Reform of the System of Warranties

Explanatory Paper
5 June, 2018
Scope of the System of Warranties (SoW)

Rough
- Exploration
- Mining
- Trading

Polished
- Cutting & Polishing
- Manufacturing
- Retail

KP Certification Scheme

WDC System of Warranties
New WDC System of Warranties at a Glance

1. Updated single wording for all sectors...

“The diamonds herein invoiced have been (sourced) purchased from legitimate sources not involved in funding conflict, in compliance with United Nations Resolutions and corresponding national laws (where the invoice is generated) as per the System of Warranties Guidelines. The seller hereby guarantees that these diamonds are conflict free”

2. ...that is based on Guidelines with specific applications

WDC SoW Guidelines

- Publicly available document for companies wanting to use the SoW;
- Endorsed by all WDC members;
- Compulsory in support of KPCS and trade in non-conflict diamonds;
- Voluntary in support of universally accepted principles on human and labour rights, anticorruption and AML;
- Cross-recognition with all available industry standards;
- After the Guidelines adoption self-assessment tool to be introduced as a basic method of verification, renewed annually;
- Separate reference on artisanal small-scale mining (ASM).
WDC SoW Adherence to be based on Following Standards:

Obligatory:
✓ KPCS Minimum Requirements and Recommendations on industry self-regulation issues;

Voluntary:
✓ UN Guiding Principles on Business and Human Rights;
✓ UN Convention Against Corruption;
✓ FAFT 40 Recommendations on Money Laundering for Dealers in Precious Metals and Stones;
✓ ILO Declaration on Fundamental Principles and Rights at Work.

✓ Universal Declaration of Human Rights – “support” for ASM with the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development “Mining Policy Framework” as reference for continuous improvement.

Support of the KPCS with industry-wide initiative to incorporate universal basics in responsible supply chain
## WDC SoW New vs. Old

<table>
<thead>
<tr>
<th></th>
<th>Printed Statement</th>
<th>Statement Backing</th>
<th>Assurance and Verification</th>
<th>KPCS Compliance</th>
<th>Human &amp; Labour Rights Issues</th>
<th>AML, Anticorruption Issues</th>
<th>Endorsement by all Pipeline Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current SoW</strong></td>
<td>Yes</td>
<td>Personal, Verbal</td>
<td>No</td>
<td>Voluntary</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Proposed SoW</strong></td>
<td>Yes</td>
<td>Guidelines</td>
<td>Yes</td>
<td>Obligatory</td>
<td>Voluntary</td>
<td>Voluntary</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Customized self-assessment tool for individual company as per SoW Guidelines

To be determined by an industry organization
New WDC SoW Implementation Timeline for Individual Companies

- From 2019:
  - Self-assessment against SoW Guidelines filled in
  - Self-assessment stored in company records (downloaded or printed)

- From 2020:
  - SoW new wording to be used on company invoices
  - Self-assessment presented to reconfirm company’s annual membership in industry bodies
  - SoW on invoices and self-assessment checked through KP Peer review mechanism

Annual renewal of self-assessment

SoW is part of audit against any industry standard subject to company’s participation in it
New WDC SoW Implementation Procedure for Individual Companies

Company

Are you a member of:
1. WDC?
2. WDC member organization?
3. WDC SoW Guidelines endorsing organization?

YES

Do all your suppliers use SoW statement?

NO

NO

Do all your suppliers use SoW statement?

YES

✓

Ask your supplier to declare in written form that his operations are in compliance with national regulations as per SoW Guidelines
/ Or ask to show policy in place

If you source directly from ASM sector – follow WDC SoW Guidelines

NO

ASK your supplier to declare in written form that his operations are in compliance with national regulations as per SoW Guidelines
/ Or ask to show policy in place

If you source directly from ASM sector – follow WDC SoW Guidelines

YES

✓

YES

✓

Declare to your clients in written form that your operations are in compliance with national regulations as per SoW Guidelines
/ Or publicly endorse WDC SoW Guidelines
/ Or make sure you have a proper policy in place
# Glossary of Main Terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
<th>What it is not</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assurance</td>
<td>An official inspection of an organization’s accounts, typically by an independent body</td>
<td>An obligatory reporting or peer review system</td>
</tr>
<tr>
<td>Verification</td>
<td>The process of establishing the truth, accuracy, or validity of something</td>
<td>An audit</td>
</tr>
<tr>
<td>Spot Checks</td>
<td>An inspection that is carried out at random or limited to a few instances</td>
<td>An unannounced audit or compulsory check</td>
</tr>
<tr>
<td>Guidelines</td>
<td>Advice or information document aimed at understanding the procedure and resolving a problem or difficulty</td>
<td>Compulsory set of rules</td>
</tr>
<tr>
<td>Chain of Accountability</td>
<td>Where an assurance cannot be the responsibility of one company alone. It requires supply chain partners to be responsible for what they do and must be able to give a satisfactory assurance to stakeholders across the supply chain</td>
<td>Chain of Custody</td>
</tr>
<tr>
<td>UN Guiding Principles on Business and Human Rights</td>
<td>An instrument implementing the United Nations ‘Protect, Respect and Remedy’ framework on this issue of human rights and transnational corporations and other business enterprises, global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity, and continue to provide the internationally-accepted framework for enhancing standards and practice regarding business and human rights.</td>
<td>Legislation imposing legally binding regulation and audit</td>
</tr>
</tbody>
</table>
Thank you!