



global witness



Déjà Vu

diamond industry still failing to deliver on promises

SUMMARY OF UK AND US RESULTS OF GLOBAL WITNESS AND AMNESTY INTERNATIONAL SURVEY

This report presents the results of Global Witness and Amnesty International's survey into the diamond jewellery retail sector's implementation of self-regulation to support the Kimberley Process, the international diamond certification scheme launched to combat the trade in conflict diamonds. Many members of all sectors of the diamond industry made three commitments in January 2003:

◇ To implement a code of conduct to prevent buying or selling conflict diamonds

- ◇ To implement a system of warranties requiring that all invoices for the sale of diamonds and jewellery containing diamonds must contain a written guarantee that diamonds are conflict free; to keep records of the warranty invoices given and received and for this to be "audited and reconciled on an annual basis by the company's own auditors"¹
- ◇ To inform company employees about the industry's policies and government regulations to combat the trade in conflict diamonds

THE KIMBERLEY PROCESS CERTIFICATION SCHEME

The Kimberley Process Certification Scheme (KPCS), negotiated by governments, civil society organizations and the diamond trade, in response to civil society campaigning against the trade in conflict diamonds, is an international governmental certification scheme aimed at preventing the trade in conflict diamonds. Launched in January 2003, the scheme requires governments and the diamond industry to implement import/export control regimes on rough diamonds to prevent conflict diamonds from fuelling conflict and human rights abuses. The KPCS, which is a political agreement and currently has 60 countries as members, requires its participants to certify that shipments of rough diamonds are free from



conflict diamonds. Countries that are members of the Kimberley Process and export rough diamonds have put in place domestic certification systems, and passed enabling legislation, with varying degrees of effectiveness.

The system of warranties, which the diamond industry agreed to adopt to support the Kimberley Process, covers both rough and polished diamonds. However, it can only be considered effective in assuring that conflict diamonds have not entered the legitimate trade if all sectors of the diamond industry effectively implement the system of warranties. More importantly, the system that the industry has established must be audited or verified independently, and monitored by appropriate government agencies. Otherwise, unscrupulous traders will find loopholes, allowing conflict diamonds to enter the legitimate trade.



This survey follows the **Global Witness report *Broken Vows*, released in March 2004, which found that major US and international diamond jewellery retailers were falling short in implementing the self-regulation.**



Global Witness and Amnesty International in June 2004 began a survey of diamond jewellery retailers in the UK, US, Australia, Belgium, France, Germany, Italy, and Switzerland in order to assess whether the diamond industry is

effectively implementing the self-regulation and is able to provide consumers with meaningful assurances that diamonds are conflict free. It has been completed in the US and UK and is ongoing in other countries. This survey follows the Global Witness report *Broken Vows*, released in March 2004, which found that major US and international diamond jewellery retailers were falling short in implementing the self-regulation.

The survey was carried out in two ways to assess what the diamond industry has done to implement policies to combat conflict diamonds:

Company Management Survey

Global Witness and Amnesty International sent letters to the company management of major diamond jewellery retailers asking for information about companies' policies on conflict diamonds and the self-regulation and followed up with all companies by telephone to bring the letter to their attention and to ask the status of their efforts to respond. Letters were also written to international and national trade associations asking about their efforts to ensure adoption of self-regulation throughout the trade.

Retail Survey

Amnesty International members visited diamond jewellery retailers to ask questions about their policies on conflict diamonds and the self-regulation, evaluating the level of awareness of sales associates and seeing what assurances consumers are being given that the diamonds they are buying are conflict-free.

The retail survey has been completed in the US and UK. 579 stores were visited at random, 333 across the UK and 246 in fifty cities throughout eighteen US states. For the company management survey, a total of 85 letters were sent to company management of major diamond jewellery retailers in these countries.² In the US, Jewelers of America, the major American jewellery trade association with over 10,000 members, sent an advisory on 12 September 2004 to its members before Amnesty International USA's Day of Action on Conflict Diamonds on 18 September 2004 when Amnesty members visited US stores across the country to ask about their policies to combat conflict diamonds. The advisory stated that "it is imperative to respond promptly to questions from NGOs, media, or consumers about conflict diamonds, as well as other social, ethical, and environmental issues, should they be asked".³

Initial results from Australia, Belgium, France, Germany, Italy, the Netherlands and Switzerland are disappointing. Amnesty International members have written to over 800 retailers and suppliers in Belgium, Germany, Italy, the Netherlands and Switzerland. So far, only 52 of these have responded in writing with any information about their policy.

The results of the survey are very disappointing and show that a significant majority of diamond jewellery

Only a minority of diamond jewellery retailers have demonstrated they have effective measures in place to implement the self-regulation and combat the trade in conflict diamonds and have made efforts to be transparent about these efforts.

monitor its members' implementation of the self-regulation, the results show that many diamond jewellery retailers are still falling short on basic measures of the self-regulation. Only a minority of diamond jewellery retailers have demonstrated they have effective measures in place to implement the self-regulation and combat the trade in conflict diamonds and have made efforts to be transparent about these efforts.⁵

retailers continue to fail to deliver on repeated promises made to stem the trade in conflict diamonds.⁴ While Global Witness and Amnesty International welcome Jeweler of America's announcement on 16 September 2004 to develop activities to

Failure in providing adequate details about the system of warranties

- ◇ Thirty two out of 37 companies (86%) that responded to the company management survey in the US and the UK stated that they have a policy to prevent dealing in conflict diamonds and are implementing the system of warranties with suppliers. However, 30 out of the 37 companies (81%) that responded did not provide adequate details on how the system of warranties is being implemented and what policies, procedures and auditing measures companies have in place to back them up. A warranty simply stating that diamonds are not from conflict sources is meaningless unless it is backed up by concrete policies and monitoring to adequately demonstrate that diamonds come from legitimate sources. Major retailers have a responsibility to carefully select suppliers and require them to demonstrate that they are taking adequate measures to help prevent dealing in conflict diamonds, including third-party auditing procedures to verify that procedures are effectively working. Most of the company responses failed to provide any details on the auditing measures (internal or third-party audits), which are crucial to ensuring that policies are effectively implemented.
- ◇ A few retailers outlined more detailed measures to implement the self-regulation, including strengthening sourcing procedures and control over their suppliers, auditing procedures and staff education programs. These companies' responses indicate that they have concrete policies and other measures in place to back up the warranty statements. Some companies also provided copies of invoices with the warranty statement, agreements with vendors and educational materials to demonstrate how they are implementing the self-regulation.

Failure in responding to the company management survey

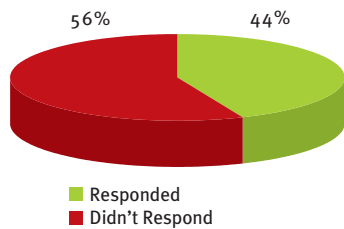


Figure 1: Forty eight out of 85 companies surveyed (56%) in the UK and the US failed to inform Global Witness and Amnesty International in writing about their policies on conflict diamonds.

- ◇ Forty eight out of 85 companies (56%) that were sent letters in the UK and the US failed to inform Global Witness and Amnesty International in writing about their policies on conflict diamonds. Major diamond jewellery retailers that did not respond include Asprey,

Boodle & Dunthorne, Chisholm Hunter, Debenhams and Theo Fennell in the UK, and Costco Wholesale Corporation, Friedman's, Kmart and T.J. Maxx in the US.⁶

Many of these 85 companies are also members of trade associations that have endorsed the self-regulation and it is likely that some have policies to implement the self-regulation but did not respond to the request for information. Those companies that are not members may have adopted their own policies. However, their failure to respond despite follow up, even if they do have a policy, raises the question of how seriously they take commitments to combating the trade in conflict diamonds and to supporting the Kimberley Process.

Failure in providing consumers with meaningful guarantees that diamonds are conflict free

- ◇ The retail survey of salespeople in jewellery stores showed that the diamond jewellery retail sector is largely unable to provide consumers with meaningful assurances that diamonds are conflict free. A total of 579 diamond jewellery stores were visited in the UK and US. Although at 59% of shops surveyed salespeople said that they were aware of conflict diamonds, only 42% of shops surveyed said they had a policy.
- ◇ In the UK, 54% were aware of their company's policy with a further 13% saying they had an unwritten

policy. Only 18% of total stores surveyed could provide a copy of the policy. In addition, only 38% of salespeople indicated that they had received any training on the issue of conflict diamonds. Finally, only 7% indicated that they are providing a warranty certificate for customers confirming the origin of all diamonds sold in the store, 5% provided a warranty for larger/more expensive stones, and 13% provided one on request from the purchaser.

- ◇ Awareness in the US was even lower. A total of 246 shops were visited by Amnesty activists across the US. Thirty seven percent of stores visited claimed to be aware of the conflict diamond issue. Of those stores where salespeople said they knew about conflict diamonds, 54% reported an inaccurate definition of the problem. Only 66 of 246 stores

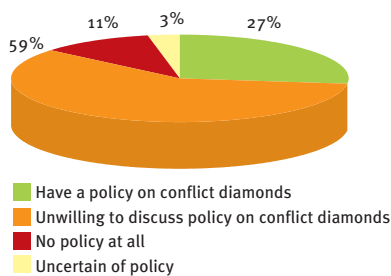


Figure 2: Breakdown of responses in US stores visited by Amnesty activists.

(27%) visited stated that they had a policy on conflict diamonds, 27 of 246 stores (11%) visited indicated that they had no policy at all, 145 stores (59%) visited were unwilling to discuss whether or

not their company had a policy on conflict diamonds, and 8 stores were uncertain. Of the 246 shops visited, only 13% provided warranties to their customer, to demonstrate their efforts to implement the self-regulation, as standard practice. Sixty-seven percent of stores visited were unwilling to discuss whether they had a system of warranties in place. For some of the chains, there was little evidence of standardized education, including some companies whose headquarters claim they have staff education programs. In some cases, Amnesty activists visited several branches of the same chain and got inconsistent responses. It is important to note that the survey of salespeople in stores yielded varying results. Salespeople at some companies surveyed that claim to have staff education programs were not able to provide information about these policies to Amnesty members.

Lack of transparency toward civil society

- ◇ Despite the warning by Jewelers of America to its members advising that they should “respond promptly to questions from NGOs, media or consumers about conflict diamonds”,⁷ many retailers in the US refused to participate in the survey, and

others offered the organization’s prepared statement as the sole answer to the survey and would not go any further. Many activists encountered resistance and resentment from retailers, and were met

with angry objections to their inquiries. One activist described resistance in one shop as follows: “[W]e went in very respectfully and they told us to get the ‘hell’ out of their store, and said we should be spending our time on more useful things... This really bothered me because one of the employees said they didn’t care about what happened in Africa.”

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Failure of diamond trade associations in monitoring self-regulation implementation

- ◇ The survey found that the World Diamond Council (the industry body responsible for coordinating the industry efforts to tackle conflict diamonds), World Federation of Diamond Bourses (WFDB), the International Diamond Manufacturers Association (IDMA) and other industry trade associations that have repeatedly committed to combating the trade in conflict diamonds are still falling far short on adequately monitoring self-regulation implementation. In particular, Global Witness and Amnesty International have serious doubts about the effectiveness of the World Diamond Council in achieving these goals. Urgent steps should be taken to ensure that the World Diamond Council is strengthening its efforts in coordinating and monitoring industry’s actions to combat conflict diamonds.



CONCLUSION AND RECOMMENDATIONS

While some progress has been made since March 2004 in the US, the results of the survey overall show that some major players in the diamond jewellery retail sector continue to fall short on implementing basic measures of the self-regulation or have failed to inform Global Witness and Amnesty International of efforts to do so. The continued lack of systematic monitoring by the diamond industry means that there is no assessment of whether companies are meeting the basic requirements and that there are no consequences for inaction.

In order to be effective and to fully support the aims of the Kimberley Process, the self-regulation should move beyond being voluntary.

Kimberley Process, the self-regulation should move beyond being voluntary. Global Witness and Amnesty International therefore make the following recommendations:

To governments participating in the Kimberley Process:

- ◇ Monitor the diamond industry's compliance with the self-regulation and report back to the Kimberley Process about these efforts in 2005.
- ◇ Carry out rigorous auditing and inspections of companies' implementation of the self-regulation and compliance with the Kimberley Process, in order to ensure that diamonds do not fund conflict or human rights abuses, and report back to the Kimberley Process about these efforts in 2005.

To the diamond jewellery retail sector:

- ◇ Fully implement the self-regulation and system of warranties in a manner that goes far beyond simply requiring a warranty from suppliers. Strict criteria should be applied in the selection of suppliers and third-party auditing procedures should be adopted to ensure that policies are working effectively.
- ◇ Provide written assurances to consumers stating that the diamonds they purchase are conflict free so that the system of warranties covers the entire supply

chain from point of mine to point of sale to the consumer.

- ◇ Carry out education and training on conflict diamonds and the Kimberley Process and require it as a condition of employment so that salespeople are fully informed about policies and communicate this to consumers in a transparent manner.
- ◇ Proactively work to promote adoption of the self-regulation throughout the retail sector and the diamond trade as a whole. Major industry leaders have a particular responsibility to exhibit leadership on this issue.

To the World Diamond Council, World Federation of Diamond Bourses (WFDB), International Diamond Manufacturers Association (IDMA) and other trade associations:

- ◇ Develop a common standard for verifying whether retailers and suppliers are complying with the self-regulation and develop monitoring mechanisms to ensure that these standards are being met. Jewelers of America's recent initiative to develop a monitoring program that includes self-assessment, mystery shoppers, staff training and policy and procedure reviews, offers some ideas of what can be done in the retail sector in the UK and in other countries. Further work must ensure its adoption by all sectors of the industry.
- ◇ The World Diamond Council, WFDB, IDMA should actively monitor implementation of the self-regulation throughout the diamond pipeline and take greater measures to require their member organizations to systematically report on how they are monitoring companies' implementation and auditing of the system of warranties.⁸
- ◇ National diamond trade associations should adopt monitoring programs, including self-assessments, spot checks, and policy and procedure reviews to monitor what its members are doing and help ensure that the warranties are backed up by concrete policies and measures.

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ENDNOTES

¹ 'The Essential Guide to Implementing the Kimberley Process', World Diamond Council, 2003, p. 2.

² In the US, the companies that were sent letters were drawn from the National Jeweler's Top 40 Plus Survey, which constitute a total of 6,603 stores and had combined annual sales of \$5.275 billion for nine out of the top ten. In the UK, companies that were sent letters were drawn from the top 20 jewellers listed by the National Association of Goldsmiths.

³ "JA issues advisory on 'Conflict Diamonds Day of Action'", JCK-Jewelers Circular Keystone, 12 September 2004. This warning by Jewelers of America was publicized in the trade press and is likely to have reached retailers that are not JA members as well.

⁴ For information on the diamond industry's commitment to combat conflict diamonds see 'The Essential Guide to Implementing the Kimberley Process', The World Diamond Council, 2003, p. 2. Also see Global Witness report 'Broken Vows', March 2004, www.globalwitness.org.

⁵ Jewelers of America Press Release, 16 September 2004, 'JA Moves Forward with Corporate Responsibility Initiative'.

⁶ Department stores that were sent letters may have kiosks with vendors selling diamond jewellery and they may have a variety of different relationships with such vendors. These vendors may or may not have policies to combat conflict diamonds. These companies did not refer Global Witness and Amnesty International to their vendors.

⁷ "JA issues advisory on 'Conflict Diamonds Day of Action'", JCK-Jewelers Circular Keystone, 12 September 2004.

⁸ Letter dated 28 September 2004 from Michael Vaughan, Secretary-General of WFDB to Global Witness and Amnesty International. The letter states that the WFDB has asked its members (23 Diamond Bourses) to report on the implementation of the system of warranties at the World Diamond Congress meeting being held from 17-20 October 2004 in New York and has informed Global Witness and Amnesty International that a full report on this will be presented after this meeting. While this is a good step forward, the WFDB needs to go further in requiring its members to report specifically on how the self-regulation is being monitored and to develop a common standard for verifying compliance.

Detailed results of this survey, including tables detailing company responses in the UK and US, can be found at:

www.globalwitness.org/reports

<http://web.amnesty.org/pages/ec-index-eng>

www.AmnestyUSA.org/business

www.amnesty.org.uk



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déjà vu /,dayzhah 'vooh/
noun ... **2** something
excessively or unpleasantly
familiar. [French *déjà vu*
already seen]

—THE NEW PENGUIN
ENGLISH DICTIONARY

Global Witness' earlier report,
Broken Vows, released in March
2004, can be found at:
www.globalwitness.org/reports/



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