

SoW Revamped

- An Exclusive Interview with Edward Asscher, WDC President



by Julius Zheng

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Mr. Edward Asscher is a member of one of the diamond industry and Amsterdam's most well-known families. He was elected President of the World Diamond Council (WDC) in June 2020 for another two-year term, after serving as the same position from 2014 to 2016. Photo courtesy of WDC.

Established in 2000, the World Diamond Council (WDC) is an industry organization focused on preventing conflict diamonds from entering the global supply chain and on preserving the value attached to natural diamonds. It is the only organization where the diamond trade is represented in full, from producer to retailer, and includes the most influential commercial businesses, not-for-profit

organizations, and individual companies in the industry today. The WDC is the voice of the international diamond industry in a tripartite collaboration with governments and civil society known as the Kimberley Process (KP). The KP secures and manages monitoring processes that have virtually eliminated the trade in conflict diamonds to ensure that the world's supply of diamonds is from sources free of conflict.

In September 2021, WDC officially launched its upgraded System of Warranties (SoW). Whereas in the original declaration the seller of diamonds guaranteed that the merchandise is conflict free, “based on personal knowledge and/or written guarantees provided by the supplier of these diamonds, in the new SoW the seller guarantees that the diamonds are conflict free “and confirms adherence to the WDC SoW Guidelines,” which also incorporates universal principals of human rights, labour right, and principles of anti-corruption and anti-money laundering.

Only eight words separate the declarations made on B2B invoices and memos by those members of the trade who have adopted the World Diamond Council's new System of Warranties, from industry members still using the old SoW. Those words are massively significant to greatly expand the scope of the system, the WDC SoW guidance references the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the UN Convention Against Corruption, and national AML guidelines that comply with the FATF's 40 Recommendations on money laundering for dealers in precious metals and stones.

In this exclusive interview, Mr. Edward Asscher, WDC President, revealed the why and how of this initiative.

What is the importance of WDC's recent revision of its SoW from its ethical and sustainable aspects, on top

of the achievements in the Kimberley Process? Which specific challenges does this reform address?

EDWARD ASSCHER: The original System of Warranties (SoW), which was developed and adopted by the WDC in 2002, just before the launch of the Kimberley Process Certification Scheme (KPCS) at the beginning of 2003, was essentially intended to complement the KPCS, reinforcing its effectiveness through the supply chain. This is because, while the KPCS is limited to the trade in rough diamonds and is applied only when a diamond crosses a national or regional border, the SoW also covers transactions of polished diamonds and jewellery set with diamonds, and is applied every time a diamond change hands.

The declaration on the original SoW was limited to ensuring the elimination of rough diamonds “funding conflict” and ensuring that they are “in compliance with United Nations resolutions.” It did not extend to areas that were beyond the scope of the Kimberley Process’ definition of conflict diamonds. But that now changes with the newly revised and upgraded SoW.

In the revised warranty statement, the seller of diamonds guarantees that the diamonds “are conflict free and confirms adherence to the WDC SoW Guidelines.” The latter is a document that was first approved by the WDC in 2018 and then updated in 2020, and expressly supports universally accepted principles of human and labour rights, anti-corruption and anti-money laundering (AML).

More specifically, the WDC SoW Guidelines references the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the UN Convention Against Corruption, and national AML guidelines that comply with the FATF’s 40 Recommendations on Money Laundering for Dealers in Precious Metals and Stones.

What is the response from the diamond industry?

ASSCHER: During the process of developing the upgraded SoW, we subjected the system to both internal and external reviews, involving a wide range of industry experts and trade associations, as well as non-industry bodies specializing in issues related to responsible sourcing and supply chains, as well as sustainability. Consequently, the final version of the SoW protocol also represents the opinion and comments made by those consulted.

Then, several months before officially launching the upgraded SoW on September 21, we conducted a soft

launch, in which a relatively large group of companies, which had been carefully selected to ensure that they represented a cross section of the industry, agreed to implement the new system and provide feedback on what they thought and experienced. Based on what we learned, we were able to finetune the self-assessment procedure, which is an integral part of the revised SoW.

In short, by the time we launched on September 21, we were relatively certain that we had created a new self-regulatory system that responds to the needs of the diamond industry. But like any other product, the ultimate test will be how it performs in the field, and for us that means the rate at which it is adopted by the rank and file of our business community. To advance this, we have also developed an extensive educational program and a promotional campaign, supported by industry leaders who have lent their voice to the effort and by international organizations who will take part in the training of the entire diamond sector.

The Kimberley Process is implemented by the government regulations from 82 countries, representing the prevailing majority of the diamond world, to prevent conflict diamonds from entering the mainstream market. How will the new revisions be implemented effectively?

ASSCHER: It should be noted that while the SoW supports the KPCS, it operates independently of it. The KPCS is enforced by the legal authorities in the different member countries, according to laws and regulations that have been implemented in each jurisdiction, as a condition their being Kimberley Process members. The SoW is self-regulatory, and applied individually by members of industry, although it is referred in the preamble of the KP Core document.

But, while the SoW is a self-applied mechanism by definition, de facto it has become a condition of doing business in our industry. SoW declarations on invoices and memos are standard procedure in the trade, in part because they are required procedures by industry associations, including the World Federation of Diamond Bourses (WDFB) and the International Diamond Manufacturers Association (IDMA), and leading companies, like De Beers, ALROSA, Chow Tai Fook, Signet and Tiffany & Co. In Belgium they are part of the statutory auditing procedure.

When we launched the upgraded SoW, we realized that a phasing-in time would be required, which is three years for rough diamonds and five years for polished diamonds. But companies can make

the change immediately, simply by registering on the new SoW website at www.wdcso.org, and successfully completing the self-assessment procedure.

How does WDC work with your members and collaborate with other international originations on SDGs? Please introduce your recent initiatives.

ASSCHER: The upgraded SoW itself contributes directly to the fulfillment of certain of the 17 Sustainable Development Goals, and especially those promoting equality and inclusiveness in the workplace, reducing the development gaps between countries, and the building of just and accountable institutions that serve society. This is because of its stronger emphasis on human and labour rights, anti-money laundering and anti-corruption.

For the SDGs to be effectively advanced in the diamond industry, we need to provide practical and implementable solutions that can be applied by all companies. If the discussion surrounding the SDGs is overly theoretical and abstract, we run the risk of alienating the small and medium-sized companies, who make up a large part of industry and must not be left behind.

Therefore, it is so good that we are collaborating with other bodies, from both outside and inside the diamond and jewellery industries. The solutions we develop together are often the more practical ones we require.

For example, we are strong proponents of the regional approach adopted by the Kimberley Process. Our Executive Director, Elodie Daguzan, actively participated in a program of the Mano River Union, which is designed to assist artisanal diamond miners in Sierra Leone, Liberia and Guinea gain better access to the legitimate diamond supply chain, while receiving fair value for their work.

How does WDC work with the young generation of diamantaires effectively and get these individuals more involved in participating, implementing, and advocating together with WDC?

ASSCHER: The effort to encourage younger members of our industry to become involved in leadership and policymaking is something I wholeheartedly endorse, both personally and as President of the WDC. The work we do impacts directly on all sectors of our industry, but the colleagues that ultimately will be most affected are those who will be around the longest.

What's more, it is members of Millennial and Gen Z generation who have instilled more than any generation preceding them the understanding that the products we

buy should have social as well as monetary value. They say you should learn from your children.

While the WFDB's Young Diamantaires forum is not formally a WDC member, its parent association is, and quite a few of its members are actively involved in the WDC, including our Executive Director, Elodie Daguzan. So is the Young Diamantaires founder Rami Baron. We strongly support the work it is doing.

How does WDC work with Asian countries especially India, China, and Thailand?

ASSCHER: In principle, our geographic perspective is not limited by countries, continents or hemispheres. The diamond supply chain, whose integrity we are committed to protect, typically crosses multiple borders, and is only as strong as its weakest link. So, if we take the SoW, for example, it needs to be implemented as effectively in Asia, as it does in the Americas, Europe, Africa and Oceania.

However, we are definitely conscious that, in order to be able to act with authority, our membership must both be inclusive and reflect the composition of the supply chain. Thus, we are fortunate to have leading Asian industry organizations and associations, like the Gem & Jewellery Export Promotion Council (GJEPC) from India and the Shanghai Diamond Exchange from China, as well as good number of region's largest diamond manufacturers and jewellery retailers.

From the perspective of our upgraded SoW, we are taking a very focused regional approach. Our educational program will be conducted with the support of local associations, and where necessary the language of instruction will be local as well.

About the author

Julius Zheng is a jewellery industry analyst and senior consultant to various important firms and institutes. He has developed various projects that connect China's diamond, coloured gemstones and jewellery sectors with international markets, including organizing around 30 China Buyer Delegations, and has developed international gemological educational programs. Formerly General Manager of Rapaport China, he has over 20 years' international working experience in the industry. He is also a member of the Executive Board of Bangkok Diamonds and Precious Stones Exchange (WFDB affiliated).



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