

Weaving it all together: An ethical status report at the end of 2019

By Tiffany Stevens, President
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Conducting business along an ethical supply chain is an increasingly relevant concern of all in the jewellery trade. The days in which a CSR department was considered as an optional alternative or simply a subset of the marketing department, or

supply-chain due diligence was reasonably thought to be too much of an effort for smaller and medium-sized enterprises, are clearly over.

There is a myriad of ethical concerns along jewellery's value chain, including manners of sourcing, human rights, the accuracy of describing the product and fair advertising. The manner in which each of these elements are addressed, and how relevant information should be disclosed, as goods



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are passed along the chain of supply and ultimately marketed to consumers, makes these topics essential components of the core business principals of every player.

The key elements of ethics and compliance animate the modern meaning of responsible sourcing, lawful advertising and consumer expectations around the world. Some of these topics and definitions are firmly defined across countries, while others are still being debated and clarified. This complicates the responsibility for those in the jewellery trade.

INCREASING RELIANCE ON INTERNATIONAL FRAMEWORKS

Responsible business standards that are being applied in the jewellery industry are meshing further and further with those used internationally, and with frameworks that govern other industries around the globe. It is important that jewellery companies fully understand their responsibilities under these complex sets of expectations, and they communicate them effectively and directly with their supply-chain partners and ultimately the consumer.

This is now the minimum for ethics. Extremely relevant industry-specific tools such as the CIBJO Blue Books are crucial to guide the sector and translate how these frameworks can be applied in our business.

A few key systems to keep in mind include the OECD frameworks, with special attention to the organisation's Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High-Risk Areas, the UN Sustainable Development Goals, the FTC Jewellery Guides in the United States, ISO standards, the World Diamond Council

System of Warranties, and the perhaps-evolving definition of "conflict" under the Kimberly Process.

Often these standards intertwine, even at the highest governmental levels, again highlighting why ethics and responsible sourcing cannot be sliced off from business practices and concerns over revenue or staying out of criminal activity.

For example, the U.S. State Department brought together a high-level group of jewellery industry players, government and civil society in August 2019, with the purpose of announcing a new set of standards – themselves inspired by the OECD framework – for managing risks to women in the minerals, responsible sourcing and jewellery supply chain. The briefing was also used to underscore the U.S. government's increased scrutiny of the jewellery trade that it is complying with Anti-Money Laundering and other measures to prevent malign activity.

OECD PRINCIPLES IN NEW CIBJO BLUE BOOK

One can see demonstrated in the CIBJO commission reports already issued for this year's 2019 Bahrain congress the importance of industry ethics. Most, if not



The OECD's Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High-Risk Area, now in its third edition, underpins CIBJO's responsible sourcing guidelines, approved in January 2019.

all, have overlapped strongly with the mission of the Ethics Commission.

Ethics is involved more deeply than ever across all aspects of the trade. The CIBJO Responsible Sourcing Commission covers, by definition, responsible sourcing and what that means in 2019, outlining the ever-central five-step framework of the OECD's conflict mineral guidance. This is strongly reflected in its Responsible Sourcing Blue Book, which was approved in January 2019.

More and more industries and minerals are involved in the OECD Responsible Mineral Supply Chain purview, with special breakout sessions in Paris this year specifically addressing gold and diamonds. The alignment of the new CIBJO responsible sourcing guidelines to the OECD principles is noteworthy and a harbinger of things to come.

Another topic covered by the Responsible Sourcing Commission in its guidelines is the importance of Know Your Counterparty (KYC). In the United States, this is an essential element of the Anti-Money Laundering requirements applied to almost the entire trade.

As mentioned, these are topics that are receiving greater attention by government agencies – in the United States but worldwide as well – as malign regimes and criminal networks try and pervade our industry. We must remain vigilant that we are not unwittingly used to further their goals.

It is not only best practice, but indeed law in many countries to follow these AML programmes rigorously.

ADVERTISING AND DISCLOSURE STANDARDS

The CIBJO Diamond Commission report this year focused on advertising and disclosure requirements, with a dissection of terminology.

While this terminology is certainly interesting from a philosophical or esoteric perspective for those of us in the trade, the reason we spend so much time and effort parsing it is to meet the ethical minimum requirements for advertising disclosure around the world.

The ethics of disclosure drives our focus. This commission will not remark on the proper principle of valuation at this time, but that is also a concern, as laboratory-grown diamonds continue to enter the collective consciousness of the average consumer.

The Diamond Commission addresses ethical responsibility in advertising when one knows if one is marketing a natural or laboratory grown diamond. But what of the ethical responsibility to make that determination in the first place?

Our industry must be responsible to know exactly what products they are passing along the supply chain, and thus the use of detection devices, which will confirm whether a stone is natural or not, is critical. This, too, was addressed by the Diamond Commission in its report. Ethically responsible members of the trade must either personally test or require proof of testing from their supplier before passing the goods along.

Another aspect of this is the quality of the machines and testing protocols used, and it is incumbent upon each player





CIBJO Ethics Commission President Tiffany Stevens addressing the 2019 Global Multi-Stakeholder SIDS Partnership Dialogue at the United Nations in New York, on July 10, 2019.

not simply “to mark the box,” but to ensure that adequate machinery and protocols were used to determine the identity of the goods.

No wording can absolve one of this responsibility if something goes wrong, although following the proper channels might mitigate some of the ultimate financial and legal responsibility. The advent of the Diamond Producers Association’s Project Assure, which tests the quality of detection devices now available in the marketplace, is empowering the trade, by confirming the effectiveness of the machinery we are all relying on so heavily to protect the supply chain.

MEDIA’S ROLE IN HIGHLIGHTING ETHICAL ISSUES

As does the Diamond Commission in its report, the 2019 Special Report of the Coloured Stone Commission looks at terminology. And again, this is not only important because it’s interesting from a technical perspective to those involved in the trade, but because it articulates ethical and legal standards of governments around the world for disclosure to consumers.

The coloured stone sector faces great challenges in ethical disclosure, particularly because of wide-spread use of varietal names, for which are no universally agreed-to gemmological standards. The need here is for agreement on nomenclature, so advertising can be ethical. The consumer must be protected from deceptive practices.

The Precious Metals Commission Special Report looked at ethical issue related to the extraction and processing of gold. Information in the public realm in these respects is coming predominantly from increasing coverage in mainstream

media, particularly in the English-speaking world, looking at instances of human rights and environmental abuse in the industry. This overlaps with investigations being carried out internationally into the activities of criminal networks involved in the mining and trading of gold.

Media reports of these sorts are certainly adding to the pressure being imposed by the U.S. government to identify the sources and use of gold by malign regimes and rebel groups.

The Ethics Commission intends watching closely the role of gold in 2020, for it seems to be a subject of particular interest to governments around the world, particularly in light of some of the countries where the precious metal is being sourced and the sometimes record-breaking prices that are being paid for bullion on world markets.

POSITIVE ENVIRONMENTAL AND SOCIAL IMPACTS

The 2019 Pearl Commission Special Report is yet to be released as of this writing, but it is worth noting that last year’s document focused on sustainability and the ethics of cultured pearl farming, as well as its potential to benefit indigenous communities, both environmentally and economically.

In fact, CIBJO was invited to present one of these projects at the 2019 Global Multi-Stakeholder SIDS Partnership



Dialogue, which took place at the United Nations in New York in parallel with the UN High-Level Political Forum (HLPF) on Sustainable Development.

The UN event focused on opportunities available to a group of 57 small-island developing states in the Pacific and Indian Oceans and the Caribbean, Mediterranean and South China Seas, examining how they may be advanced through multi-stakeholder partnerships. A “tool box” which includes a set of policy tools for designing, monitoring and reviewing SID partnerships was introduced at the event.

The 2019 HLPF theme was “Empowering people, ensuring inclusiveness and equality.” This is a direct demonstration of how an ethical focus, in alignment with international frameworks, can bring the jewellery sector into a positive light in the most prominent of international arenas.

A THREE-STEP PROCESS FOR ETHICAL DISCLOSURE

All this debate and activity around ethics across the trade has a specific purpose. By conducting an open dialog amongst each other, we can better communicate to the consumer the ethical and legally compliant basis on which we extract, process, market and sell the products that they are purchasing. It is the consumers’ right to know how their jewellery and its components affected the environment and the lives of people as it journeyed along the supply chain.

When seen globally, we have at our disposal an amazingly complex system of frameworks, definitions and semantics. But as a trade we should aim for the simplest, most direct forms possible when communicating with consumers, and these should be standard in the sales representative’s in-store pitch to a potential customer, on invoices, on social media and online – wherever products are bought and sold.

Being forthright, fully descriptive and making all disclosures clear and easy to understand is imperative.

In the absence of solidly defined definitions of terms like

“ethical,” “conflict free” or “responsible” in most countries, explain clearly to your customer about what such claims mean in your business.

This commission recommends a three-step process for ethical disclosure:

1. Due Diligence of your supply chain, which may or may not include appropriate third-party audits.
2. Comprehensive internal risk assessment (with appropriate action) based on the findings from that due diligence.
3. Clear and effective communication on these results to the next party to receive the goods.

TECHNOLOGY AS FACTOR IN ETHICAL PRACTICE

Technology is evolving at a rapid pace. This is helpful for our industry as synthetics detection equipment becomes more accurate and available, but it is also challenging, as those who seek to deceive are able to create ever more complex products and manipulate data and information to achieve their aims.

The CIBJO Ethics Commission remains hopeful that future developments will result in better and more accurate communication across parties, a more empowered supply chain starting at the mine, and a better educated consumer as information is spread more widely.

Blockchain technology promises to simplify a more secure supply chain, especially as systems are developed that will integrate products and communicate with each other. This ultimately will result in more accurate information about origin, sourcing and impact, protecting the confidence of consumers in the product and the industry.

This commission will follow such technological developments during the course of 2020 and beyond. We look forward to reporting back on how they impact our ethical standing.

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