

Responsible Source™ Standard for Gemstones

V1-0

Environmental Certification Services



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1. Introduction, Purpose, Intended Uses, and Structure

1.1 Introduction

The mining, processing (cutting and polishing), and distribution of gemstones and gemstone parcels, and the use of these gemstones in finished goods such as jewelry are associated with various environmental, social, ethical, and political impacts and implications.

SCS Global Services (SCS) recognizes that the best practices for managing these risks include the use of gemstones and gemstone parcels from verified post-consumer sources originating from the existing world inventory, the operation of distribution facilities in a manner that ensures safe and fair working conditions, and the implementation of procurement strategies that exclude corrupt or unethical business partners and unfair practices.

This document contains the requirements to determine those gemstones and gemstone parcels which may be deemed responsibly sourced under a certification titled “Responsible Source™ for Gemstones.” This document is designed to assess the conformance of distributors of gemstones and gemstone parcels whose business is the distribution of gemstones and gemstone parcels (including, but not limited to, a business, organization, or agency whose business is the purchase and sale of gemstones or gemstone jewelry, including brokers, retailers, and jewelry manufacturers), and applies specifically to distributors which are distinct entities distributing responsibly sourced gemstones. These requirements comprise the SCS Responsible Source™ Standard for Gemstones (hereafter referred to as “this Standard”), which applies to the entity (hereafter referred to as “the Entity”) distributing gemstones and gemstone parcels which may be certified as “Responsible Source™ for Gemstones.”

1.2 Purpose

This Standard describes the requirements for third-party substantiation of the claims asserted by gemstone distributors (whose business is buying and selling gemstones and gemstone jewelry, including, but not limited to, a business, organization, or agency whose business is the purchase and sale of gemstones or gemstone jewelry, including brokers, retailers, and jewelry manufacturers) selling responsibly sourced gemstones from post-consumer sources originating from the existing world inventory. It applies to gemstone-quality gemstones.

This Standard allows an entity to demonstrate that:

1. It mitigates the risk that qualifying gemstones and gemstone parcels come from unethical sources including:
 - Those dealing in conflict gemstones as defined by this Standard
 - Those using unfair or deceptive purchasing practices
 - Mining practices resulting in significant negative social and environmental impacts
2. It sources qualifying gemstones and gemstone parcels from ethical, post-consumer sources

3. It sources qualifying gemstones and gemstone parcels using fair purchasing practices as defined by this Standard
4. It engages in fair labor practices as defined by this Standard
5. It measures its environmental performance across key indicator categories
6. It meets the chain of custody requirements defined by this Standard

1.3 Intended Users

Intended users of this Standard are:

- Gemstone distributors (including businesses, organizations, or agencies), seeking third-party certification of responsibly sourced gemstones and gemstone parcels in conformance to the requirements of this Standard. Gemstone distributors include, but are not limited to, a business, organization, or agency whose business is the purchase and sale of gemstones or gemstone jewelry, including brokers, retailers, and jewelry manufacturers.
- Individuals, businesses, organizations, agencies, or consumers interested in conducting business with companies selling gemstones and gemstone parcels meeting the requirements of this Standard.
- Third-party certification bodies performing certification assessment of the conformance of qualifying gemstones and gemstone parcels to this Standard.

1.4 Structure of the Standard

This Standard provides the requirements for Entity and Facility practices that serve as the basis for claims regarding responsibly sourced gemstones from post-consumer sources. The structure of this Standard is as follows:

- A. General Requirements
 - i. Operations Requirements
 - ii. Legal Requirements.
- B. Procedure and Record-Keeping Requirements
 - i. Gemstone and Gemstone Parcel Handling Procedures
 - ii. Gemstone and Gemstone Parcel Record-Keeping Requirements
- C. Social and Ethical Requirements
 - i. Purchasing Requirements
 - ii. Workplace Requirements
- D. Environmental Requirements
 - i. Environmental Management Requirements
 - ii. Environmental Reporting
- E. Assessment of Environmental Performance
- F. Guidelines for Certification Assessment of Upstream Suppliers.
- G. Certification and Continued Conformance
 - i. Certification Validity

- ii. Continued Conformance
- H. Marketing Requirements
 - i. National Requirements
 - ii. SCS Requirements
- I. Complaints, Appeals, and Disputes

The term “shall” is used throughout this Standard to indicate mandatory requirements. The term “should” is used throughout this Standard to indicate preferred requirements. While many criteria explicitly denote record-keeping requirements, for all “shall” criteria, the Entity shall maintain auditable records to establish conformance.¹

In this Standard, “qualifying gemstones” and “qualifying gemstone parcels” refer to those gemstones and gemstone parcels for which the Entity is in the business of distributing, and is seeking certification of “Responsible Source™ for Gemstones.” “Non-qualifying” gemstones and gemstone parcels refer to other gemstone and gemstone parcels passing through the Facility, which are distributed by the Entity. “All gemstones” and “all gemstone parcels” refer to all gemstones or gemstone parcels passing through the Facility which are distributed by the Entity, including both qualifying and non-qualifying.

1.5 Voluntary Standard

This Standard is voluntary. It is not intended to replace any legal or regulatory requirements that may be applicable to user operations.

2. Scope, Goals, and Limitations

2.1 Certification Scope

This Standard applies to distributors of gemstones and/or gemstone parcels from post-consumer sources, for which the distributor is making a claim about the source, provenance management, procurement practices, environmental impacts, and fair labor and workplace practices associated with acquisition, handling, and final sale.

The term “Facility” is used throughout this Standard in reference to the single location under review where post-consumer gemstones and/or gemstone parcels are being brokered, sold, and/or processed.

The term “Entity” is used throughout this Standard in reference to an entity in the business of distributing gemstones from post-consumer sources (including manufacturers, retailers, brokers, or others in the business of buying and selling gemstones) operating in a distinct facility, seeking certification as “Responsible Source™ for Gemstones”, and any entities over which the Entity exerts

¹ While many criteria in this Standard require that auditable records be maintained, for those criteria which require reporting, the Entity should provide documentation at the initial time of review, to facilitate the review process.

control, and which presents significant risk of impacts, in accordance with the GRI Boundary Protocol Section 2 definitions.

Requirements in this Standard apply primarily to the Entity, but also include requirements for the Facility, as in some cases the Entity will be operating in a shared location with other entities which are distributing non-qualifying gemstones and gemstone parcels. In cases where a single Entity operates multiple gemstone distribution facilities, each Facility must meet the requirements of the Standard. Both Entity and Facility are subject to desk and onsite audits, required to maintain eligibility for certification.

Certifications of “Responsible Source™ for Gemstones” are earned if an Entity meets all requirements in this Standard. If eligible, certifications are earned by the Entity and qualifying post-consumer gemstones and gemstone parcels which it distributes. Qualifying gemstones and gemstone parcels should be clearly delineated from non-qualifying gemstones and gemstone parcels, by branding or another identifier.

Certification allows the Entity:

- To market and sell qualified gemstones and gemstone parcels as “Responsible Source™ for Gemstones” certified.

Melee gemstones shall be held only to those requirements applicable for gemstone parcels. Given the logistical challenges with tracking and identifying melee gemstones, the Auditor may accept alternative paths to compliance if it is deemed that the intent of the requirement is met.

2.2 Goals

The major goals of this Standard are:

- To provide a uniform standard by which to assess companies making Type II environmental claims (self-declared environmental claims as defined by ISO 14021:1999) regarding reclaimed gemstones.
- To engender confidence in the marketplace that SCS certified companies consistently meet the requirements of this Standard and its normative references.
- To promote responsible performance by companies handling reclaimed gemstones.

2.3 Limitations

This Standard does not address safety and/or health concerns, if any, associated with the use of gemstones or gemstone parcels. Neither does this Standard address certification of the characteristics of gemstones or gemstone parcels. Users shall note that compliance with the requirements of this Standard is no guarantee of regulatory compliance at the time of certification or in the period between audits.

It is the responsibility of the user to establish appropriate conditions for such considerations and to determine the applicability of regulatory limitations prior to use.

Although this is a multi-attribute standard, it does not attempt to address all possible lifecycle impacts related to the operation of an Entity. Therefore, there may be environmental tradeoffs associated with a certified Entity and the material or product it produces.

3. Key Terminology

Specific terms and definitions are provided below.

All Gemstone Parcels. Refers to all qualifying gemstone parcels and non-qualifying gemstone parcels distributed by the Entity.

All Gemstones. Refers to all qualifying gemstones and non-qualifying gemstones distributed by the Entity.

Bribery/Bribes. Intentionally to offer, promise, or give any undue pecuniary or other advantage, whether directly or through intermediaries, to an entity, for that entity, or for a third party, in order that the entity acts or refrains from acting in relation to the performance of duties, in order to obtain or retain business or other improper advantage in the conduct of business.

Certification Assessment. Independent evaluation of a product claim using specific, predetermined criteria and procedures with assurance of data reliability.

Chain of Custody. The path that a product takes from its point of production to the end consumer, consisting of records of each entity that takes legal and/or physical possession along this pathway.

Characteristics. See Gemstone Characteristics.

Claim. Oral, written, implied, or symbolic representation; statement; advertising; or other form of communication presented to the public or buyers that relates to an Entity's gemstone operation and/or product.

Conflict Diamond, Conflict Gemstone. Rough diamonds/gemstones used by rebel movements or their allies to finance conflict aimed at undermining legitimate governments, as described in relevant United Nations Security Council (UNSC) resolutions insofar as they remain in effect, or in other similar UNSC resolutions which may be adopted in the future, and as understood and recognized in United Nations General Assembly (UNGA) Resolution 55/56, or in other similar UNGA resolutions which may be adopted in the future. (Source: Kimberly Process Certification Scheme)^{3,2}

³ This definition may be extended to include other countries should new conflicts arise in the future. See <http://www.un.org>

² See <http://www.kimberleyprocess.com/en>

Corruption. The abuse of entrusted power for private gain. (Source: Transparency International)

Data Review Period. The period of time represented by the data submitted for an assessment. For the purposes of this assessment, this is typically the most recent four consecutive quarters. The data review period must be the same for all data included in the review.

Deceptive. (1) Representation, omission, or practice that is likely to mislead the consumer;
(2) The practice from the perspective of a consumer acting reasonably in the circumstances;
(3) The representation, omission, or practice must be a "material" one. The basic question is whether the act or practice is likely to affect the consumer's conduct or decision with regard to a product or service.

Distributor. See Gemstone Distributor.

Employment Practices. Include but are not limited to recruiting, hiring, training, job assignments, pay, benefits, promotions, discipline, termination, or retirement.

Entity. An entity in the business of distributing gemstones from post-consumer sources (including manufacturers, retailers, brokers, or others in the business of buying and selling gemstones) operating in a distinct facility, seeking certification as "Responsible Source™ for Gemstones", and any entities over which the Entity exerts control, and which presents significant risk of impacts, in accordance with the GRI Boundary Protocol Section 2 definitions.

Facility. A location under review where post-consumer gemstones and/or gemstone parcels are being brokered, sold, and/or processed.

Financing of Terrorism. By any means, directly or indirectly, unlawfully and willfully, providing or collecting funds with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out an offense within the scope of International Convention for the Suppression of the Financing of Terrorism (adopted by the General Assembly of the United Nations in resolution 54/109 of December 9, 1999).

Gemological Certification. Third-party certification of the characteristics of a gemstone. Includes certification by the Gemological Institute of America or other third-party certification bodies.

Gemstone. Natural or synthetic inorganic or organic materials/substances used in jewelry or objets d'art due to a combination of properties that provide them with beauty, rarity and relative durability (modified from CIBJO's The Gemstone Book).

Gemstone-Containing Product. Any product containing a gemstone, including but not limited to jewelry.

Gemstone Characteristics. Industry standard characteristics of quality for a type of gemstone. For diamonds, these refer to the "four C's": color, cut, carat, and clarity.

Gemstone Distributor. A distinct entity (including, but not limited to, a business, organization, or agency) whose business is the purchase and sale of gemstones or gemstone jewelry, including brokers, retailers, and jewelry manufacturers.

Gemstone Parcel. One or more gemstones that are packed together and that are not individualized. (Source: Kimberley Process Certification Scheme⁵). May include melee gemstones.

Gemstone Products. See Gemstone-Containing product.

Gemstone Touring. See Memorandum Out.

Hazardous Material. Any material specifically listed by the US EPA (40 CFR Part 261.31 – 261.33) or the Basel Convention (Annex I) as a hazardous material, or exhibiting a property consistent with the hazardous characteristics identified by the USA EPA (40 CFR Part 261 Subpart C) or the Basel Convention (Annex III).

Hazardous Waste. Hazardous material as defined above that can also be classified as a solid waste as defined in 40 CFR Part 261.2 or the international standard equivalent.

Melee. Small gemstones (generally less than or equal to 0.18 carats) used in embellishing mountings for larger gems. Usually used in reference to diamonds.

Memorandum. Two types of memorandum are described:

Memorandum In (“Memo In”). The practice in traditional gemstone wholesaling, when gemstones or gemstone parcels are received by a gemstone distributor from the original supplier prior to purchase, with the understanding that permission has been given to view and sell the gemstone. In this practice, it is only when the end customer purchases the gemstone that the gemstone distributor pays its supplier for the gemstone or gemstone parcel. From the perspective of the gemstone distributor, the sale date is prior to the purchase date.

Memorandum Out (“Memo Out”). The practice when a gemstone distributor loans a gemstone or gemstone parcel to another distributor or directly to a retail store, where it is shared with customer(s) for purchase.

Money Laundering. Encompasses: (1) The conversion or transfer of property, knowing that such property is derived from any criminal offence, or from an act of participation in such criminal offence, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of such a criminal offence to evade the legal consequences of his actions; (2) The concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing that such property is derived from a criminal offence or from an act of participation in such a criminal offence; (3) The acquisition, possession or use of property,

⁵ Ibid.

knowing, at the time of receipt, that such property was derived from a criminal offence. (Source: United National Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 1988)

Non-Qualifying Gemstones and Non-Qualifying Gemstone Parcels. Refers to gemstone and gemstone parcels passing through the Facility which are distributed by the Entity, for which the Entity is not seeking certification as “Responsible Source™ for Gemstones.”

Normative Reference. Provisions that, through reference in this text, constitute provisions of this Standard.

Outgoing Gemstone (or Gemstone Parcel). Any gemstone or gemstone parcel leaving the Facility. This includes, but is not limited to, single gemstones or gemstone parcels and jewelry.

Post-Consumer Sourced Gemstone. Gemstones originating from consumers.

Note: For the purposes of the SCS certification program, this is interpreted to mean that any gemstone or gemstone parcel returned from the distribution chain must be from a consumer.

Qualifying Gemstones and Qualifying Gemstone Parcels. Those gemstones and gemstone parcels for which the Entity is in the business of distributing, and is seeking certification of “Responsible Source™ for Gemstones.”

Reclaimed Gemstone. See Post-Consumer Sourced Gemstone.

Recycled Material. Material that has been reprocessed from recovered (reclaimed) material by means of a manufacturing process and made into a final product or into a component for incorporation into a final product. (Source: ISO 14021:1999)

Records. Any information in written, visual, or electronic form that documents the activities undertaken by a user to demonstrate conformance with this Standard.

Review Period. See Data Review Period.

Rough Gemstones. Gemstones that are unworked or simply sawn, cleaved or bruted and fall under the Relevant Harmonized Commodity Description and Coding System 7102.10, 7102.21, 7102.31, and 7103.10 (Source: Kimberley Process Certification Scheme, in reference to diamonds⁶).

Scrap. Rejected or discarded gemstone material.

Stakeholders. People and organizations who are, or who might be, affected by any action taken by users of this Standard. Examples are: customers, workers, partners, contractors, suppliers, etc.

Standard. When capitalized, refers to this Standard (“Responsible Source™ Standard for Gemstones”).

⁶ Ibid.

Shipment. Means one or more gemstones or gemstone parcels that are physically imported or exported.

Supplier. Organization that supplies a gemstone to the Entity. Used synonymously with vendor in this Standard.

Unfair. The act or practice causes or is likely to cause substantial injury to consumers which is not reasonably avoidable by consumers themselves and not outweighed by countervailing benefits to consumers or to competition.

Vendor. See Supplier.

Waste. Anything for which the generator or holder has no further use and which is discarded or is released to the environment. (Source: ISO 14021:1999).

4. Referenced Documents

4.1 Normative References

The following normative documents contain provisions that, through reference in this text, constitute provisions of this Standard.

1. International Labor Organization (ILO) - Forced Labour Convention, 1930 (No. 29)
2. ISO 14021:1999, "Environmental labels and declarations – Self-declared environmental claims (Type II environmental labeling)"
3. ISO 14024:1999, "Environmental labels and declarations – Type I environmental labeling – Principles and procedures"
4. ISO 14020:2000, "Environmental labels and declarations – General principles"
5. Global Reporting Initiative: GRI Boundary Protocol, January 2005

4.2 Additional References

1. Kimberly Process Certification Scheme
2. Federal Trade Commission (FTC) Part 260- Guides for the Use of Environmental Marketing Claims
3. SCS Responsible Source™ Standard for Precious Metals, Recycled Source Standard, Version 1-0, May 2012
4. SCS Fair Labor Practices and Community Benefits Standard. Draft Version 2.0, 2010
5. SCS-002 Draft Standard for Committee Ballot (2/9/2012 version), Life-Cycle Assessment Framework and Guidance for Establishing Public Declarations and Claims
6. Walmart Standards for Suppliers Manual and references therein
7. Financial Action Task Force, Risk Based Assessment for Dealers in Precious Metals and Stones, 17 June 2008

8. Transparency International, Business Principles for Countering Bribery: Guidance Document, Issue III November 2004
9. ISO 9001:2000, Quality management systems – Requirements
10. ISO 14001:2004, Environmental management systems – Requirements with guidance for use
11. ISO 31000:2009, Risk management – Principles and guidelines
12. United Nations Global Compact
13. Human Rights Compliance Assessment (HRCA) (The Danish Institute for Human Rights)
14. World Jewellery Confederation, or Confédération Internationale de la Bijouterie, Joaillerie, Orfèvrerie des Diamants, Perles et Pierres (CIBJO), “The Gemstone Book,” 2014-1.

5. General Requirements

The Entity shall comply with the following general requirements.

5.1 Operations Requirements

5.1.1 Entity Description

The Entity shall provide a diagram and/or description of its operations, including an organizational chart and general business and financial policies and procedures.

5.1.2 Facility Description

The Entity shall provide a diagram and/or description of its operations and relationship to other entities operating in the Facility, if applicable.

5.1.3 Roles and Responsibilities

The Entity shall maintain and communicate clearly articulated roles and responsibilities for management and staff affected by this Standard.

5.1.4 Customer Complaints and Corrective Action

The Entity shall establish and maintain documented procedures for implementing preventative and corrective action including:

- a. The effective handling of customer complaints and reports of product nonconformities.
- b. Investigation of the cause of nonconformities relating to product, process, and quality system, and recording the results of the investigation.
- c. Determination of the corrective action needed to eliminate the cause of nonconformities.
- d. Application of controls to ensure that corrective action is taken and that it is effective.

5.1.5 Entity Sourcing Requirements

- a. In the first year of certification, the Entity shall have greater than 50% of all gemstones, and 50% of all gemstone parcels (by carat weight), originating from post-consumer sources.

- b. In each subsequent year of certification, the Entity shall increase by at least 10% the share of all gemstones, and 10% of all gemstone parcels (by carat weight), originating from post-consumer sources.

5.1.6 Facility Sourcing Requirements

- a. In the first year of certification, the Facility shall have greater than 10% of gemstones, and 10% of gemstone parcels (by carat weight), originating from post-consumer sources.
- b. In each subsequent year of certification, the Facility shall increase by at least 10% the share of gemstones, and 10% of gemstone parcels (by carat weight), originating from post-consumer sources.

5.2 Legal Requirements

5.2.1 License to Operate

The Entity shall:

- a. Maintain and have documentation of any and all valid local, state, and federal permits required to operate, including (if applicable) a secondhand and/or pawn license.
- b. Demonstrate that it has complied with all applicable national and local laws and regulations for the past three years.
- c. Disclose any regulatory citations or infractions received in the last three years and provide associated documentation upon request.

If the Entity does not meet requirement 5.2.1(c), it shall report any corrective actions undertaken in response to the citation(s) or infraction(s) received and these corrective actions shall demonstrate effective resolution of the issue of non-compliance.

6. Procedure and Record-Keeping Requirements

6.1 Gemstone and Gemstone Parcel Handling Procedures

6.1.1 Verification of Characteristics of Incoming Gemstones and Gemstone Parcels

- a. The Entity shall maintain auditable policies and procedures for verifying the characteristics of all gemstones which are incoming to the Facility, including at a minimum:
 - i. Industry standard triplet loupe.
 - ii. Measurement using a scale that is legal for trade and properly calibrated.
 - iii. Cut and size of the gemstone.
- b. The Entity shall maintain auditable policies and procedures for verifying the characteristics of all gemstone parcels which are incoming to the Facility, including at a minimum:
 - i. Measurement of total carat weight (by gemstone parcel) using a scale that is legal for trade and properly calibrated.

- ii. Cut and size of the gemstone parcel.

6.1.2 Gemstone and Gemstone Parcel Identification

The Entity shall maintain auditable policies and procedures to:

- a. Uniquely identify all gemstones at the Facility.
- b. Clearly identify all gemstone parcels in the facility, using at a minimum, total carat weight, (by gemstone parcel).

6.1.3 Verification of Inventory and Accounting

The Entity shall:

- a. Record inventory and accounting data for all gemstones and gemstone parcels for the data review period.
- b. Maintain auditable procedures and practices to ensure that inventory data of all gemstones and gemstone parcels matches accounting data.

6.1.4 Segregation

The Entity shall:

- a. Maintain auditable procedures and practices for segregating and clearly identifying qualifying and non-qualifying gemstones by characteristic, source, supplier, and destination, in all stages held at the Facility.
- b. Maintain auditable procedures and practices for segregating and clearly identifying qualifying and non-qualifying gemstone parcels by total carat weight (by gemstone parcel), gemstone characteristics, size, source, supplier, and destination, in all stages held at the Facility.

6.1.5 Verification of Post-Consumer Sources

The Entity shall maintain auditable procedures and practices for verifying that qualifying gemstone or gemstone parcels are originating from post-consumer sources. Verification shall be completed with an invoice or purchase order and must include the price paid as well as descriptions of the characteristics of all gemstones and gemstone parcels.

6.1.6 Traceability

For qualifying gemstones and gemstone parcels that have been identified under the criteria of Section 6.2.2a.-d. to be sold with a certified/verified claim, the Entity shall maintain:

- a. Auditable policies and procedures to ensure that gemstones can be traced back to the point at which they entered into possession of the Entity, in all stages at the Facility, including documentation of an accompanying initial invoice or purchase order, which shall include the price paid and a description of the gemstone characteristics.
- b. Auditable records describing gemstone parcels entering inventory with no accompanying purchase order.

- c. Auditable traceability policies and procedures to ensure that gemstones and gemstone parcels that are loaned out on memorandum with retailers are not “switched” and can be traced from the point of exit from the Facility to their return.

6.1.7 Scrap Reuse

The Entity shall maintain auditable records for the data review period of the amounts and units of measurement for the scrap reused internally, disposed, or recycled, within the facility under review.

6.2 Gemstone and Gemstone Parcel Record-Keeping Requirements

6.2.1 Record-Keeping for All Gemstones and Gemstone Parcels

The Entity shall ensure that records are retained for a minimum of five years and are auditable. The Entity shall report and maintain auditable records of the following information for all gemstones and gemstone parcels for the data review period:

- a. The industry standard gemstone characteristics of each gemstone and gemstone parcel.
- b. If the characteristics of each gemstone were already gemologically certified externally by a third party upon or after receipt from the supplier.
- c. Any adjustment to the characteristics of each gemstone, during receiving or during another stage.
- d. The type of applicable legal agreement (e.g., single transaction / merchant agreement) used in the procurement of each gemstone or gemstone parcel.
- e. The supplier of each gemstone or gemstone parcel.
- f. The price agreed upon for the transaction resulting in the procurement of each gemstone or gemstone parcel.
- g. The price of each gemstone or gemstone parcel, as determined by an internationally recognized gemstone-trading network (such as RapNet), if it is distinct from the price agreed upon for consignment, sale, or purchase.
- h. The date of purchase of each gemstone or gemstone parcel.
- i. The date of final sale of each gemstone or gemstone parcel (if applicable).
- j. The mode of shipping (road, air, etc.) used for all incoming and outgoing gemstones and gemstone parcels.
- k. The destination for all outgoing gemstones and gemstone parcels, which are either sold or put on memorandum out.
- l. If each gemstone or gemstone parcel is from a post-consumer source.
- m. Whether each gemstone or gemstone parcel is qualifying or non-qualifying.

Note: The information from this section, and other information, shall be used to quantify the amount of qualifying gemstone or gemstone parcel. At the discretion of SCS, data provided under this section will be verified against the Entity’s inventory and/or accounting records.

6.2.2 Record-Keeping for Qualifying Gemstones and Gemstone Parcels

In addition to the previously outlined requirements, the Entity **shall** maintain auditable up-to-date records of the following information for qualifying gemstones and gemstone parcels for the data review period.

The Entity shall:

- a. Have a system for identifying qualifying gemstones or gemstone parcels, by use of a seven-digit alphanumeric code, for gemstones or gemstone parcels that are sold, shipped, and/or transferred to other entities with the “Responsible Source™ for Gemstones” certification.
- b. Clearly and correctly identify qualifying gemstones or gemstone parcels by its certification status while on gemstone “tour” or stored onsite and during processing for sale to final destination.
- c. Clearly and correctly identify each verified gemstone or gemstone parcel on invoices by including its unique certification code and linking it to the identifying characteristics.

The Entity should:

- d. Etch gemstones or gemstone parcels by its “Responsible Source™ for Gemstones” certification with its unique certification code.

The Entity shall maintain auditable records of the following:

- e. The purchase order, invoice, or other document recording each purchase of a qualifying gemstone or gemstone parcel, itemized by description and price. Document must contain name, date, item description, and price per gemstone or gemstone parcel.
- f. Demonstration that all applicable laws regulating purchases and sales of qualifying gemstones and gemstone parcels are followed.
- g. Whether an incoming qualifying gemstone or gemstone parcel was received in a gemstone-containing product (e.g. jewelry) and a general description of the associated gemstone-containing product.
- h. The final sale price of the qualifying gemstone or gemstone parcel.
- i. If the qualifying gemstone or gemstone parcel was sold or put on memorandum out.
- j. If the qualifying gemstone or gemstone parcel was returned to the supplier without sale.
- k. Identification of qualifying gemstone parcels that left the Facility due to being mixed-out.

6.2.3 Accounting

The Entity shall:

- a. Maintain an up-to-date account of the input and output of qualifying gemstones and gemstone parcels by its “Responsible Source™ for Gemstones” certification.

- b. Calculate on a regular basis: the purchases, consignments, inventory in stock, and final sales for all gemstones or gemstone parcels by its “Responsible Source™ for Gemstones” certification.

6.2.4 Registry of Suppliers

For all suppliers that have supplied qualifying gemstones and gemstone parcels for the data review period, the Entity shall:

- a. Report each supplier’s legal name, contact information, location, and legal status (e.g., retailer, pawn shop, or individual).
- b. Maintain auditable records of the history of all transactions involving gemstones or gemstone parcels for each supplier.
- c. Maintain auditable records of the secondhand and/or pawn license of each supplier.
- d. Maintain auditable records of the legal agreement held with each supplier.

Note: Suppliers may be contacted by SCS to confirm validity of information provided in this and other sections, and, at the discretion of SCS and on condition of their consent, may be subject to further review.

7. Social and Ethical Requirements

The Entity shall comply with the following social and ethical requirements.

7.1 Purchasing Requirements

7.1.1 Ethical Procurement Practices

When brokering or purchasing qualifying gemstones or gemstone parcels, the Entity shall not:

- a. Sell, permanently transfer to a third party, or discard a gemstone or gemstone parcel before the supplier of the gemstone has provided an affirmative acceptable offer to sell the gemstone for a specific price.
- b. Fail to promptly return any gemstone or gemstone parcel if the supplier declines the offer to purchase made by the purchaser.
- c. Fail to insure any shipment of the gemstone or gemstone parcel in an amount equal to:
 - i. The amount the supplier insured the initial shipment of the gemstone or gemstone parcel to the facility, if the supplier provides proof of such insurance.
 - ii. 60% of the market value (according to internationally recognized gemstone trading networks) of the gemstone or gemstone parcel, if the supplier does not provide proof of such insurance.

The Entity shall:

- d. Encourage their suppliers and business partners to adopt responsible business practices to an extent that is reasonable given the Entity’s ability to influence.

7.1.2 Provenance Management

The Entity shall:

- a. Maintain and report auditable documentation of the use of a due diligence process used to assess suppliers of all qualifying gemstones and gemstone parcels, to ensure that all purchasing requirements of this Standard are met. This process shall be appropriate to the size, scale, and type of operation.
- b. To the extent possible, have a stated policy for avoiding the sourcing of non-qualifying gemstones and gemstone parcels which can be considered conflict gemstones.

7.1.3 Anti-Money Laundering and Combating the Financing of Terrorism

The Entity shall:

- a. Maintain independently audited or certified financial accounts in accordance with national or international accounting standards.
- b. Screen each of its suppliers using appropriate anti-money laundering (AML) and combating the financing of terrorism (CFT) protocols (or their equivalent) to identify potentially illicit business practices, and maintain and report auditable records of this screening:
 - iii. The Entity shall maintain records of actions taken in response to illicit persons or companies identified during this screening process.
 - iv. These actions shall be appropriate to the magnitude illicit behavior identified.
- c. Implement and report on a “Know Your Customer” procedure which tracks pertinent information—as it applies to AML and CFT protocols—about its business partners, such as: name, location, taxpayer ID, date of establishment, banking information, references (if applicable), and source of material.
 - i. The Entity should avoid suppliers that have not been recommended by a trusted partner or associate.
- d. Screen suppliers and potential suppliers against published watch lists such as: the US Department of Treasury, Office of Foreign Asset Controls Specifically Designated Nationals List; the US State Department Foreign Terrorist Organization List; HM Treasury Consolidated List of Financial Sanctions Targets in the UK; the United Nations Consolidated List established and maintained pursuant to resolutions 1267 (1999) and 1989 (2011) with respect to individuals, groups, undertakings, and other entities associated with Al-Qaida.
- e. Conduct training related to AML and CFT protocols appropriate to the size, scale, and type of its operations, and report documentation of these trainings.

7.1.4 Anti-Bribery and Anti-Corruption

The Entity shall:

- a. Have a stated policy of zero-tolerance of corruption that covers the Entity and its business partners that is communicated to relevant parties where appropriate including employees, customers, suppliers, and business partners.
- b. Have a code of conduct on bribery, corruption, and unethical practices that covers the Entity and its business partners.
- c. Conduct a risk assessment to identify potential sources of bribery, corruption, or other unethical practices.
- d. Use internal accounting and auditing procedures to demonstrate successful implementation of anti-corruption measures.
- e. Maintain a mechanism through which incidents or attempted incidents of bribery, corruption, or unethical practices can be freely reported without fear of reprisal.
- f. Report its anti-corruption measures at least annually to relevant parties where appropriate including employees, customers, suppliers, and business partners.
 - i. Responses to incidents shall be appropriate to the magnitude of the infraction.

The Entity should:

- g. Devise, adopt, implement, monitor, and evaluate an anti-bribery program appropriate to the size, scale, and type of its operation.
- h. Encourage each of its suppliers to develop and implement appropriate anti-corruption measures.

7.2 Workplace Requirements

7.2.1 Involuntary Labor

The Entity shall not:

- a. Employ child labor, defined as any persons under the age of 15 or whatever age is defined as the minimum working age under applicable local or national law, whichever represents the higher standard.
- b. Retain any or part of workers' salary, benefits or property in order to force them to work (including fines when a worker legally terminates their employment contract) or restrict their movements.

The Entity shall:

- c. Have available objective evidence demonstrating that it does not engage in or support the use of forced, compulsory, bonded, trafficked, or otherwise involuntary labor as defined in ILO Convention 29 either directly or through contracted labor.
- d. Document the age, work undertaken, hours worked, and salary details for all minors (workers under 18 years of age).

- e. Have and implement age-verification procedures and retain copies of identification and other documents submitted by a worker as proof of age.

Workers at the Entity shall:

- f. Maintain control over their identity documents.
- g. Be provided with rest days and have working hours consistent with local regulations or international norms (whichever is the higher standard).
- h. Be allowed to leave their employment after due notice according to their contractual agreements.
- i. Be allowed to leave Entity premises freely and without penalty at the end of their work shifts and under other reasonable circumstances, such as personal or family emergencies.

Workers at the Entity shall not:

- j. Be required to make a monetary deposit as part of the employment contract (that could prevent workers from freely and legally ending their employment).

Spouses or children of the Workers shall not:

- k. Be obliged to work for the Entity.

7.2.2 Hiring and Employment Practices

The Entity shall:

- a. Demonstrate the legal right of each worker to work in the country.
- b. Have a stated policy on fair employment practices.
- c. Provide workers with a written agreement describing the terms and conditions of employment.
- d. Demonstrate that the terms and conditions of employment (including, but not limited to, hiring, training, job assignments, pay, benefits, promotion, termination, and retirement) are based on an individual's ability and experience.
- e. Make reasonable accommodations in job conditions for pregnant, post-partum, or lactating women (such as job reassignments to non-hazardous or lighter work, provision of seating, extended breaks, etc.).
- f. Provide maternity leave with compensation in accordance with applicable local, national or industry standards, with a guarantee of return to the same or equivalent position at the same or higher wage at the end of the maternity leave.
- g. Establish a policy and procedures to ensure that the work environment is free of physical punishment or abuse, and free of verbal abuse or coercion of workers.
- h. Establish and make workers aware of a written grievance policy whereby workers can communicate grievances—including but not limited to those related to sexual harassment,

working hours, and working conditions—to management representatives without fear of reprisal.

- i. Demonstrate that any termination of worker employment has been carried out in accordance with local and national laws

The Entity shall not:

- j. Discriminate based on gender, sexual orientation, age, religion, marital status, race, social background, diseases (including HIV status), disability, pregnancy, ethnic and national origin, nationality, membership in worker organizations, or any other personal characteristic.
- k. Require female applicants, contract workers, or permanent workers to be tested for pregnancy unless the Entity is required to do so by law.

7.2.3 Compensation

The Entity shall:

- a. Compensate all workers with wages, overtime premiums, and benefits that meet or exceed local legal standards, local industry standards, or collective agreements, whichever are higher.
- b. Provide written pay records to workers, clearly stating regular and overtime hours and rates, wages, bonuses, taxes, and other deductions.
- c. Maintain complete written earning records for workers, which at a minimum itemize all wages and deductions in a form that can be audited.
- d. Pay workers on a regular basis in accordance with national law.
- e. Only make deductions from workers' wages in accordance with national laws and regulations or a collective agreement.
- f. Provide workers with paid sick leave and a compensation program that meets or exceeds the local or nationally mandated minimum.

7.2.4 Working Hours

The Entity shall:

- a. Demonstrate that all overtime is voluntary.
- b. Ensure that working hours are consistent with applicable local and national regulations and are not excessive. Where the country's laws and regulations do not address standard working hours, the Entity shall ensure that the work week does not exceed 60 hours consisting of a maximum of 48 hours of regular work and 12 hours of overtime except where written agreement exists between the management and workers.
- c. Ensure that workers are not required to work more than 16 consecutive hours in a 24-hour period.
- d. Allow workers to have access to their own time records.
- e. Provide workers rest days (at least one day off for every seven-day period) and leave privileges.

- f. Provide workers with a vacation plan that meets local or national laws, including the observance of national holidays.

7.2.5 Freedom of Association and Collective Bargaining

The Entity shall:

- a. Have a published policy on freedom of association and collective bargaining.
- b. Respect the right of workers to choose whether to lawfully and peacefully form or join trade unions (or their equivalent) of their choosing and to bargain collectively.
- c. Inform workers of their rights to freedom of association and collective bargaining under national laws and the Entity's own standards.
- d. Record and publicly report formal agreements with trade unions (or their equivalent).

7.2.6 Health and Safety

The Entity shall:

- a. Provide workers with a safe and healthy work environment which includes adequate lighting, ventilation and air quality; safe noise levels and temperatures.
- b. Establish written health and safety procedures, which shall include a mechanism by which employees can discuss health and safety matters with management without fear of reprisal.
- c. Conduct regular fire drills as required by local and national laws and not less than annually.
- d. Ensure that aisles and exits are kept clear and unblocked at all times and exits shall be clearly marked and unlocked during working hours.
- e. Management and workers shall have immediate access to functional and sufficient firefighting equipment.
- f. Chemicals shall be stored safely and appropriately.
- g. Issue appropriate and sufficient personal protective equipment (PPE) free of charge to all applicable workers and instruct workers on its proper use on an annual basis, at minimum.
- h. Recognize the right of workers to remove themselves from situations involving the use of chemicals or equipment when they have reason to believe that there is an imminent and serious risk to their safety or health.
- i. Have and regularly update an appropriate health and safety training program for workers, including the training of a sufficient number of first aiders amongst management and workers.
- j. Only assign workers who are trained appropriately and authorized to handle and apply chemical agents and operate related machinery.
 - i. The Entity shall not allow workers under the age of 18 to handle potentially harmful chemicals, or undertake jobs that inherently have the potential to jeopardize health and safety.
- k. Have and maintain records of performance against health and safety targets.

- l. Monitor the exposure of workers to hazardous chemicals.
- m. Have an emergency preparedness and response plan.
- n. Establish and maintain suitable decontamination facilities (e.g. eye wash stations, safety showers) for workers.
- o. Maintain adequately stocked first aid kits and other appropriate medical supplies to address major medical emergencies associated with occupational health risks.
- p. Maintain sufficient first aid boxes (at least 1 per 100 employees) which are consistently monitored and refilled as necessary.
- q. Have an appropriate maintenance program and maintain a record of maintenance work requests and completed work.
- r. Provide workers with access to safe drinking water.
- s. Maintain restrooms, canteens, food preparation areas, dormitories, etc. in a safe and clean condition.
- t. Maintain adequate workplace hygiene at all times through routine cleaning.
- u. Possess an appropriate hygiene certificate for its canteen and its workers as required by local and national laws.

8. Environmental Requirements

The Entity shall comply with the following environmental requirements.

8.1 Environmental Management Requirements

8.1.1 General Requirements

The Entity shall provide documentation of an environmental, as well as an occupational, health and safety system. At a minimum, this system shall include:

- a. Environmental policy
- b. Training on environmental, health and safety issues
- c. Emergency protocol

8.1.2 Roles and Responsibilities

The Entity shall appoint a member of the management team for the coordination of environmental management activities and ensure he/she is properly trained.

8.2 Environmental Reporting

8.2.1 Facility Energy Consumption

The Entity shall report all input energy ([Greenhouse Gas Protocol Initiative](#) Scope I and Scope II) at the facility under review for certification for the data review period. Energy sources include, but are not limited to, electricity and natural gas.

8.2.2 Direct Vehicle Use

The Entity shall:

- a. Report vehicle use for direct company purposes, including vehicle type, fuel type, and estimated miles traveled for the review period.
- b. Report estimated commute distance for all employees, and should also report vehicle types.

8.2.3 Water Consumption and Discharges

The Facility shall:

- a. Report process water consumption for the specified data review period.
- b. Report the sources of water used and the accepting facility or receiving water body for wastewater discharges.

8.2.4 Hazardous Material and Waste

The Facility shall:

- a. Properly label or otherwise identify all hazardous material.
- b. Maintain auditable records for the data review period of the amount/quantity of hazardous waste generated and the destination for the hazardous waste, to be disposed of by a licensed body.
- c. Identify major sources of non-hazardous waste.

9. Assessment of Environmental Performance

Entity environmental performance shall be quantitatively determined, by SCS. Results shall be assessed in the following impact categories:

- a. Non-Renewable Energy Resource Depletion
- b. Greenhouse Gas Loading

Results may be assessed in other impact categories, depending on the data received from the Entity.

10. Guidelines for Certification Assessment of Upstream Suppliers

The Entity shall provide and facilitate the availability of upstream supplier information relevant to the certified claim(s). For the purpose of this Standard, only direct suppliers to companies will be evaluated.

Suppliers will be evaluated based on a risk assessment model developed in accordance with ISO 31000:2009. During a screening process, suppliers that are identified as high risk may be given an opportunity to provide additional information to demonstrate their compliance with the requirements of this Standard.

11. Certification and Continued Conformance

11.1 Certification Validity

Once an Entity qualifies for certification based on conformance with this Standard, a “Responsible Source™ for Gemstones” certificate of achievement is issued. Certificates are valid for one year, provided that the Entity maintains conformance with the requirements.

11.2 Continued Conformance

An annual renewal certification assessment and audit to demonstrate continued conformance with this Standard is required if the Entity wishes to continue making a certified claim. The Entity shall demonstrate progress towards achieving the environmental goals laid out in the environmental plan and environmental policy.

11.3 Certification Withdrawal, Suspension, or Termination

Upon the withdrawal, suspension, or termination of certification, the gemstones or gemstone parcels that had been certified will immediately cease to be certified.

12. Marketing Requirements

The Entity shall comply with the following marketing requirements.

12.1 National Requirements

All uses of the SCS Certification Certificate or references to the certification in advertising and marketing shall be conducted in conformance with U.S. Federal Trade Commission guidelines, or other national guidelines if outside of the U.S. The Entity shall ensure that all labels or marks referring to the certified or verified claim comply with the licensing and copyright restrictions of the relevant system.

12.2 SCS Requirements

The Entity shall comply with the requirements of the *SCS Labeling and Language Guide* at all times.

13. Complaints, Appeals, and Disputes

All complaints, appeals, and disputes are handled in accordance with the *SCS Complaint, Appeals, and Disputes Procedure*.