RJC and Fairmined combined audit pilot project:

reducing the burden of audits

Introduction

Responsible sourcing and supply chains are increasingly important issues for businesses in the jewellery industry. While the average consumer may not appear to be factoring supply chain questions into their jewellery purchasing, the stakeholder and mainstream media focus on gold continues. Whether you are a mining company at the start of the supply chain, or a retailer delivering a jewellery piece to a consumer, or somewhere in the middle, the risks and issues of poor practice are increasingly shared by all. That is why several initiatives have been developed to help businesses make their supply chains more transparent and responsible, such as the Responsible Jewellery Council (RJC) and Fairmined.

The RJC launched its Chain-of-Custody (CoC) certification in 2012 to support businesses who wish to provide independent assurance to customers and stakeholders that their gold is traceable from responsible sources, which comply with rigorous environmental, labour and ethical standards such as the RJC Code of Practices (COP). The Alliance for Responsible Mining's (ARM) Fairmined Standard certifies gold and associated precious metals from responsible artisanal and small-scale mining (ASM) organisations and helps to deliver this Fairmined certified gold to the market, providing confidence in the practices at the mine and contributing to the further integration of ASM into the formal economy.

The assurance systems of both RJC and ARM require companies to undergo regular third party audits to validate compliance with their respective standards. However, companies participating in various supply chain initiatives often struggle under the audit burden, potentially leading to audit fatigue.

Background

ARM and RJC signed a Memorandum of Understanding (MOU) in 2011 outlining their collaboration to advance shared objectives of improving ASM practices, and enhancing relationships between large-scale mining and ASM to increase market access for ASM gold. Then, in September 2014, the RJC formally recognised the Fairmined Standard, enabling gold produced by Fairmined certified ASM organisations to be traded as CoC material.

The MOU was renewed in 2016, with the joint commitment to promote and facilitate responsible precious metals supply chains, and to continue working together to ensure their standards and assurance models are mutually supportive.

In response to the industry's demand for harmonisation of standards and reduction of audit burden, ARM and RJC committed to greater alignment of their assurance systems to allow for combined

Fairmined and CoC audits. Such measures also help to reduce barriers towards more responsible supply chains, and facilitates engagement with ASM.

Solution of joint audit

Soon after renewing the MOU, ARM and RJC launched the pilot combined Fairmined and CoC audit project in 2016, with the objective of reducing audit burden, without compromising the quality and rigour of the audit process. As a first step, interested companies whose audits were due in 2016 were identified and consulted about the project. Swiss-based precious metals refiner Metalor Technologies SA, an RJC member since 2006 and a Fairmined Supplier since 2014, was selected to participate in the pilot.

To facilitate the delivery of the combined audit, ARM and RJC:

- o Increased the number of audit companies and auditors who are accredited to deliver both types of audits.
- o Updated ARMs workbook to align with RJC's CoC self-assessment workbook to enhance usability and streamline the assessment process.
- o Conducted a review of their respective standards to identify commonalities and shared requirements and provided a reference document to the auditors highlighting these areas.

The collaborative actions between RJC and ARM to facilitate the process, the welcomed participation of Metalor Technologies SA, and the rigour of UL Responsible Sourcing during the audit planning and delivery phases were key drivers in the pilot project and resulted in the successful completion of the combined audit in October 2016 at Metalor Technologies SA's refining facility in Marin, Switzerland.

Outcomes and Lessons learnt

From the perspective of the company - Metalor Technologies SA:

We participated in the combined audit process, as we see this as a step in the right direction for the collaboration between RJC and ARM as there are a lot of synergies between the Fairmined and CoC systems. This approach enabled us to schedule all the audit activities during one period, thus reducing audit burden in terms of time and costs, and decreasing disruption to normal business activities. This was particularly important for some of our departments, such as sales, where employees are not office based and travel frequently. We strongly support the combined audit approach for consistency and efficiency purposes, and will continue with this approach for future audits.

'"Today, as a result of its continuous effort and after this combined audit, Metalor Technologies SA is proud to be the very first RJC member and Fairmined Supplier to have successfully achieved the demanding requirements set by RJC and Fairmined standards"

Jose Camino, Group General Counsel, Metalor

From the perspective of the auditor - UL Responsible Sourcing:

Metalor Technologies SA has one management system for gold sourcing and processing which covers the requirements of both standards, therefore our auditors were able to simultaneously verify compliance with the requirements of the standards which are common. Efficiencies in the auditing process were realised by conducting one site tour and a single interview session and document review with key departments to cover topics from both standards. The combined audit resulted in reduced audit costs compared with conducting two separate audits, resulting in travel and expenses being reduced by 50%. The training, materials and tools provided by RJC and ARM, and good planning were key to the success of the audit delivery.

"UL is committed to further pioneering harmonization and realizing efficiencies within responsible sourcing auditing and consulting as a partner to the global jewellery industry. Recently UL had the pleasure to conduct the first ARM and RJC combined audit and integrated the requirements of both initiatives. Although RJC and Fairmined have different processes, different operating methods and different areas of research, they both pursue a common goal, that is to ensure an ethical development: in this perspective we might say that RJC and Fairmined complement each other. "

UL Consumer and Retail Services Responsible Sourcing and Jewellery Team

ARM and RJC are very appreciative of the interest and willingness of the actors involved in the first combined audit pilot and pleased with the results achieved and the benefits gained from the process. Both organisations will continue to collaborate to identify further opportunities to harmonise and improve the delivery and efficiency of combined audits. ARM and RJC encourage other companies and auditors who are interested in combined audits, or who would like to learn more about it, to get in contact:

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ARM: cert@responsiblemines.org, +57 3324711, www.fairmined.org

ABOUT THE RESPONSIBLE JEWELLERY COUNCIL (RJC)

The Responsible Jewellery Council is an international not-for-profit standards and certification organisation. It has more than 940 Member companies that span the jewellery supply chain from mine to retail. RJC Members commit to and are independently audited against the RJC Code of Practices – an international standard on responsible business practices for diamonds, gold and platinum group metals. The Code of Practices addresses human rights, labour rights, environmental impact, mining practices, product disclosure and many more important topics in the jewellery supply chain. RJC also works with multi-stakeholder initiatives on responsible sourcing and supply chain due diligence. The RJC's Chain-of-Custody Certification for precious metals supports these initiatives and can be used as a tool to deliver broader Member and stakeholder benefit. The RJC is a Full Member of the ISEAL Alliance – the global association for sustainability standards. For more information on RJC Members, Certification, and Standards please visit www.responsiblejewellery.com

ABOUT THE ALLIANCE FOR RESPONSIBLE MINING (ARM)

The Alliance for Responsible Mining, originated in 2004, is a global initiative with the aim of transforming artisanal and small-scale mining into a socially and environmentally responsible activity to improve the quality of life of the artisanal and small-scale miners, their families and communities. ARM's work is focused on four strategic areas: Assisting miners on the ground, developing standards and certification systems, building responsible supply chains and markets and promoting inclusive policies in the mining sector. ARM developed the Fairmined Standard to support the sustainable development of artisanal and small-scale mining and facilitate its access to just supply chains and international markets. Fairmined transforms mining into an active force for good, ensuring social development and environmental protection, providing everyone with a source of gold they can be proud of. For more information on the Alliance for Responsible Mining and Fairmined visit www.responsiblemines.org or www.fairmined.org

ABOUT METALOR TECHNOLOGIES SA

Since its creation in 1852, Metalor has always been recognised by its worldwide business partners as an ethical and responsible precious metals company, and has become the world's largest multiple site refiner of gold. This would not have been possible without irreproachable business practices and a sustainable strong corporate ethic. Metalor's corporate culture has been founded upon honesty and integrity at all levels of the company, and we are determined to continue to be relentless in our effort to implement these values internally and externally. The Metalor Group is the leading precious metals company worldwide. The Group's core competencies are the refining,

management and transformation of precious metals, the supply of innovative surface treatment processes, powders and chemical products, and the manufacturing of silver alloys electrical contacts designed for electrical distribution, digital and analogue control, transports and electrical appliances. Metalor's primary objective is to create exceptional value for its customers, partners and shareholders, within a culture of performance, innovation, trust and respect. With subsidiaries all over the world, and more than 1,700 employees, the Metalor Group is present in Europe, the United States, South America and Asia. Metalor website: www.metalor.com

ABOUT UL RESPONSIBLE SOURCING

UL's Responsible Sourcing group provides auditing and advisory services in six areas of expertise: Social Responsibility and Accountability, Risk Identification and Management, Environmental Responsibility, Brand Protection and Supply Chain Security, Extractives and Raw Materials Sourcing, and Capacity-Building and Continuous Improvement. UL's Responsible Sourcing group endeavours to be the global leader in advancing sustainable business practices within supply chains, worldwide. We execute our mission through:

- Delivering auditing and advisory services that meet the evolving needs of the marketplace,
- Being a trusted advisor and thought-leader to clients and other stakeholders, and;
- Advancing UL's mission of "working hard for a safer world.

As the first social monitoring company of its kind, when it was founded as CSCC, UL's Responsible Sourcing group has to date provided auditing and advisory services to more than 500 retailers, brands, and suppliers in over 120 countries globally. UL was the first auditing firm to be accredited by the Responsible Jewellery Council (RJC) to conduct Verification Audits and can assist RJC members and potential RJC members throughout jewellery supply chains in becoming RJC certified. UL website: http://www.ul.com/