

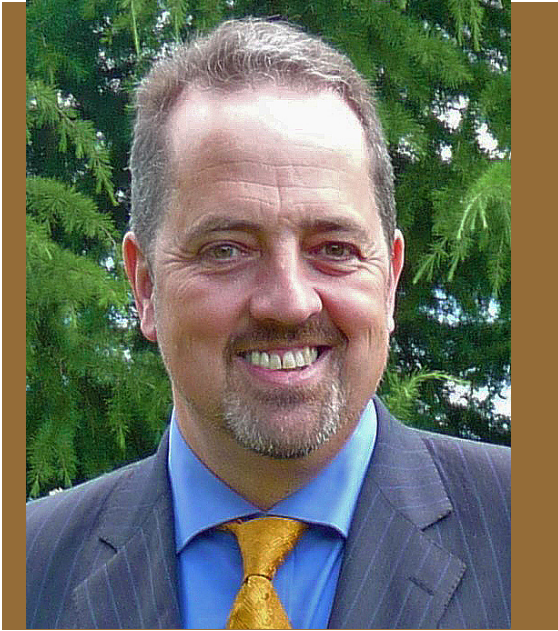
Guiding the jewellery industry on a journey of continuous improvement to Responsible Sourcing

By Philip Olden, President

CIBJO Responsible Sourcing Commission

Responsible Sourcing is important to the entire jewellery industry. It protects consumer confidence in our business and our products, ensuring that what we sell has been produced and processed responsibly, is conflict-free and has been handled with respect for fundamental human rights.

In January 2019, the CIBJO Board of Directors approved the first-ever edition of the Responsible Sourcing Blue Book, just three months after it had voted in favour of the establishment of the Responsible Sourcing Commission at the 2018 CIBJO Congress in Bogotá, Colombia. The document had been worked on for about a year by the Responsible Sourcing Working Group, which began operating at the start of 2018.



Philip Olden, President of the CIBJO Responsible Sourcing Commission.

To a degree, the concept of the Responsible Sourcing Blue Book was a departure from the norm for CIBJO, which had originally developed its Blue Book system to provide sets of harmonised standards and nomenclature for product categories, such as diamonds, coloured gemstones, pearls, precious metals and precious coral. In the jewellery industry, other than the Blue Books, very few other internationally recognised standards exist. The Gemmological Blue Book, which was added to the series in 2010, dealt predominantly with laboratory standards rather product standards, but it remained focused on the physical products of which a jewellery item is comprised.

The new Responsible Sourcing Blue Book differed from its predecessors in that it dealt with business practices that could be applied throughout the jewellery supply chains, and looked mainly at how the product is sourced, managed and traded by the people involved in the industry's supply chain rather than the specifications of the product itself.

THE DEVELOPMENT OF AN INDUSTRY SENSIBILITY

CIBJO's growing focus on Corporate Social Responsibility, sustainability and responsible sourcing can be traced back to the early 2000s, with a milestone being registered in November 2006 when the organisation became the first and only jewellery industry body to gain special consultative status in the United Nation's Economic and Social Council (ECOSOC). There CIBJO formally committed the industry to supporting the fulfilment of the Millennium Development Goals, which in 2015 were replaced by the 17 Sustainable Development Goals.

The development of responsible sourcing compliance systems in the jewellery, gemstone and precious metals sectors can be traced back to the conflict diamond crisis of the late 1990s, and the introduction of the Kimberley Process Certification System in 2003. It dealt specifically with rough diamonds associated with the financing of civil conflict and required member-governments to enact legislation or regulations in their own countries. Landmark pieces of legislation were passed later to regulate the flow of precious metals from conflict regions, including the "Dodd Frank" Act in the United States in 2010 and the European Union's Conflict Minerals Regulations in 2017, which will come into full force in 2021.



Erik Jens, Vice President of the CIBJO Responsible Sourcing Commission.



Tiffany Stevens, Vice President of the CIBJO Responsible Sourcing Commission.

At the same time compliance systems were being developed in the private sector, sometimes at the level of the company or corporation, among them De Beers' Best Practice Principles (BPP) Assurance Programme, the ALROSA Alliance Guidelines on Responsible Business Practices, and the Signet Responsible Sourcing Protocol (SRSP). Simultaneously, member-based organisations were formulating and promulgating compliance systems for different product categories, among them the World Diamond Council's System of Warranties, LBMA's Responsible Sourcing Programme and the Responsible Jewellery Council's (RJC) Code of Practices. The latter two offer certification programmes that require participants' compliance with the relevant standards to be assessed by independent auditors.

The development of responsible sourcing compliance systems represented a real watershed moment for the jewellery industry, because for the first time they established and benchmarked standards of practice that companies were required to implement in order to gain access to certain supply chains. Many smaller and medium-sized enterprises (SMEs) were concerned that these standards were difficult for them to comply with, not because they were conducting their businesses inappropriately, but because they lacked the financial resources to become compliant. Such opinion was particularly acute in parts of the industry where both mining and trading are carried out mainly by SMEs, with the most pertinent example being the coloured gemstone sector.

UNIVERSALLY AGREED-TO RECOMMENDED PRINCIPLES

It was against this backdrop that CIBJO began working on its responsible sourcing guidance document, which eventually became the Responsible Sourcing Blue Book.

The goal was never to create a compliance system that would compete with others in the marketplace, nor was it to create an alternative certification programme.

As with CIBJO's other Blue Books, we set out to define a universally agreed-to set of recommended responsible sourcing principles, which could be applied by all members of

the greater jewellery industry. It should serve as a roadmap for a journey that all companies could aspire to complete, although we recognise that establishing these principles is a process of continuous improvement.

CIBJO has steadfastly stated that no ethical member or company in the jewellery business should be denied the opportunity to participate because, at any particular point in time, it lacks the financial capacity to meet the demands of a compliance system. At the same time, CIBJO does not accept the contention that a company with limited financial resources should be exempt from conducting any form of responsible sourcing due diligence. The Responsible Sourcing Blue Book indicates what initial steps can be taken at minimal expense and effort, and proposes a programme of continual improvement, which companies can apply at their own pace.

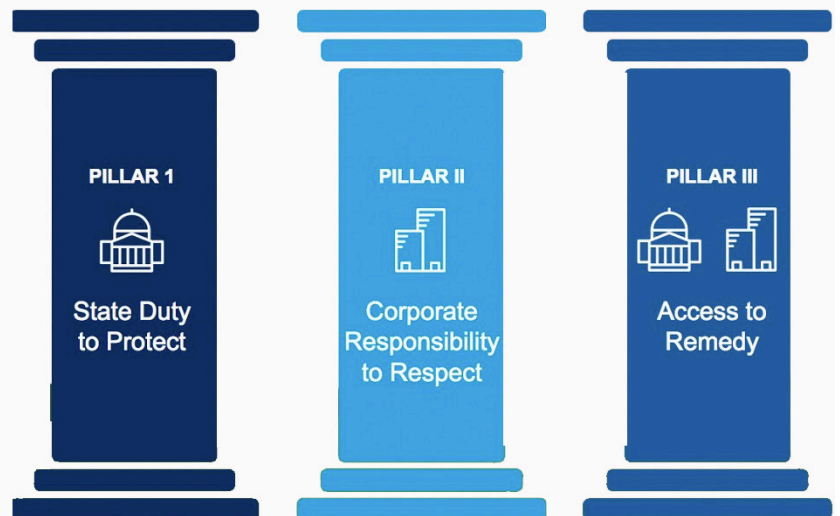
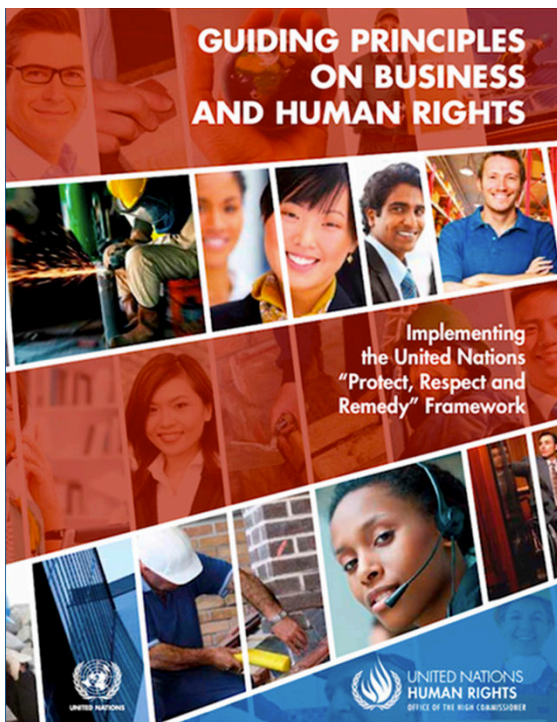
In formulating this approach, we consulted with a wide number of industry and outside experts, including CIBJO officers and representatives of CIBJO member associations, with compliance organizations already active in the industry, and with international bodies like the Organisation for Economic Cooperation and Development (OECD). We did not ask for their endorsement, but rather their input, which they supplied generously, and which we were happy to incorporate into our document where applicable.

FOLLOWING THE OECD'S FIVE-STEP FRAMEWORK

The Responsible Sourcing Blue Book follows the five-step framework of the OECD's Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, which can be applied to all precious metals and gem materials and is global in scope. It clarifies how companies can identify and better manage risks throughout the entire supply chain, from miners, pearl and precious coral harvesters, local exporters and mineral processors, to the manufacturing and retail companies that use these minerals, pearls and precious corals in their products.

CIBJO recommends that all members of the greater





jewellery industry undertake due diligence on their own supply chains in accordance with the OECD's Due Diligence Guidance, to ensure that these supply chains are responsibly managed.

The Blue Book also insists on compliance with the Kimberley Process Certification Scheme and supports the United Nations Guiding Principles on Business and Human Rights.

Participants in the diamond supply chain should also implement the WDC System of Warranties.

FOUR KEY ELEMENTS OF RESPONSIBLE SOURCING

In essence, there are four key elements to CIBJO's responsible sourcing guidance:

1. Each company should have a responsible sourcing policy, which includes policies on both human rights and responsible sourcing.
2. Companies should communicate their policies to suppliers and include them in their terms of doing business.
3. To the greatest degree possible, companies should know who their suppliers are, and what responsible sourcing policies they have implemented.
4. Companies should examine their supply chain for potential risks, and then take measures to mitigate those risks.

Formulating a responsible sourcing policy is within the capability of almost all organisations. It involves appointing

a dedicated compliance officer, who will be responsible for establishing and implementing the policy, for overseeing due diligence and for reporting when applicable. For many small and medium-scale companies, this compliance officer will be the owner.

A company's responsible sourcing policy must be relevant to their scope of business, the type of materials that are being handled, and the complexity of its supply chains. It need not be complicated or detailed – a simple policy statement may suffice. But the policy should be communicated in a clear fashion to suppliers and stakeholders, and its implementation verifiable through transaction documentation, such as invoices, warranty statements, delivery notes, product certificates, etc.

KNOW YOUR COUNTERPARTY

To understand who its suppliers are, a company is required to undertake due diligence on its supply chain to assist it in identifying risks, and consequently should take effective measures to mitigate or eliminate them. Part of this due diligence is popularly referred to as Know Your Counterparty (KYC).

KYC means a company should understand who its suppliers are, who they deal with, and wherever possible develop a clear understanding of their various business relationships. This will enable the company to identify and react to transaction patterns that appear out of the ordinary or suspicious.



The principles presented in CIBJO's Responsible Sourcing Blue Book should be applied to all precious metals and gem materials through the jewellery value chain and is global in scope. It clarifies how companies can identify and better manage risks throughout the entire supply chain, from miners, pearl and precious coral harvesters, local exporters and mineral processors, to the manufacturing and retail companies that use these minerals, pearls and precious corals in their products. (Photo credit for three photographs in second row from left, and photo in second row on far right: Laurent Cartier, Swiss Gemmological Institute SSEF)

These KYC principles should also apply to suppliers handling recycled products, estate jewellery and pre-existing or “grandfathered” stocks of precious metals and/or gem materials. Reasonable efforts should be made to identify where the past supplies and recycled materials originated from, and whether the sources and quantity of these products are reasonable.

When risks are identified, the company should design and implement a strategy and action plans in response. Consequently, they should do more detailed due diligence on the supply chain to ensure that the problem has been eliminated.

Companies should have systems in place that to allow employees, suppliers or customers to report any grievances or risks they identify in their own or other supply chains. All grievances or reporting of identified risks should be treated in strict confidence.

RED FLAG ISSUES AND RISKS

There are some risks in a supply chain that, if identified, should always be red flagged.

Human right violations are one of those risks. Companies in the value chain should do their utmost to ensure that they and their suppliers respect human rights in ways that are appropriate to their size and circumstances, and this should

be clearly referenced in their responsible sourcing policies.

Conflict-free sourcing should also be part of the company's responsible sourcing policy, and due-diligence measures need to be taken to ensure that there is no direct or indirect support to non-state armed groups through the extraction, transport, trade, handling or export of precious metals, gem materials or pearls used in supplies to the company. Much of this is required by international or national law.

Anti-Money Laundering should also be included in the KYC review process, with companies avoiding any unusual or suspicious financial transactions, and maintaining detailed records of any large or unusual cash transactions. This, too, is increasingly covered by national and standard banking practices.

Companies should also establish policies that prohibit bribery in all business practices and transactions, and should clearly set the criteria and approval procedures to be followed by employees in respect to offers and acceptances of gifts from third parties.

Companies should ensure that the precious metals or gem materials and products, throughout their supply chain, are correctly and accurately represented and disclosed in accordance with the relevant CIBJO Blue Books, including providing certificates, gemmological reports and other verification where applicable.

SUPPLY-CHAIN COMPLIANCE AND CERTIFICATION

The Responsible Sourcing Blue Book provides simple and practical recommendations for participants in the jewellery supply chain, enabling them to conduct basic due diligence. But, as stated earlier it is not a standard or a compliance system in and of itself, and it is not a document that a company can be certified against.

Those companies that choose to have their responsible practices and supply-chain due diligence verified or certified by external and independent standards and certification mechanisms are advised to use one or more of the recognized systems that are available in the sector today. A list is available in the Responsible Sourcing Blue Book's appendix, and it covers general responsible supply chain guidance and standards, responsible supply chain guidance and standards for jewellery industry metals and gemstones, and responsible supply chain guidance and standards for artisanal sourcing.

Not all of the organisations provide the opportunity of becoming certified according to their standards, but among those that do are the Responsible Jewellery Council (RJC), which now covers supply chains in the gold, platinum, silver, diamond and coloured gemstone sectors, the Responsible Minerals Initiative (RMI), the London Bullion Market Association (LBMA), which focuses on gold and silver refiners, Fairmined Gold, covering artisanal gold mining, and the Diamond Development Initiative, whose Maendeleo Diamond Standards enable the verification of sales by artisanal diamond miners.

RESPONSIBLE SOURCING BLUE BOOK OUTREACH

Since the release of the Responsible Sourcing Blue Book, much our attention has shifted to bringing it to the attention of the larger jewellery industry, and developing means by which companies can implement its recommendations as easily and efficiently as possible.

The document was well received by industry associations, several of which have endorsed it as a recommended protocol for their members to implement responsible-sourcing due diligence in their own businesses.

The Blue Book was presented publicly to the international community, most notably by CIBJO President Gaetano Cavaliere at the OECD's 13th Forum on Responsible Mineral Supply Chains in Paris in April of this year, in CIBJO's

Communication on Engagement to the UN Global Compact, and to the 2019 High Level Summit of the UN's Economic and Social Council.

Additionally, a summary of the recommendation in the Responsible Sourcing Blue Book will appear in a new chapter of the updated CIBJO Retailer's Reference Guide, which currently is in the final stages of production and will be available for worldwide distribution early in 2020.

A RESPONSIBLE SOURCING TOOLKIT

On April 23, 2019, against the backdrop of the OECD Responsible Minerals Forum in Paris, CIBJO signed a Memorandum of Understanding with the Coloured Gemstone Working Group (CGWG), according to which we will develop together an online toolkit to help smaller



Gaetano Cavaliere (centre), CIBJO President, addressing the OECD Mineral Supply Chain Forum in Paris in April 2019. He is flanked by Guus Houtluin, Senior Advisor on Trade Issues, European External Action Service, and by Estelle Levin-Nally of Levin Sources.

enterprises with their implementation of the guidance in the CIBJO Responsible Sourcing Blue Book.

The CGWG comprises a group of leading companies in the jewellery and coloured gemstone sectors, including Tiffany & Co., Swarovski, Richemont, Muzo Companies, LVMH, Kering, and Gemfields. It is facilitated by The Dragonfly Initiative, which is a sustainability advisory firm with extensive experience in the precious metals, gemstones and raw materials' value chains.

The online toolkit, which will be made available to jewellery industry free of charge, will include supporting documentation that will help companies address CIBJO's Responsible Sourcing Blue Book guidance and answer frequently asked questions. It will be located on a dedicated platform through the CIBJO website that is hosted and



Dr. Assheton Stewart Carter (left), CEO of The Dragonfly Initiative, which facilitates the Coloured Gemstone Working Group, and Dr. Gaetano Cavalieri, President of CIBJO, signing the MOU committing to the joint development of tools enabling companies implement best practice principles for responsible sourcing in April 2019

managed by The Dragonfly Initiative. We expect to introduce it to the industry during the 2019 CIBJO Congress in Manama, Bahrain.

The online toolkit was one of a number of projects that were presented at a CIBJO seminar at the VICENZAORO jewellery trade show in Vicenza, Italy, on September 9 of this year, which focused on a range of technological solutions that are currently being developed to help companies in the greater jewellery industry to comply with responsible sourcing due diligence requirements. The seminar was moderated by Erik Jens, Vice President of the Responsible Sourcing Commission.

A CONCLUDING WORD

Like others in the CIBJO Blue Book series, the Responsible Sourcing Blue Book is a living document, which means that it will be subject to constant review, and can be amended and improved over time.

The Responsible Sourcing Commission invites all members of the jewellery industry to download the book at no cost from the CIBJO website at www.cibjo.org/introduction-to-the-blue-books/, to read it carefully and to assess to what degree its recommendations parallel those that you have already introduced in your businesses, and how you may improve.

Marco Carniello, Director of Jewellery and Fashion Division at the Italian Exhibition Group, opening the CIBJO seminar about technologies supporting responsible sourcing at the VICENZAORO show in Vicenza, Italy, in September 2019. He is joined on the podium (from left) by: Erik Jens, Vice President of CIBJO's Responsible Sourcing Commission and the seminar moderator; Michillay Brown, Tracri; Assheton Stuart Carter, The Dragonfly Initiative; Daniel Nyfeler; Gübelin Gem Lab; Konstantin Born, GemFair; Francesca Marino, CIBJO; and Mark Hanna, Richline Group.



CIBJO Special Report

We urge you to be open to what the Blue Book suggests, realising that full adherence with its responsible sourcing principles is a process of continuous improvement, and not necessarily a single act. We also invite you to inform us about its applicability to your company, and suggest where changes may be made.

CIBJO Blue Books are not dictates, but rather reflect the collective wisdom and inherent sense of fairness in our business community.

We encourage all participants in the greater jewellery industry, and especially those actively involved in the supply of precious metals, diamonds, gem materials, pearls and other components, to follow our Responsible Sourcing Guidance. Responsible Sourcing practices enables us all to be confident in the integrity of the products that we buy and sell, and provides the assurance that our employees, suppliers, buyers, customers, consumers and external stakeholders expect.

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