



RJC Supply Chains Guidance – 25 March 2022

Introduction

Due to recent global events, the RJC provides this overview for members to support them in the actions that need to be taken, ensuring that they are not engaging with - directly or indirectly - or contributing to significant risks.

This guidance will provide an overview of relevant COP provisions that members should consider when reviewing their business operations. These include legal compliance under COP 1, Human Rights due diligence under COP 6, supply chain due diligence under COP 7 and KYC (Know Your Counterparty) under COP 12. Whilst other COP provisions may also need to be considered, this guidance provides a summary of those that should be prioritised. Further detail and information is available in the [COP guidance document](#) and supporting pages on the [RJC website](#).

This is a live document and will be subject to change. Please ensure you have the latest version. Updated versions will be available on the RJC website.

Summary

Members of the RJC should be assessing their contribution, either directly, indirectly or linked to Human Rights abuses, conflict, financing of conflict and legal compliance. It is important to consider these risks across all of your supply chains: gold, silver, platinum group metals, diamonds and coloured gemstones. Whilst other materials may be outside the scope of RJC, we highly recommend you conduct the same actions on these supply chains and business partners as well.

Legal compliance – ensure you are compliant with any sanctions, and updated, new or revised legislation in the jurisdictions in which you operate.

Human Rights – conduct (or review) your Human Rights due diligence on your supply chain, business partners, customers, and suppliers. Compliance with COP 6 requires you to **commit to and implement** the United Nations Guiding Principles on Business and Human Rights.

Supply chain due diligence - conduct (or review) your supply chain due diligence on your business partners, customers, and suppliers. Obtain as much information as possible on the origin of the product or materials you are buying, trading, or handling. Refer to risk mapping/guidance sources to verify the risks associated with the country of origin and its transportation routes (some links provided below). If your data collection raises any risks, red-flag risks or information that needs further investigation, ensure you **suspend any further transactions** until these risks have been investigated and responded to appropriately.

OECD recommends that the appropriate response for: “Serious abuses associated with the extraction, trade and transport of minerals” is to **Immediately suspend or disengage from suppliers**. It does state to “mitigate where possible” **but if mitigation is not feasible then members should consider immediate suspension or disengagement**.

KYC Know Your Counterparty – Verify or review the KYC records you hold for your business partners, suppliers, customers or other significant stakeholders; this includes beneficial ownership. Consult sanctions lists for individuals, organisations, and governmental institutions throughout as many of your supply chain and business partner companies as possible. The results of this action should be incorporated into your risk assessments for Human Rights and supply chain due diligence.

COP Provisions:

COP 1: legal compliance – “Members shall have systems in place that maintain awareness of, and ensure compliance with, applicable law.”

Members are required to follow any government/international legislation requiring the sourcing of materials that are directly/indirectly contributing to conflict or having business relationships with companies that are directly/indirectly related to conflict or Human Rights abuses.

Use your legal register to assess current legal obligations and ensure compliance against any existing or updated legal requirements.

If members rely on external legal support, contact them asking to ensure that you and your business operations are not subject to any additional requirements and if you are, ensure you are complying with these requirements.

Checklist:

- Has your government or any government in jurisdictions in which you operate placed any sanctions, restrictions, or additional legislation that would require you to review your business operations?
- If government(s) have placed sanctions, restrictions, or additional legislation, have you assessed the impact on your operations?
- Ensure you have documented the legal review conducted, with outcomes and next steps.
- Document the actions taken as per the outcome of the legal review. When undergoing your next COP audit, you will need to demonstrate to the auditor what actions, steps and on-going procedures were taken to ensure legal compliance.

Resources:

- Check your government bodies for applicable legislation, sanctions, and requirements.
 - Check with trade associations for guidance provided on legal compliance, such as [JVC](#) (US jurisdiction).
 - Review international databases such as ILO’s [NATLEX](#) which is a database of national labour, social security and related Human Rights legislation.
 - RJC provides a risk assessment toolkit that can be used to demonstrate the work done to ensure legal compliance: [toolkit](#)
- EU -- <https://www.consilium.europa.eu/en/policies/sanctions/restrictive-measures-ukraine-crisis/>
UK -- <https://www.gov.uk/government/collections/uk-sanctions-on-russia> & [24 March 2022 Update](#)
US -- <https://home.treasury.gov/policy-issues/financial-sanctions/sanctions->

[programs-and-country-information/russian-harmful-foreign-activities-sanctions & https://home.treasury.gov/policy-issues/financial-sanctions/faq/added/2022-03-11](https://home.treasury.gov/policy-issues/financial-sanctions/faq/added/2022-03-11)
Canada -- <https://laws-lois.justice.gc.ca/eng/acts/s-14.5/index.html>
Switzerland -- <https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-87386.html>
Japan -- <https://www.mofa.go.jp/region/europe/russia/index.html>

COP 6: Human Rights - “Members shall respect human rights by considering all potential and actual impacts in their operations and business relationships. They shall also commit to, and implement, the UN Guiding Principles on Business and Human Rights as appropriate to their size and circumstances.”

COP 6: Human rights is a critical provision, therefore major non-conformances will block you obtaining RJC (re-)certification.

Any member found to be sourcing from companies that are directly or indirectly linked to human rights abuses will be issued with non-conformances on COP 6 and subject to suspension or possible removal from RJC membership. **Links to Human Rights abuses can be directly or indirectly linked to business relationships, even those being conducted by a business partner’s beneficial owner.** Members must seriously consider within their risk assessment their ability to mitigate the risks and, if unable to mitigate, must consider their links to the human rights abuses within their business operations.

Under COP 6.1B – “[...] members shall: **Have a human rights due diligence process to identify, prevent, mitigate and account for adverse human rights impacts that are connected to their business.**” - Member should review their due diligence for Human Rights, both internally and throughout their supply chains. Members should seek information from suppliers regarding Human Rights and how they, their supply chain or their supply chain business relationships are reviewing and assessing their work on Human Rights risks.

The definitions of involvement in Human Rights abuse:

- **Cause** - A company is a necessary and sufficient actor for the harm to occur.
- **Contribution** - A company exacerbates the harm, but is not a sufficient actor for it to occur.
- **Linkage** - A company is linked to harm, but the harm would have been just as severe without it.

Checklist:

- Have you conducted or reviewed your due diligence on Human Rights for your business partners and supply chain with regards to Human Rights abuses?
- If you have conducted due diligence and have identified possible Human Rights abuses, either directly, indirectly or linked, have you conducted enhanced due diligence to confirm the occurrence of Human Rights abuses?
- Ensure you have documented the due diligence conducted, with outcomes and next steps.

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- Document the actions taken as per the outcome of the due diligence. When undergoing your next COP audit, you will need to demonstrate to the auditor what actions, steps and on-going procedures were taken so that you are not contributing to Human Rights abuses.

Resources:

- [Human Rights Watch Country Report](#) provides an overview of risks.
- US State Department provides a global country report on [Human Rights](#).
- RJC provides a Human Rights due diligence toolkit that can be used to demonstrate the work done to ensure legal compliance: [toolkit](#).
- UNGP on Business and Human rights provides additional tools and resources to provide guidance on what steps you should be taking: [here](#).

COP 7: Due diligence for responsible sourcing from conflict-affected and high-risk areas – “Members in the gold, silver, PGM, diamonds and coloured gemstones supply chain shall exercise due diligence over their supply chains in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (the ‘OECD Guidance’) or other auditable due diligence frameworks recognised by the RJC to be aligned with the OECD Guidance (‘RJC-recognised due diligence frameworks’), in ways appropriate to their size and circumstances.”

COP 7: Supply chain due diligence is a critical provision, therefore major non-conformances will block you obtaining RJC (re-)certification.

Members in the diamond and coloured gemstones supply chain should engage with their first-tier supply to obtain country of origin information on the materials that they are purchasing. For their precious metal supply chain, they must trace their supply chain back to a refiner and verify that they have collected the material in compliance with OECD. With the collected information, members must conduct due diligence risk assessments in a similar way to that of Human Rights (see above). Members must assess the information on the material origins to see whether certain risks are present. Those risks are (at a minimum) to align with Annex II risks as specified by OECD.

CAHRAs and Annex II risks

These risks are:

1. Serious abuses **associated** with the extraction, transport or **trade of minerals**. This includes but is not limited to:
 - any forms of torture, cruel, inhuman and degrading treatment;
 - any forms of forced or compulsory labour;
 - the worst forms of child labour;
 - other gross human rights violations and abuses such as widespread sexual violence;
 and;
 - **war crimes or other serious violations of international humanitarian law, crimes against humanity or genocide.**
2. Direct or indirect support to non-state armed groups.
3. Direct or indirect support to public or private security forces who illegally control, tax or extort money from mine sites, transportation routes and upstream actors.
4. Bribery and fraudulent misrepresentation of the origin of minerals.
5. Money laundering and non-payment of taxes and royalties due to governments.

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OECD recommends that the appropriate response for: “Serious abuses associated with the extraction, trade and transport of minerals” is to “**Immediately suspend or disengage from suppliers**”. It does state to “mitigate where possible” but if mitigation is not feasible, then members should consider immediately suspending or disengaging.

Checklist:

- Have you conducted or reviewed your due diligence on your supply chain in alignment with OECD?
- Have you conducted due diligence and identified possible risks (at a minimum) identified in Annex II?
- Ensure you have documented the due diligence conducted, with outcomes and next steps.
- Document the actions taken as per the outcome of the due diligence. When undergoing your next COP audit, you will need to demonstrate to the auditor what actions, steps and on-going procedures have been enacted.

Resources:

- [Heidelberg Conflict Barometer](#) provides analysis of the most recent global conflict events.
- [Crisis watch](#) interactive map indicates state of play in most significant global situations of conflict/potential conflict.
- The RJC provides a supply chain due diligence toolkit that can be used to demonstrate the work done to ensure legal compliance: [toolkit](#).

COP 12 – KYC: Know Your Counterparty Policy and Procedures

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

- a. Establish the identity of the counterparty by checking government-issued identification. Where triggered by a risk assessment or applicable law, establish the beneficial ownership and principals of the counterparty.
- b. **Verify that the counterparty and, if applicable, their beneficial owners are not named on relevant government lists for individuals or organisations implicated in money laundering, fraud or involvement with prohibited organisations and/or those financing conflict.**

In alignment with COP 1, 6 & 7 members should take into review their supply chain partners and conduct KYC on these. Ensure that your suppliers and their beneficial owners do not present a significant risk to your business.

KYC procedures should enable you to identify all the suppliers and customers of gold, silver, PGM, diamonds, coloured gemstones 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. **Under current circumstances members must conduct KYC on beneficial owners.** 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). – If you're aware that beneficial owners do create a risk, ensure that this risk is considered amongst your review of COP 1,6,7.**
- Shareholders.
- Board of directors.
- Management structure.
- **Government, military or political affiliations.**
- Financial information.
- Copies of relevant policies (that is, KYC policy, supply chain policy).

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.

Checklist:

- Have you conducted or reviewed your KYC on your supply chain and business partners?
- If you have conducted KYC, have you verified their identity and that of beneficial owners?
- Ensure you have documented the KYC conducted, with outcomes and next steps.
- Document the actions taken as per the outcome of the KYC. When undergoing your next COP audit, you will need to demonstrate to the auditor what actions, steps and on-going procedures have been enacted.

Resources:

- US Department of the Treasury – [Office of Foreign Assets Control](#) provides a sanctions programme and information.
- [FATF](#) - The Financial Action Task Force (FATF) is the global money laundering and terrorist financing watchdog. Review their recommendations and most recent plenary session in March 2022.

Version history

Version number	Release date	Notes
1.3	25 March 2022	Includes additional link to UK sanctions
1.2	14 March 2022	Includes additional link to US sanctions
1.1	11 March 2022	Includes guidance for compliance with COP1,6,7,12

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