

WORLD DIAMOND COUNCIL
System of Warranties Guidelines

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WDC reserves the right to amend these Guidelines at any time if needed.

About the WDC

The World Diamond Council Assn. (WDC) is a non-profit trade association established in 2001 to combine efforts of the global diamond industry to support the Kimberley Process (KP) in preventing conflict diamonds from entering legitimate diamond trade.

The primary objective of the WDC is to represent the diamond industry in the development and implementation of regulatory and voluntary systems to control the trade in diamonds embargoed by the United Nations or covered by the Kimberley Process Certification Scheme (KPCS).

The WDC:

- Has established the System of Warranties under KPCS which extends the effectiveness of the Kimberley Process beyond the export and import of rough diamonds;
- Represents the industry in the Kimberley Process through participation as an Observer in regular teleconference meetings of the KP permanent and ad hoc working bodies, Intersessional and Plenary meetings, review visits and missions, as well as KP periodic reviews;
- Assists the Kimberley Process by managing the resources of the diamond industry to provide technical, financial and other support;
- Serves as the central point of communication regarding the actions taken to ensure compliance with the regulatory and voluntary systems to prevent the trade in conflict diamonds.

In 2018, the WDC updated its System of Warranties and adopted System of Warranties Guidelines which its members may adopt voluntarily to support and define their responsible business implementation to address emerging risks and protect the integrity of the global diamond industry whilst respecting the universal standards of responsible business practices, human rights and diamond sourcing processes that support the implementation of the KP.

Should you have any further queries, please contact WDC:

www.worddiamondcouncil.org

The System of Warranties Guidelines are intended as a guide to the industry for self-regulation in order to strengthen consumer confidence in diamonds whether in rough or polished form.

This updated voluntary system of industry self-regulation is suggested to strengthen the System of Warranties and encourage its use and implementation across the diamond and jewellery industry.

The System of Warranties for complying with minimum requirement of KPCS was created by the World Federation of Diamond Bourses and the International Diamond Manufacturers Association, under the auspices of the World Diamond Council, in 2000 in order to comply with, support and strengthen the Kimberley Process Certification Scheme through an industry self-regulation system to cover not only trade in rough diamonds, but also trade in polished diamonds and jewelry with diamonds.

These Guidelines are to be used on a voluntary basis by WDC members and all diamond industry stakeholders-adherents of the System of Warranties beyond the minimum requirements and recommendations of KPCS, based on national laws, practicality and applicability in the country, environment and ecosystem where a particular adherent operates. Such System of Warranties Guidelines are voluntary in nature and aim to complement and support self-regulation and continuous improvement of industry practices in the process involved in buying or selling rough and polished diamonds with the aim of creating a chain of accountability in the diamond pipeline from mine to retail.

The System of Warranties Guidelines require buyers and sellers of rough diamonds, polished diamonds and jewelry containing diamonds who are willing to use such voluntary System of Warranties (System of Warranties adherents) to make the following affirmative statement on all their invoices:

“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.”

This requires such buyers and sellers of rough diamonds, polished diamonds and jewelry containing diamonds to pass on a warranty statement each time diamonds change hands, assuring the next buyer that the diamonds originated from sources in compliance with the KPCS, additionally warranting promotion of universal standards on human rights; labour rights, AML and anticorruption practices in their company and dealings of rough diamonds.

The System of Warranties Guidelines underline that buyers and sellers of diamonds must observe the implementation of the KPCS (Annex 1):

- KPCS Core Document and KP Administrative Decisions and KP Guiding Documents;

understand and implement national laws pertaining to universally accepted principles on human and labour rights, AML and anticorruption that are imbedded in the following international documents:

- UN Guiding Principles on Business and Human Rights;
- ILO Declaration on Fundamental Principles and Rights at Work;
- UN Convention Against Corruption;
- AML Guidelines as per National Laws in line with FAFT 40 Recommendations on Money Laundering for Dealers in Precious Metals and Stones.

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Specific requirements and recommendations on self-assessment and points of due diligence of your trading partners are set forward and described in the Annex 2 to these Guidelines.

The affirmative statement can be used by the WDC members and their members and other national and international trade organisations.

These Guidelines may be implemented within a 5 year period enabling the industry to adopt the same and trade organization to sensitize its members.

In addition, each company trading in rough and polished diamonds is obliged to keep records of the warranty invoices received and the warranty invoices issued when buying or selling diamonds. This flow of warranties in and warranties out must be reconciled on an annual basis by the company as part of self-assessment and complied with as part of KPCS compliance and requirement with national laws.

The diamond industry consists of a wide spectrum of companies, ranging from single person traders, to small polishing units to large multinational corporations. The responsibility of business enterprises who voluntarily want to adhere to the System of Warranty Guidelines apply to those enterprises regardless of the size, sector, risk, operational context, ownership and structure. Nevertheless, the scale and complexity of means through which enterprises meet the responsibility may vary according to these factors and the severity of the risk of the context and geography under which the respective organization operates.

Artisanal Small Scale mining

All buyers and sellers of rough diamonds who source from ASM in KP participants are encouraged to promote the implementation of the intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development “Mining Policy Framework” and Moscow and Washington declaration of the KPCS to enhance the quality of life of artisanal miners and their families.

Cross-recognition

Industry organisations are encouraged to take into account their size, structure, industry sector and where appropriate, national as well as international standards and guiding principles, to assess how to help their members incorporate the System of Warranties where appropriate and applicable.

It is recommended that WDC’s Guidelines on System of Warranties are incorporated into standards of WDC members and industry organisations in order to encourage harmonisation and avoid extra burden and duplication

Trade bodies cannot be held responsible for monitoring the implementation for each entity. The Code of Conduct, Penalty clauses included in the structure of these organizations will be applicable on the adherents to the System of Warranties. The adherents to the System of Warranties will implement the System of Warranties by applying the provisions as described in the Annexes.

ANNEX 1

KPCS implementation and industry self-regulation within the KPCS

WDC members and other adherents to the WDC System of Warranties, involved with the international trade of rough diamonds, must comply with the Kimberley Process Certification Scheme Minimum Requirements and Recommendations incorporated into applicable national legislation of the relevant KP Participants where they operate.

Compliance supports the objective of preventing conflict diamonds from entering the legitimate diamond trade as described in relevant United Nations Security Council (UNSC) resolutions insofar as they remain in effect, or in other similar UNSC resolutions which may be adopted in the future, and as understood and recognised in United Nations General Assembly (UNGA) Resolution 55/56, or in other similar UNGA resolutions which may be adopted in future, including:

1. Keeping for a period of at least three years daily buying, selling or exporting records listing the names of suppliers and or buyers, their license number and the amount and value of diamonds sold, exported or purchased and have them audited and reconciled on an annual basis to ensure that all rough diamonds traded by them can be traced to imports with valid KP certificates. If asked for by a duly authorized government agency, these records must be able to prove compliance with the Kimberley Process.
2. Promoting the establishment and participation in a system of industry self-regulation on a national or international level that could include membership based self-regulatory institutes adhering to the highest standards of business practices and establishing effective cooperation with the relevant KP bodies and authorities to fulfill the KP objectives and facilitate diamond trade.

Within the industry self-regulation efforts to complement and in support of the KPCS, WDC members and all other adherents to the WDC System of Warranties, where involved with the trade of rough diamonds should keep of at least three years records of the warranty invoices received and the warranty invoices issued when buying or selling diamonds. This flow of warranties in and warranties out must be reconciled on an annual basis by the company as part of self-assessment and complied with as part of KPCS compliance and requirement with national laws.

WDC members and all other adherents to the WDC System of Warranties should within the framework of implementing the KP principles of industry self-regulation:

3. Trade only with companies that include warranty declarations on their invoices;
4. Not buy rough diamonds from suspect sources or unknown suppliers, or rough diamonds which originate in countries that are not member of the KP and/or have not duly implemented and/or enforced the Kimberley Process Certification Scheme;
5. Not buy diamonds from any sources that have been found to have failed to observe KPCS regulations prohibiting the trade in conflict diamonds and officially communicated as such;
6. Not buy diamonds in or from any region or country that is subject to an advisory by a governmental authority indicating that conflict diamonds are emanating from or available for sale

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- in such region, unless diamonds have been exported from such region in compliance with the KPCS;
7. Not buy or sell or assist others to buy or sell conflict diamonds;
 8. Ensure that all company employees who buy or sell diamonds within the diamond trade are well informed regarding trade resolutions and government regulations prohibiting the trade in conflict diamonds.
 9. Instruct their own accountants and, if applicable by national law, auditors to examine the flow of warranties in and warranties out and reconcile on an annual basis. Where governments already have control mechanisms in place to check whether a company duly reconciles the flow of warranties, the System of Warranties recognizes these existing control mechanisms.

Failure to abide by the aforementioned principles exposes the member to expulsion from industry organizations.

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ANNEX 2

Human Rights

Within the framework of universally recognized human rights and in compliance with the the UN Guiding Principles on Business and Human Rights, and in accordance with applicable national laws corresponding to that , WDC members and all other adherents to the System of Warranties should:

10. Respect human rights, which means that they should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved.

Within the framework of universally accepted human rights, and in compliance with the the UN Guiding Principles on Business and Human Rights and the International Labour Organisation Declaration on Fundamental Principles and Rights at Work, as well as the international human and labour rights obligations of the states in which they operate, in accordance with the applicable national laws, WDC members and all other adherents to the System of Warranties are encouraged to:

11. Avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts when they occur;
12. Seek to mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts;
13. Where applicable, institute a policy commitment to meet the responsibility to respect human rights in line with UN Guiding Principles on Business and Human Rights or get affiliated within the ambit of such policy commitment of any association member of the WDC;
14. Provide legitimate processes to mitigate and/or remediate adverse human rights impacts where they identify that they have caused or contributed to said impacts;
15. Avoid of all forms of forced and bonded labour;
16. Reject engagement in/support of worst forms of child labour;
17. Counter discrimination in respect of employment and occupation with regards to race, colour, sex, language, religion, political or other opinion, national or social origin, disability, birth or other status of the employee.

Anti-corruption

Within the framework of the prevalent national laws corresponding to internationally recognized anticorruption practices in compliance with the UN Convention against Corruption, including the international obligations of the states in which they operate, WDC members and other adherents to the System of Warranties Guidance are encouraged to:

18. Where applicable, implement anti-corruption standards into the core structure of the company code of conduct, including internal whistle blowing procedures.
19. Adhere to the principle of zero-tolerance towards all forms of bribery and corruption when conducting business activities, projects and whilst interacting with government, officials, politicians, investors, clients and business partners and other third parties

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20. Implement sufficient internal financial auditing controls, effective policies and adequate procedures, required financial statements subject to appropriate financial auditing procedures, as required in countries in which they operate.

Anti-money laundering

Within the prevalent national laws based on internationally recognized anti-money laundering and counter-terrorism financing (AML/CTF) practices in compliance with the FATF 40 Recommendations adopted in 1990 and revised in 2012 and the Guidance for Dealers in Precious Metals and Stones, WDC members and other adherents to the System of Warranties Guidance are encouraged to:

21. Institute a policy commitment to applying AML/CTF practices and identify business partners as per applicable legal and financial due diligence and legislative framework before entering any business relationship individually or through some institutional mechanism.
22. Understand the risks in the diamond sector that can accompany a transaction or can be related to a certain business partner as per applicable AML/CTF national legislation.
23. Define reporting procedures and report to the sector body and/or relevant authorities unusual or suspicious activity or transactions.

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Glossary

Diamond – mineral created by nature of carbon crystallized at cubic syngony, with a Mohs' scale hardness of 10, a specific gravity of +/- 3.52 g/cm³ and a refractive index of 2.42

System of Warranties – a voluntary set of provisions in support and strengthening of the Kimberley Process Certification Scheme through an industry self-regulation that covers not only trade in rough diamonds, but also trade in polished diamonds and jewelry with diamonds, and defines ways of addressing emerging risks and protect the integrity of the global diamond industry whilst respecting the universal standards of responsible business practices, human rights and diamond sourcing processes. The adherence to the System of Warranties is expressed in voluntary affirmative statement that is made on every invoice of the adherent.

System of Warranties Guidelines – a voluntary basic set of rules for WDC members and all diamond industry stakeholders-adherents of the System of Warranties beyond the minimum requirements and recommendations of KPCS, based on national laws, practicality and applicability in the country, environment and ecosystem where a particular adherent operates. Such System of Warranties Guidelines are voluntary in nature and aim to complement and support self-regulation and continuous improvement of industry practices in the process involved in buying or selling rough and polished diamonds with the aim of creating a chain of accountability in the diamond pipeline from mine to retail.

Adherents of System of Warranties Guidelines – companies that support the System of Warranties and use the affirmative statements on their invoices.

National Law or Applicable National Law – explicitly refers to the laws of the land in which the invoice is generated.

Personal knowledge – An informed decision that has been reached based on a due diligence policy and procedure on conflict diamonds to assure one's inventory. In cases of stock, buyback agreements and recycling the responsibility will lie on the receiver to do the due diligence to ensure absence of conflict diamonds.