/circular-economy>). These set of standards are designed to foster a shift towards a circular economy, covering topics such as vocabulary, principles, implementation guidance, business model transition, and measuring and assessing circularity performance.
- **ISO 14026** Environmental labels and declarations (<https://www.iso.org/obp/ui/#iso:std:iso:14026:ed-1:v1:en>) This standard covers the principles, requirements and guidelines for communicating about your footprint information credibly, accurately, and consistently.

Companies can use these as a framework for developing their own systems to manage their environmental responsibilities and seek certification where appropriate.

The **International Finance Corporation (IFC) Environmental and Social Performance Standards** ('IFC Performance Standards', www.ifc.org/performancestandards) define IFC clients' responsibilities for managing environmental and social risks. A global benchmark on good practice, these comprise eight standards, including:

- Performance Standard 3: Resource Efficiency and Pollution Prevention, which sets out detailed requirements for managing waste and hazardous materials. The standard comes with relevant guidance, including on how to avoid generating hazardous and non-hazardous waste; reduce, recover, reuse and recycle materials where possible; and dispose of waste in an environmentally sound way and in accordance with local laws (including adhering to restrictions on transboundary movements).

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INTERNATIONAL INITIATIVES

The **Zero Waste International Alliance** (<http://zwia.org>) works at international, national and local levels to promote positive alternatives to landfill and incineration, and to raise community awareness of the social and economic benefits of regarding waste as a 'resource base'.

A number of tools and initiatives exist to support GHG monitoring and reporting. The **Greenhouse Gas Protocol** (<http://ghgprotocol.org/>), for example, is a global standardised framework to measure and manage GHG emissions for a company's own operations or its supply chain. The protocol is the product of a 20-year partnership between the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). This protocol is very widely used and can provide the basis for feeding into reporting schemes like the Global Reporting Initiative (GRI), which includes requirements to report on a number of emissions-related metrics.

Various other carbon and water emissions initiatives focus on disclosure and are also important, for example:

- the Carbon Disclosure Project (CDP), the Task Force on Climate-related Financial Disclosures and the CEO Water Mandate (see **LGMS 26 Use of natural resources** for details).
- In January 2024, the International Financial Reporting Standards Foundation (IFRS) released IFRS S2 Climate –related Disclosures. IFRS S2 is aligned with IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information. IFRS S2 requires an organisation to disclose information about climate-related risks and opportunities that could reasonably be expected to affect its business activities and prospects. <https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s2-climate-related-disclosures/>

NATIONAL LAW

National regulation on waste and emissions is often complex, with varying responsibilities at national, state and local levels. Most countries have detailed environmental legislation and regulatory processes, usually overseen by specific government departments or statutory authorities. The issue of waste management is prominent and there are usually limits on the nature of disposal of many materials, according to impact, material type and quantity. In some jurisdictions, there are incentives for reducing waste voluntarily. Companies must be aware of all relevant legislation, regulations and key bodies in their jurisdictions of operation.

Mandatory GHG reporting is required in more than 40 countries around the world and across multiple stock exchanges for publicly listed companies. Reporting qualifications vary across jurisdictions. For example, the United Kingdom only requires incorporated companies listed on the main markets of the London Stock Exchange, European Economic Area, New York Stock Exchange or NASDAQ to report. The scope of reporting also varies by country: most countries require reporting for emissions scopes 1 and 2; where as scope 3 may depend on the nature of your operations. Many countries use the WRI/WBCSD Greenhouse Gas Protocol as the basis for reporting requirements, but there can be local variations.

Penalties for non-compliance with applicable law vary from country to country, but they can include fines and may extend to criminal liability. Violating, or infringing on, waste disposal or emissions rules can jeopardise operating licences and other permits. Physical environmental impacts arising from the breach, such as land and groundwater contamination, may also require commensurate remediation to be undertaken at the company's cost.



LGMS 25 Wastes and emissions

D IMPLEMENTATION GUIDANCE

LGMS 25.1: IDENTIFY WASTES AND EMISSIONS

Members shall identify *significant wastes and emissions* to air, water and land generated in their business processes in accordance with LGMS 23 (Environmental Management).

Actions to be taken:

- Review all business processes and activities, listing the inputs and outputs of each one and identifying any waste streams to air, waterways, sewers, land or other off-site disposal routes.
- Wherever possible, collect information on the characteristics of the waste stream (see box 'Characterising waste').

CHARACTERISING WASTE

Waste products may be liquid, solid or gaseous. Determining how best to manage them, including assessing their potential impact on people and environments, requires an understanding of the waste product's characteristics and life-cycle impacts, including its:

- Sources;
 - Transfer of wastes;
 - Composition;
 - Storage;
 - Toxicity;
 - Treatment;
 - Separation;
 - Destination/pathways; and
 - Quantities;
 - Flow/production rates;
 - Disposal.
- For each emission and waste stream identified, determine whether it is 'significant' or not.
 - You should carry out a risk assessment to determine whether an emission or waste stream is significant based on its potential environmental and human rights impacts. This needs to take into account the receiving environment. This can be a standalone risk assessment or part of a broader one, for example on environmental management (**LGMS 23 Environmental management**).
 - Consider composition, toxicity and regulatory requirements to identify significant wastes and emissions that require special handling or disposal, have the potential to harm the environment or individuals or that require a licence or permit.



LGMS 25 Wastes and emissions

- The term significant can be subjective based on your internal risk assessment procedures and should always be consistent with your environmental commitments and policies. For example, a small business may have an environmental policy with a commitment to ensure all paper is recycled, in which case your office paper waste may then be considered a significant waste stream. But even in this scenario, the effort required to meet your commitment should be commensurate with any actual impacts and not be overly complex.
- However, larger operations with more complex processes, are likely to have significant waste and emissions streams in terms of factors including quantities, toxicity or hazardous nature, and even costs.
- The views of your interested parties or Affected People or Groups may also contribute to what is deemed significant.
- Examples of significant waste and emissions may include:
 - Large quantities of hazardous waste generated in a region where there are no viable reuse, treatment or disposal facilities
 - Emissions that impact the local; environment and cause acute and chronic human health issues such as:
 - high levels of particulates (10 microns or less, or even 2.5 microns or less),
 - acid gases such as sulfur dioxide from combustion sources contributing to respiratory illness,
 - water borne pollutants that contaminate water sources and aquatic ecology.
- Significant waste and emissions are those that cause contamination that lasts for a long period, or requires considerable effort to clean up and may take the natural environment time to recover.
 - Note that your risk assessment should be appropriate to your business's circumstances and should identify where issues may arise, the likelihood of occurrence and potentially deficient procedures.
 - Remember to consider the sensitivity of receiving environments in assessing potential for environmental impacts as well as any potential transboundary effects (for example, of emissions to air or water).

SMALL BUSINESSES WITH NO SIGNIFICANT WASTE AND EMISSIONS

For a small business such as a one or two person trading business working out of a rented office or even a small retail outlet in a large shopping mall, you may not have any significant wastes or emissions.

The initial and easy recycling services such as cardboard and commingled bins will likely save you money. Food waste bins may not actually save you money – but you may seek to do it for environmental reasons.

Use the checklist below to see if you are generating waste:

- Packaging on incoming/outgoing materials
- Disposal of goods that have been damaged through poor handling or inappropriate storage or have exceeded their expiry date
- Off-specification products
- By-products or off-cuts
- Office waste (e.g. paper and printer cartridges)
- Lunch room waste



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LGMS 25 Wastes and emissions

LGMS 25.2 AND 25.3: MANAGE WASTES AND EMISSIONS

25.2 Members shall:

- a. Responsibly manage their *wastes and emissions*.
- b. Discharge or dispose of *wastes and emissions* in *compliance* with *applicable law* or, where *applicable law* does not exist, in line with prevailing *internationally recognised standards*. This includes maintaining documentation for:
 - i. Current and legacy waste disposed of on-site, detailing at a minimum the disposal date, location and quantities; physical, chemical and biological characteristics of the hazardous waste; nature of the waste disposal site, including permeability of the layer below the waste; and leachate/run-off collection system.
 - ii. Hazardous wastes transported off-site, whether transported by the operating company or by contractors.

25.3 Members with *significant wastes and emissions* to air, water or land shall:

- a. Quantify *wastes and emissions* to manage and monitor trends over time and drive continuous improvement in environmental performance.
- b. Apply the waste *mitigation hierarchy* to reduce, reuse, recycle and recover waste to minimise environmental lifecycle impacts where applicable, including reducing *greenhouse gas emissions* and increasing energy efficiency in alignment with LGMS 25.4, 25.5 and 25.6.

Actions to be taken:

- Establish written policies and procedures for monitoring and controlling all identified significant wastes and emissions. Use the guidance for LGMS 25.1 to help you determine the significant wastes and emissions.
- Once identified, make sure that your policies and procedures:
 - include clearly defined roles and responsibilities;
 - are integrated into the facility's environmental management system; and
 - comply with all applicable regulatory limits and reporting requirements, including those on carbon emission limits and trading or offsetting programmes. If there is weak or no regulation, make sure you comply with prevailing international standards, as listed in Section C.
- In designing your approach, follow the 4Rs of waste management as outlined in Section B, and the mitigation hierarchy described under **LGMS 23 Environmental management**:
 - **Avoid** or anticipate risks by changing your operations to no longer produce the waste or emission.
 - **Minimise** or mitigate unavoidable wastes and emissions through controls or treatments that reduce their levels or make them less hazardous or lower impact.
 - **Restore** or rehabilitate impacted environments or communities by cleaning up or providing remedy.
 - **Offset** or compensate residual impacts as a last resort.



LGMS 25 Wastes and emissions

REDUCING PLASTIC WASTE

According to UN Environment (UNEP), the world produces nearly 300 million tonnes of plastic waste every year. About 80 per cent of that accumulates in landfills, dumps or the natural environment. The world's rivers act as direct conduits for plastic waste and eight million tonnes of it end up in the world's oceans every year. Because plastics are durable and resistant to degradation, they are nearly impossible for nature to completely break down and never fully disappear.

Practical tips for reducing plastic waste in offices, factories, warehouses and retail outlets include:

- Seek to remove all single-use plastics. Avoid plastic bags, straws, cups and plates. Seek to avoid single-use plastic packaging in your products.
- Invest in innovation and design of products for reuse.
- Develop or use fully reusable, recyclable or compostable packaging.
- Ensure effective plastics waste management, recycling as much as possible.
- Remove microbeads from products.
- Encourage and incentivise workers and suppliers and raise awareness.

UNEP has published the impacts associated with damaging and long-lived legacies of the plastic pollution crisis is microplastics, a growing threat to human and planetary health. Microplastics can be ingested by local fauna and as such enter the human food chain. Microplastics can be inhaled from the air, ingested from water and absorb them through the skin. Microplastics have been found in various human organs.

Sources:

- [UN Environment, From Pollution to Solution](#)
- [UN Environment, Our Planet Is Drowning in Plastic Pollution](#)
- [The Ocean is Everybody's Business, Significantly Reduce Plastic Waste \(2019\)](#)

- The mitigation hierarchy particularly applies to carbon emissions and should be embedded in policies and procedures to minimise these.
- Use a life-cycle approach to make sure you consider the full range of potential impacts of waste management and emissions (see **LGMS 23 Environmental management**). For example, while replacing machinery with more efficient models may reduce GHG emissions, it will also create another waste stream as the old machinery is disposed of.
- If your site had any legacy on-site waste disposal, you should:
 - collate the best available information and records regarding the nature of this legacy waste including location, volumes, disposal dates and the nature of the material that was disposed.
 - conduct a risk assessment to assess impacts associated, for example, with ground and groundwater contamination, landfill gas emissions, odour, surface leachate, visual and litter, etc
 - implement controls in accordance with the level of risk, and any applicable laws or prevailing industry standards. In some jurisdictions, you may require permits for this legacy waste management.



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- Manage your hazardous waste with extra care as this has the potential to cause harm to people and the environment. Below are some examples:
 - asbestos: commonly used as a building material in older buildings. It can pose health and environmental risks.
 - radioactive waste: if your business deals with radioactive materials you must have procedures in place to classify, handle, store and dispose of it correctly.
 - medical waste: may contain blood, body fluids, sharps or other infectious materials. It can be disposed of by incineration or in a prescribed container for collection and disposal by a licensed waste transporter.
 - electronic waste: many countries now have schemes that enables you to recycle electronic waste. Electronic waste includes computers, monitors and televisions, and mobile phones.
 - tyres: to dispose of tyres, try to find accredited tyre recyclers.
- Keep records of the hazardous waste generated, where it was disposed and detail of the transporter. In most jurisdictions, waste transported and waste disposal centres need permits and special licensing based on the nature of the hazardous waste.
- Wherever possible, quantify your wastes and emissions. This includes determining your carbon emissions (see box 'Calculating my carbon footprint') and calculating volumes of other waste streams^{3, 4}.
- Consider commissioning qualified experts to carry out a bespoke assessment to identify and characterise your wastes and emissions, calculate costs and liabilities, develop performance metrics and targets, and identify your best options for improving waste management. Such options may include:
 - technical measures, such as pollution-control equipment or bunding;
 - operational controls, including better-defined procedures or limited hours of operations;
 - production controls, such as restricting and controlling the types of materials used;
 - management controls, including supervision and clearly defined responsibilities; and
 - training.
- Consider opportunities to generate employee awareness of responsible management of wastes and to encourage employees to raise waste management concerns with management.
- Incorporate your expectations for responsible waste management into your contractor selection criteria and documents, and carry out appropriate reviews before hiring any contractors. Make sure you:
 - review the licences held by the waste transporter and disposal site to ensure they match the nature of the waste materials; and
 - carry out periodic audits.

3 ISO, ISO 14067:2018 Greenhouse Gases – Carbon Footprint of Products – Requirements and Guidelines for Quantification (2018) <https://www.iso.org/standard/71206.html>

4 ISO, ISO 14026:2017 Environmental Labels and Declarations – Principles, Requirements and Guidelines for Communication of Footprint Information (2017) www.iso.org/standard/67401.html



LGMS 25 Wastes and emissions

- Establish a systematic approach for monitoring your waste and emissions to drive continuous improvement over time. Such an approach should be embedded into your environmental management system, and could include efforts to regularly:
 - collect quantitative or qualitative measurements (using calibrated equipment and established methods) to analyse trends in performance and support management decisions;
 - evaluate compliance with regulatory requirements;
 - manage the effectiveness of established risk controls; and
 - identify emerging issues regarding waste and emissions.

TIPS FOR SMALL BUSINESS

If you are a small business, consider taking one or more of these simple actions to reduce your waste and emissions:

- Identify wastes that can be recycled or reused at low or no cost (for example, metals, glass and paper) and install easily accessible, and clearly labelled, bins to put them in. This can reduce disposal costs.
- Install special bins that are properly labelled for hazardous waste (hazardous waste collectors can often provide these for you). This avoids mixing hazardous and non-hazardous wastes and can reduce the volume of waste and handling and disposal costs.
- If recycling services are not available because you only produce small volumes of waste, consider working with other small businesses to aggregate waste.
- Engage workers to gather ideas and discuss opportunities for reducing waste and emissions.
- Talk to peers and other members of industry associations to gather ideas on how to reduce waste and emissions at minimal cost: there is a good chance someone else has faced the same issue and has already found a simple solution.

GREENHOUSE GAS AND ENERGY

LGMS 25.4: RENEWABLE ENERGY

Members shall work towards using *renewable energy* in alignment with national frameworks, targets and/or legislation.

Actions to be taken:

- Identify all the clean energy frameworks, targets and legislation that apply to your operations.
- Make a manager responsible for tracking applicable law and implementing any related initiatives (whether in response to national frameworks or voluntary).
- For LGM producers, ensure that you include any indirect emissions associated with your use of renewable energy in your Scope 3 calculations and reporting, including transmission & distribution losses, maintenance etc (see LGMS 25.7).



LGMS 25 Wastes and emissions

LGMS 25.5 AND 25.6: MANAGEMENT OF SCOPE 1 AND SCOPE 2 GREENHOUSE GASES

25.5. The member shall annually quantify and document its annual *scope 1* and *scope 2 greenhouse gas emissions*, and material energy consumption by source, and document the methodologies used with associated assumptions.

25.6 Members with *significant greenhouse gas emissions* and energy consumption shall:

- a. Set a three-year rolling greenhouse gas and energy plan with meaningful and achievable annual reduction targets and improvement opportunities for its *greenhouse gas emissions* and energy per unit production of lab-grown material. The plan and the targets shall be reviewed annually.
- b. Independently verify their *greenhouse gas emissions*, energy usage, and reduction targets on an annual basis using an external competent expert.
- c. Annually *publicly* report its independently verified *scope 1* and *scope 2 greenhouse gas emissions* (absolute or per production weight unit of lab-grown material). The public report shall also provide the status of the reduction targets and improvement opportunities.

Actions to be taken:⁵

- Assign a senior responsible person or team for the overall implementation of the plan, tracking of the targets and to ensure the plan is reviewed at least annually.
- Information included in an annual report and/or sustainability report or on your website are all acceptable forms of public disclosure, within the bounds of applicable law.
- For energy data:
 - It is good practice to include with energy use data reference to and quantification of the specific energy carriers (e.g., electricity, coal, steam), as well as associated values of energy transformed, in appropriate units (e.g., kWh, kg, GJ). Further disclosure of electricity power mix may also be included, where relevant.
 - Some members may also control energy transformation processes as well as energy use (e.g., combustion of gas to produce electricity or combined heat and power, subsequently used by production processes and/or exported). Energy transformed in such processes (e.g., m³ gas combusted) can be reported in addition your production process energy usage (e.g., kWh), or, where exported, excluded from the report. This should be clearly stated as an assumption in your publicly disclosed report.
- For GHG emission data:
 - You need to quantify your annual Scope 1 and Scope 2 emissions. This can be done at the end of the reporting year, or progressively throughout the year, for example monthly or quarterly.
 - The GHG Protocol Corporate Accounting and Reporting Standard and associated guidance and calculation tools is the recommended basis of emissions calculation. However, ensure you also comply with local applicable laws regarding GHG data and reporting.

⁵ The RJC acknowledge guidance information provided in this section has been sourced summarised or replicated from information developed by the GHG Protocol, ISO and the Aluminium Stewardship Initiative.



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- You can also use the ISO 14064-1 Greenhouse gases – Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals and ISO 14064-2 Greenhouse gases – Part 2: Specification with guidance at the project level for quantification, monitoring and reporting of greenhouse gas emission reductions or removal enhancements.
- Remember to always state the boundaries and assumptions used in that your GHG emission accounting to ensure full transparency of the information disclosed
- It is poor practice to exclude any GHG Protocol Scope 1 or Scope 2 (or equivalent) GHG emissions from publicly disclosed data. Exclusions should be stated and explained. For example, you should ensure that you are considering and reporting on methane emissions emitted from the CVD growth process.
- When determining Scope 2 GHG emissions from electricity use, preference should be given to data provided by the power supplier/generator (where known) over the use of generalised or averaged GHG emission factors for the local, regional or national electricity grid. Emissions related to transmission and distribution losses are reported under Scope 3 GHG Emissions (category 3 – fuel- and energy-related activities).
- Although not required here under LGMS 25.5 and 25.6, it is good practice to include Scope 3 GHG emissions where these are considered significant. Alternatively, you should consider determining when you intend to include tracking and reporting of your Scope 3 emissions.
 - You can use the WRI/WBCSD Greenhouse Gas Protocol Gas protocols and guidance materials to determine your Scope 3 emissions. Also see the guidance for LGMS 25.7.
 - Where the development of a complete Scope 3 inventory is not practical, a gap analysis or risk-based approach can help you to determine where to focus measurement efforts.
- As a general rule, you should consider emissions as significant where any emission source is greater than 5% of the total (Scopes 1 and 2 unless you are a member lab-grown material production operations in which case the total includes Scope 1, 2 and 3) GHG emissions inventory for Scope 1 and 2 and 10% for Scope 3. It is important to acknowledge that in some jurisdictions, materiality thresholds may be specified under local regulatory reporting regimes.
- The views of your interested parties or Affected People or Groups may also contribute to what is deemed significant as per the amended noted above to ISO 14001 regarding climate action. For example, from a carbon emissions perspective, emissions related to business travel for companies may only be a minor contribution to its total GHG emissions but travel related emissions may draw special interest from some external parties/stakeholders with an eye on those emissions.
- You should consider engagement with your value chain on their carbon emissions and how they can reduce their emissions which in turn may help reduce your emissions.
- Regulatory or other systems' materiality thresholds may also specify a minimum emission total before public disclosure of emissions data. Under LGMS 25.5, emissions are to be publicly disclosed regardless of their total; there is no minimum reporting threshold for the total emissions generated by the member.
- Scope 3 emissions must be reported for members with lab-grown material production operations as per LGMS 25.7.
- You need to ensure that targets are monitored and their status tracked. Your GHG disclosure reports need to include progress made to achieving your emission reduction targets and any remedial action for deviations from these targets.



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LGMS 25 Wastes and emissions

- Independent verification by a competent person (expert) is required for data which is publicly disclosed. Validation and verification activities typically require an analysis and review of comprehensive emissions inventories and energy models underlying published metrics:
 - The verifier should be independent of the member, able to publish an objective and impartial assessment and able to apply quality control procedures during the verification exercise.
 - The verifier should be able to assess whether the data presented provides an accurate and reasonable presentation of GHG emissions across your activities, for the annual reporting period.
 - Pre-publication, independent verification of energy and GHG emissions data is to be conducted by a competent expert (or group of experts with demonstrable competence in GHG emissions accounting and communication, following professional standards and/or applying systematic, documented, and evidence-based processes of assurance.
 - Independent verification (assurance) of energy and GHG emissions data may be part of other certification schemes such as ISO 50001 Energy management systems third party certification audits or conducted as per ISO 14065:2020 General principles and requirements for bodies validating and verifying environmental information, or in the context of national or regional emissions trading schemes may be sufficient to satisfy the requirements of this Criterion, if evidence can be presented that the data itself was the subject of verification, not only the management system under study.
 - If your annual public sustainability report is subject to an independent verification (or assurance), and the scope of assurance provided by the independent verifier includes energy and GHG emission data required by this provision, then this would satisfy the requirements of this provision so long as the verifier is appropriately qualified.
 - The verifier should be able to provide a written statement that can be made publicly available summarising the verification process undertaken and confirming that the data presented are a fair and accurate representation of GHG emissions, over the period under study.



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CALCULATING MY CARBON FOOTPRINT

Many companies choose to reduce their carbon footprint. But you can't manage or neutralise your carbon emissions if you don't know how much you are emitting.

ISO 14067:2018 Carbon Footprint Quantification and ISO 14026:2017 Footprint Communication are both useful frameworks for calculating your carbon footprint. Note that offsetting must not be included in the calculation of a carbon footprint according to ISO 14067. There are lots of different tools available designed for companies, including:

- Carbon Trust calculator for SMEs: www.carbontrust.com/resources/tools/carbon-footprint-calculator
- Carbon Trust footprinting software for large companies: www.carbontrust.com/client-services/advice/footprinting/carbon-footprint-software
- Carbon Footprint calculator: <https://calculator.carbonfootprint.com/calculator.aspx>

These require different levels of information to work: the more information you have, the more accurate your calculation will be, which will save you buying more credits than you need.

If you want to be carbon net zero, or aligned with the 1.5 degrees Celsius warming scenario, you can hire consultants to help. These experts will usually review your processes and mitigation activities to make sure you are minimising your footprint and achieving your science based targets. If you need to purchase carbon offsets to meet your net zero and science-based targets for residual or hard-to-abate emission, these need to be purchased from accredited bodies, where credits are registered appropriately and adhere to internationally recognised carbon credit and offset standards.

LGMS 25.7: GHG GASES FROM MINING AND MINERAL PROCESSING OPERATIONS

In addition to the requirements in LGMS 25.5 and 25.6, members with lab-grown material growing operations shall:

- Include *scope 3 greenhouse gas emissions* as part of its annual greenhouse gas quantification, where information is readily available and state all assumptions used.
- Adopt the processes in the Greenhouse Gas Protocol Corporate Standard or the GRI's 305 emissions *reporting* standard to quantify *greenhouse gas emissions* and energy usage data.
- Set reduction targets and improvement opportunities consistent with the Paris Agreement using a *science-based approach* or other *internationally recognised methodology*.



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Actions to be taken:⁶

- Members with lab-grown material growing operations must also include Scope 3 emissions.
- The GHG Protocol has defined the upstream and downstream scope 3 emissions. These are shown in the Table 24 below:

TABLE 24. GHG PROTOCOL UPSTREAM AND DOWNSTREAM SCOPE 3 CATEGORIES

Supply chain (Upstream or Downstream)	Scope 3 GHG Emission Category
Upstream Scope 3 GHG Emissions	1. Purchased goods and services
	2. Capital goods
	3. Fuel- and energy-related activities (not included in scope 1 or scope 2)
	4. Upstream transportation and distribution
	5. Waste generated in operations
	6. Business travel
	7. Employee commuting
	8. Upstream leased assets
Downstream Scope 3 GHG Emissions	9. Downstream transportation and distribution
	10. Processing of sold products
	11. Use of sold products
	12. End-of-life treatment of sold products
	13. Downstream leased assets
	14. Franchises
	15. Investments

- The basis of your emissions calculations should be:
 - the GHG Protocol Corporate Accounting and Reporting Standard and associated guidance and calculation tools and/or the
 - GRI 305: Emissions 201 contains information that members can use to report information about their emissions-related impacts, and how they manage these impacts. Specifically, GRI 305-1 (Scope 1) 305-2 (Scope 2); 305-3 (Scope 3); 305-4 (intensity); 305-5 (reduction); 302-1 (energy consumption); 302-3 (energy intensity); 302-4 (energy reduction).
 - Ensure you also comply with local applicable laws regarding GHG data and reporting
- When setting your targets and improvement opportunities:
 - Consider using the Science-Based Targets Initiative (SBTi), which provides a framework and methodology that may be appropriate for use by members with lab-grown material growing operations
 - Ensure these are consistent with the 1.5 degrees Celcius IPCC warming scenario as defined in the IPCC Paris Agreement
 - Or use other credible and internationally recognised standards
- Targets should consider good industry practice and practicable available technologies.

⁶ The RJC acknowledge guidance information provided in this section has been sourced summarised or replicated from information developed by the GHG Protocol, ISO and the Aluminium Stewardship Initiative



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- You can use abatement options once other options have been assessed in terms of commercial, technical and logistical viability. Remember that options and the means to archive your targets should be reviewed and can change over time especially as technology advances.
- Low materiality (<5% of total inventory) emission sources may be excluded from your reduction targets and plans, but may be subject to inclusion as the plan is reviewed and improved (and as they become material). Best practice is to include all emissions regardless of materiality and members should work towards this.
- You can consider, further voluntary contribution to emissions reduction outside your immediate supply chain as part of your emissions reduction targets. Further guidance can be found from the Science Based Targets Initiative.

CHECK

- Is someone responsible for overseeing your facility's waste and emissions?
- Have you identified significant wastes and emissions streams from all your operations? Can you show the auditor how you did this?
- Have you done a risk assessment to identify all significant wastes and emissions? And have you established controls for these?
- Are you aware of applicable law and do you comply with all regulatory limits?
- Have you quantified your wastes and emissions?
- Have you identified opportunities to reduce wastes and emissions?
- Can you show what measures you have taken to reduce, reuse, recycle or recover wastes or emissions?
- Do you have a policy and procedures for managing significant wastes and emissions, including regular monitoring?
- Are you monitoring and analysing key characteristics of your waste and emissions to identify trends? Are you using this information to help drive improvements?
- Can you show reductions in greenhouse gases and decreased energy consumption?
- Have you publicly disclosed your annual GHG emissions?
- Have you had the publicly disclosed emissions independently verified from a qualified expert?



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TIPS FOR SMALL BUSINESS

Even though an SME might have small GHG footprint, collectively, SMEs which make up 90% of the world's businesses, can contribute a considerable amount to the global GHG footprint.

Your carbon footprint can be determined by following the guidelines in the GHG Protocol but there are other resources for SMEs including:

- The UK Small business user guide: Guidance on how to measure and report your greenhouse gas emissions <https://www.fsb.org.uk/resources-page/how-to-calculate-your-carbon-footprint-as-a-small-business.html>
- US EPA Guide to Greenhouse Gas Management for Small Business & Low Emitters https://19january2021snapshot.epa.gov/climateleadership/guide-greenhouse-gas-management-small-business-low-emitters_.html
- The Carbon Trust SME Carbon Footprint <https://www.carbontrust.com/our-work-and-impact/guides-reports-and-tools/sme-carbon-footprint-calculator>

E FURTHER INFORMATION

WEBSITES

- [Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal](#)
- [The Carbon Disclosure Project \(CDP\)](#)
- [The CEO Water Mandate, Corporate Water Disclosure Guidelines](#)
- [The CEO Water Mandate, Integrity in Water Stewardship Initiatives](#)
- [Environment Protection Authority Victoria, Waste Assessment](#)
- [Global Reporting Initiative \(GRI\)](#)
- [Greenhouse Gas Protocol](#)
- [ISO, ISO 14000 Family – Environmental Management](#)
- [ISO, Standards Catalogue: Greenhouse Gas Management and Related Activities ISO 14060 series](#)
- [Environment Protection Agency, Simplified Greenhouse Gas Emissions Calculator](#)
- [Water Research Center, Monitoring the Quality of Surface Waters \(WQI Calculator\)](#)
- [World Economic Forum](#)
- [Zero Waste International Alliance](#)



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PUBLICATIONS

- [African Union, Bamako Convention on the Ban on the Import into Africa and the Control of Transboundary Movement and Management of Hazardous Wastes within Africa \(1991\)](#)
- [Aluminium Stewardship Initiative, ASI Performance Standard – Guidance \(Version 3 May 2022\)](#)
- [The CEO Water Mandate, Guidance for Companies on Respecting the Human Rights to Water & Sanitation \(2015\)](#)
- [The CEO Water Mandate, Water Stewardship Toolbox](#)
- [Global Reporting Initiative \(GRI\) GRI 305 Emissions](#)
- [Greenhouse Gas Protocol Corporate Accounting and Reporting Standard](#)
- [IFC, Performance Standard 3: Resource Efficiency and Pollution Prevention \(2012\)](#)
- [IFRS S2 Climate-related Disclosures](#)
- [ISO, 14026:2017 Environmental Labels and Declarations – Principles, Requirements and Guidelines for Communication of Footprint Information \(2017\)](#)
- [ISO, 14046:2014 Environmental Management – Water Footprint – Principles, Requirements and Guidelines \(2014\)](#)
- [ISO 14064-1 Greenhouse gases – Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals](#)
- [ISO 14064-2 Greenhouse gases – Part 2: Specification with guidance at the project level for quantification, monitoring and reporting of greenhouse gas emission reductions or removal enhancements](#)
- [ISO 14065 General principles and requirements for bodies validating and verifying environmental information](#)
- [ISO 50001 Energy management systems](#)

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A APPLICABILITY

This provision applies to all RJC members.

Supply Chain Point	LGMS 26 Use of Natural Resources		
	26.1	26.2	26.3
Lab-grown materials producer	✓	✓	✓
Lab-grown materials cutter and/or polisher	✓	✓	✓
Lab-grown materials trader	✓	✓	✓
Jewellery and watch manufacturer and/or wholesaler	✓	✓	✓
Jewellery and watch retailer	✓	✓	✓
Recycler	✓	✓	✓
Service industry	✓	✓	✓

B ISSUE BACKGROUND

NATURAL RESOURCES

Using natural resources more efficiently is one of the most effective ways to reduce business costs. This includes a diverse range of measures to save energy, water or other resources that can be implemented in buildings and facilities, production processes and end-use products. Insulating buildings, turning off lights and equipment, installing water-saving measures and optimising processes all lead to a more efficient use of natural resources.

Efficiency measures will be part of an overarching environmental management plan (see **LGMS 23 Environmental management**) and will most commonly include energy- and water-saving measures. It is, however, important to remember that there are other land, air and water resources that businesses can target to improve efficiency and reduce environmental impact, including forest products (paper, cardboard and wood) and plastics (for example, in packaging).

The inefficient use of natural resources not only causes adverse environmental impacts but can also adversely impact human rights. For example, if a company's actions end up reducing availability of water, it can directly impact local communities' right to food and clean water. The UN Special Rapporteur on human rights and the environment claims that a safe, clean, healthy and sustainable environment underpins a wide range of human rights, including the rights to life, health, food, water and sanitation. As awareness of the links between human rights and environment grows, so too do the calls for a global recognition of the right to a safe and healthy environment.

Energy-saving measures are important to reduce the greenhouse gas (GHG) emissions associated with inefficient use of fossil fuels, which is a major driver of climate change. Climate change is one of the most pressing challenges facing the world today and is the focus of UN Sustainable Development Goal (SDG) 13. Reducing climate change drivers is a concern for all companies, not just big business (see **LGMS 25 Wastes and emissions** for more detail on carbon emissions). Direct efforts to reduce energy consumption and emissions can be complemented by indirect methods such as:

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- carbon or emissions trading schemes, which involve companies buying and selling carbon permits as part of a wider state-run programme to reduce emissions; and
- carbon offset schemes, which involve companies investing in environmental projects – such as tree planting, renewable energy, energy conservation and methane capture – to balance out their own carbon footprints.

Also see notes about the circular economy in **LGMS 25 Wastes and emissions** which is underpinned by the efficient use of resources including energy, water and natural capital.

WATER

Water is also a fundamental resource for people and ecosystems, and the right to water and sanitation is recognised as a human right under the 2010 UN Resolution 64/292. As summarised under SDG 6 on clean water and sanitation, ‘water scarcity, poor water quality and inadequate sanitation negatively impact food security, livelihood choices and educational opportunities for poor families across the world. At the current time, more than 2 billion people are living with the risk of reduced access to freshwater resources.’ Companies therefore need to ensure that their use of water does not directly or indirectly impact the rights of people in the communities within which they operate, and this should be included as part of human rights due diligence as required in **LGMS 6.1 Human rights**.

Water stewardship is an important consideration for businesses as the expectation from external stakeholders for them to improve the efficiency and cleanliness of its operations and supply chains and contribute to sustainable management of shared freshwater resources. Poorly managed or over-exploited water resources can have detrimental environmental impacts as well as poor reputational risks for any business.

Water closely connects business operations to the surrounding communities and landscape, so particular care needs to be taken to incorporate a catchment-level approach into their water management.

In addition to direct impacts on water, companies can have environmental impacts on ecosystems and species as well as social and cultural impacts related to water. These impacts can be far-reaching in situations where there is an insufficient governance framework on water and where the company is an important water user relative to the local water catchments.

Water stewardship is an important responsible business practice in this context. It is defined as ‘the use of fresh water that is socially equitable, environmentally sustainable and economically beneficial, achieved through a stakeholder-inclusive process that involves site- and catchment-based actions’.

Regardless of company size, most measures to reduce energy consumption, water and other natural resource use will save money in the long term, increasing a company’s profitability. Reducing energy consumption should be seen as an opportunity to both reduce environmental impact while providing a strong business advantage.

NATURAL CAPITAL

Natural capital comprises Earth’s natural assets (soil, air, water, flora and fauna), and the ecosystem services resulting from them, which make human life possible. Ecosystem goods and services from natural capital underpin productivity and the global economy.

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IN 2012, the Natural Capital Declaration was launched, which formalised a commitment to the integration of natural capital considerations into financial sector reporting. UNEP have called on governments around the world to create a framework to regulate the responsible use of natural capital. The proposal by UNEP included a framework:

1. Requiring companies to disclose the nature of their dependence and impact on natural capital through transparent qualitative and quantitative reporting;
2. Using enforceable fiscal measures to discourage business from eroding natural capital, while at the same time offering incentives to companies that integrate, value and account for natural capital in their business model;
3. Endorsing and implementing international agreements, including but not limited to, those agreed through the Convention on Biological Diversity;
4. Setting an example through requiring public spending and procurement to report and eventually account for its use of natural capital;
5. Using the World Bank's Wealth Accounting and Valuation of Ecosystem Services (WAVES) initiative and encourage governments to participate.

The Convention on Biological Diversity describe natural capital as the world's stocks of natural assets which include geology, soil, air, water and all living things. It is from this Natural Capital that humans derive a wide range of services, often called ecosystem services, which make human life possible. The most obvious ecosystem services include food, the water, plant materials used for fuel, building materials and medicines. There are also many less visible ecosystem services such as the climate regulation and natural flood defences provided by forests, the billions of tonnes of carbon stored by peatlands, or the pollination of crops by insects. Even less visible are cultural ecosystem services such as the inspiration taken from wildlife and the natural environment. Poorly managed Natural Capital becomes not only an ecological liability, but a social and economic liability.

C KEY REGULATIONS, STANDARDS AND INITIATIVES

INTERNATIONAL INITIATIVES

Global efforts to address climate change and water use are increasingly designed to encourage and mandate environmental management and disclosure in business. Some of the most notable international standards are described in turn below. This field is evolving quickly and companies should actively monitor emerging standards, legislation and guidance to ensure they know what is expected of them.

Established in 1994, the **UN Framework Convention on Climate Change** (UNFCCC, <https://unfccc.int>) has been ratified by 192 countries, achieving near universal membership. It was created as a mechanism to explore how to mitigate climate change and how to cope with any inevitable impacts. The Kyoto Protocol is a legally binding addition to the convention that commits signatories to reducing GHG emissions.

The **UNFCCC Paris Agreement** (<https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>) was established in 2015 to build on the UNFCCC and bring countries together to combat climate change and adapt to its effects. In particular, the agreement intends to strengthen the global response to climate change by keeping any increase in global temperatures to less than 2 degrees Celsius above pre-industrial levels (and trying to keep it under 1.5 degrees Celsius). The agreement also aims to strengthen countries' ability to deal with the impacts of climate change, with a specific emphasis on giving low- and middle-income countries extra help.



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To ensure countries can fulfil the Paris Agreement's ambitious goals, the global community will need to develop appropriate financial flows, a new technology framework and enhanced transparency and capacity-building frameworks.

The **International Finance Corporation (IFC) Environmental and Social Performance Standards** ('IFC Performance Standards', www.ifc.org/performancestandards) define IFC clients' responsibilities for managing environmental and social risks. A global benchmark on good practice, these comprise eight standards, including:

- Performance Standard 3: Resource Efficiency and Pollution Prevention, which provides detailed requirements and associated guidance for major development projects to promote more sustainable use of resources including energy and water, and reduce project-related GHG emissions.

Specifically, Performance Standard 3 requires companies to integrate practices and technologies that promote energy efficiency, use resources like energy and water sustainably and reduce GHG emissions. Cost-effectiveness is determined according to the capital and operational cost and financial benefits of the measure considered over its lifetime. A measure is considered cost-effective if it is expected to provide a risk-rated return on investment at least comparable to the project itself.

In 1998, the UN Economic Commission for Europe adopted the Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters, also known as the **Aarhus Convention** (<https://unece.org/environment-policy/public-participation/access-to-information>). It establishes several rights of the public with regard to the environment, including:

1. The right for everyone to receive access to environmental information held by public authorities.
2. The right for stakeholders, including non-governmental organisations and the public, to comment on proposals for projects, plans and programmes that relate to, or impact, the environment (and for decision-makers to take these comments into account).
3. The right for anyone to challenge public decisions through judicial or administrative recourse procedures if those decisions have been made without respecting environmental law or rights 1 and 2.

The rights established in the convention are particularly relevant to users of natural resources with potentially significant local impacts.

Led by CEOs, The **CEO Water Mandate** (<https://ceowatermandate.org>) shares best and emerging practices and enables multistakeholder partnerships to address challenges related to water scarcity, water quality, water governance, and access to water and sanitation. The initiative facilitates meaningful collective action to improve conditions in at-risk river basins around the world.

United Nations Convention to Combat Desertification (UNCCD) (<https://www.unccd.int/>) promotes practices that avoid, reduce and reverse land degradation and seeks to fulfil the ambitions of Sustainable Development Goal 15 and Land Degradation Neutrality. This includes focused work on sustainable land management, restoration and land degradation neutrality.



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INVESTOR FOCUS ON ENVIRONMENTAL DISCLOSURE

The investor community is beginning to make financial decisions that include considerations of all material factors such as climate- and water-related risks and opportunities. Some are starting to ask for extra disclosure and reporting to encourage companies to set and achieve sustainability targets that decrease their consumption of natural resources and promote more environmentally sustainable business practices.

The **International Financial Reporting Standards (IFRS)** (formerly the Task Force on Climate-related Financial Disclosures TCFD), took over the work of the TCFD in 2003, with a focus to undertake the monitoring of the progress of companies' climate-related disclosures. The IFRS has 2 elements, IFRS S1 on General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 with supplementary requirements that relate specifically to climate-related risks and opportunities. Companies can also use the TCFD recommendations as an good entry point as they move towards using the ISSB Standards.

CDP (formerly the Carbon Disclosure Project, www.cdp.net) runs a system for self-reported environmental data for companies (specifically on climate change, water security and forests) and transforms the data into detailed analysis for investors. Through its questionnaires, CDP requests information on climate and water risks and opportunities from the world's largest companies, and also scores them. CDP has integrated the TCFD recommendations into its 2018 sector specific climate change questionnaires. Companies, particularly larger publicly listed companies, are encouraged to review these and understand the financial community's growing expectations on disclosure.

NATIONAL LAW

National and regional governments often set regulations, guidelines and industry targets for water and energy efficiency. Under the UNFCCC, governments are required to launch national strategies for reducing GHG emissions. This can include setting national targets for emissions reductions, as well as developing specific legislation on use of resources.

Some countries also mandate companies to disclose certain information about how they operate and manage social and environmental challenges. For example, the European Union Directive 2014/95/EU, which amends the accounting directive 2013/34/EU, requires companies to include non-financial statements in their annual reports from 2018 onwards.

As this is a rapidly changing area, it is important to keep abreast of legal requirements and business incentives relating to energy and resource use and disclosure.



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D IMPLEMENTATION GUIDANCE**LGMS 26.1: RESOURCES**

26.1 In alignment with the approach required for LGMS 23 (Environmental Management), members shall:

- a. Identify *significant* natural resources including water and land, used in their business and seek to ensure their efficient use.
- b. Monitor usage of these resources and establish reduction and efficiency initiatives.

Actions to be taken:

- One of the strongest arguments for adopting energy-efficiency measures is that in most cases you can easily forecast, measure and calculate the benefits to your business. You can similarly make significant cost savings from using and treating water more efficiently.
- Follow the four steps below to help you calculate and improve your energy and water use, and also the use of other natural resources, such as forest products and plastics.
- Identify what other significant natural resources you use as part of your environmental risk assessment under **LGMS 23.1 Environmental management**. As part of that, you can:
 - list the natural resources used in your business and identify their sources; for example, find out how much wood or plastic you use and where it comes from; and
 - identify significant resource uses. In this context, determining whether the resource is significant will depend on factors such as:
 - the resource is non-renewable;
 - the resource is naturally scarce particularly in your area of operation. For example, water may be scarce in arid areas where there are competing beneficial users (for example by impoverished or vulnerable groups) for the same source of water;
 - you require large quantities of the resource; or
 - it's use comes with high risk of adverse environmental impact such as climate change, long term or widespread contamination, poor air quality, or land degradation.
- The term significant can be subjective based on your internal risk assessment procedures and should always be consistent with your environmental commitments and policies. For example, a small business may have an environmental policy with a commitment to ensure water usage is minimised. In this case how water is used, even if the volumes are small compared with a larger facility, may still be important or significant for that business.
- Larger operations with more complex processes, are likely to have significant resource consumption needs in terms of quantities and impacts or hazardous nature, and even costs.
- The views of interested parties may also contribute to what is deemed significant.



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- You should carry out a risk assessment to determine whether you use significant natural resources.
 - Your risk assessment should allow for unintended but related risks from the use of these resources. For example, removing trees or disturbing natural soils, not only affects the local habitat, but may also contribute to climate change related risks and your greenhouse gas emissions.
- Evidence of your risk assessment process and the outcomes, including assumptions and contributing factors used to determine the level of significance should be documented and made available to your RJC auditors.

Step 1. Identify

- Review your operations to identify your energy, water and other natural resource use by source, quality and quantity.
- If possible, monitor your consumption (through metering for example) to identify the opportunities for efficiency initiatives in the business. If you have a large workplace, or use processes that require large amounts of water and energy:
 - Assign responsibility for your energy and water management system to a manager.
 - Consider setting targets for efficiency improvements.
 - Use technical analyses appropriate to the nature of your business to identify potential efficiency improvements.
 - Consider using audit services by qualified experts to get detailed, written assessments of your water and energy use to identify opportunities for efficiency improvements.
 - Make use of information and advisory services from local utility providers and public agencies, where available and appropriate.
- If monitoring is not practical (for example, because you have a small workplace in an office building that is not separately metered), you may still be able to find ways to increase your water and energy efficiency (see Figure 25).

STEP 2. PRIORITISE

- Once you have identified the opportunities for reducing consumption or increasing efficiency, prioritise these according to cost, savings and certainty. Note that:
 - As a general rule, you should implement initiatives that generate a positive financial return, unless you have identified other risks.
 - You can use simple payback calculations (how long it would take to recover the cost of an efficiency initiative through reduced consumption) to quantify the advantages of each initiative.
 - You should also take GHG emissions into consideration and think about how these will be impacted by efficient energy use over the full lifecycle of each product, project or process (see **LGMS 25 Wastes and emissions**).

Step 3. Implement

- Adopt solutions that are technically and financially feasible and cost-effective.
- You don't necessarily have to invest lots of money to make meaningful efficiency improvements. Simply reminding workers to shut off equipment when not in use can also make a difference (see Figure 25).
- Consider using internal targets as a way to drive performance improvements.

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FIGURE 25. EXAMPLES OF SIMPLE EFFICIENCY MEASURES BUSINESSES CAN TAKE TO REDUCE THEIR WATER AND ENERGY USE

	<p>SAVING ENERGY</p> <ul style="list-style-type: none"> • Install efficient lighting • Put heating and cooling systems on timers • Do regular equipment maintenance • Use energy-efficient appliances • Optimise equipment and processes • Turn off lights and equipment when not in use • Insulate buildings • Minimise use of hot water • Capture and reuse waste heat 		<p>SAVING WATER</p> <ul style="list-style-type: none"> • Fix dripping taps and leaking pipes • Install water-saving accessories (get advice from local water authorities) • Consider treating water for reuse • Use dry techniques where possible (for example, to clean or transport materials) • Avoid using potable water for non-drinking purposes • Calculate the minimum volume of water you need to make improvements where possible
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Step 4. Review

- Get senior management to regularly review the business's water and energy consumption to assess progress against efficiency targets and identify cost savings made.
- Report your use of water and energy in alignment with **LGMS 3 Reporting**.

LGMS 26.2: WATER STEWARDSHIP

Members with *significant* adverse impacts on water resources shall:

- a. Apply strong and transparent water governance, including policies, *procedures* and clear allocation of responsibilities to protect water resources and ecosystems.
- b. Manage water at facilities effectively using a water balance and water quality monitoring data, and considering cumulative and *legacy impacts* and implement actions to mitigate *significant* adverse impacts on water quantity, water quality and current and potential future water uses.
- c. Identify *stakeholders* including water users and water *rights holders*, that may potentially affect or be affected by their water management practices.
- d. Engage and collaborate with these *stakeholders* to agree on sustainable water practices at a water catchment level (where applicable). Where agreed responsible and sustainable water use cannot be achieved, the member shall implement practices that avoid or minimise *significant* adverse impacts and have these practices independently verified.
- e. Annually *publicly* report company water withdrawal and efficiency including outcomes arising from LGMS 26.2a-d, in line with LGMS 3 (Reporting).

Actions to be taken:

- You should have robust systems for water management (or governance) that include stakeholders and are transparent and effective. To help do that, you should:
 - create a policy on water management and establish procedures to fulfil it;
 - define clear responsibilities for all internal and external stakeholders with a potential role in supporting the policy, and communicate the policy, procedures and responsibilities to all parties involved;



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- identify water withdrawal sources and receival water bodies for waste and potential contamination. This may include surface water or groundwater
- understand whom might be impacted by your water use and vice versa and implement an effective engagement strategy with these stakeholders; stakeholders may include water users, water rights holders, communities downstream or otherwise affected by water withdrawals or contamination (whether this is surface water or groundwater), government regulators, others engaged in work related to water management at the local or regional level, and others who may affect, be affected by or have an interest in the your approach to water management.
- As per the guidance for 26.1, significant adverse impacts will depend on factors including the location of your operations, quantities of water required, receiving environment for wastewater or competing uses of the water including water dependent ecosystems and communities. Examples of significant adverse water-related impacts may be (and not limited to):
 - A situation where your business operations consume large quantities of fresh water proportional to the available water resources especially in water stressed environments.
 - A case where a water body such as a ground water dependent ecosystem is being impacted or contaminated with emissions from your operations.
- Some LGM producers, depending on the technology and method of production, may use significant amounts of water e.g. for cooling. In deciding on the level of impact you should consider both the amount of water use, its source and the impact of any alternative methods of achieving the same outcome.
- When thinking about the area affected by your activities with water related impacts consider the local water catchment or watershed areas and as appropriate, more regional spatial areas.
- Consider how the water impacts affect biodiversity and ecosystem services.
 - publicly report your water management efforts through annual reports, sustainability reports or other legally required forms of disclosure – see **LGMS 3 Reporting** for additional resources regarding public disclosure and reporting.
- The challenges related to water in specific catchments are shared by all the countries, sectors and communities present there. Tackling them requires collaboration and concerted action from all parties, including government, civil society, business and local communities. That means that to use water sustainably, you must engage with all stakeholders that may influence or be affected by your water use and discharge, as well as engaging with governments, local authorities and others who can help develop effective regulation for integrated water resource management.
- Effective water management is important where it has been identified as a significant task and may require use of a site-level management plan and a long-term water balance that looks at the flow of water in, out and within your operation, and communicates both quantity and quality values. Using a water balance will help you prioritise your efficiency efforts, but you should support it with other technical tools, such as operational flowcharts and site water circuit diagrams.
 - A site water balance is comprised of three main components: water withdrawals, water discharge and water consumption.
 - In general terms, withdrawal volume = discharge volume + consumption volume + any change in the volume of onsite water storage.
 - If meteorological data are available, consider incorporating evaporation into the water balance, in particular where large process water bodies are present.



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- When calculating withdrawal, usage and discharge volumes, consider all types (e.g., freshwater, brine, potable, recycled, etc.) and sources (ocean, lakes, rivers, municipal supply, ground water, water treatment plants, etc.) from/to surface or subsurface waters, and sewers and stormwater drains that lead to rivers, oceans, lakes, wetlands, treatment facilities, or ground water.
- Remember to include water diversions in your risk assessment: while you may not actively manage or use diverted water, it can still present risks to your operations and the catchment.
- Differentiation between direct water withdrawal from a catchment area or aquifers and public water systems that are controlled by a utility company is useful when assessing water related risks and opportunities.
- For every new project (or significant change to existing projects), assess potential water impacts in the catchment area through an environmental and social impact assessment that includes processes for stakeholder engagement.
- Remember to evaluate dependencies on water and environmental thresholds; and as water catchments can have many users, make sure you also consider cumulative impacts.
- Sources such as the ICMM Water Reporting Guidelines, the US EPA Lean & Water Toolkit or GRI 303 Water and Effluents can be used to establish meaningful water metrics to measure water-related performance at your site. Use these metrics to:
 - collate simple, consistent data on water withdrawal, discharge, consumption and efficiency for each site;
 - compile this internal data into a company-wide dataset; and
 - use it to feed into formal external reporting systems such as the CEO Water Mandate, CDP Water and Global Reporting Initiative.
- The World Resources Institute (WRI) Aqueduct Country and River Basin Rankings have identified and assessed water scarcity risk based on 180 countries and over 100 specific water catchments. Whether the Entity is located in a water-scarce region could provide significant input into assessing water-related risks.
- Other tools and resources that can be used include:
 - Alliance for Water Stewardship – International Water Stewardship Standard,
 - For hydropower facilities that are within the Area of Influence, the Hydropower Sustainability Assessment Protocol may be relevant.
 - ISO 14046:2014 on Environmental management – Water footprint – Principles, requirements and guidelines.
 - WWF’s Water Risk Filter and WWF’s Contextual Water Targets guide.



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LGMS 26.3: NATURAL CAPITAL – LAND AND SOIL

Members with *significant* adverse impacts on *natural capital* derived from/supported by land and soil resources shall:

- a. Apply strong and transparent land management governance, including policies, *procedures* and clear allocation of responsibilities to the *natural capital* derived from/supported by the land and soil resources.
- b. Manage land contamination including soil erosion and degradation at facilities effectively using soil characterisation, condition assessment and soil monitoring data, considering cumulative and *legacy* impacts, and implement actions to mitigate *significant* adverse impacts on land and soil and current and potential future land uses.
- c. Identify *stakeholders* including land users and land *rights holders*, that may potentially affect or be affected by members' current or *legacy* land management practices.
- d. Engage and collaborate with relevant *stakeholders* (identified in 26.3c) to establish, agree and achieve responsible and sustainable land use for potential future uses. Where agreed responsible and sustainable land use management cannot be achieved, the member shall implement practices that avoid or minimise *significant* adverse impacts and have these practices independently verified.
- e. Annually *publicly* report company land and soil management practices including outcomes arising from LGMS 26.3a-d, in line with LGMS 3 (Reporting).

Actions to be taken:

- For the purposed of LGMS 26.3, Natural Capital can be taken to be about land and soil.
- Where you have identified that as a result of your business operations, you have significant adverse impacts to natural capital from land and soil resource use, you should have robust systems (like for water stewardship in LGMS 26.2). These systems need to be established for natural capital management (or governance) that includes stakeholders and is transparent and effective. To help do that, make sure you:
 - create a policy on natural capital management and establish procedures to fulfil it;
 - define clear responsibilities for all internal and external stakeholders with a potential role in supporting the policy, and communicate the policy, procedures and responsibilities to all parties involved;
 - identify land and soil uses and its connectivity to biodiversity and ecosystem services, including the local communities
 - understand whom might be impacted by your land and soil use/and implement an effective engagement strategy with these stakeholders; stakeholders may include land users, land rights holders, communities affected by contamination or land degradation, government regulators at the local or regional level, and others who may affect, be affected by or have an interest in your land management practices.



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- As per the guidance for 26.1, significant adverse impacts will depend on factors including the location of your operations, area of land required, used or impacted, as well as competing uses for the soil and land including dependent ecosystems and communities. Examples of significant adverse natural capital-related impacts may be (and not limited to):
 - A situation where your business operations displaces access to land used by local or indigenous communities.
 - A case where your operations generate hazardous waste that contaminates land used for agricultural purposes or results in loss of biodiversity habitat.
- Consider how the land and soil impacts affect biodiversity and ecosystem services.
- Publicly report your land management efforts through annual reports, sustainability reports or other legally required forms of disclosure.
- For every new project (or significant change to existing projects), assess potential land impacts in the area through an environmental and social impact assessment that includes processes for stakeholder engagement.
- Remember to also consider cumulative impacts.
- Tool and resources that can be used include:
 - Accounting for Nature.
 - British Standard's BS 8632: Natural Capital Accounting for Organisations – Specification
 - Capitals Coalition, Natural Capital Protocol
 - CSIRO Natural Capital Handbook
 - Science Based Targets Network, Science Based Targets for Nature (SBTN)/
 - Taskforce on Nature-related Financial Disclosures, Global Biodiversity Score (GBS)
 - UN System of Environmental-Economic Accounting 2023 (Central Framework)



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CHECK

- Are you monitoring your energy and water use and keeping records?
- Have you put in place energy and water efficiency initiatives?
- Have you identified other significant natural resources used in the business, such as paper products?
- Have you identified any renewable energy national frameworks, targets and/or legislation with which you must comply?

Water

- Have you established a water management system that demonstrates strong and transparent water governance?
- Do you have a policy and established procedures for your water management system?
- Can you demonstrate the facility is effectively using a water balance and considering cumulative impacts?
- Do you have evidence of your collaboration with others on sustainable water use at a water catchment level?

Natural capital (land/soil)

- Have you established a natural capital management system that demonstrates strong and transparent governance?
- Do you have a policy and established procedures for your natural capital management system?
- Do you have evidence of your collaboration with others on sustainable land use?

TIPS FOR SMALL BUSINESS

In most cases, SMEs may not have significant use of resources or impacts to water or natural capital. Small businesses need to comply with applicable laws and seek to minimise their use of natural resources where there is a direct ability to do so. For example, a small business such as a trader operating out of a rented office may not be able to change its water source. However, the business may ensure it is not wasting water and can communicate the importance of water use efficiency to its workforce.



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E FURTHER INFORMATION

WEBSITES

- [Accounting for Nature](#)
- [Alliance for Water Stewardship](#)
- [Carbon Catalogue, Carbon Offset Directory](#)
- [Carbon Footprint, Reducing Your Impact](#)
- [CDP \(formerly Carbon Disclosure Project\)](#)
- [Greenhouse Gas Protocol](#)
- [Hydropower Sustainability Alliance](#)
- [IFC, Performance Standards](#)
- [Intergovernmental Panel on Climate Change \(IPCC\)](#)
- [International Emissions Trading Association \(IETA\)](#)
- [Taskforce on Nature-related Financial Disclosures](#)
- [UN Environment, Natural Capital Declaration](#)
- [UN Framework Convention on Climate Change \(UNFCCC\)](#)
- [UN Global Compact, The CEO Water Mandate](#)
- [UN Global Compact, Local Network Resources: Engagement Framework](#)
- [US Environmental Protection Agency, WaterSense](#)
- [US Environmental Protection Agency, Lean & Water Toolkit](#)
- [WWF Risk Filers](#)



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PUBLICATIONS

- [British Standard's BS 8632: Natural Capital Accounting for Organisations – Specification](#)
- [Capitals Coalition, Natural Capital Protocol](#)
- [CSIRO Natural Capital Handbook](#)
- [Business for Social Responsibility, Business Opportunities in Sustainable Consumption \(2012\)](#)
- [Environmental Protection Authority Victoria \(Australia\), Lower Your Impact: Conserving Energy \(2012\)](#)
- [European Commission, Non-Financial Reporting \(2017\)](#)
- [Greenhouse Gas Protocol, Corporate Standard \(2015\)](#)
- [GRI 303: Water and Effluents 2018](#)
- [ICMM, A Practical Guide to Consistent Water Reporting \(2017\)](#)
- [ICMM, Water Stewardship Framework \(2014\)](#)
- [IFC, IFC Performance Standards on Environmental and Social Sustainability \(2012\)](#)
- [IFC, Performance Standard 3: Resource Efficiency and Pollution Prevention \(2012\)](#)
- [Science Based Targets Network, Science Based Targets for Nature \(SBTN\)](#)
- [Taskforce on Nature-related Financial Disclosures, Global Biodiversity Score \(GBS\)](#)
- [UN, Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters \(1998\)](#)
- [UNFCCC, The Paris Agreement \(2015\)](#)
- [UN System of Environmental-Economic Accounting 2023 \(Central Framework\)](#)
- [WWF Contextual Water Targets](#)

LGMS 27 Product disclosure

A APPLICABILITY

This provision applies to members that handle lab-grown material products.

Supply Chain Point	LGMS 27 Product Disclosure			
	27.1	27.2	27.3	27.4
Lab-grown materials producer	✓	✓	✓	✓
Lab-grown materials cutter and/or polisher	✓	✓	✓	
Lab-grown materials trader	✓	✓	✓	
Jewellery and watch manufacturer and/or wholesaler	✓	✓	✓	
Jewellery and watch retailer	✓	✓	✓	
Recycler	✓	✓	✓	
Service industry	✓	✓	✓	

B ISSUE BACKGROUND

Product disclosure within the jewellery industry depends on honesty and transparency about the nature and quality of products being bought and sold. Increasing use of technologies to treat stones, and creating new types of stones add to the complexity of the jewellery supply chain and consumer market and increase the relevance of product disclosure. It is especially important because end consumers rarely have good technical knowledge about the products they are buying and rely on the advice of sellers.

Industry guidelines and legal requirements exist to protect consumers and guide those working with lab-grown materials. These cover diverse areas, including:

- Whether a stone is natural, lab-grown or has been altered in any way;
- Standard terminology and classification for communicating product attributes;
- Grading for larger stones through independent gemmological laboratories; and
- Lab-grown material enhancements;
- Information requirements for enhanced lab-grown materials when the enhancement is temporary, diminishes over time, requires special care or has a significant impact on the product's value.

At all levels of the supply chain, misinformation or incomplete information poses a significant risk to the reputation of individual companies and the industry as a whole. Companies failing to disclose all relevant information, or making false statements about articles sold, risk losing business and being expelled from industry organisations. Selling a product without disclosing full and accurate information about it, or with misleading information, even unknowingly, is illegal under most jurisdictions. Offenders can face penalties including fines and prison sentences.

The risk of undisclosed mixing of natural and lab-grown stones has increased significantly in recent years. Production techniques have developed to the point where it is possible to produce gem-quality lab-grown materials that to many jewellery professionals are almost indistinguishable from natural stones. However, through lab-grown detection undertaken with the correct experience, equipment and protocols, companies can distinguish between the two. The undisclosed mixing of stones is a growing concern for both the industry and consumers alike. Many companies have introduced measures, such as routine testing, to manage these risks.

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C KEY REGULATIONS, STANDARDS AND INITIATIVES

The main international standards for product disclosure and representations have been developed by industry organisations as part of a self-regulatory approach.

The World Jewellery Confederation (CIBJO) hosts the Blue Books: publications outlining terminology, classification and ethical guidelines for lab-grown materials, diamonds, coloured gemstones and precious metals. The Blue Books are considered important standards for product disclosure and, while voluntary, are directed at wholesalers, suppliers, manufacturers and retailers at all points in the trade internationally. The standards are designed to apply to all methods of marketing and sales and cover both direct and indirect claims about the products.

The CIBJO Blue Books for gemstones and diamonds have been in use since 1975, regularly reviewed and updated to reflect the latest knowledge. In 2024 the equivalent for lab-grown diamonds was launched.

Beyond the Blue Books, a number of international standards on product disclosure have come into force over the past decade to provide a central reference point, better harmonise global practice and protect consumer confidence (see Figure 26).

FIGURE 26. KEY INITIATIVES IN INTERNATIONAL STANDARDS TO SUPPORT PRODUCT DISCLOSURE SINCE 2010





LGMS 27 Product disclosure

NATIONAL LAW

Specific laws and regulations may vary across countries, but most nations have mechanisms in place to protect consumers, regulate trade and marketing and prevent fraud. Most have legislation that makes it unlawful to wrongly describe any goods in terms of their composition, physical characteristics or history. Legal obligations may cover knowingly, as well as unknowingly, providing wrongful or misleading information in the sale of goods.

Some countries also have specific laws or regulations relating to lab-grown materials, for example the French government's ban on the use of terms other than synthetic for non-natural gemstones, or the US Federal Trade Commission (FTC) Jewelry Guides to help prevent deception in marketing.¹

D IMPLEMENTATION GUIDANCE

LGMS 27.1: REPRESENTATIONS

Members *selling, advertising* or marketing products containing lab-grown materials or *jewellery products* containing lab-grown materials shall:

- a. Ensure the information complies with *applicable law* and follows *internationally recognised standards*.
- b. Not make any untruthful, misleading or deceptive *representation*, or make any material omissions in these *representations*, nor use any terms that imply that any lab-grown materials are of natural *origin* even if qualified by a term as defined as in 27.2a.
- c. Ensure that any *claims* being made are not misleading and are verifiable in line with LGMS 12 (Claims).

Actions to be taken:

- A representation can take many different forms (including words, symbols and depictions) and can be made through many different media, including the internet. It can be express or implied.
- A misrepresentation or material omission involves deliberately leaving out or misstating information that could influence a buyer's decision; and it may be illegal. For example, failing to disclose to a buyer that a ring contains a lab-grown diamond would be considered a material omission.
- Whether information is 'material' or not depends on the business context: material information for a retail consumer may be different from that for a business-to-business transaction. In considering whether a piece of information is material or not, ask yourself whether leaving it out goes against accepted practice in your sector or jurisdiction.
- Make sure you are aware of the applicable law regarding false and misleading representations, including what constitutes 'material information' with regard to what would be considered 'material omission', particularly for consumers.
- Train your sales staff to ensure they know their legal obligations and do not engage in misleading or deceptive verbal representations or omit material information about the products they are selling.

¹ FTC Jewelry Guides (2018) <https://www.ftc.gov/news-events/topics/tools-consumers/jewelry-guides>



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- Internationally accepted standards are listed in Figure 26, including but not limited to the CIBJO Diamond Book and the ISO 18323 standard. The Diamond Terminology Guideline is the reference for diamond nomenclature.
- Other terms are sometimes used, for example 'simulant' coloured gemstones can be called 'imitation', and 'composite' diamonds can be called 'assembled'. If in doubt about terminology for coloured gemstones, consult the CIBJO Blue Book and ISO 18323 standard.

LGMS 27.2: DISCLOSURE

Members shall disclose information on the physical characteristics of the products listed in LGMS 27.1 in *compliance with applicable law*. Unless a conflict with *applicable law* exists, members shall apply the following requirements to support disclosure about physical characteristics:

Actions to be taken:

- Establish a policy or register on product disclosure that explains relevant laws, regulations and industry standards, including penalties for non-compliance (you should have already gathered information on product disclosure standards and regulatory requirements as part of implementing **LGMS 1 Legal compliance**).
- If there is no applicable law or guidelines, follow the LGMS requirements 27.2 a-g. Note that if there is a conflict between LGMS provisions and applicable law (i.e. where following the LGMS requirements under this provision would result in you being in a position of non-compliance with applicable law), then the law takes precedence. If you find a conflict, please alert the RJC as soon as possible so that we can develop consistent advice for our members and auditors.
- As an RJC member, you must maintain up-to-date knowledge of the relevant legislation across all your areas of operation. If your responsible senior managers are not familiar with the applicable law, particularly if your business includes retail sales, you run a higher risk of non-conformance.
- Remember that disclosure requirements apply at each and every level of the jewellery supply chain, and that you must disclose information in accordance with the applicable law and the LGMS even if your buyer has not asked for it. Establish procedures for proper disclosure in all your transactions, including purchases. These should include a clear statement on how to proceed if a supplier fails to provide appropriate product information. Look at example invoices for 'common disclosure' within the trade on the ICA and AGTA websites.
- In cases where you sell a lab-grown stone or jewellery product to an end consumer who will not personally view the product (for example, because you are selling it through a catalogue, mail order, website, shopping channel, telephone order or other sales platform), you must still disclose relevant information in the product description.
- Where applicable, establish procedures for reviewing and approving sales and marketing materials to ensure that they do not contain any potentially misleading or deceptive information and that they comply with the law and the LGMS.



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- Train your staff so that they understand, where appropriate:
 - the 4 Cs (cut, colour, clarity and carat weight) for lab-grown materials;
 - any relevant legal compliance requirements (for example, if you are selling in the United States, you are legally required to comply with FTC guidelines); and
 - any relevant disclosure standards (for example, the CIBJO Blue Book).
- Record-keeping is critical, especially during the processing stage; make sure you clearly assign someone with responsibility for implementing and checking all record-keeping procedures.

LGMS 27.2A-C: LABORATORY GROWN, COMPOSITES AND RECONSTRUCTED STONES

- a. Laboratory grown materials: Wholly or partially laboratory-grown materials shall be disclosed as 'laboratory grown', 'laboratory created', '[manufacturer name] – created', and/or 'synthetic'. Abbreviations such as 'lab-grown' or 'lab-created' are also acceptable. The description shall be equally as conspicuous as the word '*diamond*' or the name of the *coloured gemstone*.
 - i. In the case of coating, the material being coated must be disclosed as 'coated [name of material]'.
- b. Composites: Composite (or assembled) lab-grown materials constructed of two or more parts shall be disclosed as 'composite', 'assembled', 'doublet' or 'triplet', and by the correct name of the material of which it is composed. The use of the term '*diamond/gemstone*' or 'laboratory/created/synthetic *diamond/gemstone*' in relation to such stones is unacceptable. The description shall be equally as conspicuous as the name of the material used. Members shall not use terms and definitions that are misleading in relation to composite (assembled) stones and/or conceal information about their parts.
- c. Reconstructed stones: Reconstructed stones using lab-grown materials shall be disclosed as such and the description shall be equally conspicuous as the name of the material.

Actions to be taken:

- ISO 18323:2015 defines a stone as lab-grown (synthetic) if the product is artificial (that is, is produced completely or partially through human intervention) and its properties are essentially the same as those of its natural counterpart. Lab-grown stones are therefore artificial products that essentially have the same chemical composition, crystal structure and physical (including optical) properties as a diamond/coloured gemstone.
- You must not use any term that is designed to disguise the fact that a diamond or coloured gemstone is lab-grown, or that misleads the consumer in any way.
- Remember that the word 'laboratory' refers to the facility that may produce the lab-grown stones. Do not confuse it with a gemmological laboratory that analyses, authenticates, identifies and grades diamonds and coloured gemstones.
- Note that the term 'cultured' is not an acceptable description for lab-grown diamonds or coloured gemstones under ISO 18323 or the LGMS. If you are in the United States, you are allowed to use the term under FTC 2018 guidelines, but only when it is qualified by a clear and conspicuous disclosure (such as 'laboratory created', 'laboratory grown' or 'synthetic') conveying that the product is not a mined stone.
- Using the name of a stone without qualification (for example, 'diamond', 'gemstone' or 'emerald') always means you are talking about a natural, untreated stone.



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- If you work with stones that have been synthetically enlarged (for example, starting with a 0.25ct diamond and growing it to 0.75ct), always disclose them as 'laboratory created', 'laboratory grown', 'synthetic' or any other terms as listed in 27.2a.

LGMS 27.2D: SIMULANTS

- d. Simulants (or imitation): Any product used to imitate the appearance of lab-grown materials without having their chemical composition, physical properties and/or their structure shall be disclosed as 'imitation' or 'simulant' along with the correct name of the material of which it is composed, for example, 'x compound', 'glass', 'plastic'. The description shall be equally as conspicuous as name of the lab-grown material. Simulants must not be referred to as laboratory grown or laboratory created.

Actions to be taken:

- You must not use any term designed to disguise the fact that a stone is a simulant, or that misleads the consumer in any way. That includes using words such as 'real', 'genuine' or referring to them as 'laboratory grown', 'laboratory created' or similar.
- You can only use the word 'natural' to describe a simulant if it is a naturally occurring mineral or compound, in which case you must also give its actual name.
- Note that this provision only applies to simulants that are for sale. Simulants that are exclusively used for promotional or display purposes, for example in retail environments, do not need disclosure.

LGMS 27.2E: DESCRIPTIONS OF POLISHED DIAMONDS AND COLOURED GEMSTONES

- e. Descriptions of polished lab-grown materials: Describe the dimension or carat weight, colour, clarity and cut of lab-grown diamonds and coloured gemstones in accordance with the recognised guidelines appropriate to the particular jurisdiction.

Actions to be taken:

- Recognised guidelines will vary per jurisdiction. Some example are given at the start of this document, however further guidelines can be identified through online research, contacting your trade association, or experts on such topics for support.
- If there are no recognised guidelines or legislation in your particular jurisdiction describe the size or carat weight, colour, clarity and cut of you lab-grown materials in accordance with IDC rules or the CIBJO Gemstone Book.
- Note that you should individually describe all stones (as above) which are .3 of a carat or larger. For small diamonds, including melee or coloured gemstones that are set in jewellery, you can provide summarised descriptions for all stones. They can be de-scribed with total carat weight and ranges for colour and clarity, i.e. "colour: D-G". Additionally, if all the stones .3 or larger are identical then they can be described in the group way that melee can.
- Descriptions of the lab-grown materials should be available to the customer where most appropriate and convenient, but at a minimum on their invoice or receipt. Other additional description locations could include sales and marketing literature, websites, catalogues and any other appropriate location, which the customer can reasonably access.



LGMS 27 Product disclosure

- Do not use the word 'flawless' to describe:
 - any lab-grown materials that contains flaws, cracks, inclusions, carbon spots, clouds, internal lasering, or other blemishes or imperfections of any sort when examined under a corrected magnifier at 10-power, with adequate illumination, by a person skilled in grading or appraisal; or
 - any article of jewellery that contains any lab-grown materials that do not meet the definition of flawless.
- Only use the terms 'brilliant', 'brilliant cut' or 'full cut' when referring to round lab-grown materials with at least 32 facets plus the table above the girdle, and at least 24 facets below it.
- Avoid commercial terms such as 'pigeon blood' or 'royal blue' to describe colour in lab-grown materials unless the term has been accepted into internationally accepted nomenclature or terminology and has clearly defined parameters. Refer to the CIBJO Gemstone Book and the Laboratory Manual Harmonisation Committee for further information and updates.

LGMS 27.2F: ENHANCEMENTS

- f. Enhancements: Any part of the growth/manufacturing process or subsequent enhancements to the created material that are deemed to be unstable and/or non-permanent in nature shall be disclosed.

Actions to be taken:

- Any enhancements made to lab-grown materials that are unstable and/or non-permanent shall be disclosed clearly and accurately to the customer/consumer.
- The LGMS does not prescribe where to place the description of an enhancement, but you do have to ensure the enhancement description is clearly associated with the product. You can disclose the enhancement to the customer either in product descriptions, on sales literature such as an invoice or receipt or any other location that is convenient for the customer. Such disclosure must take place prior to the transaction being completed. Always check applicable law for any additional requirements.
- Unstable or non-permanent enhancements are those that are temporary and can also be reversed e.g. oiling, filling, dying, irradiation, and filling are not permanent treatments.

LGMS 27.2G: PRODUCT HEALTH AND SAFETY INFORMATION

- g. Product *health and safety* information: Any relevant *health and safety* information about the materials listed in LGMS 27.1 in *jewellery products* sold by members to *end consumers* shall be disclosed. This includes irradiated lab-grown materials.

Actions to be taken:

- Depending on the process applied to the growth/manufacturing of a lab-grown stone, potential health hazards need to be considered, in particular with relation to enhancements. Health and safety information may also be provided to allay perceived concerns. For example, some customers may be concerned about irradiation as part of the growth/manufacturing to enhance a stone's colour. In practice, this process is heavily regulated to ensure levels of radioactivity remain within safe limits.
 - For further guidance, see ISO 10377 on consumer product safety.²

² ISO, ISO 10377:2013 Consumer Product Safety – Guidelines for Suppliers (2013) www.iso.org/standard/45967.html



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- If members are importing lab-grown materials that have been subject to radiation-based processes, they should comply with appropriate applicable law to its handling and testing to ensure its safety. Members should (at a minimum) conduct a risk assessment on whether the lab-grown materials have been treated with radiation and if so, are the levels of radiation being emitted by the goods are safe. If the imported lab-grown materials are high-risk or the radiation level is unknown, members should submit the lab-grown materials to an appropriate gemmological laboratory for testing. This can be on an individual or sampling-based approach dependant on the quantities. The member should then create a simple and workable system that tracks and keeps clear record of irradiated lab-grown materials that have been subject to gemmological laboratory testing to ensure that it is safe for consumers. The testing should provide a report with unique identifier that is not reusable, and they are each tracked and logged with a record of the stone they relate to.

LGMS 27.3: UNDISCLOSED MATERIALS

27.3 Members shall take substantive and documented action to avoid buying or *selling* undisclosed materials. To that end, members buying or selling lab-grown materials shall:

LGMS 27.3A: WRITTEN WARRANTY

- a. Obtain written warranties from their suppliers.

Actions to be taken:

- Develop a warranty statement and ask your suppliers to include this on all invoices with respect to lab-grown materials. For example, CIBJO provides the following example statement: 'We hereby declare that all the goods mentioned in this invoice (consignment) are Laboratory-Grown Diamonds. The buyer agrees to purchase these with the clear understanding that they are Laboratory-Grown Diamonds, and, if they are sold the buyer also agrees explicitly to sell them as Laboratory-Grown Diamonds, making full and clear disclosure to the customer on invoices.'

LGMS 27.3B: POLICIES, PROCEDURES, TRAINING AND MONITORING

- b. Have effective policies, *procedures*, training and monitoring *systems* in place to avoid the possibility of undisclosed materials being switched for lab-grown materials at their facilities.

Actions to be taken:

- Establish one or more product security policies that:
 - include measures to avoid the possibility of undisclosed materials being switched for lab-grown materials at your facilities – use the policies to set out the expectations of employees, on-site contractors and visitors (also review LGMS 11 Security);
 - outline how you will segregate your natural stone processing and trade from your lab-grown material business (where applicable);
 - address all potential mixing points (that is, anywhere in your facilities with a potential risk that other materials could be inadvertently switched for or mixed with your lab-grown materials);
 - are reflected in relevant operational procedures; and
 - are communicated internally.



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- Make sure that your operational procedures cover the handling, storage and transportation of lab-grown materials at all points in your facilities. That includes, for example:
 - ensuring strict controls to determine who is authorised to handle lab-grown materials, and under what circumstances;
 - clearly defining and controlling arrangements for securely storing lab-grown materials on-site;
 - using strong inventory management and chain-of-custody systems for all lab-grown materials stored, transported and handled onsite; and
 - reviewing your security systems in and around the areas where diamonds are handled, stored and transported.
- Train all staff involved in handling, moving or storing lab-grown materials at your facilities. Review your training programmes at least once a year.
- Monitor how well your policies and procedures are implemented and review their effectiveness regularly. Make sure you address any gaps and weaknesses identified during review, and investigate all instances of product switching thoroughly.
- In all cases, be sure to fully document all your procedures.

LGMS 27.3C: DUE DILIGENCE ON UNDISCLOSED SYNTHETIC DIAMONDS

- c. Employ a documented *due diligence process* to identify and mitigate risks related to undisclosed materials entering their supply chain.

Actions to be taken:

- Map your lab-grown materials sources and suppliers, and identify anywhere with a high risk of introducing undisclosed materials into your supply chain. Note:
- Buying polished lab-grown materials from the open market carries varying levels of risk for undisclosed mixing. If your supplier is audited to ensure they address mixing points (and can provide auditing results), buying lab-grown materials from them is considered low risk. If there is insufficient or no evidence that your supplier has addressed potential mixing points, the risk is considered high.
- Update your risk map any time you engage a new supplier.
- Document your due diligence process and keep records of any action you take to mitigate risk, such as gathering further information from suppliers.



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LGMS 27.3D: TESTING

- d. Carry out risk-based testing to verify products as lab-grown materials using a defined, credible and transparent protocol. This can be an existing industry-accepted protocol or one that is defined by the member. The protocol must:
- i. Incorporate an appropriate approach for testing loose and set polished lab-grown materials.
 - ii. Include either in-house testing, using relevant and effective detection equipment, or outsourced testing by a qualified service provider, such as a gemmological laboratory.
 - iii. Include testing at least once at a point in the *process* where there is no longer any risk of introducing undisclosed materials before the parcel is sold. This is normally just before sale.
 - iv. The testing protocol must be disclosed to business clients, including the *procedure* for managing test referrals.

Actions to be taken:

- Members who sell lab-grown materials must ensure that they do not sell undisclosed stones. RJC recommends that for 100% of stones that have originated from identified high-risk mixing points are subject to testing either in-house or via a gemmological laboratory. Stones that are either medium or low risk of mixing should be tested via a sampling methodology.
- Establish a robust protocol for testing lab-grown materials for undisclosed stones. Members can develop their own new protocol or sampling methodology or use an existing one, for example one developed by a supplier or customer, but it must be appropriate to the level of mixing risk identified, with consideration to the nature of the products (e.g. size of the stones) and the member's size and circumstances. Testing is applicable to all stones sold and is not dependant on the size of the stone. Either way, make sure you document it and make it accessible to suppliers, customers and other relevant stakeholders.
- There are various approaches for testing and sampling, and many take a risk-based approach. The International Standard ISO 2859-1 Sampling procedures for inspection by attributes – Part 1: Sampling schemes indexed by acceptance quality limit (AQL) for lot-by-lot inspection. The Standard provides information about sampling averages and supporting systems and plans.
- In all cases, your testing protocol should be defined, credible, robust and transparent, as set out in Table 25.
- Use the results of Project ASSURE (<https://www.naturaldiamonds.com/council/assure-testing-program/>) to help you choose appropriate equipment for testing. This project, which is a collaboration of the Diamond Producers Association (DPA) and Signet Jewelers, tests the performance and functionalities of available equipment (or diamond verification instruments) using an independent testing laboratory and publishes the results to help companies make informed decisions about which equipment to use.



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TABLE 25. CHARACTERISTICS OF AN ACCEPTABLE PROTOCOL FOR TESTING POLISHED STONES AND PARCELS FOR UNDISCLOSED STONES

Protocol characteristics	Implementation notes
<p>Defined</p> <p>The protocol must include an approach for testing loose and set polished lab-grown materials classified as high risk.</p>	<ul style="list-style-type: none"> • Aim to test all high-risk polished stones and parcels. But be practical: in some cases, for example if you are handling large numbers of very small melee polished stones, testing all stones may be impractical. At a minimum, you will need a robust sampling approach for testing high-risk stones, ensuring a large enough sample size that is statistically significant. • If you outsource your testing, make sure that the protocol and sampling approach used by your service provider is fully documented.
<p>Credible</p> <p>The protocol must include either in-house tests using relevant and effective detection equipment or tests outsourced to a qualified gemmological laboratory or equivalent.</p>	<ul style="list-style-type: none"> • There are many different screening and testing technologies available on the market. Make sure you use appropriate equipment that is specifically designed to identify lab-grown materials and disclose which technology you are using in your protocol. • Be sure to take account of the error margin specified for the particular equipment you are using as this may impact the reliability of the results. • If you prefer to outsource testing, make sure your service provider is suitably qualified, with appropriate product control systems and protocols.
<p>Robust</p> <p>The protocol must include at least one round of testing with no further risk that undisclosed materials will be introduced before sale.</p>	<ul style="list-style-type: none"> • It is up to you to decide when to test your stones. You can test them once or many times. Ideally, you should test stones once when you buy them, and again before you sell them. • Whatever you decide, you must be able to show that there is no further risk of mixing between your last test and the stones' sale.
<p>Transparent</p> <p>The protocol in full must be available to clients.</p>	<ul style="list-style-type: none"> • You must make your protocol available to clients, either by publishing it online or by making it available on request. • This includes outlining your process for managing referrals, being clear about when and how you deal with them. For example, where screening results are inconclusive, the stones are retested using a different device or sent to a gemmological laboratory for full testing.

CLAIMS ON TESTING

You may be applying testing methodologies that go beyond the requirements of COP 27.3d, for example testing 100 per cent of lab-grown materials. Whatever approach you choose, this is part of ensuring that you are not making any misleading representation on the product you are selling (that is, making sure you are not selling stones that are not lab-grown but are represented as such).

As such, this does not need to be audited as a provenance claim. However, your testing methodology will be checked as part of your compliance with LGMS 27.1 to ensure that it is truthful and substantiated. For example, if your process specifies that you are testing 100 per cent of stones, you will need to provide evidence of this.

**LGMS 27.4: DISCLOSURE OF GROWTH METHODOLOGY**

Members with growing operations shall disclose the growing methodology to customers upon request, with due regard to business confidentiality

Actions to be taken:

- When a customer makes a request for information, members must disclose the type of growth methodology used to produce the lab-grown material e.g. CVT or HPHT.
- Disclosure of information should be provided unless this would pose a significant confidentiality risk and members should ensure that such requests are handled in a way that balances transparency and business confidentiality.
- When providing the disclosed information, this should address the customer request and be given in a way that is accurate, clear and unambiguous.

CHECK

- Do you know the applicable regulatory requirements and disclosure standards for lab-grown material products?
- Can you show the auditor how you check that sales and marketing materials comply with the law and with LGMS requirements?
- Do you have appropriate record-keeping and training to support proper product disclosure?
- Have you developed policies and procedures to avoid buying or selling undisclosed materials?
- Do you have a documented protocol for testing polished stones?



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E FURTHER INFORMATION**WEBSITES**

- [American Gem Trade Association \(AGTA\)](#)
- [FTC, In the Loupe: Advertising Diamonds, Gemstones and Pearls](#)
- [International Colored Gemstone Association \(ICA\)](#)
- [Jewelers Vigilance Committee \(JVC\)](#)
- [Laboratory Manual Harmonization Committee](#)
- [Natural Diamond Council](#)
- [US Federal Trade Commission \(FTC\)](#)
- [World Gold Council \(GC\)](#)
- [The World Jewellery Confederation \(CIBJO\)](#)

PUBLICATIONS

- [AWDC, CIBJO, DPA, GJEPC, IDI, IDMA, USJC, WDC and WFDB, Diamond Terminology Guideline \(2018\)](#)
- [CIBJO, Blue Books](#)
- [CIBJO The Laboratory-Grown Diamond Guidelines](#)
- [CIBJO, Understanding disclosure terminology is key to protecting consumer confidence in gemstones \(2017\)](#)
- [FTC, Commission Denies Petition Regarding Use of Term 'Cultured' to Describe Laboratory-Created Gemstones; Commission Approves Federal Register Notice Regarding Fees to Access the National Do Not Call Registry \(2008\)](#)
- [IDC, IDC Rule Book \(1995\)](#)
- [ISO, ISO 18323:2015 Jewellery – Consumer Confidence in the Diamond Industry \(2015\)](#)

LGMS 28 Grading, analysis and appraisal

A APPLICABILITY

This provision applies to all members (gemmological laboratories or other businesses) that generate reports on grading, analysis, research and/or appraisal.

Supply Chain Point	LGMS 28 Grading Analysis and Appraisal				
	28.1	28.2	28.3	28.4	28.5
Lab-grown materials producer	✓	✓	✓	✓	✓
Lab-grown materials cutter and/or polisher	✓	✓	✓	✓	✓
Lab-grown materials trader	✓	✓	✓	✓	✓
Jewellery and watch manufacturer and/or wholesaler	✓	✓	✓	✓	✓
Jewellery and watch retailer	✓	✓	✓	✓	✓
Recycler	✓	✓	✓	✓	✓
Service industry	✓	✓	✓	✓	✓

B ISSUE BACKGROUND

Gemmological laboratories or businesses who issue grading, research, analysis, or appraisal reports play a key role in the jewellery industry. They serve to provide the industry with credibility, provide essential gemmological research and reporting functions and generate reports that contribute to the value at which stones and jewellery are traded. Trade and consumer confidence in the jewellery supply chain, is built on the universal understanding of integrity and ethical behaviour within gemmological laboratories and other businesses that issue reports. This provision on laboratory processes and procedures in this section ensures laboratories adhere to the highest responsible business practices and ethical conduct in line with the LGMS.

A research, analysis, appraisal or grading report normally includes the weight, colour, clarity and cut of an unmounted stone, the information that is the subject of the research, and an assessment of value (if an appraisal) if appropriate. The report may also include a statement regarding whether the stone has been identified as natural and if it is treated (with the treatment identified) or synthetic. Other information commonly found in reports could include the shape and measurements of the stone, its cut proportions and finish grade, its fluorescence, comments on any identification marks, and place and date of issue.

Appraising (or valuation) draws on the information generated by assaying and grading and assigns and documents a monetary value to a jewellery item applicable to either a particular trading area or geographic region. Appraisers use guides, price lists and expertise to identify a stone or piece of jewellery's composition and qualities, and to put a cash value on it.

Grading, analysis, research and appraisal involves expert judgement and opinion. In some cases, issuing such reports may be undertaken by persons or businesses who also sell jewellery products. This makes it essential for graders, analysts and appraisers to disclose any vested interest in the item they are assessing and the purpose for which the report is being issued, such as insurance, probate or market assessment.

When a business issues grading, research, analysis or appraisal reports seeks certification by the RJC, the practices and processes that are unique to this activity are addressed in the LGMS and further explained in this guidance.



LGMS 28 Grading, analysis and appraisal

C KEY REGULATIONS, STANDARDS AND INITIATIVES

INTERNATIONAL STANDARDS

For lab-grown diamond grading:

The **International Diamond Council** (IDC) (www.internationaldiamondcouncil.org) has established International Rules for Grading Polished Diamonds, which were last updated in 2013. The IDC rules are recognised by the World Jewellery Confederation (CIBJO) and have become the reference point for clear diamond terminology.

The International Organization for Standardization (**ISO**) **ISO/IEC 17025:2017** standard sets out general requirements for the competence to carry out tests and calibrations. It is used by laboratories to develop an effective management system for quality, administrative and technical operations.

The International Organization for Standardization (**ISO**) **ISO 24016:2020E** sets out terminology, classification, and test methods for grading polished diamonds. While ISO 24016 does not apply to synthetic diamonds, it does include guidance regarding descriptors about synthetic diamonds.

The International Organization for Standardization (ISO) publishes standard **ISO 18323** defining the permitted nomenclature for use in buying and selling diamonds and lab-grown diamonds, including specific descriptors that are designed to be understood by consumers.

The **CIBJO Gemmological Laboratories Book** provides guidance for gemmological laboratories in developing their management system for quality, administrative and technical operations.

The **CIBJO Diamond Book** is designed to help all those involved in buying or selling diamonds, treated diamonds, lab-grown diamonds and imitation diamonds to ensure the use of proper nomenclature.

For lab-grown coloured gemstones:

The **CIBJO Gemstone Book** is designed to help all those involved in buying or selling coloured gemstones, treated gemstones, lab-grown gemstones and imitation gemstones to ensure the use of proper nomenclature.

For appraisal:

The **International Valuation Standards Council** (www.ivsc.org) develops technical and ethical standards for carrying out valuations.

The **Appraisal Foundation** (www.appraisalfoundation.org) publishes the generally accepted standards of the valuation profession in the United States through the Uniform Standards of Professional Appraisal Practice.

NATIONAL LAW

Most countries have trading and consumer marketing laws that make it unlawful to wrongly describe any material aspect of a good, including jewellery products. For example, in the United States, the Federal Trade Commission (FTC) Guides for the Jewelry, Precious Metals, and Pewter Industries states: 'It is unfair or deceptive to use the word "ruby," "sapphire," "emerald," "topaz," or the name of any other



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precious or semi-precious stone, or the word “stone,” “birthstone,” “gem,” “gemstone,” or similar term to describe a laboratory-grown, laboratory-created, [manufacturer name]-created, synthetic, imitation, or simulated stone, unless such word or name is immediately preceded with equal conspicuousness by the word “laboratory-grown,” “laboratory-created,” “[manufacturer name]-created,” or some other word or phrase of like meaning, or by the word “imitation” or “simulated,” so as to disclose clearly the nature of the product and the fact it is not a mined gemstone.’ The FTC Guides also require that a laboratory or business issuing grading, research, analysis, or appraisal reports that employs a grading system disclose the basis and details of the implementation of its system.

In the European Union, the Misleading and Comparative Advertising Directive aims to protect traders against misleading advertising, meaning any advertising which, in any way, either in its wording or presentation:

- deceives or is likely to deceive the persons to whom it is addressed or whom it reaches;
- by reason of its deceptive nature, is likely to affect their economic behaviour; or
- for those reasons, are likely to injure a competitor.

RJC members are expected to be aware of and comply with applicable law in all jurisdictions in which they operate.

D IMPLEMENTATION GUIDANCE

LGMS 28.1: SYSTEMS FOR ISSUING REPORTS

Gemmological laboratories and businesses issuing grading, research, analysis or *appraisal reports*, shall:

- Have clearly documented policies and *procedures* in place to ensure the laboratory or business is organised around a formal *management system*, with clearly defined roles and responsibilities for graders and appraisers that support consistency and integrity.
- If they issue grading, research, analysis or *appraisal reports* that also engage in the business of the sale of products covered by this LGMS, establish and document the *procedures* undertaken to avoid all potential or actual conflicts of interest, in *compliance* with LGMS 28.4 and 28.5 below.
- Document and implement technical requirements in relation to any *process*-related factors that impact the chain of custody (COC) through the lab, validity, and reliability of testing, grading, or *reporting* of results.
- Implement equipment and calibration documentation and processes implemented that define and control conditions, determine the appropriate equipment for use, establish maintenance requirements, and calibration *procedures* of equipment and instruments to ensure accuracy and consistency in their testing results.

As a starting point, use your approach to **LGMS 1 Legal compliance** to identify applicable law and any potential breaches of relevant international standards and regulatory requirements for issuing grading, research analysis or appraisal reports. You should adhere to local, federal or regulatory guidelines for testing and reporting (for example, in the US, reporting and marketing compliance with the FTC Guides). Members at all times should make every effort not to mislead end users about any aspect of the information contained in the report.



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Actions to be taken:

- Define and document management's responsibilities to customers and end users of the products or services rendered by the business issuing reports and to regulatory authorities. Set out the mission, vision and value statements for the business.
- Disclose ownership, subsidiaries, partnerships and how outsourced laboratory services (if any) are controlled.
- Identify the personnel responsible for oversight of the integrity and operation of the management systems. Define all roles and responsibilities for each job function for those engaged in the management system. Provide written job descriptions. Define minimum required credentials, education, and training for each job function, with specific focus on personnel with roles that have a direct impact on reporting and on the consistency of reporting and results.
- Document all management systems any standard operating procedures, systems pertaining to data protection and control, and document quality control and assurance programs for functions of the business. (Please see definitions of quality control systems and quality assurance systems in the [RJC glossary](#)).
- Conduct regular reviews of authority and job requirements, training, documentation, qualifications, performance assessments, professional development, and training on conflict-of-interest policies.
- Design and document integrity procedures for laboratory processes including anonymity of clients and appropriate separations between client services, management, sales, and grading/testing services.

QUALITY ASSURANCE ELEMENTS

Gemmological laboratories should have a quality program including preventative quality assurance ensuring baseline quality requirements are fulfilled.



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Examples of quality assurance activities

TABLE 26: QUALITY ASSURANCE ACTIVITY EXAMPLES

Quality Assurance Activity (Preventative)	Gemmological Laboratory Activity Examples
Process Checklists	<ul style="list-style-type: none"> Client communications, intake and receiving, cleaning, weighing and measuring, screening and typing (if applicable), 4 Cs assessment (if applicable), standard gemmological testing, advanced testing, report production, shipping, inventory control, security, and any other process through the laboratory. <ul style="list-style-type: none"> For example, printed reports are cross-checked every 1 out of 10 reports with grading data in the system to ensure data is pulling correctly. Decision trees including the number of opinions rendered, seniority of those opinions, stone, or piece size/significance. <ul style="list-style-type: none"> For example, all loose lab-grown materials over 2.00 ct require at least 2 out of 3 agreeing gemmological opinions for colour, cut, and clarity, 1 of which is of "quality assurance grader" seniority or higher, and process when opinions are split. For example, all corundum 3.00 ct and higher submitted for a country of origin service require 2 agreeing gemmological opinions, 1 of which is "senior staff gemmologist" level or higher.
Process Standards	<ul style="list-style-type: none"> Standards for terminology, classification, and test methods (for equipment standards see Equipment and Calibration). <ul style="list-style-type: none"> For example, are there laboratory-determined definitions for each clarity grade and how they are applied by the laboratory and communicated externally on reports, including requiring published grading scales linked to, or on reports? See ISO 24016:2020(E) as an example of how these could be outlined by a gemmological laboratory. For example, are there laboratory-determined standards for assessing colour and fluorescence, or any of the 4 Cs as above? For example, are there standards for obtaining the mass of lab-grown materials, and applicable rounding rules? For example, are there standards and policies for detecting and disclosing enhancements? For example, are gemmological opinions rendered independently and anonymously without bias, so grading process is apolitical and free of influence?
Process Documentation	<ul style="list-style-type: none"> Standard operating procedures (SOPs) (how to do it), process outlines (how it happens), and policies (what to do). <ul style="list-style-type: none"> Quality manual. Reference materials.
Process Audit and Continuous Improvement	<ul style="list-style-type: none"> Periodic scheduled reviews of existing processes to ensure processes use updated best practices, and track updates in documentation. <ul style="list-style-type: none"> For example, developing a process for continuous improvement and best practice through incorporating updated research data or more accurate methodologies as they are disseminated into testing protocols.
Training and Development	<ul style="list-style-type: none"> Job aids, ongoing training, competency testing, feedback system. <ul style="list-style-type: none"> For example, having a feedback system for graders to ensure their accuracy and consistency and any corrective adjustments as needed. For example, having instructional resources posted for operating and calibrating equipment. For example, having a formalised onboarding plan for staff for each function.



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- For example, a quality assurance process for grading could include process standards for grading such as procedures for making final calls for colour, clarity, and finish (how many graders look at a stone, what size thresholds, seniority, documentation of grade “trials”), definitions for each grade and ensuring grading personnel know the criteria for each grade, grading manuals and regular updates, grading audits for consistency among the group, etc.

QUALITY CONTROL ELEMENTS

Gemmological laboratories should have a quality programme including corrective quality control techniques and activities ensuring baseline quality requirements are fulfilled.

- Quality controls for non-conforming work such as inspection/measurement sampling to ensure gemmological products and services meet standards.

Examples of quality control activities

TABLE 27: QUALITY CONTROL ACTIVITY EXAMPLES

Quality Control Activity (Corrective)	Gemmological Laboratory Activity Examples
Inspection and Measurement	<ul style="list-style-type: none"> • Sampling to ensure gemmological products and services meet standards. <ul style="list-style-type: none"> – For example, printed reports are cross-checked every 1 out of 10 reports with grading data in the system to ensure data is pulling correctly. – For example, doing a random test of graders with a control set of lab-grown materials to ensure consistency and accuracy. – Random sampling of “borderline calls” of each grader to determine statistics.
Monitoring and Recording	<ul style="list-style-type: none"> • Having a system of monitoring internal quality and keeping records of quality control activities.
Documentation	<ul style="list-style-type: none"> • Corrective action plans including some items such as data collection, activity logs, root cause analysis, etc. to show how the laboratory as a plan and system for correcting non-conforming work.



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QUESTIONS FOR CONSIDERATION:

- Does the laboratory have a quality management program including quality assurance and quality control processes and standards to ensure accurate, consistent reporting, research, activities, and services that support its validity?
- Can the laboratory identify non-conforming work and correct it in a timely manner?
- Can the laboratory produce valid, accurate, consistent results?

EQUIPMENT, CALIBRATION, AND MAINTENANCE

Laboratories must be able to define and control conditions, determine the appropriate equipment for use, establish maintenance requirements, and calibration procedures of equipment and instruments to ensure accuracy and consistency in their testing results.

1. EQUIPMENT

- Facilities and environmental conditions necessary for the laboratory activities should be documented, monitored, controlled, and recorded, including separation between areas with incompatible laboratory activities, or adverse influences, for example:
 - Separating natural from laboratory-grown workstations
 - Keeping light-sensitive environments separate
 - Cool temperatures for laser equipment that overheats
 - Separating client services from grading and evaluation services to avoid influence
 - Ensuring colour grading is performed prior to fluorescence assessment or testing that causes exposure to long or short-wave UV that that could impact colour grading results
- Require the lab to have all the appropriate equipment for the testing operations it provides and promotes, and require accuracy and sensitivity enough for the appropriate measurement.
- Establish minimum baseline criteria of equipment with tolerances or specifications, and include verification and calibration procedures.

Minimum Equipment

Gemmological laboratories and businesses that offer grading, identification or value appraisal services base their opinions on observance using technical equipment designed for these specific purposes. In order to assert expert opinion regarding grading, identification (including manufactured or lab-grown material) or value appraisal, the following categories of equipment are recommended as a minimum baseline based on the service.

Equipment must be shown to perform the required functions as intended for the particular service via manufacturer's documentation, the RJC Project Assure, or a demonstration of the equipment in the context of the report.

- For example, does the equipment collect the data intended for the report?



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Examples of equipment and operating conditions are noted below:

Lab-grown Diamond Grading

- Magnification to a minimum of 10x, with darkfield lighting up to 60x;
- Overhead light source for inspecting lab-grown diamond surfaces;
- Ability to quantitatively and/or qualitatively assess color including items such as master sets with calibrated environment, or colorimeter;
- Tools to hold and manipulate the lab-grown diamonds in a variety of positions for inspection such as tweezers, stone holders, pointer probes, and items to clean lab-grown diamonds for proper inspection such as stone cloths, swabs and soapy water, canned air, etc.;
- Means to document and track grading results, trials, and opinions;
- Equipment to observe and assess fluorescence reaction in long (365 nm) and short wave (254 nm) UV;
- A non-contact optical scanner for precision measurements;
- A regularly-calibrated precision balance up to three decimal points for weighing of loose lab-grown diamonds;
- Measurement gauges to measure length, width, depth of loose and mounted lab-grown diamonds in mm to two decimal places;
- Colour grading lamp with a colour temperature of 6,500 K;
- Ability to photograph and visually document samples.

Lab-grown coloured gemstone grading and identification

- Basic gemmological equipment including ability to measure refractive index, observe optic figure, observe fluorescence reactions in long and shortwave UV, determine doubly versus singly refractive materials, observe pleochroism, observe transmission and absorption spectra such as a spectroscope or spectrophotometer; microscope with minimum of 10x magnification and variety of lighting to observe internal and external features of gemstone;
- Ability to visually observe colour zoning and diffusion treatments
- Ability to accurately and reliably identify gemstone variety, species, family as applicable;
- If Raman is being used to identify materials or inclusions, an updated reference library of spectra;
- A regularly calibrated precision balance up to three decimal points for weighing of loose lab-grown gemstones;
- Measurement gauges to measure length, width, depth of loose and mounted lab-grown diamonds in mm to two decimal places;
- Ability to quantitatively determine the specific gravity of a sample; colour grading lamp with a colour temperature of 6,500 K;
- Ability to photograph and visually document samples;
- Ability to analyse and quantify chemical composition of sample.



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Treatment and growth of identification (lab-grown diamonds)

- Ability to observe and quantify lab-grown diamond type;
- Ability to observe photoluminescence spectra at room temperature and when cooled to -196°C;
- Ability to observe ultra-shortwave fluorescence growth patterning;
- Screening devices that readily separate natural vs laboratory-grown diamond;
- Ability to characterise Raman or photoluminescence spectra.

Mounted lab-grown diamond analysis

In addition to equipment listed for lab-grown diamond grading:

- At minimum, screening equipment to determine natural versus laboratory grown versus simulants;
- Equipment to visually inspect jewellery at minimum 10x;
- Ability to screen for natural versus laboratory-grown diamonds;
- Ability to identify HPHT processed lab-grown diamonds;
- Ability to observe ultra-short wave fluorescence patterning.

Mounted lab-grown gemstone analysis

In addition to equipment listed for lab-grown coloured gemstone grading and identification:

- Equipment to visually inspect jewellery at minimum 10x;
- Appropriate equipment to identify enhancements, lab-grown materials, and simulants for the particular material type while overcoming the limitations of testing mounted goods
- Establish and document internal records of the handling, transport, storage, use, calibration, and scheduled maintenance of equipment. For example, are there records and practices for:
 - Cleaning master stones
 - Calibrating light sources
 - Calibrating peaks on spectrometers
 - Maintenance records and calibration records for equipment that collects measurements such as non-contact optical scanners and electronic balances
 - Scheduled maintenance on microscopes and user protocols for cleaning oculars, lenses, checking bulb intensity, and calibrating magnification to eyesight
 - Are reference libraries, master sets, reference materials, photo libraries updated with an accompanying changelog?



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QUESTIONS FOR CONSIDERATION:

- Does the laboratory have and use the equipment necessary for the reports and services it is producing, so the information is presented accurately and in a way that protects the end-user?
- Does the laboratory have and use the minimum viable equipment to make conclusions within a reasonable degree of error, and can identify that degree of error?
- Does the laboratory have and use the equipment in line with best practice for that assessment or service?

2. CALIBRATION

- Have a calibration and verification cycle for each instrument per international or traceable standards if applicable, including a plan for initial and routine calibration which is continually reviewed and adjusted.
- Define verification materials for equipment calibration, and consider the use of NIST standard reference materials when applicable, or use agreed on methods or consensus standards.
- Implement processes that ensure internally consistent measurements and results.
- Have requirements for metrological traceability which are appropriate for the instrument, retain and update records in for the individual instrument, document any reference values or correction factors, and retain metrology staffing.
- Identify software or programming that may introduce error into results and ensure calibration.
 - For example, consider whether reference libraries for origin determinations or peak fitting have a minimum accuracy or sample size to be considered an accurate and comprehensive data reference.
- Demonstrate nonconforming work protocols.
 - Remove equipment from production and back trace any results from that piece of equipment from the point failure was identified.

QUESTIONS FOR CONSIDERATION:

- Does the laboratory have calibration practices in place that ensure the equipment is operating accurately, and that any discrepancies in equipment can be traced, and fixed?
- Are documents maintained throughout the lifecycle of each piece of equipment?



INTRODUCTION	GENERAL REQUIREMENTS	RESPONSIBLE SUPPLY CHAINS AND HUMAN RIGHTS	LABOUR RIGHTS AND WORKING CONDITIONS	HEALTH, SAFETY AND ENVIRONMENT	LABORATORY GROWN MATERIAL PRODUCTS
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LGMS 28 Grading, analysis and appraisal

LGMS 28.2: SYSTEMS TO ENSURE CONSISTENCY

Members that generate reports on grading, research, analysis, and appraisal shall:

- a. Maintain and employ the minimum baseline technological equipment required to produce the reports offered.
- b. Have *systems* in place, based on scientific methodology, that are sufficiently thorough and comprehensive to produce valid and reproducible results, and have management *systems* in place to ensure both the quality and the independence of the analysis and reports produced.
- c. Establish necessary additional quality control and assurance *systems* (including sufficient data collection and timely calibration and verification *systems* for testing equipment employed) and a robust COC program for products in their possession to ensure necessary segregation of products while in their possession.
- d. Ensure client anonymity during the testing *process* is maintained.

Actions to be taken:

- Establish documented systems and procedures to ensure you can maintain a consistent approach to grading, research, analysis and/or appraisal. These should:
 - be based on scientific methodology and, where applicable, appropriate verifiable standards (see below); and
 - include a quality control and quality assurance process to ensure results are consistent with the applied standards (see Tables 39 and 30).
 - Explain whether or not your assessment includes the detection of natural stones, lab-grown materials or enhanced lab-grown materials;
 - State whether testing has been carried out on all stones covered by the report, or only on a sample of them; and
- Note that you will have to show that these systems and procedures are in place during your RJC audit.
- Members who issue grading, research, analysis, or appraisal reports shall have systems in place ensure that the latest scientific methodology is employed. This standard requires the member to not only have the necessary and required technical and scientific equipment and to perform necessary calibrations, but also to design and document appropriate systems governing methodology and use of the processes employing the scientific equipment. It also requires the design and documentation of robust chain of custody and client anonymity processes during the testing process.
- The LGMS does not aim to provide detailed standards for appraisers of jewellery products. If you generate independent appraisal reports, do so in accordance with applicable law and professional standards. Most jurisdictions where RJC members operate have national professional organisations that provide codes of conduct and minimum standards for appraisal or valuation service provision.
- Define and document validation criteria (selecting, verifying, and validating methods used in testing) and consider standardising protocols for testing with appropriate instrumentation.



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- Establish minimum required tests for data or information reported on and determine minimum equipment or test methods (See CIBJO Gemmological Laboratory Blue Book, 6.1).
- Establish minimum requirements for specimen and data collection protocols to ensure valid coherent data and appropriate statistical methods.
- Technical requirements focusing on any process-related factors that impact the flow of goods through the lab, validity, and reliability of testing, grading, or reporting of results.
- Establish procedures for tracing and recording the chain of custody of goods while in the possession of the laboratory.
- Reports issued by a laboratory should have a unique identifier (for example, number sequence, alphanumeric sequence, QR code, barcode, etc.) that can be referenced and tracked by the laboratory.
- Document the quality management system, including process SOPs, record control, internal audits, policy statements, instruction manuals, calibration tables, client communications, etc. and ensure they are updated and available for use.
 - See ISO/IEC 17025:2017(E) 8.2, 8.3, 8.4, CIBJO Official Gemmological Laboratory Book, 4.10

QUESTIONS FOR CONSIDERATION:

- Does the laboratory have a comprehensive standard operating procedure (SOP) for each process?
- Are documents available at the point of work maintained, accurate, and secure?
- Require record keeping, sampling, and handling of test item processes including movement and security and anonymity of client except for those in a “need to know” role.
 - For example: ensuring the known location of goods at any point in the process, who has interacted with those goods, how the security of the goods is maintained, how items are transported through the process.
 - For example: ensuring any personnel with a client-facing role does not have access to information where grading results can be modified or ensuring grading personnel do not know the identity of the client whose goods they are working on.

QUESTIONS FOR CONSIDERATION:

- Does the laboratory have a process for managing all forms of information, including QC test results, maintenance reports, and other data in a way that ensures the information is secure, accurate, confidential, and accessible to the individuals with the right roles?
- Do the staff have a full understanding of their function and how to accomplish their tasks within the process with expertise and integrity associated with their role?



LGMS 28 Grading, analysis and appraisal

LGMS 28.3: DETECTION OF LABORATORY GROWN ORIGIN

Members that generate *grading* and/or *analysis reports* shall identify whether the assessment included verification of natural or lab-grown growth origin, and whether this has been carried out for all stones.

Actions to be taken:

- Lab-grown material grading and analysis reports generally identify stones as natural, treated or lab-grown. However, this is not always the case, for example if laboratories only test the most valuable stones or only test on request.
- Members that generate grading and/or analysis reports are required to state on the reports issued whether detection of natural materials are part of the assessment and whether this has been carried out for all stones.
- If you generate independent grading or analysis reports or, put systems in place to ensure proper disclosure. In particular, your reports and analyses should:
 - explain whether or not your assessment includes the detection of lab-grown materials;
 - state whether testing has been carried out on all lab-grown materials covered by the report, or only on a sample of them; and

LGMS 28.4: PURPOSE OF REPORT

Members that generate reports assessing monetary value based on expert opinion shall identify the person or *entity* that has requested the report and provide a statement of the purpose for which the report was sought. Such members shall ensure that appropriate client confidentiality and *conflict of interest* policies are in place.

Actions to be taken:

- This provision applies to circumstances where consumers are offered a grading or analysis report or appraisal report as part of the sale of a jewellery product.
- This provision describes the elements required in a report that assess monetary value of jewellery products. It also requires disclosure of any potential or actual conflicts-of interest and requires the maintenance of client confidentiality.
- Reports with opinion on the monetary value of jewellery items are commonly called appraisal reports by industry (though some trade members may use the term 'appraisal' to mean an assessment of the quality or condition of the item). Be clear whether your report includes an opinion on monetary value or not.
- If you generate independent appraisal (or valuation) reports for end consumers, include the name of the consumer to whom the report is given and a statement of the purpose of the appraisal or valuation.
- If you generate independent reports, or gemmological laboratory reports, you do not have to disclose your client's name. Make sure every report is signed by the appraiser.



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LGMS 28.5: DISCLOSURE OF ANY VESTED INTEREST BY ISSUERS OF REPORTS

Members that offer *grading reports*, analysis and/or *geographical place-of-origin reports*, or monetary value reports shall disclose their relationship, if any, to the seller of the item, and any relevant vested interests held by the grader, analyst or appraiser or organisation in the sale of the jewellery product; describe the grading system employed; and provide disclaimers or limitations on liability and any other specific information pertaining to the report. Such information shall be in plain language and readily accessible.

Actions to be taken:

- This provision applies to circumstances where consumers are offered a grading or analysis report or appraisal report as part of the sale of a jewellery product.
- Establish policies and procedures to ensure proper disclosure of vested interests in the relevant report.
- You will have a vested interest in a product if the content of your report gives you any opportunity for direct or indirect commercial or financial gain. For example, if you have generated the report rather than an independent third party, you must disclose this to the end consumer.

REPORT DISCLOSURES

- The laboratory is responsible for all the information provided on the grading report and must clearly disclose any attributes not directly assessed by the laboratory.
- Items that receive a grading report must be physically examined by the laboratory or otherwise disclosed.
- Require disclosure of all detectable unstable or non-permanent enhancements/assembly/synthesis and disclose results as they relate to items tested.
- If unstable or non-permanent enhancements are not detectable but have an impact on the value of the stone, require an "undetermined" designation or related disclosure.
- Require disclosure of items not tested given limiting factors such as stone size, mounting precluding testing, etc.
- Separate disclosure requirements for natural diamonds, lab-grown diamonds, and coloured gemstones should be outlined. All should be disclosed using proper guideline terminology and follow any regulatory requirements.
 - Diamonds should be specified as natural or lab-grown.
 - Lab-grown materials should be disclosed using proper guideline terminology, with consideration for regulatory requirements or guidelines (such as the FTC Guides in the US).
 - Lab-grown material reports should be visually differentiated from natural diamond reports to avoid consumer confusion.
- Require internal terminology and definitions for reporting of treatments, enhancements, including when and how they are disclosed.



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CLIENT DISCLOSURES

- Include confidentiality policies where client results and information are kept private.

QUESTIONS FOR CONSIDERATION:

- Does the laboratory properly disclose the nature of the materials analysed, graded, or reported on according to accepted terminology and regulatory guidelines (if applicable)?
- Does the laboratory disclose all information required, and withhold no information needed for a user of the report, or service to make a fully informed decision?
- Does the laboratory have policies to protect private information to prevent disclosure?

IMPARTIALITY

- A relationship that threatens the impartiality of the laboratory can be based on ownership, governance, management, personnel, shared resources, finances, contracts, marketing (including branding), and payment of a sales commission, preferential pricing, or other inducement for the referral of new customers, etc.
- Implementation of conflict-of-interest policies that disclose or disallow commercial, financial, or other relationships that could compromise integrity of results
 - Client agreement forms outlining business practices and acceptable client/laboratory communications, relationships, gifting, etc.
- Maintain, establish, and document integrity procedures of laboratory processes including anonymity of clients, and appropriate separations between client services, management, sales, and grading/testing services
- Reports, service, or product pricing is free of bias
 - For example, lab-grown diamonds are graded based on objective criteria such as carat weight, or number of diamonds submitted, not subjective factors such as colour, clarity, or cut
- Ownership: A parent company has a clear separation in operations and activities from a subsidiary responsible for grading, assessment, testing, and other results, products, and services, and any parent-subsidiary relationship is disclosed

QUESTIONS FOR CONSIDERATION:

- Does the laboratory provide impartial, third-party assessment free of influence?
- Does the laboratory produce reports, products, and services that uphold the integrity of the jewellery industry and protect the jewellery buyer?



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CHECK

- If you generate independent grading or analysis reports, do you include an explanation of whether or not the assessment includes the detection of synthetics and/or treatments?
- If you generate independent reports with opinion on monetary value for end consumers, do you identify the consumer for whom the report is prepared and the purpose of the appraisal in your reports?
- If you generate grading or analysis reports or appraisal reports for end consumers that might be construed as independent, and you actually have a vested interest in the sale of the product(s), this must be disclosed.

E FURTHER INFORMATION

WEBSITES

- [The Appraisal Foundation](#)
- [European Commission, Misleading and Comparative Advertising Directive](#)
- [Government of Canada, Competition Bureau Canada](#)
- [International Society of Appraisers \(ISA\)](#)
- [International Valuation Standards Council](#)
- [SO 18323:2015 Jewellery – Consumer confidence in the diamond industry](#)
- [Jewelers of America US](#)

PUBLICATIONS

- [The Appraisal Foundation, 2016–2017 Uniform Standards of Professional Appraisal Practice \(2016\)](#)
- [CIBJO, Blue Books](#)
- [FTC, Guides for the Jewelry, Precious Metals, and Pewter Industries \(2018\)](#)



**THE COUNCIL FOR RESPONSIBLE JEWELLERY
PRACTICES LTD.**

3rd Floor, 2-3 Hind House,
London, EC4A 3DL.

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