



POSITION PAPER on sustainable sourcing of minerals



The EFJ calls for the concerted and coherent implementation of the European regulation establishing a due diligence system for minerals supply. The Federation reiterates the need to build a support system for SMEs to help them adapt to the new EU framework.

Key points:

- ◆ The European Federation of Jewellery **welcomes the adoption** of the European regulation on a due diligence system for responsible sourcing of minerals as well as the Delegated Act setting the methodology and criteria for the assessment and recognition of voluntary due diligence schemes.
- ◆ The **alignment of the European legislation with the OECD framework** is of paramount importance for a simple and workable implementation as of the 1st of January 2021.
- ◆ SMEs, which are the backbone of the jewellery sector, **should be proactive and show their willingness to adapt to the new framework**. However, an appropriate support mechanism needs to be put in place to help them comply with the rules.
- ◆ The Federation is committed to **remaining fully involved** in the ongoing process designed to create the tools to support SMEs in the implementation.

The European Federation of Jewellery (EFJ) has always advocated ethical and responsible business conduct in the supply chain of the jewellery sector. **The EFJ therefore considers the adoption of the European regulation on a due diligence system for a responsible sourcing of minerals¹ as a step forward and advocates broad implementation by all actors provided they are duly supported.**

The jewellery sector is fragmented, and consists mainly of Small and Medium Sized Enterprises (SMEs). It is therefore important to draw inspiration from existing private and public certification schemes and to adopt a streamlined approach for appropriate enforcement of the regulation on all levels and branches.

In this regard, **the fact that the European Union (EU) opens up the possibility for private systems to be recognised as compliant with the European regulation is key**. This is notably the case of the Responsible Jewellery Council's (RJC)² Code of Practices and Chain of Custody Standard, which integrate the OECD³ guidelines into a special framework for companies to handle and trade gold and platinum-group metals in a way that is fully traceable and responsibly sourced. It should be stressed that the RJC has recently reinforced its

¹ **Regulation (EU) 2017/821 of the European Parliament and of the Council of 17 May 2017 laying down supply chain due diligence obligations for Union importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas:**
<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32017R0821>

² The Responsible Jewellery Council is a non-profit organisation bringing together over 1,100 companies in the jewellery sector. Its mission is to set standards on “responsible business practices for diamonds, gold, platinum group metals” and to certify their proper implementation by the member companies. To know more: <https://www.responsiblejewellery.com/>

³ Organisation for Economic Co-operation and Development.



activities by launching its renewed Code of Practices⁴, where the OECD's five-step framework on due diligence has been aligned with the diamond supply chain. Other systems, such as the London Bullion Market's (LBMA)⁵ responsible Gold Guidance, also implement the OECD gold delivery due diligence guidance to the "Good delivery refiners."

These existing due diligence schemes are largely inspired by the OECD framework, and **the EFJ considers as positive the fact that the European regulation and the Delegated Act 2019/429⁶ align with the OECD system.** The Federation is particularly satisfied with the uniform approach adopted regarding the criteria and methodology to assess voluntary supply chain due diligence schemes which pursue the same objectives as the European regulation. The equivalence criteria put in place by the EU will allow companies which comply with another due diligence model to obtain a certificate of equivalence. The EFJ also welcomes the future collaboration between the European Commission and the OECD services regarding reports that will seek to assess whether the private scheme fulfils the conditions for public recognition. The alignment between the EU and the OECD system will strengthen the coherence and will ease the steps of the private operators. **However, the EFJ will remain vigilant that the implementation of the EU regulation is smooth, understandable, practicable and will not lead to administrative burden for companies. Furthermore, it is essential to protect an equal level playing field.**

Moreover, the EFJ hereby reaffirms its commitment to continue to be fully involved in the ongoing process regarding the creation of tools to help SMEs reach the objectives set in the regulation. As the jewellery sector is mainly comprised of SMEs, the current 100kg threshold set by the EU legislation on gold imports, above which the mineral must be traced, means that **most companies fall outside of the scope of the current regulation. However, the EFJ thinks that all the actors in the jewellery sector should be proactive and should have compliance with the rules as a medium-term objective.** To accompany the sector in this venture, it is essential to **put in place solid support measures.** The **EFJ is therefore happy to be a member of the Advisory Board set up by the European Commission** to provide input to the project aiming at creating an online tool to help SMEs implement the due diligence system. This tool will be launched in November 2019.

The EFJ is also convinced that the **EU should rely on the numerous actors of the sector**, and especially the professional associations in each country. They can play a key role in disseminating the information and answering questions. In turn, it would also allow the European Commission to have active and productive feedback from the jewellery sector, which will eventually lead to adequate and carefully-studied measures being taken. A proactive and collaborative approach between governments and industry has already proven to be very constructive, efficient and successful in the process of the renewal of the RJC Code

⁴ For further information: <https://www.responsiblejewellery.com/files/FINAL-New-RJC-Code-of-Practices-announcement-23.04.19.pdf>

⁵ The London Bullion Market is a wholesale over-the-counter market for precious metals. To know more: <http://www.lbma.org.uk/>

⁶ Commission Delegated Regulation (EU) 2019/429 of 11 January 2019 supplementing Regulation (EU) 2017/821 of the European Parliament and of the Council as regards the methodology and criteria for the assessment and recognition of supply chain due diligence schemes concerning tin, tantalum, tungsten and gold: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R0429&rid=1>

of Practices and its subsequent implementation, and could serve as a blueprint for future similar undertakings in this respect.

Finally, the EFJ would like to urge the European Commission **to refrain from extending the scope of the European regulation on due diligence systems for minerals supply to diamonds** as the international trade in rough diamonds is already certified by the Kimberley Process Certification Scheme (KPCS). Although the EFJ recognises that more can be done to make the Kimberley Process stronger and more efficient, we believe that the system has also many strengths that cannot be underestimated. In addition to this regulatory framework, the worldwide diamond industry is proactive in ensuring responsible mineral sourcing through the implementation of several voluntary tools:

- ◆ The RJC's renewed Code of Practices where the OECD due diligence framework has been aligned with the diamond supply chain;
- ◆ The reinforced System of Warranties (SoW) of the World Diamond Council (WDC), a tool that supports the actors of the diamond industry in complying with the Kimberley Process Certification Scheme⁷ and requiring adhering parties to conduct a self-assessment to ascertain whether they meet universally-accepted principles on human and labour rights, anti-money laundering and anti-corruption.

Moreover, the EFJ would like to underline that the **diamond trade is highly competitive and internationally organised**. Hence, a unilateral application of the European regulation will put the EU diamond industry at a competitive disadvantage vis-à-vis its competitors, which are all located in third countries outside the EU. Furthermore, it should be considered that the diamond supply chain fundamentally differs from other mineral supply chains due to the non-uniform nature of the product. As Europe's strongest presence in the supply chain is to be found in the midstream, which characterises the uniqueness of the diamond supply chain, a unilateral application of EU Regulation **2017/821 on the diamond supply chain** would be detrimental to Europe's economic interests, but also to the sustainability standards the EU would aim to pursue in case industry players would decide to shift operations away from the EU. Since the EU, both at governmental level and industry level, has always been the forerunner of diamond transparency and sustainability initiatives, the extension of the scope of **EU Regulation 2017/821 to diamonds would likely have the opposite effect of the desired policy objective with regard to the global diamond value chain**.

⁷ In 2018, the WDC adopted the SoW Guidelines designed to help its members implement the SoW: <https://www.worlddiamondcouncil.org/downloads/WDC%20SoW%20Guidelines.pdf>



The EFJ was founded in 2013 by recognized national associations from Belgium, France, Italy and Portugal, which together represent over 60% of all jewellery items manufactured and distributed in Europe. The Federation aims notably at exchanging best practices, promoting the unique European know-how of the sector as well as developing a high level of education and research.

EFJ members:

- ◆ **UFBJOP** - Union Française de la Bijouterie, Joaillerie, Orfèvrerie, des Pierres et des Perles (France)
- ◆ **ARS NOBILIS** – Fédération Belge du Bijou et de la Montre (Belgium)
- ◆ **AORP** - Associação de Ourivesaria e Relojoaria de Portugal (Portugal)
- ◆ **FEDERORAFI** - Federazione Nazionale Orafi Argentieri Gioiellieri Fabbricanti (Italy)
- ◆ **AWDC** - Antwerp World Diamond Centre (Belgium)

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