WORLD DIAMOND COUNCIL

Introduction to the System of Warranties

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INTRODUCTION

Introduction: WDC & its mission

International organization representing the **natural diamond & jewelry industry**
From mine to retail + a wide range of service providers ➔ full diamond ecosystem!

A clear mandate:

1. **Represent and voice the positions** of the natural diamond & jewelry industry within the Kimberley Process and other forums
2. **Protect the integrity** of the natural diamond supply chain

Delivered upon through:
Creation industry self-regulation processes and promotion of due diligence
Constant engagement with governments on policies

➔ **Strengthen consumer confidence via responsible practices applicable by all**

2002: Creation of the System of Warranties by the WDC

Objectives:

1. Comply with
2. Support
3. Strengthen the Kimberley Process Certification Scheme through an industry self-regulation system

That system would not only cover trade **in rough diamonds**, but also trade **in polished diamonds** and **jewelry with diamonds**

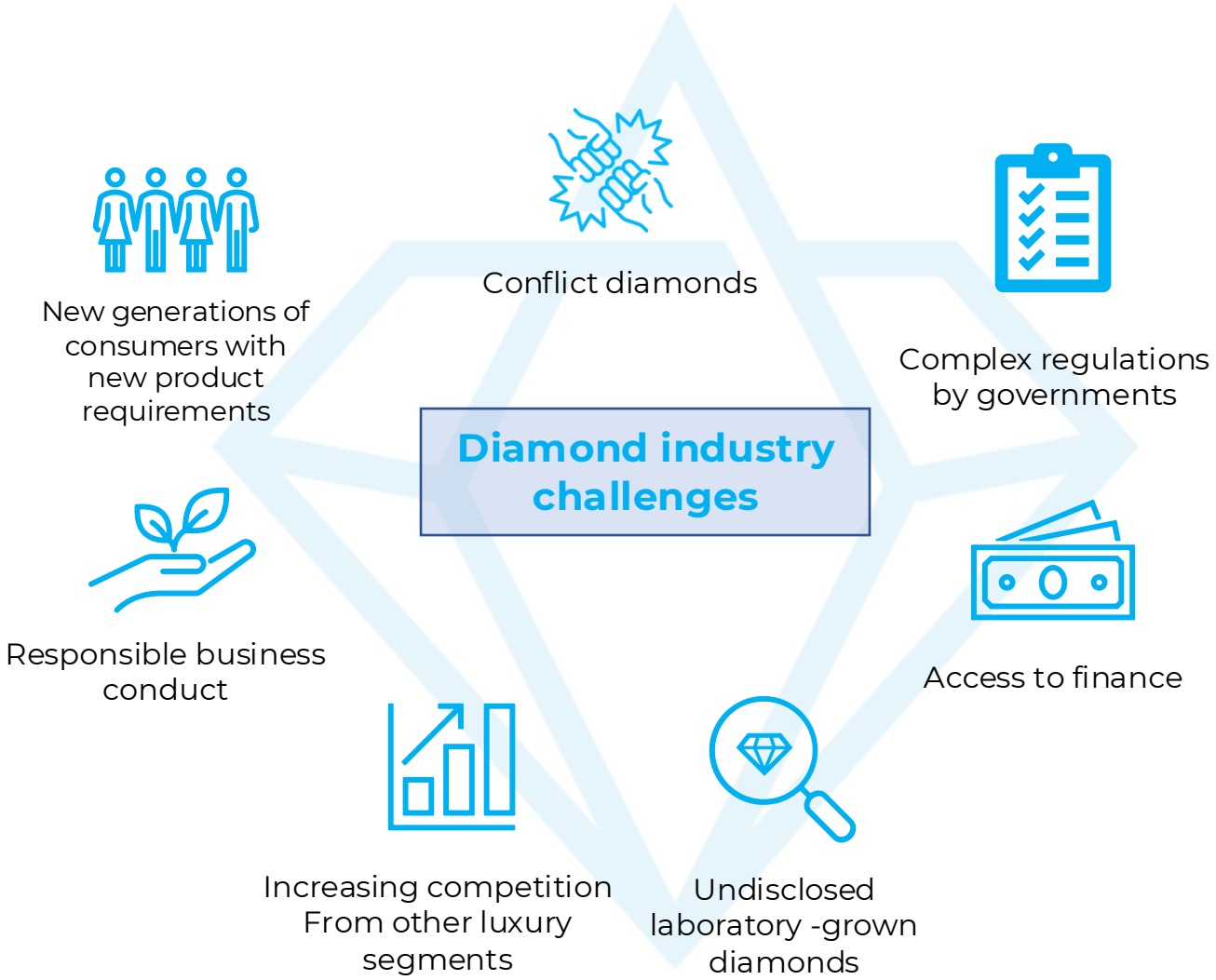
➔ Through a warranty statement applied on both memos & invoices

Introduction: what changed in 16 years?

2002

The System of Warranties (SoW) was created by the WDC, in order to **comply with, support and strengthen the emerging Kimberley Process Certification Scheme** (KPCS).

The WDC itself was created by the **WFDB** and **IDMA**, thus transforming the SoW into the cornerstone of industry self-regulation.



➔ 2018

In response to current challenges, WDC adopted a newly improved **industry self-regulation instrument** covering an **expanded scope** of compliance areas:

➔ The SoW Guidelines

Including accepted principles on Human rights, labor rights, anti-corruption and AML!

Introduction: the revision of the SoW

After several years of consultations with internal and external stakeholders, the WDC launched its revised **System of Warranties** (SoW) on September 21st, 2021, the UN International Day of Peace.

This **mechanism** was **designed for** and meant to be **used by** the global diamond industry.

The revised SoW consists now of **an online self assessment** that if passed successfully, allows to apply the **revised declaration.**

The Revised SoW **not** a standard ➔ it is **not audited**

Though it can be obligatory in certain cases: RJC certification, or DDE membership…

MEETING CONSUMERS' EXPECTATIONS

To preserve a flourishing and healthy industry across the supply chain, our Industry must meet ever-changing consumers' expectations.

It starts with the SoW and its extension of warranty of *"conflict-free origin"* delivered by the KP Certificates.

The layered approach:

1. The industry built on KP certification by creating the SoW
2. It then developed tailor-made industry standards such as the RJC Code of Practices
3. On top of these standards, private corporations added their own like De Beers and its Best Practice Principles

WHAT IS THE SoW?

What is the SoW?

The SoW is a **warranty statement** added to B2B invoices or memos, that needs to be applied **every time** a rough or polished diamond changes hands, both loose and set in jewelry.

The Warranty takes its origin in the KP certificate accompanying the rough, so by passing down the warranty along the supply chain at every sale, industry members maintain the conflict-free origin from Mine to Retail!

Revised SoW: Diamond industry members are now required to take a **self assessment** to help them **build OR confirm** their responsible practices **before** applying the warranty on memos and invoices.

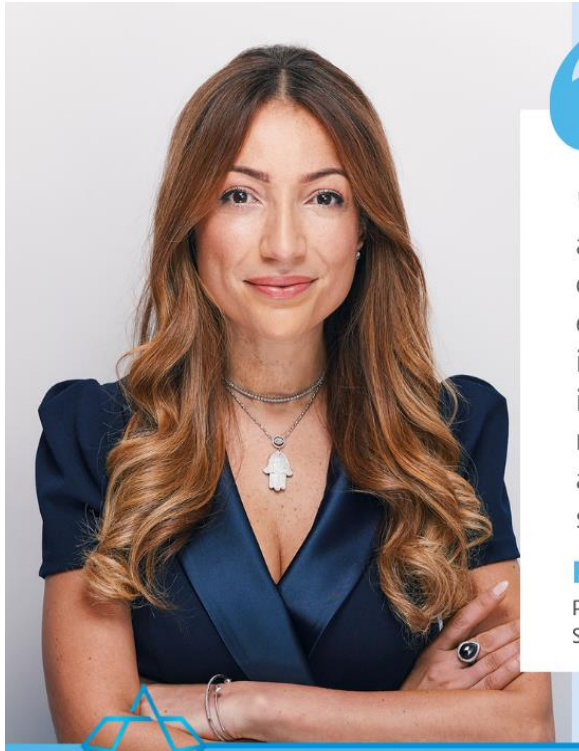
WHY ?

- To ensure the buyer that the diamond originates from a source compliant with the KPCS and the SoW Guidelines
- To preserve confidence across our value chain and change the narrative around our industry

What is the SoW: Concrete Improvements

	Old WDC SoW	**Revised WDC SoW**
Written Warranty Statement	Yes	Yes
Usage of Guidelines	No	WDC SoW Guidelines 2018
Compliance via Self Assessment	No Limitation to abstract support of the KP	Yes Self Assessment as a **key element** of SoW implementation
Scope	KPCS, Industry Self-Regulation	KPCS, Industry Self-Regulation + universal standards on human rights, labor rights, AML/CTF and anti-corruption practices
Alignment Exercise with Industry standards	No	Yes + awareness on OECD Due Diligence Guidance

WDC’s leadership view



"The WDC's System of Warranties plays a key role in providing assurance for diamonds. Evolving it required intensive engagement with the full spectrum of industry stakeholders, whilst extending it beyond conflict-free to include human rights and business integrity - not just at the source but across the diamond supply chain."

Feriel Zerouki
President - World Diamond Council
Senior Vice President, Corporate Affairs - De Beers Group

WORLD DIAMOND COUNCIL System of Warranties

"The updated SoW arms companies with an essential product that provides reassurances throughout the diamond and jewellery supply chain.
The ultimate goal is 100% consumer confidence in our products.
As President of IDMA, one of the founding organisations of the World Diamond Council, I and my colleagues know that it is absolutely imperative for, and strongly encourage, all companies (large and small) to adopt the revised SoW into their company's code of practices."

Ronnie Vanderlinden
President - IDMA
Vice President - World Diamond Council

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HOW TO APPLY the SoW?

How to apply the SoW: 1st step ➔ Take the Self Assessment

ONLINE: www.wdcsow.org

- An online platform administered by the WDC and intended to become a database on adherents' compliance with the SoW Guidelines !
  (Unique ID number given to each applicant upon **successful submission** of self assessment, that can be shared at discretion with business partners, confirming compliance with the SoW)

TAILOR-MADE

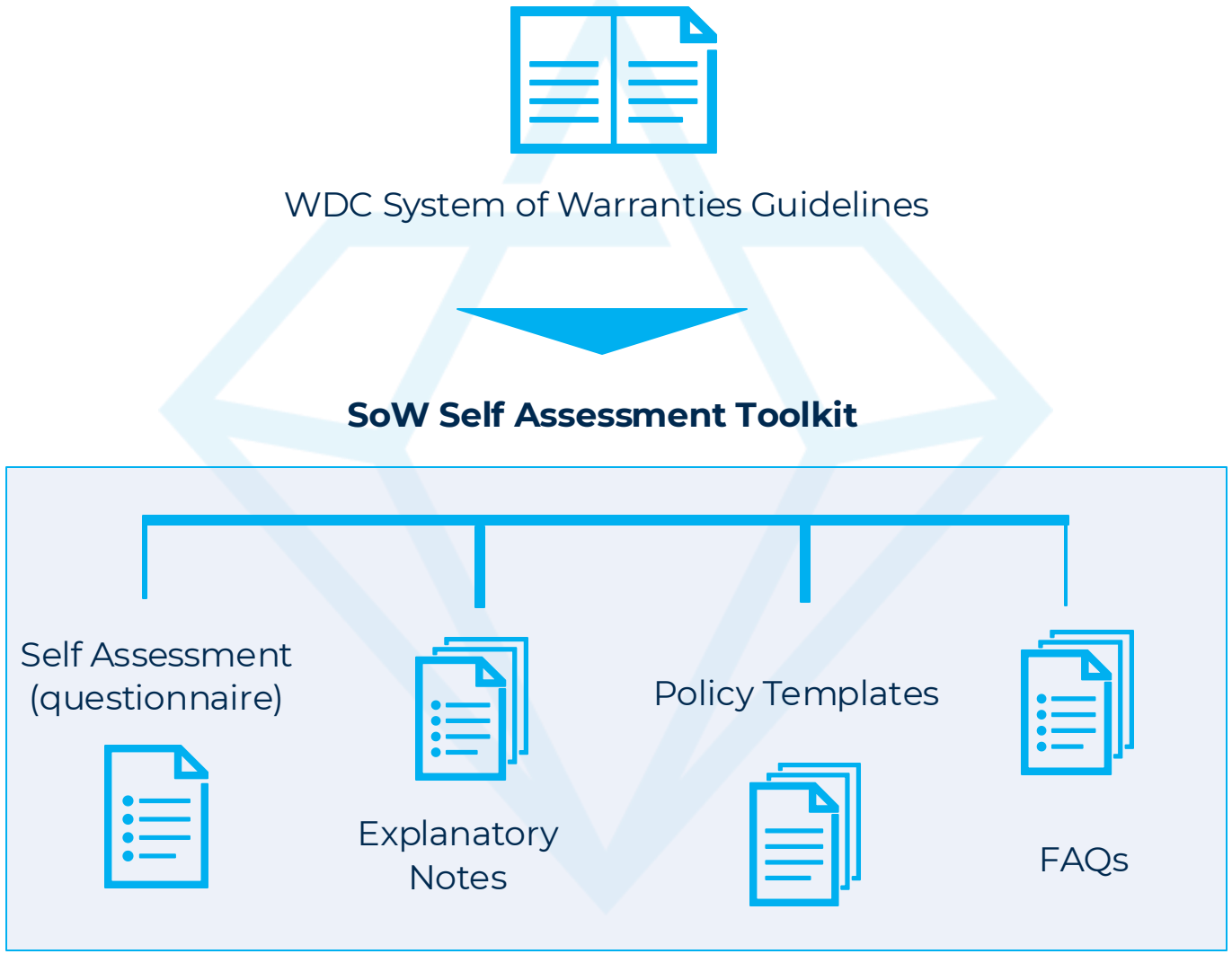
Tailored approach to implementation based on the size of a company, pipeline segment, source of mining, membership in industry organizations and certification against relevant standards

Avoidance of extra burden and duplication

Alignment with third-party standards and national regulations:

- Collaboration with key industry compliance instruments (RJC/BPP)
- Automatic confirmation of compliance in respective areas

How to apply the SoW: Guidelines & Toolkit on dedicated website



A SET OF USEFUL TOOLS READY FOR YOU!

How to apply the SoW: 2nd Step ➔ statement on Memos & Invoices !

Revised text of Warranty to be used **WORD FOR WORD**

"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}**.

The seller hereby guarantees that these diamonds are conflict free and confirms adherence to the WDC SoW Guidelines."

***{sourced}** - may be used by companies that do not purchase from open market, but source and aggregate diamonds from production facilities that are owned/partly owned by them

****{where the invoice is generated}** - may be used by companies if they specifically want to reference the country of invoice issuance

How to apply the SoW: practical applicability

- **Who is concerned ➔** Buyers and Sellers of rough and polished diamonds and diamond jewelry

- **How ➔** by passing on the warranty statement each time diamonds and diamond jewelry change hands, after successfully submitting their completed self assessment via the online platform

- **Transition period ➔** the old warranty will still be valid during:
  three **(3) years** in case of rough purchases (Sept 2024)
  five **(5) years** in case of polished & diamond jewelry purchases (**Sept 2026**)

ADDED VALUE & RECAP

Added value: the baseline of industry self-regulation

A Tool ready to use by ALL

Instrument for self assessment and confirmation of compliance w/ WDC SoW Guidelines, available to all.

#LeaveNoOneBehind

A philosophy of Continuous Improvement:

Encourages adherents to improve their business practices and to keep them up-to-date

Promotion of Responsible Practices

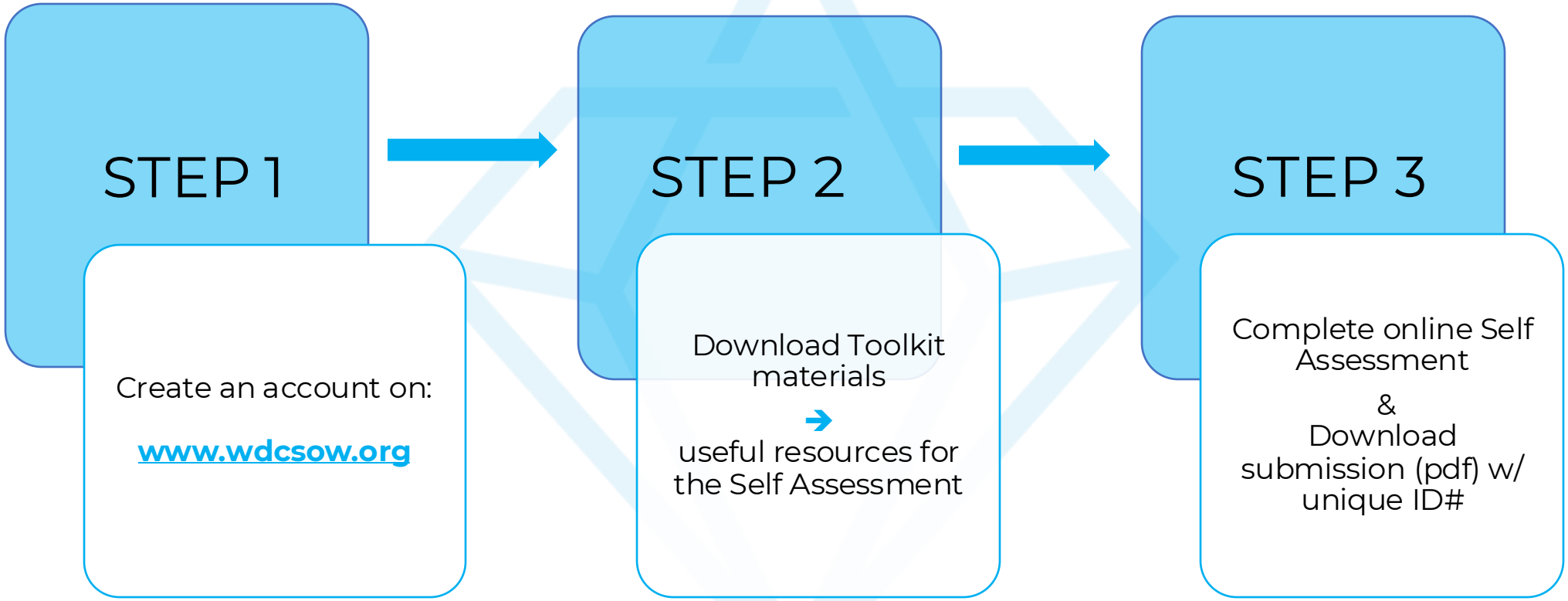
Raises awareness on the best business practices in line with industry and universally accepted standards

A step forward:

Meeting consumers expectations & grow their confidence in our product

Changing the narrative around diamonds

RECAP



- Repeat self assessment **every year**
- Record all warranty statements issued and received on an **annual basis**

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QUESTIONS?

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Thank You!

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