# Guidelines for Measuring ESG Performance in the Jewellery Industry and Supply Chain

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#### Introduction and background

CIBJO's status on the Economic and Social Council of the United Nations (ECOSOC) enables it to represent the jewellery industry and present its strategy and objectives in support of the UN Sustainable Development Goals. CIBJO's strategy in this respect is multi-layered. It serves to protect its constituents from factors that threaten the confidence of consumers in the jewellery industry, as well as factors that threaten the confidence of consumers in the jewellery product itself and, at the same time, promotes the jewellery industry, which creates sustainable economic and social opportunities in the countries and regions in which it is active.

The development and harmonisation of industry standards and practices has always been a critical element of CIBJO's mission. Embedding environmental, social and governance (ESG) measurement into organisational processes and operations is an intrinsic part of growing and maintaining an enduring and thriving business community; Sustainable businesses are resilient businesses. As the world grapples with a changing climate, social inequality, and ever-increasing scrutiny of business ethics, and with ESG ever higher on leaders' priority lists, it is now widely accepted that it is essential to evidence organisations' credentials around integrity, sustainability, and compliance. The jewellery industry as a whole is strengthened by having a consistent and convergent way of doing this.

Measurement of ESG performance enables more than just understanding and management of risks, and preparedness for future regulation. When done right, there are significant commercial and social impact opportunities to be gained, too.

The new paradigm facing the jewellery industry, where sustainability is considered a baseline requirement when purchasing a jewellery product, means that all CIBJO members and their supply chains need to get ready with adequate measurement mechanisms. This can seem a complex and daunting task, particularly for small and medium-sized companies. Knowing where to begin and what to measure are commonly cited concerns.

The CIBJO Guidelines for Measuring ESG Performance ("the Guidelines") are sector agnostic and offer a broadly applicable approach to measuring progress on an organisation's ESG journey, regardless of sector, size, or stage. The Guidelines condense the vast array of global sustainability standards into a structured and prioritised set of commonly used metrics. The aim is to help organisations zoom in on the areas that typically require monitoring and enable more efficient and effective measurement controls to be put in place. They also provide a basic framework for each business to adjust and add their own material local market and sector metrics appropriate to their size and stage of growth.

The Guidelines are aligned with CIBJO Blue Books and other resources, such as the CIBJO Sustainable Development Commission's ESG and sustainability roadmap that will be published in the near future as a Blue Book, and the ESG Principles for Laboratory-grown Diamonds published in 2023. It also complements myriad other ESG initiatives underway across other sector commissions and external industry bodies, such as the Watch and Jewellery Initiative 2030.



#### Scope of guidelines

As with CIBJO's other Guides and Blue Books, this document outlines CIBJO's recommended guidance for its members and for the industry relating to measurement of ESG performance, alongside examples of metrics (units of measurements), in order to act on issues threatening our planet and societies. They also include typical data sources, as well as guidance on how to implement ESG measurement.

The Guidelines are intended to provide a "duty of care" in the jewellery industry, recognising that the Guidelines will be implemented as a process of continuous improvement, and implementation methods may vary between different companies, supply chains and sectors.

The Guidelines contain recommendations that participants in the jewellery industry may apply to measure the performance of their own business activities, and with their supply chains. Such measurement can be used to provide a level of assurance of responsible business practices and supply chain due diligence. It is not intended as a system to address traceability of precious metals or gem materials to a mine source and cannot be described or interpreted as a set of targets or a compliance mechanism.

To specify the full spectrum of ESG metrics relevant to each sector, market and organisation within the jewellery industry would take more than one guidance document. Furthermore, feedback from members is that the full array of measurement areas and metrics can be overwhelming and does not help companies to prioritise. These Guidelines therefore do not seek to cover every ESG metric relevant to each industry sector: They represent a subset of widely used measures relevant to the jewellery industry, to enable companies to take action for the first time, while also setting a level of ambition for the industry.

Structured around fourteen environmental, social and governance (ESG) themes (consistent with other CIBJO ESG documents), the Guidelines identify between 4 and 16 measurement areas, as well as sample metrics for each theme. The section 'how to apply the guidelines' provides more guidance on using the Guidelines, to help companies take that first step or progress along their ESG journey. There is also a glossary of terms to help readers familiarise themselves with the terminology associated with ESG.

When it comes to measurement, the burning questions organisations often ask are: Which aspects of my business should I be prioritising as part of a sustainability strategy? What does good look like? How do I know my business is making positive progress? And, perhaps most importantly of all, what should be measured to assess the resiliency of my business in a climate-changed world? These are questions that these Guidelines seek to help answer.

#### Approach and methodology used to develop the guidelines

The Guidelines have been developed by the CIBJO Sustainability Development Commission and the Laboratory Grown Diamond Committee, with the help of external ESG specialists from Key and Co, consulting and advisory partner to CIBJO. They have been developed to be sector agnostic and flexible, to encourage organisations across the jewellery industry and wider supply chain to apply them.

The importance of robust measurement is referenced in many of CIBJO's existing publications, as well as in those published by many member organisations. The Guidelines align with these resources and are intended to be read in conjunction with them.





#### Company size and maturity

The Guidelines differ in scope and granularity of measurement based on size of organisation. While thresholds for grouping by size can vary by country and region, employee numbers and revenue are the two most commonly used indicators.

CIBJO acknowledges that, at the organisation and sector level, small and medium-sized companies (SMEs) have meaningful variations based on other factors such as business model, which part of the value chain they operate within, and technical and managerial capacities. Furthermore, size is not necessarily correlated with progression in ESG practices.

While these variations demonstrate that size, defined by employee number, is not the only way to group SMEs, research has shown that organisations of similar sizes share significant commonalities regarding resources and expertise available for environmental and social action, and disclosure. The guidance related to measurement areas and metrics takes these limitations into account in the following ways:

#### For small and medium-sized companies (SMEs)

- Reduced volume and scope of measurement areas, compared to those specified for large companies;
- Prioritisation of matters related to own operations and business activities under direct control (operational or financial) because the data required to substantiate these are often already captured in existing business systems and day-to-day operating procedures, or can be sourced relatively easily;
- Greater emphasis on foundational practices, such as operational governance, existence of companywide policies, and the ability to monitor as a precursor to measurement;
- Reduced volume and narrower scope of metrics;
- Metrics specified to a lower (shallower) level of granularity.

For this group of organisations, the Guidelines include a reduced number of measurement areas (no more than 8) per ESG theme, while the majority have between 4 and 6 each.

#### For large companies

- More extensive scope in terms of both measurement areas and metrics, given that larger operations tend to have broader supply chains and more impact on the environment and society;
- Metrics more exacting in detail (granularity);
- Greater emphasis on activities and impacts beyond the direct control of the organisation in recognition
  of the increased ability to influence supply chains, address related impacts and risks, and catalyse
  change;
- Greater breadth and depth of requirements because large organisations typically have more mechanisms in place to capture and store ESG-related data, and more resources to source and analyse information needed for the substantiation of ESG claims.

The Guidelines assume each large company will apply the same measurements that are specified for SMEs (subject to materiality), plus up to 10 additional measurement areas, reflecting their increased capacity and wider operational reach.





The distinction in company size follows the internationally recognised standard adopted by the Science-based Targets Initiative:

- SMEs are defined as non-subsidiary organisations with fewer than 500 employees;
- Large companies are classified as having 500 or more employees.

#### Note on micro and small SMEs

The Guidelines do not further categorise between small (10-50 employees) and medium-sized (50-500) organisations. CIBJO acknowledges that reporting on all 14 ESG Principles may be too difficult for micro (fewer than 10 employees) and small (10-50 employees) companies, and that some of the indicators might not be relevant to them. In these circumstances, such companies are encouraged to use the guidelines to focus on theme 1 (climate action) while taking steps to prepare for broader measurement in future.

The decision has been taken not to develop a separate set of indicators for SMEs because as such organisations grow, along with their knowledge and reporting capability, they should start disclosing on all the measurement areas. Having the same set of indicators for all SMEs ensures that the data reported is consistent and comparable, facilitating its use in benchmarking and decision making by customers, investors, and other stakeholders.

#### Universal vs sector-specific guidance

CIBJO recognises that the jewellery industry and value chain are highly fragmented, diverse, and multi-layered, and that there are significant differences in practices and differing levels of sophistication between countries and sectors, including precious metals and gemstones. In particular, the guidance takes into account that some sectors such as coloured gemstones, are highly dependent on artisanal mining sources and SMEs, and that this can make measurement more challenging. For each of the 14 ESG themes, metrics relevant to all participants in the jewellery value chain have been included, as well as some that are sector specific, such as use of laboratory-grown and recycled materials e.g. gold. The Guidelines have been developed in this way to enable organisations to add or adjust the metrics related to operations and activities that are unique to their industry segment.

Where sector-specific measurement areas and metrics are included, these should not be considered comprehensive. Alongside the stated 'universal' metrics, each CIBJO member is encouraged to add those material to the specific circumstances of their sector.

#### Alignment with international and industry standards

The Guidelines cover both mainstream metrics — those codified into standards written by industry associations, research, and evaluation organisations — and custom metrics specific to jewellery industry sectors. This includes internationally recognised standards such as the Taskforce for Climate-related Financial Disclosures (TCFD) on which many sustainability regulations and reporting frameworks are based. For more details of references used, readers should refer to the relevant section in the appendix of this document.





By specifying an aligned subset of third-party metrics, the Guidelines seek to offer a somewhat simplified and standardised landscape for tracking and measuring ESG performance that is sufficiently flexible to accommodate the many differences across the industry.

Please note, this document uses terms such as *ESG* and *sustainability*, as well as *business*, *company*, and *organisation*, interchangeably.

#### **Exclusions**

The Guidelines do not attempt to define a detailed methodology for measurement: Companies should determine the most appropriate approach aligned to relevant regulation, their own organisational culture and sector norms.

#### Consultation process

To help inform the development of this document, representatives from different sectors of the jewellery industry and supply chain were consulted through a series of interviews. Organisations were asked to discuss their ESG strategy and plans, as well as their approach to and challenges with measurement and metrics. This information was collectively used to inform the guidance content. Interviews included an industry trade association, a coloured gemstone corporation and a laboratory-grown diamond SME, among others.

Furthermore, the ESG metrics outlined in this document were put through an additional process by a European SME to identify some of the steps required to begin applying the Guidelines. This latter test helped to inform both the overall Guidelines and the chapter, *How to Use the Guidelines to Measure Progress*.

Like all ESG guidance and frameworks, readers should expect these to be continuously evolving in line with the latest climate science and as ESG reporting becomes ever more mainstream. It is anticipated that the Sustainable Development Commission and the Laboratory-grown Diamonds Committee will continue to consult with CIBJO members and communicate updates to the Guidelines in their respective Steering Committee meetings. Members and their supply chain partners are encouraged to share their experiences and learnings through these forums and contribute to the continuous improvement of ESG measurement in the industry.

#### Timeframe for applying the guidelines

Not all members will be able to implement the guidance immediately, nor comply with all associated metrics and practices in a single step. While every business is different, most organisations begin to take action immediately and then, typically, aim to achieve best practice within a three- to five-year period, adopting the principles of continuous improvement and aligning the pace of measurement to the company's individual capacity and stage of growth. Large companies are recommended to achieve best practice at the earlier end of this range.

This timeframe ensures that material changes are achieved in the jewellery industry before 2030, the timeframe set by the United Nations for realising the Sustainable Development Goals.





#### Materiality

The concept of materiality is an important one in ESG measurement and reporting. The term refers to the most relevant industry- and sector-specific matters that a company may impact and or be impacted by, in the broader social, cultural, political, legal, economic, and environmental context. Material ESG topics form the basis of an organisation's ESG reporting and against which progress is measured.

These guidelines have been developed on the basis that the 14 ESG themes are universally applicable to CIBJO members. As examples, the climate crisis requires every organisation to take climate action by measuring and reducing its greenhouse gas emissions (theme 1), to avoid making unsubstantiated claims (themes 8 and 14) and to use resources efficiently (themes 2 and 4). It does not, however, assume that every measurement area and metric related to each theme is universally material.

The fourteen themes serve as an umbrella structure under which organisations can align the material topics specific to their organisational circumstances. As a general rule, small businesses typically focus on 8-10 material topics that span the fourteen themes, each with a small number of sub-topics. Larger companies typically have around sixteen material topics that they report on.

#### What is ESG? A brief reminder

ESG – the abbreviation for *Environment, Social* and *Governance* – is a collective term for an organisation's impact on the environment and society, as well as its robustness, ethics, and transparency of governance, and how such concerns are integrated into its operating model. Governance tends to encompass but is not limited to such matters as company leadership, wage standards, internal controls, stakeholder rights and communications.

ESG measures how a business integrates related practices into its own operations and how these extend across the value chain, as well as the business model, its impact, and its sustainability.

**Environment** – how the business makes a positive impact and or minimises its negative impact on the environment. It covers a business's products/services, as well as its operations and supply chain. Examples of environmental business practices include:

- Reducing carbon emissions;
- Reducing energy and using renewable energy sources;
- Developing low- or no-carbon products and services;
- Switching to sustainable packaging using biodegradable materials;
- Reducing water usage and pollution that harms biodiversity and natural ecosystems;
- Encouraging recycling and reducing the amount of waste destined for landfill.

**Social** – how a business impacts workplace culture as well as wider society. Equality and fairness are at the heart of this.





Organisations can positively contribute to fairness in society, equal opportunities, as well as conditions for employees, people working in the supply chain, and local communities. Examples of social and ethical business practices include:

- Fully understanding how a company impacts its stakeholders;
- Preventing abuses within the supply chain, such as labour rights, including modern slavery and freedom of association;
- Ensuring production processes are safe and customer data is secure;
- Providing training and supporting health and wellbeing;
- Promoting equality in the workforce with diversity and inclusivity practices and policies;
- Investing in local community projects, such as skills-building initiatives.

**Governance** – the processes of decision-making, reporting, and the logistics of running a business. It also looks at the business's ethical behaviour and its transparency with stakeholders about its activities.

Governance is linked to the environmental and social aspects of ESG through measuring the transparency and decision-making behind them. Examples of governance practices include:

- Accurate reporting to stakeholders on the risks and impacts of business strategy and operations;
- Ensuring business leaders and managers are accountable for risk and performance management;
- Undertaking ethic business practices, such as preventing bribery or human rights abuses;
- Ensuring diversity in all teams and being open about pay.

#### What is ESG measurement?

Measurement of and metrics for ESG issues are becoming increasingly important in decision-making by customers, investors, and regulators, not just business owners, their partners, and suppliers.

What gets measured gets managed, as the adage goes. Measurement is an inextricable part of doing business, and an inevitable and necessary mechanism for ensuring an organisation delivers long-term value in financial, environmental, social, and ethical terms.

Measurement encompasses a set of performance evaluation criteria and metrics that any organisation can use to measure and monitor the robustness of its governance mechanisms and its ability to effectively manage its environmental and social impacts. These are themselves intertwined in many instances. This is why you will find metrics that refer to or are related to other metrics elsewhere in the Guidelines.

#### What are ESG metrics?

Due to the various ways in which a business can impact or contribute to, and be impacted by the environment and society, ESG issues encompass a vast array of data points or metrics. ESG metrics are often categorised into different topics, each branching into sub-topics with specific individual metrics.





ESG metrics are now commonly used by multiple different stakeholders to assess the viability, long-term performance, and risks of an organisation alongside other traditional business metrics, such as statements of profit and loss.

Unlike financial datasets which are mostly numerical, ESG metrics can include both quantitative and qualitative information to help substantiate a company's actions and intentions more holistically. They assist every organisation to measure what is known as well as some of the factors that are hard to monetise yet are no less valuable, such as the integrity of business relationships and biodiversity impacts.

Metrics are used to track progress and performance and can come from standards, frameworks, or regulations, and can also be complemented with an organisation's own key performance indicators (KPIs). Metrics define the unit of measurement to be consistently applied during measurement cycles.

#### Why measuring ESG progress matters

ESG is the direction companies need to head to find sustainable growth paths to survive and thrive in a changing world.

To evaluate the risks and opportunities faced on this path, business performance on important aspects of ESG, such as decarbonisation, workforce diversity and sourcing products through responsible supply chains, needs to be evaluated, and measured. Furthermore, evidencing progress through measurement means more transparency as well as the opportunity to improve.

This accountability of reporting a company's ESG initiatives is essential to building and maintaining trust, and to ensuring every market participant takes its responsibilities towards environmental stewardship, and social equity and fairness, seriously.

Companies that put ESG at the heart of their strategy win in the short term simply through reporting more data and providing more transparency to customers that is subsequently rewarded through sales, as well as often identifying areas to reduce operational costs. In turn, through doing this, companies can create long-term value for themselves and their stakeholders and contribute to a more sustainable and fair society which the market rewards through public visibility and brand recognition.

ESG measurement and reporting can:

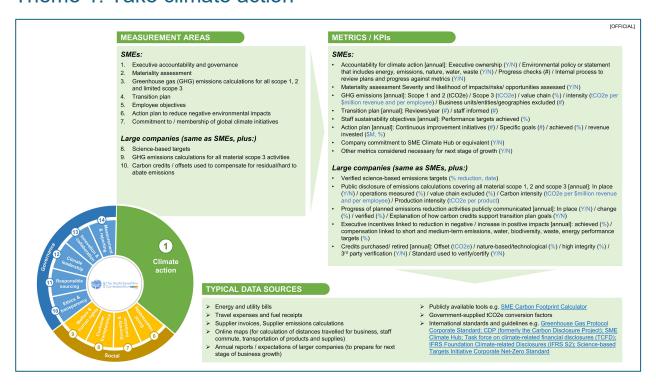
- Support an organisations' growth
- Build trust among customers and other stakeholders
- Help management teams prioritise spending and resources on the areas that contribute to the most severe, widespread, or frequent impacts of the business
- Improve governance mechanisms, and enable companies to pinpoint flaws before they become failings
- Reduce operational costs
- Enhance a company's brand at local and global levels
- Improve buy-in and help secure funding from investors
- Help ensure compliance with regulations and policies
- Help to develop long-term plans and prevent short-termism



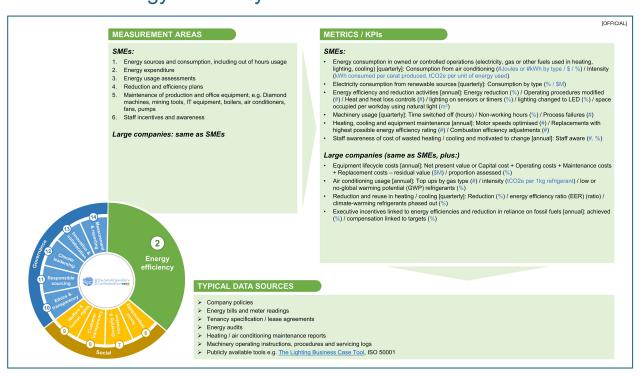


#### **Measurement Guidelines**

#### Theme 1: Take climate action



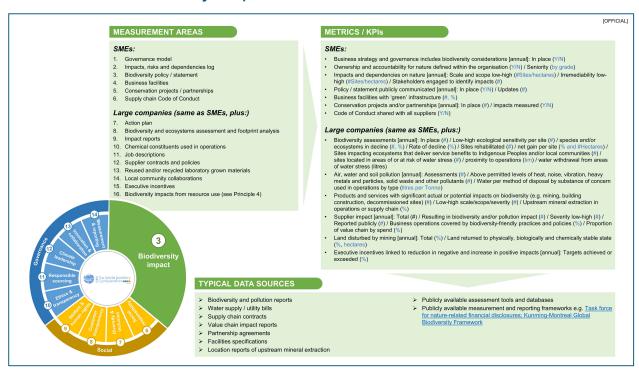
#### Theme 2: Energy efficiency



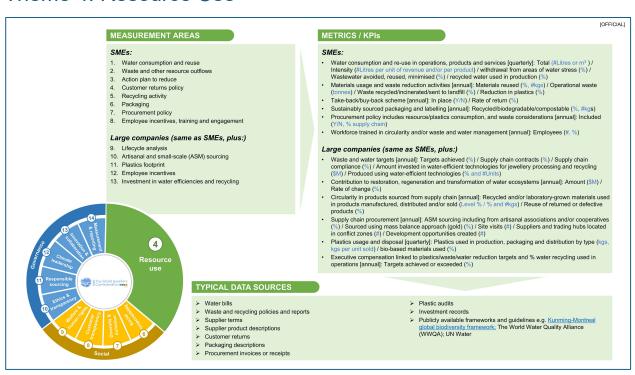




#### Theme 3: Biodiversity Impact



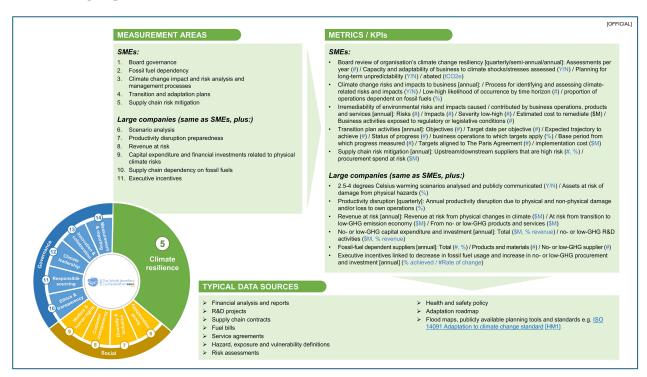
#### Theme 4: Resource Use



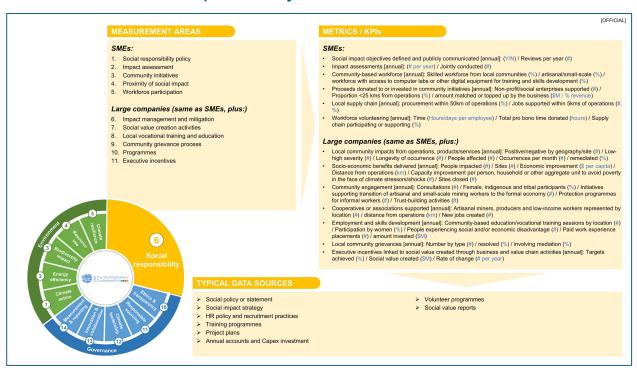




#### Theme 5: Climate Resilience



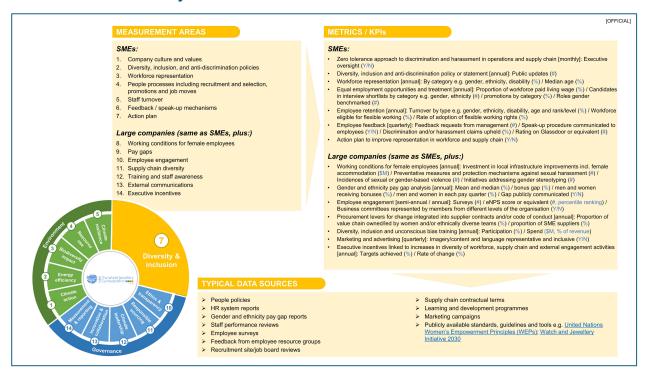
#### Theme 6: Social Responsibility



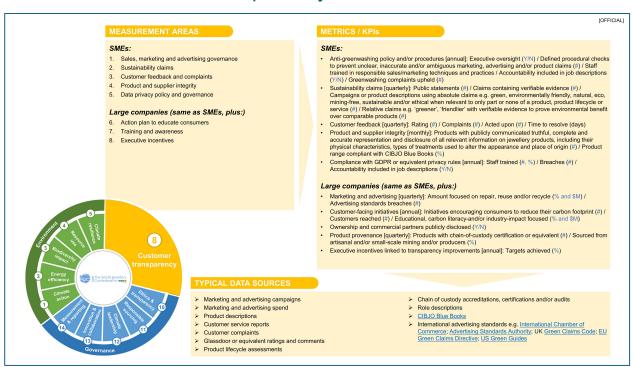




#### Theme 7: Diversity & Inclusion



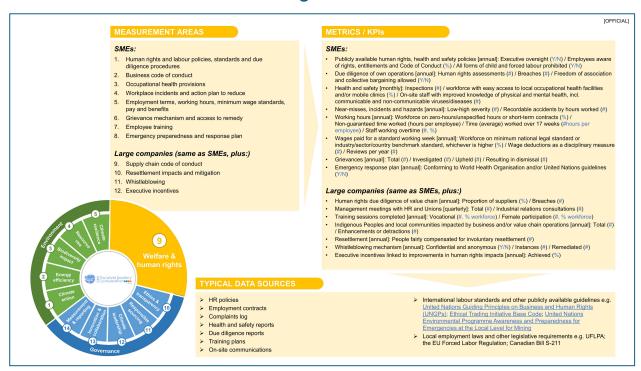
### Theme 8: Customer Transparency



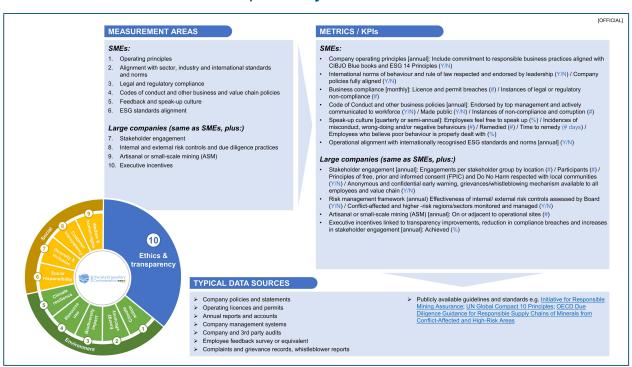




#### Theme 9: Welfare & Human Rights



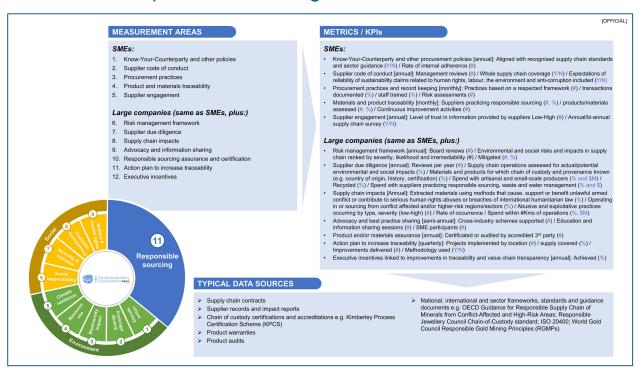
#### Theme 10: Ethics & Transparency







#### Theme 11: Responsible Sourcing



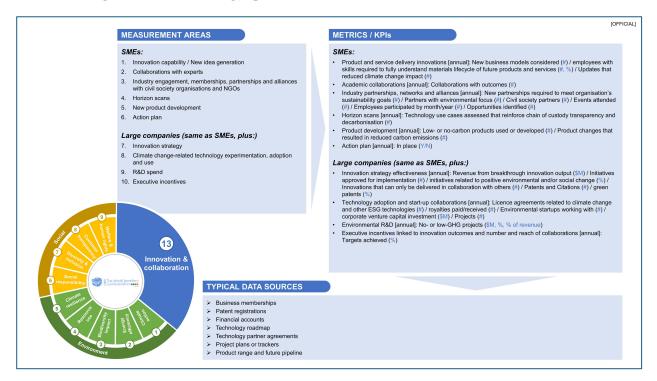
#### Theme 12: Climate Leadership







#### Theme 13: Innovation & Collaboration



#### Theme 14: Measurement & Reporting







# Getting started: How to use the guidelines to measure progress

There is no one-size-fits-all to a company's ESG initiatives. With so many different measurement frameworks out there, albeit starting to converge, it can be difficult to know where to start and can seem overwhelming at the beginning. Following a systematic and structured approach reduces this.

The Guidelines should be implemented in accordance with each company's industry- and sector-specific circumstances. Below are ten simple steps for applying these guidelines.

#### Step 1

Start by nominating an owner responsible for measurement in your business.

Identify the sponsor who will support and help them to address any organisational barriers or challenges, as well as be accountable for reviewing progress annually, as a minimum frequency.

Familiarise yourself with the 14 ESG themes. You may find it useful to first read Environmental, Social and Governance Principles for Laboratory-grown Diamonds as this provides more information on the same 14 topics.

Using your knowledge of the business and the input of colleagues with different roles in the organisation, conduct an assessment to identify material topics that are impacting, or have the potential to impact your operations, the environment, and internal and external stakeholders, whether positive or negative. Also assess what external factors may have an impact on your business because of the changing climate (e.g. disruption to your supply chain due to extreme weather events).

Zoom in on those that matter to your operating and financial performance, your organisation's values, as well as those that matter to the protection of the environment and the betterment of society. Use the fourteen themes to guide you, as well as topics and issues mentioned in publicly available frameworks and news articles to make sure nothing material is missed.

Rank the topics by severity of impact or risk, and the likelihood of occurrence over short-, medium- and long-term. Also include identified opportunities for positive impact and/or financial benefit. Shortlist the most material ones and document the results. Severity should take precedent over likelihood in your rankings.

Document these as they will form the basis of your ESG disclosures, alongside any other matters required by legislation and regulation.

**Tip:** As a general rule, small businesses typically focus on 7-10 material topics, each with a small number of sub-topics. Larger companies typically have around 16 material topics that they measure.



#### Step 2

Using the measurement table and the results from your materiality assessment, identify your priority areas of measurement for each shortlisted topic. Look at what other companies in your sector measure as well as industry and international norms.

Every CIBJO Commission and their members are encouraged to add material impact and risk metrics unique to their sectors, too.

**Tip 1:** Don't worry if some of the metrics you choose for measurement are different to those evaluated by another company operating in the same sector, especially if they are bigger or more advanced on their ESG journey.

**Tip 2:** If your organisation is measuring for the first time, it is recommended to start by adopting the metrics defined for small and medium-sized businesses, regardless of your company size. Increase the scope and number of metrics over time: Start with theme 1 'Take climate action' and aim to add at least three additional themes in each measurement cycle.

#### Step 3

Review whether your company is in scope of any ESG regulation in its operating region(s). For example, the Corporate Sustainability Reporting Directive (CSRD) applies to many companies that do business in the EU, or the U.S. Securities and Exchange Commission (SEC) Climate Disclosure Rule for large and publicly traded firms in the United States.

Refer to the main standards or frameworks that offer specific performance measures or metrics for material topics in your sector and add the ones that make most sense to your organisation. These may include metrics that you are already measuring, as well as those that can help you better manage the specific material issues your organisation has identified.

**Tip:** Even if your company is not yet in scope of existing or upcoming regulation, it can be useful to familiarise yourself with the requirements to increase knowledge and preparedness. It also helps to satisfy investor expectations.

#### Step 4

Develop an action plan for sourcing the relevant information related to each material topic and measurement area. The table provides a guide to the metrics commonly used for each measurement area.

Start with data already captured in existing operational processes and systems, and information included in invoices and expense claims.

Where data is not yet tracked by your company, start to put in place processes for closing the gaps and for continually improving the quality and comprehensiveness of your data. Expect to report in more depth and with more accuracy over time.





Tip: Capture the information in a single place. A dashboard or table can be useful.

#### Step 5

Using the metrics outlined in the measurement table, calculate the impact and financial consequence using publicly available guidance and methodology. Make sure to apply the correct conversion factors when calculating emissions data.

Document the results and methodology used, including conversion factors, formulae and any assumptions, estimates, extrapolations, and exclusions. Where incomplete information is used in your calculations, this should be clearly stated.

**Tip 1:** Get external help if needed. There are several specialist firms that can assist with this, including those that specialise in helping SMEs. It is a good way to learn from those more experienced than you and can help to upskill your workforce.

**Tip 2:** Make sure to keep records of the metrics and methodology used as well as the results. These will be needed to demonstrate progress towards your ESG objectives.

#### Step 6

Set targets for each area of measurement.

For greenhouse gas emissions, submit your targets for verification to the Science-based Targets Initiative or an equivalent qualified body.

**Tip:** If you are a small or medium-sized company, several organisations, including the SBTi, have a verification process tailored specifically to SMEs.

#### Step 7

Audit the measurement calculations in the same way you would your company accounts. Best practice is to have the method of calculation, and the resulting information independently verified or assured by a third party.

**Tip:** Research into behavioural psychology has shown that for environmental concerns, we tend to compare our actions more favourably than those undertaken by others. Having your measurement process and results independently verified helps mitigate the risk of this occurring. It is also another way to keep up with reporting standards as they evolve.



#### Step 8

Communicate your progress.

Create an impact report evidencing both the positive and negative impacts of your business operations, and explain the methodology and assumptions used. Ensure the report does not include unsubstantiated or misleading statements and fully complies with anti-greenwashing standards.

Publish the results on the company website and share directly with stakeholders.

Ensure products for sale are accurately labelled, too.

**Tip 1:** Given resource constraints, many SMEs focus on measurement rather than reporting in the initial stages of their ESG journey. Over time, when measurement processes become more established and employees become more confident, they start to report publicly, perhaps electing to do so every alternate year initially, and increasing the frequency over time. Large companies are expected to disclose at least annually.

**Tip 2:** CIBJO recommends that members who would like formal recognition of their implementation of the Guidelines, and the ESG practices on which they are based, should do so through an internationally recognised organisation such as CDP or an ESG ratings provider such as Ecovadis.

#### Step 9

Create a feedback loop.

Share your measurement journey and learnings with CIBJO commissions, other companies in your sector, as well as with those in adjacent sectors. Use measurement to show climate leadership and to create competitive advantage for your business.

Celebrate your ESG measurement successes.

**Tip:** Consider bringing together other people in your industry with an interest in sustainability to share knowledge. Convene an internal group of ESG champions to help and support, and don't forget to credit them with helping measure your ESG progress.

#### Step 10

Focus on continuous improvement. The more measurement you do, the easier it becomes: What seemed overwhelming at the beginning starts to feel more manageable and familiar after a couple of cycles.

Ensure your measurement processes are robustly maintained and supported.

Increase the scope and frequency of measurement cycles over time. Learn from others and continuously raise the quality of your disclosures from one cycle to the next.





Tip 1: Invite people from different teams and different levels of your organisation to get involved (particularly graduates and those who are representative of more recent generations). Assign owners to each area of measurement.

Tip 2: Aim to improve the accuracy of measurement with each cycle. Don't expect to get there in one go: pursuing an ideal can sometimes stall progress so focus on 'good' and 'better'.

#### Stages of measurement on the journey to best practice

The pathway to best practice is rarely achieved in a single step, regardless of a business's size. Further, considering the many differences between organisations across the jewellery value chain, the pace of each ESG journey may differ. That being said, the accelerating changes to both our climate and our planet brought about by our Anthropocene era serve as a reminder of the need for greater urgency.

The diagram below can be used by every company to help assess where it is on the journey to full sustainability. It can also aid in determining a realistic view of the organisation's current status and help guide the pathway to best practice.

As previously stated in this guidance, member organisations should aim to progress through these four stages within a three- to five-year timeframe. Large companies should aim to achieve best practice in the earlier end of this range. Organisations should not limit themselves, though. If they can make faster progress they should aim to do so and should not regard best practice the end of the sustainability journey.

Organisations have begun to establish processes to monitor and measure the environmental and social impacts of their own operations:

- · May include some Scope 1 and Scope 2 emissions data but tends to be incomplete or unverified
- Are in the process of identifying social and climate-related risks and impacts;
- Policies in place do not yet include specific sustainability issues, such as renewable energy sourcing, human rights, diversity and inclusion, resource use, responsible sourcing;
- Have set some short-term workforce targets e.g. safety, diversity and inclusion;
- · Demonstrate some awareness of dependency on
- · No or limited public disclosure.

#### Developing

Organisations are taking first steps towards action, including target setting and environmental risk and impact identification associated with the wider

- Integrate climate change mitigation and social priorities into business strategy and policies; Set
- · Manager responsible for environmental and social
- · Have conducted a materiality assessment and identified short-term environmental and social risks / impacts related to 'mission critical' suppliers, but their financial impact or management cost is not yet
- · Are purchasing some certified commodities /
- · Starting to report publicly using proof points.

#### Advanced

Environmental and social data is fully integrated into business strategy with specific and detailed action plan; Evidencing demonstrable progress through publicly communicated reports:

- Disclose complete Scope 1, 2 and relevant Scope 3 emissions using an accepted standard, Conduct climate-related scenario analysis; Document processes for identifying, assessing, managing material environmental and social risks / impacts;
- Have begun to introduce robust corporate governance mechanisms with regular boar oversight;
- Engage with suppliers to monitor and measure social and environmental impacts, including water and biodiversity, Can trace a significant proportion of total production/ consumption;
- · Are able to identify the financial value at risk for each operational site and have a strategy to respond to these risks;
- · Have set an internal price for carbon, water and dependency on nature, which inform related capital

#### **Best Practice**

Organisations are leaders in environmental and social measurement, with board-level oversight, externally verified sciencebased targets for emissions reduction, and are leading stewardship at every level:

- Have board-level governance mechanisms in place and oversight of climate-related issues;
- Incentivise c-suite and management to deliver long-term, persistent improvements in direct and indirect impacts;
- Collaboratively engage with customers, suppliers and other value chain partners on social and climate-related issues; Verify supplier performance and non-compliance;
- · Incentivise suppliers to reduce their negative

- Have consistent engagements with trade and civil society associations, research and innovation collaborators.

#### Ambition

- ✓ Starting to take climate action (principle 1);
- √ In the process of assessing climate resilience (principles 2 and 5)
- ✓ Have set objectives to improve diversity and inclusion (principle 7), customer transparency (8) and workforce welfare (principle 9) in own operations

#### Ambition:

- ✓ Publicly evidencing some progress (principles 10 and 14)
- ✓ Taking additional steps to minimise resource wastage in own operations; ✓ Beginning to identify actions to increase
- social responsibility (principle 6) and responsible sourcing (principle 11).

#### Ambition:

- ✓ Publicly disclosing substantiated data about risks and issues:
- √ Taking action to regenerate biodiversity and reduce nature loss arising across the value chain (principle 3);
- ✓ Starting to demonstrate climate leadership (principle 12)
- ✓ Harnessing technology to innovate and collaborate (principle 13).

- √ Comprehensively measures all 14 ESG principles with ever-increasing granularity; Financially quantifies all risks and impacts
- ✓ Third-party verifies all data and makes public:
- ✓ Evidences absolute emissions reduction: ✓ Continually raises organizational targets:
- ✓ Have verified science-based targets and a commitment to obtain 100% of electricity supply from renewable sources.





#### Credits, acknowledgements and contact information

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#### Contact information

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#### About Key & Co

Key & Co is a global advisory and consulting network that enhances the value of its clients, their supply chains and their customers through value maximising strategies, technology innovation, ESG strategy and business transformation.

Founded by Jon Key, Key & Co has the capability to support large and small organisations with a flexible resource model of experts and affiliates, building the best team for the job from an extensive global network. The model is tried and tested in corporate, private equity and public sector environments.

Key & Co focuses on industrial sectors including energy, logistics, transportation, manufacturing, engineering, infrastructure, and mining and can also draw on experience in consumer products, retail, luxury goods, financial services, and technology.





#### **Appendices**

#### **Glossary of terms**

**Action plan** – a list of tasks or steps required to achieve organisational objectives and goals. An effective action plan works like a management plan for a company's initiatives, outlining the steps that need to take to make these larger goals a success.

Artisanal and small-scale mining (ASM) – formal or informal mining operations with predominantly simplified forms of exploration, extraction, processing, and transportation. ASM is normally low capital intensive and uses high labour-intensive technology. ASM can include men and women working on an individual basis as well as those working in family groups, in partnership, or as members of cooperatives or other types of legal associations and enterprises involving hundreds or even thousands of miners. For example, it is common for work groups of 4-10 individuals, sometimes in family units, to share tasks at one single point of mineral extraction (e.g. excavating one tunnel). At the organisational level, groups of 30-300 miners are common, extracting jointly one mineral deposit (e.g. working in different tunnels), and sometimes sharing processing facilities. (Source: Organisation for Economic Co-operation and Development (OECD)).

**Biodiversity** – the biological diversity of flora and fauna species on Earth, a complex web of life that underpins the natural life processes on the planet. Human-caused environmental damage reduces biodiversity, and creating a healthy, sustainable society requires increasing biodiversity.

**Climate action** – efforts taken to combat climate change and its impacts.

**Climate change** – Also often referred to as global warming. The altering of the planet's climate due to an increase in greenhouse gas (GHG) emissions from human activity. Effects include rising temperatures, leading to increased extreme weather such as heatwaves, floods, droughts, and storms, and resulting in reduced water and food security and social stability.

**Climate leadership** – companies that have ambitious targets to decarbonise, consistent with or better than achieving a 1.5-degree scenario under the Paris Climate Agreement. It includes leading by example and inspiring others to follow suit, creating a ripple effect that amplifies the impact of efforts to combat climate change.

Climate-related risk – the potential negative impacts of climate change on an organisation. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation, temperature, and increased variability in weather patterns (e.g., sea level rise). Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations.

**Customer transparency** – the practice of being open and honest to customers in all aspects of an organisation's operations. This includes marketing, advertising and communications, pricing, business practices, risks, and impacts, and how organisations capture, use, and share data.





**Decarbonisation** – the process by which CO2 emissions associated with electricity, industry, and transport are reduced or eliminated.

**Disclosure** – The process in which a company submits requested information relating to the impact their business activities have on environmental and social areas such as climate change and water security. Capital markets and purchasing organisations use data submitted through disclosures to make informed decisions.

**Diversity and Inclusion (D&I or DEI)** – a variety of business practices and policies designed to enable a supportive and inclusive environment for individuals, regardless of race, ethnicity, religion, ability, age, gender, or sexual orientation.

**Employee incentives** – activities, communications and rewards intended to encourage, motivate, and incite employees to take action, perform better or change behaviour. These can be monetary or non-monetary.

**Energy efficiency** – the use of less energy to perform the same task or produce the same result. Energy-efficient equipment uses less energy to heat, cool, and run appliances and processes. Energy-efficient manufacturing facilities use less energy to produce goods.

**ESG measurement** – performance measures or indicators of a company's performance on environmental (E), social (S), and governance (G) issues.

**ESG reporting or disclosure** – the disclosure of qualitative and quantitative environmental, social and governance information. As with all disclosures, its purpose is to shed light on an organisation's ESG activities while improving transparency for stakeholders, and inspiring other organisations to do the same.

**Ethics** – the standards for morally right and wrong conduct in business. Business ethics enhances the law by outlining acceptable behaviours beyond government control. It also refers to implementing appropriate business policies and practices, including corporate governance, corruption and bribery, discrimination, social responsibility, and fiduciary responsibilities. An ethical culture ensures that decisions and actions are based on honesty, fairness, integrity, and respect for all stakeholders.

**Governance** – the processes of decision-making, reporting, and the logistics of running a business. It also encompasses the business's ethical behaviour and its transparency with stakeholders about its activities. Governance is linked to the environmental and social aspects of ESG through measuring the transparency and decision-making behind them.

**Greenhouse gases (GHG) inventory** – a list of emission sources and the corresponding emissions that have been calculated using standardised techniques.

**Greenwashing** – the intentional or unintentional sharing of false, incomplete, unsubstantiated, or misleading information, and or the false promotion of the environmental and social efforts and impacts of an organisation's practices, and or spending more resources to promote the organisation as green than are spent to actually engage in environmentally sound practices. This includes the deceptive practice of making misleading or unsubstantiated claims about the environmental benefits of a product, service, or company. Greenwashing aims to create a false impression of sustainability or eco-friendliness.





While greenwashing is often discussed in the context of marketing campaigns, it is also a key concern in reporting practices and investor communications.

**Human rights** – the rights we have simply because we exist as human beings. These universal rights are inherent to us all, regardless of nationality, sex, national or ethnic origin, race, religion, language, or any other status.

**Impact assessment** – a structured, evidence-based process that evaluates the potential and actual effects of an organisation's practices, policies, procedures and proposed actions on the environment and people. It is a tool used in decision-making and planning, and it can be applied at all levels of decision-making.

**Innovation and collaboration** – a broad range of approaches including technology and innovation management that seek to address global challenges and or organisational, social, and economic changes. Innovations on climate change include **energy efficiency** as well as low-carbon and non-carbon technologies, carbon reduction technologies and fostering climate action, shaping policy, promoting experimentation, and learning in collaboration with others, and examining effectiveness.

**Life cycle assessment (LCA)** – a systematic analysis of the environmental impacts of a product, process, or service throughout its entire life cycle. It considers resource extraction, production, use, and disposal to identify areas for improvement and inform sustainable decision-making.

Materiality assessment – one of several analytical techniques for identifying, prioritising, and validating the most relevant industry- and sector-specific matters a company might impact, and be impacted by, in the broader social, cultural, political, legal, economic, and environmental context. There are hundreds of ESG issues: Assessing what is material helps an organisation define what ESG means to it, in the specific context of its business model and position within an industry. A materiality assessment is evidence-based and systematic, conducted regularly (often annually) in advance of any reporting, and involves the highest governance body of the organisation in making materiality judgements. When implemented correctly, this analysis is considered the foundation for the development of ESG strategy, corporate governance, and sustainability reporting. Practitioners use this, alongside other techniques, including impact assessments and risk assessments, to gain a deeper understanding of the full scope of a company's ESG risks and opportunities. It is not a form of benchmarking, target setting, or outcome measurement, and does not assess how likely a particular risk or opportunity is to occur, or how best to optimise ESG opportunities to drive positive social and environmental change. What is important to an organisation and its key stakeholders is ever evolving. As such, the needs and expectations of stakeholders can change; What is immaterial to a business today could be a material issue tomorrow.

**Nature-based solutions** – actions to protect, conserve, restore, sustainably use, and manage natural or modified terrestrial, freshwater, coastal and marine ecosystems, which address social, economic, and environmental challenges effectively and adaptively, while simultaneously providing human wellbeing, ecosystem services and resilience and biodiversity benefits.

**Net-zero** – achieving a balance between the greenhouse gases emitted into the atmosphere and those removed or offset, resulting in no net addition to the overall amount of greenhouse gases. The outcome of limiting catastrophic climate change requires companies to become net-zero. Many national and commercial policies are based on achieving net-zero within certain time frames.





**Paris Agreement** – a legally binding international treaty on climate change, adopted at COP21 in Paris in 2015. Its goal is to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels, to avoid the worst impacts of climate change. Aligning with a 1.5°C world currently means businesses of all sizes should reduce **Scope 1, 2 and 3 emissions** to zero, or close to zero, and neutralising any residual emissions by 2050 at the latest.

**Product Integrity** – the ability of a product to meet or exceed a customer's expectations for performance, quality, and durability over the life of the product. In the context of the jewellery industry, product integrity relates to the precious metals, gem materials and other products manufactured or sourced through the supply chain that are correctly and accurately represented and disclosed in accordance with the CIBJO Retailers' Reference Guide and/or the relevant CIBJO Blue Book, including providing certificates and other verification where applicable (e.g. diamond grading reports, gold purity/assay certificates).

**Renewable energy** – energy derived from naturally replenishing sources, such as sunlight, wind, water, and geothermal heat. Unlike fossil fuels, renewable energy sources have a reduced environmental impact and contribute to reducing greenhouse gas emissions.

**Resource use** – the appropriation, removal and use of raw materials, energy, ecosystems, naturally occurring materials, such as minerals, water, and surface area from the natural environment.

**Responsible sourcing** – the practice of selecting suppliers and materials based on their social and environmental performance. Responsible sourcing in the fashion industry aims to ensure that raw materials, components, and finished products are obtained in an ethical and sustainable manner.

**Risk assessment** – a systematic process of evaluating the potential or actual risks that may be involved in current or projected activity or undertaking. It includes examination of what might cause harm to the environment, people, and business operations, what is needed to avoid it, and assesses the effectiveness of any control measures in place. It can also be used to determine the measures required to comply with statutory duties and regulations.

Science Based Targets initiative (SBTi) – a global body enabling businesses to set ambitious emissions reductions targets in line with the latest climate science. The SBTi's goal is to accelerate companies across the world to support the global economy to halve emissions before 2030 and achieve net-zero before 2050. The initiative is a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the Worldwide Fund for Nature (WWF) and is one of the We Mean Business Coalition commitments. The SBTi defines and promotes best practice in science-based target setting, offers resources and guidance to reduce barriers to adoption, and independently assesses and approves companies' targets.

**Science-based targets** – emissions reduction targets adopted by organisations to reduce GHG emissions are considered "science-based" if they are in line with the level of decarbonisation required to keep global temperature increase below 2°C compared to pre-industrial temperatures, as described by the Intergovernmental Panel on Climate Change (IPCC). They provide a clearly defined pathway for companies and financial institutions to reduce greenhouse gas emissions in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement.



**Scope 1, 2 & 3 emissions – Scope 1** emissions refer to direct greenhouse gas (GHG) emissions that occur from sources that are controlled or owned by an organisation. These emissions include those generated from on-site combustion of fossil fuels, such as emissions from company-owned vehicles or equipment, as well as emissions from industrial processes.

**Scope 2** emissions refer to indirect GHG emissions associated with any purchases of electricity, steam, heat, or cooling made by an organisation. These emissions occur outside the organisation's boundaries but are associated with its activities. Scope 2 emissions are typically generated by external sources, such as power plants that supply electricity to the organisation.

**Scope 3** emissions cover all indirect emissions that occur in an organisation's value chain (upstream and downstream). These emissions are out of the company's operational control but typically make up the majority of GHG Emissions associated with an organisation's practices. As scope 3 emissions are the result of activities from assets not owned or controlled by the company, one company's scope 3 emissions may originate from another company's scope 1, scope 2 or even scope 3 emissions. Scope 3 emissions are calculated across fifteen different categories, including purchased goods and services, business travel, transportation, waste disposal, sourced commodities and raw materials and extraction.

**Social impact** – the effect of an organisation's activities on society. It encompasses both positive and negative outcomes and involves considerations such as community development, poverty alleviation, human rights, and social justice.

**Social responsibility** – the ethical duty of individuals, organisations, and businesses to act in ways that benefit society at large. This involves considering the social impacts of decisions, supporting communities, and promoting positive change.

**Social value** – a means to creating additional social, economic, and environmental wellbeing above and beyond the 'core' value of the goods, service, or work.

**Supplier code of conduct** – a set of guidelines or principles that outline the expectations and requirements for suppliers' social, environmental, and ethical practices. It helps ensure that suppliers align with a company's sustainability goals and values.

**Supply chain or value chain** – the multitude of companies, activities, resources, and technologies involved in the creation and distribution of a product or facilitating a service, for example manufacturers and providers of constituent materials used in a final product. It encompasses all stages from raw material extraction to end-user consumption and disposal. Activities from a company's supply chain constitute its scope 3 emissions.

**Supply chain transparency** – the extent to which information about the processes, practices, and impacts within a supply chain is readily available and accessible. Transparent supply chains enable stakeholders to make informed decisions and hold organisations accountable.

**Sustainable consumption** – the practice of using goods and services in a way that minimises negative impacts on the environment, society, and the economy. It involves conscious choices, resource efficiency, and minimising waste generation.





**Sustainable packaging** – designed, sourced, produced, and managed in a way that has reduced environmental impacts. It aims to minimise resource consumption, promote recyclability or compostability, and reduce waste generation

**Traceability** – capability to trace the journey of raw materials from their origin through the entire supply chain. Effective traceability enables businesses to verify that their materials are responsibly produced and sourced.

**Transition plan** – a time-bound action plan that clearly outlines specific strategies and clear accountability mechanisms to track progress towards a trajectory that aligns with the latest and most ambitious climate science recommendations, i.e. halving greenhouse gas (GHG) emissions by 2030 and reaching net-zero by 2050 at the latest, limiting global warming to 1.5°C. Climate transition plans enable organisations to navigate evolving regulations and policy changes, ensuring compliance and avoiding regulatory shocks. Robust climate transition plans are essential for attracting investment and securing stakeholder support, as initiatives emphasise the importance of credible and ambitious net-zero strategies.

**Transparency** – the openness and the willingness to share information, both positive and negative, with all relevant parties.

**Water security** – the capacity of a population to safeguard sustainable access to adequate quantities of acceptable quality water for sustaining livelihoods, human wellbeing, and socioeconomic development, for ensuring protection against water-borne pollution and water-related disasters, and for preserving ecosystems in a climate of peace and political stability (from UN Water). Reduced water security is an impact of climate change.

**Water stress** – occurs when the demand for water exceeds the available amount during a certain period or when poor quality restricts its use.

**Welfare** – the necessary conditions of a person being autonomous, free, healthy, prosperous, safe, and having positive well-being.



#### Where to go for help and further information

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