

## **Jewellery: Industry fights to polish a flawed image**

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Reputation is everything in the jewellery trade. When former retail tycoon Gerald Ratner famously boasted that one of his products was "total crap", sales at his cut-price jewellery chain immediately fell through the floor.

More than a decade on, public relations teams in the world's largest jewellery retailers are fretting less about executive gaffes and a good deal more about ethical risks in their supply chain.

The shift in focus can be traced back five or six years when the issue of so-called "conflict diamonds" began attracting headlines.

Jewellery retailers suddenly found themselves in the line of fire from campaign groups, who argued that the sale of diamonds from war-torn African states such as Angola and Sierra Leone was fuelling civil unrest.

In July 2000, leading companies in the diamond industry came together to form the World Diamond Council, with the goal of eradicating conflict diamonds from the global supply chain. Later the same year, the United Nations adopted a resolution to establish a certification scheme for rough diamonds.

Under the conditions of the subsequent Kimberley Process, participants are required to subscribe to a series of export-import controls on all diamond shipments. Other measures include the standardisation of "certificates of origin" for export countries, auditing and monitoring processes, and new legislation against those who fail to comply.

The system, which covers 99.8 per cent of all rough diamond production, is widely held to have been a success. Now, however, the jewellery industry is under pressure on another issue - "dirty gold". Environmentalists and human rights groups blame modern gold mining methods for polluting natural resources and destroying local livelihoods.

"Jewellers may not operate heavy equipment at mine sites - but where gold is concerned, they're in the driver's seat," reads an open letter from the No Dirty Gold campaign.

The campaign was launched in the US earlier this year by Oxfam America and other activist groups. Its organisers took out a full-page advertisement in last month's National Jeweler magazine, a leading US trade journal, calling on retailers to sign up to an accord on clean gold mining.

As the public face of the industry, jewellery retailers are the first to be asked by consumers and non-governmental organisations about the ethics of the products on their shelves.

"In that way, the issues facing a mining company can also affect a retailer," explains Clifford Jackson, spokesperson for Jewelers of

America, which represents 11,000 independent jewellery stores in the US.

In response, international retailers such as Tiffany, Cartier and London-based Signet Group (formerly Ratners Group) have helped initiate an industry-wide scheme aimed at improving business practices throughout the jewellery supply chain.

The Council for Responsible Jewellery Practices, founded in May this year, is working on establishing a core set of social, environmental and ethical principles for the industry as a whole.

"It benefits everyone in the industry if together we can set responsible business standards and therefore provide a further measure of consumer confidence in the industry," says Linda Buckley, spokesperson for the luxury jeweller Tiffany.

The Council's 14 founding members include multinational extractive companies Newmont Mining, Rio Tinto and BHP Billiton, as well as international diamond traders Rosy Blue and Diamond Trading Company (the marketing arm of De Beers). Also participating is ABN Amro, the Dutch bank that controls about a third of the £10 billion loan finance to the diamond industry.

Following a period of extensive public consultation, the council intends to publish the proposed industry principles in the first half of 2006. The standards are expected to cover generic issues relating to labour rights, environmental stewardship, money-laundering and basic human rights.

The council is also developing additional criteria for companies working at each stage of the production process: extraction, refining, manufacturing, stone cutting and polishing, and wholesale/retail.

"Obviously you wouldn't expect a retail company to have a biodiversity plan, but you would expect a mining company to have one," explains John Hall, corporate relations manager at Rio Tinto.

Participating companies will be required to monitor and report their performance against the council's final principles. These self-assessment efforts will be subject to verification by third-party auditors. It has yet to be decided whether the results will be made public outside the council.

Also on the table is a logo or labelling system designed to help participating companies differentiate jewellery products sourced under the scheme's guidelines.

The initiative as a whole should, as well as protecting the industry's image, reduce existing auditing and monitoring costs.

"Because every company currently operates different supplier schemes, there was a concern that people within the value chain could spend the majority of their time simply being audited," says Simon Gilbert, external affairs manager at the Diamond Trading Company.

"By providing a base standard that everyone in the supply chain can work off, these different approaches can be amalgamated and the potential costs of auditing reduced," he continues.

Harmonising a common supply chain management system for an industry as complex and diversified as the jewellery trade is still no easy challenge. By first focusing only on gold and diamonds, the Council hopes to rein in the scope of the project.

Gaining buy-in to the scheme will be essential to the council's success. Some smaller companies have expressed concern that the initiative in effect leaves the biggest players to dictate the rules for the rest of the industry.

ABN Amro's Loet Kniphorst denies the charge, arguing that the prolonged consultation period offers all companies a say in where the bar should be set.

"In fact, I think the council will work in favour of smaller companies that do not have the resources to set their own compliance system as it will offer them a ready-made set of principles," Kniphorst says.

Even more critical will be buy-in from non-governmental organisations. Stephen D'Esposito, head of the US campaign group Earthworks, believes the best way to achieve this would be to open up formal council membership to groups from outside the private sector. As Mr D'Esposito warns: "If the Council decides to go it alone as just companies, the only way to have legitimacy from our perspective is if they do everything right. And that's a difficult needle to thread."