

## **Introduction**

The jewelry industry shares a responsibility to meet consumer expectations about the standards for diamond and jewelry production. Today all businesses are expected to take responsibility for their supply chains, especially with respect to human rights and labor practices. These concerns are articulated by a significant body of international and national law, as well voluntary standards such as the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

As a leading international jeweler Signet works with governments, trade associations, NGOs and jewelry suppliers around the world to implement responsible supply chain standards. The Signet Responsible Sourcing Protocols (SRSPs) are designed to ensure that Signet’s supply chain does not contribute to conflict or human rights abuses.

### **1. About this Protocol**

- 1.1 This Protocol is intended to explain the requirements of the Signet Responsible Sourcing Protocol for diamonds (D-SRSP) enabling diamond and diamond jewelry Suppliers (“Suppliers”) to report compliance with the D-SRSP. Suppliers should use this Protocol and the SRSP Audit Guidance to ensure that appropriate systems are in place and records are maintained to be able to evidence compliance with the D-SRSP to an independent, third-party auditor.
- 1.2 The objective of the D-SRSP is to provide transparency and to assure that all Signet diamonds are sourced through identified and verified sources, over time, through a process of continuous improvement. The D-SRSP is aligned with Signet’s Conflict Minerals Policy and complements the 3TG SRSPs.<sup>1</sup>
- 1.3 The D-SRSP recognizes the OECD Due Diligence Guidance for Responsible Supply Chains for Minerals from Conflict-Affected and High-Risk Areas (DDG) and is based on the OECD Five-Step Framework for Risk-Based Due Diligence in the Mineral Supply Chain.<sup>2</sup> The D-SRSP is designed to correlate with steps 1 and 2 of the OECD DDG Five Step Framework.
- 1.4 The D-SRSP may be amended as appropriate through consultation with Signet Suppliers and other stakeholders at Signet’s discretion.
- 1.5 Suppliers may seek advice from Signet’s Responsible Sourcing Team at any time via the dedicated email helpline: [info@signetsrsp.com](mailto:info@signetsrsp.com). The Team will support Suppliers to implement the D-SRSP, providing practical guidance about all aspects of the policy, including implementation, reporting, record keeping and audit. The Responsible Sourcing Team also provides training on SRSP compliance, through the website, webinars and 1:1 meetings.

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<sup>1</sup> [http://www.signetjewelers.com/files/doc\\_downloads/Signet-Responsible-Sourcing-Protocol-for-Gold-revised-September-2013.pdf](http://www.signetjewelers.com/files/doc_downloads/Signet-Responsible-Sourcing-Protocol-for-Gold-revised-September-2013.pdf)

<sup>2</sup> Signet endorses the Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas (DDG) developed by the Organization for Economic Co-operation and Development.

## **2. General Principles**

- 2.1 All Suppliers are expected to join the Responsible Jewelry Council (RJC) at the earliest opportunity, include this Protocol as a “Provenance Claim” in their scope of membership, and be audited against the RJC Code of Practices (CoP) including its Provenance Claim provision.
- 2.2 Suppliers are encouraged to purchase from other RJC member companies whenever possible, and to actively share the D-SRSP requirements with all their suppliers, thereby contributing to a “chain of confidence” throughout the Signet supply chain and its own.
- 2.3 Suppliers are encouraged to take an active interest throughout the supply chain of goods supplied to Signet. Signet supports continuous improvement efforts with respect to working conditions and human rights in both diamond production and diamond and jewelry manufacturing facilities.
- 2.4 Signet acknowledges that the adoption of standards and certification is a long-term process for the jewelry industry and encourages a continuous improvement approach. Signet does not require a specific percentage of material supplied to Signet to be of identified provenance. However, Suppliers are expected to demonstrate management processes designed to deliver continuous improvement over time.
- 2.5 Signet encourages the cross-recognition and harmonization of relevant standards to reduce unnecessary audit duplication. The D-SRSP is harmonized with the De Beers Best Practice Principles, the World Federation of Diamond Bourses Code of Conduct and Chain of Warranties, the Jewelers of America Code of Professional Practices, the International Diamond Manufacturers Association Code of Conduct, the ALROSA ALLIANCE Guidelines on Responsible Business Practices, the United States Diamond Source Warranty Protocol, the Diamond Development Initiative and the RJC Provenance Claim provision.
- 2.6 The Kimberley Process Civil Society Coalition has set out “Eight Key Issues” for improvement in the diamond supply chain. Signet acknowledges this important statement and supports on-going cross-sector collaboration to improve transparency in the global diamond supply chain. (See Appendix C)
- 2.7 The definition of “source” recognizes that diamonds cannot always be traced to the country and/or mine of origin, particularly inherent to smaller material purchased in mixed parcels. However, entities in the diamond supply chain, especially diamond manufacturers and jewelry manufacturers, should maintain records which document the original producer of the diamonds wherever this is possible. Suppliers must have a policy to ensure that original producer information is sought from suppliers wherever this information is available. Signet expects Suppliers to take steps to increase the percentage of material supplied to Signet with identified provenance to an original producer, over time.

### 3. Requirements

- 3.1 The D-SRSP applies to all diamonds supplied to Signet including loose rough and polished diamonds, and diamonds set into finished jewelry.
- 3.2 All Suppliers must comply with the Kimberley Process Certification Scheme<sup>3</sup> and the World Diamond Council System of Warranties<sup>4</sup>.
- 3.3 All Suppliers must have a documented and functioning “Know Your Counterparty” (KYC) policy and process in place<sup>5</sup>.
- 3.4 Signet will not purchase diamonds from companies or entities subject to US, UK, Canadian or EU sanctions. Suppliers must conduct thorough due diligence in support of Signet’s legal requirements in this and all current or future areas of regulatory compliance.
- 3.5 Signet requires all Suppliers to take substantive and documented action to avoid the inclusion of undisclosed laboratory-grown/laboratory-created/synthetic diamonds, undisclosed treated diamonds or undisclosed diamond simulants in parcels provided to Signet. To that end, Suppliers must:
- 3.5.1 Obtain a written warranty from their suppliers to the effect that no undisclosed laboratory-grown diamonds are included in parcels supplied to them. Suppliers should require their suppliers to follow the recommended warranty statements in the WFDB Charter on Disclosure of Synthetic, Treated Natural and Natural Diamonds;
- 3.5.2 Include the following warranty statement on all invoices to Signet with respect to diamonds whether loose or contained in finished jewelry:
- "The seller hereby guarantees that the diamonds herein invoiced are exclusively of natural origin, formed and grown under natural and geological processes, based on personal knowledge and/or written guarantees provided by the supplier of these diamonds."**
- 3.5.3 Document their own and their suppliers’ due diligence processes to ensure compliance with this requirement;
- 3.5.4 Comply with the De Beers Best Practice Principles Standard Guidance – Undisclosed Synthetic Diamonds (2016) and the related Disclosure Practice Note (May 2016). See Appendix D & E respectively.
- 3.5.5 Conduct an internal pipeline risk assessment, covering all movement of product, identifying all possible points at which undisclosed laboratory-grown/laboratory-created/synthetic diamonds, undisclosed treated diamonds or undisclosed diamond simulants could enter the Suppliers’ natural diamond supply chain. Policies,

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<sup>3</sup> [www.kimberleyprocess.com](http://www.kimberleyprocess.com)

<sup>4</sup> [www.worlddiamondcouncil.com](http://www.worlddiamondcouncil.com)

<sup>5</sup> A standard KYC process requires the identification of the beneficial owners of the supplier company or organization and the maintaining of documentary records of this information.

procedures and training must pay special attention to these risk points and mitigate the risks appropriately.

- 3.5.6 Single stone or batch testing should be conducted, depending upon the attributed risk. An example diamond supply chain is shown in Appendix B.
- 3.5.7 Testing may be conducted by the Supplier using relevant detection technology, or may be outsourced to a qualified gemological laboratory.
- 3.5.8 Implement effective and detailed policies, procedures, security, monitoring and training to avoid the possibility for undisclosed laboratory-grown/laboratory-created/synthetic diamonds, undisclosed treated diamonds or undisclosed diamond simulants to be switched for natural diamonds during the production process.
- 3.5.9 Where a Supplier deals in laboratory-grown diamonds the Supplier must have clear policies and/or procedures and take all precautions to ensure that laboratory-grown diamonds are segregated from natural diamond production/polishing/jewelry manufacture/trading and/or any other relevant process in the pipeline at all times. Policies, procedures and training must make specific provision for this risk where appropriate.
- 3.5.10 Implement adequate procedures and maintain clear records with respect to product handling, storage and transportation, which will assist in identifying any irregularities.
- 3.5.11 Implement appropriate training for staff involved in handling, movement or security of product.
- 3.5.12 These requirements should also be implemented in accordance with the Clause 8 - Disclosure.
- 3.6 All Suppliers must employ a due diligence process to identify and minimize supply chain risks<sup>6</sup>.
- 3.7 All Suppliers must employ a documented inventory management system which documents their chain of diamond ownership and can be verified by audit for all goods purchased as rough and all polished goods of 30 points or larger.
- 3.8 In accordance with Signet's Supplier Code of Conduct, the same obligations and criteria that apply to Signet's direct suppliers will also apply to subcontractors. Suppliers will therefore need to pass on the requirements of the D-SRSP to all subcontractors.

#### **4. Audit**

- 4.1 When Suppliers have successfully reported compliance with the D-SRSP to Signet, they may be required to undertake an independent audit by an auditor pre-approved by Signet to evidence their compliance.

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<sup>6</sup> See Definitions

- For reporting for calendar year 2017 and beyond, all Suppliers will be required to complete a D-SRSP compliance report, and Suppliers will be notified of the requirement for an audit by the SRSP Project Team on a representative sample basis, in accordance with the SRSP audit policy.
- 4.2 For RJC Members, it is recommended that Suppliers utilize the Provenance Claims provision<sup>7</sup> of the RJC CoP in order to evidence their compliance via the RJC certification audit which includes all Signet sourcing protocols.
- 4.3 The Signet sourcing protocols audit can be carried out as part of a scheduled RJC audit.
- 4.4 Provenance claims certified under the RJC 2013 CoP prior to the finalization of the Signet D-SRSP that otherwise meet the substance of the D-SRSP are deemed to effectively meet the D-SRSP audit requirement. Such provenance claims are not retroactive and must be updated to reference the Signet D-SRSP no later than the time of the Supplier's next scheduled re-certification.
- 4.5 Suppliers are able to have their RJC CoP, DeBeers BPP (where applicable), D-SRSP, 3TG SRSP and Signet factory audits conducted simultaneously, generally through the RJC certification audit, thereby reducing audit costs and staff resources.
- 4.6 This approach should also allow for certain Suppliers to be audited on a three-yearly basis following initial RJC certification, rather than annually.
- 4.7 Known producers which are independently certified under relevant international standards (see Definitions) and publish an annual report are not required to be audited under the D-SRSP.
- 4.8 The D-SRSP reporting procedure and the SRSP website will allow suppliers to express any comments to Signet, including grievances and concerns relating to their own or other's diamond supply chains.

## 5. Definitions

- 5.1 Diamond: "Mineral consisting essentially of carbon crystallized in the isometric (cubic) crystal system, with a hardness on the Mohs' scale of 10, a specific gravity of approximately 3.52 and a refractive index of approximately 2.42, created by nature." (ISO 18323)<sup>8</sup>
- 5.2 Treated diamond: "diamond having undergone any human intervention other than cutting, polishing, cleaning and setting, to permanently or non-permanently change its appearance. EXAMPLES Coating, fracture filling, heating, irradiation, laser drilling, HPHT treatment or any other physical or chemical process." (ISO 18323)

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<sup>7</sup> <http://www.responsiblejewellery.com/provenance-claims-cop-2013/>

<sup>8</sup> <https://www.iso.org/obp/ui/#iso:std:iso:18323:ed-1:v1:en>

5.3 Laboratory-grown diamond/laboratory-created diamond/synthetic diamond:  
“artificial product that has essentially the same chemical composition, crystal structure and physical (including optical) properties as a diamond.” (ISO 18323)

5.4 The “source” of diamonds includes the Supplier of:

- rough – direct producer
- rough – secondary market/open market
- polished – various suppliers
- recycled goods and repairs
- finished diamond jewelry and other products including watches

5.5 “Identified and verified” sources include:

- Known producers such as ALROSA, De Beers, Rio Tinto and Dominion which are independently certified under separate, relevant international standards and publish an annual report.
- Smaller industrial or artisanal producers that provide information about the original source of the diamonds and the standards of its operations, verified by reasonable due diligence such as the OECD DDG.
- Secondary market rough suppliers that provide information about the original sources of their rough as far as possible, which can be independently verified.
- Polished Suppliers who manufacture in facilities under their direct control or using identified subcontractors.

5.6 “Responsibly sourced” means that suppliers will avoid contributing to human rights abuses through their sourcing practices. Suppliers must map their supply chain and employ due diligence (See 5.7) to identify risks and take appropriate measures to mitigate any risks so identified.

The normative standards upon which this approach is founded include the extensive body of international law and United Nations instruments designed to protect fundamental human rights. In particular, the UN Guiding Principles on Business and Human Rights are relevant in the context of the Signet D-SRSP.

5.7 “Due diligence is an on-going, proactive and reactive process through which companies can ensure that they respect human rights and do not contribute to conflict. Due diligence can also help companies ensure they observe international law and comply with domestic laws, including those governing the illicit trade in minerals and United Nations sanctions. Risk-based due diligence refers to the steps companies should take to identify and address actual or potential risks in order to prevent or mitigate adverse impacts associated with their activities or sourcing decisions.” (OECD DDG P13)

5.8 The separate relevant international standards referred to in 4.7 include environmental management certifications such as ISO 14001 (and/or equivalents) and social performance certifications such as SA 8000 (and/or equivalents).

5.9 Continuous improvement is defined for the purposes of the D-SRSP as follows. All Signet Suppliers must have:

- a policy statement to the effect that they will seek as much information as possible about the original sources of the diamonds they supply to Signet. This policy statement should include:
  - an objective of achieving full transparency through their supply chains over a set period of time, and
  - measurable targets on an annual basis
- a standard Terms of Business agreement with all their diamond suppliers which shall include the requirements of the D-SRSP;
- the standard Terms of Business agreement must include a clause to the effect that their suppliers shall provide as much information as possible about the original sources of diamonds they supply and develop similar objectives to increase the information available over the same time periods.

Suppliers should be able to demonstrate how they are measuring improvement against the targets they have set and some improvement in the percentage of diamonds from original sources which they supply to Signet, as a percentage of the total dollar value of all diamonds they supply to Signet, on an annual comparative basis.

## **6. D-SRSP Categories**

Signet suppliers must identify all the diamonds they supply to Signet by reference to any or all of the Categories set out below.

- Category 1. Single Stone Tracking: Individual diamonds supplied by or sourced from identified and verified diamond producers such as De Beers, ALROSA, Rio Tinto or Dominion.
- Category 2. Parcel Tracking: Parcels of diamonds supplied by or sourced from identified and verified diamond producers such as De Beers, ALROSA, Rio Tinto or Dominion, not individually tracked but verified to have derived from all or any of these producers.
- Category 3. Mixed Sources: This category allows for the mixing of diamonds deriving from a number of different sources, with some percentage of the diamonds deriving from identified and verified sources.
- Category 4. Other Identified and Verified Sources: This category applies to diamonds which derive from a producer country or particular mine, originally sourced from other than De Beers, ALROSA, Rio Tinto or Dominion.

## **7. Evidence of Compliance**

7.1. All categories must be evidenced by a documented inventory management system and purchase documents.

7.2. Categories 1 and 2:

- Inventory records, sale or purchase documents.

7.3. Category 3:

- Additional statements identifying provenance should be obtained where possible, and records maintained.
- Documented evidence of a KYC due diligence system.
- Documented evidence of management processes designed to deliver continuous improvement over time.
- Where the sources are retail returns, repairs, or recycled diamonds and other used sources, records must be maintained which state the source.

7.4. Category 4:

- Where the rough is derived from several sources, such as smaller mines and artisanal sources, evidence of each source must be maintained where available, as well as information about the relevant warranty/certification – for example, RJC Certification, KP Certificates, DDI's Maendeleo Diamond Standards™.
- Documented evidence of a KYC due diligence system.
- Documented evidence of management processes designed to deliver continuous improvement over time.

## **8. Disclosure**

8.1 Suppliers must have clear written policies and procedures to ensure that natural diamonds, laboratory-grown diamonds, treated diamonds, and diamond simulants are fully, proactively and conspicuously disclosed at all times.

8.2 The policies and procedures must cover all relevant contracts, certificates and records of workers involved in the buying and selling of diamonds.

8.3 Full disclosure is the complete and total release of material information about diamonds and the material steps the diamonds have undergone prior to sale. The Supplier must make all reasonable efforts to ensure that this information is disclosed at all times during the selling process. Full disclosure of all material facts must take place whether or not the information is specifically requested and regardless of the effect on the value of the diamonds being sold.

8.4 The disclosure policy must comprise of the following:

- 8.4.1 A statement that all relevant information will be verbally disclosed prior to completion of sale.
- 8.4.2 A statement that all relevant information will be conspicuously disclosed on receipts/bills of sale in plain language, readily understandable to the customer.
- 8.4.3 A statement that disclosure will immediately precede or succeed the description of the stone or parcel and be equally conspicuous to that description.
- 8.4.4 A statement that this policy applies to the selling, advertising and distributing of any natural diamond, laboratory-grown diamond, treated diamond, or diamond simulant.
- 8.4.5 A statement that there will be no attempt to mislead customers through illustrations, descriptions, expressions, words, figures, depictions or symbols relating to the stones.

**APPENDICES:**

**A: GLOSSARY OF TERMS AND REFERENCES**

**BPPs:** De Beers Group of Companies, Best Practice Principles, 2016

**DDI:** The Diamond Development Initiative. See Maendeleo Diamond Standards™.

**IDMA:** International Diamond Manufacturers Association. See IDMA Code of Conduct

**ISO:** International Standards Organisation. See in particular ISO 14001 and ISO 18323

**JA:** Jewelers of America. See Code of Professional Conduct

**KPCS:** Kimberley Process Certification Scheme. Rough diamonds can only be legally exported/imported if accompanied by an official KPCS Certificate.  
[www.kimberleyprocess.org](http://www.kimberleyprocess.org)

**KYC:** “Know Your Customer/Counterparty”; see examples of practices at US Patriot Act (“International Counter Money Laundering and Related Measures”) at [www.justice.gov](http://www.justice.gov).

**OECD:** Organisation for Economic Co-operation and Development: see “Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas” at [www.oecd.org](http://www.oecd.org)

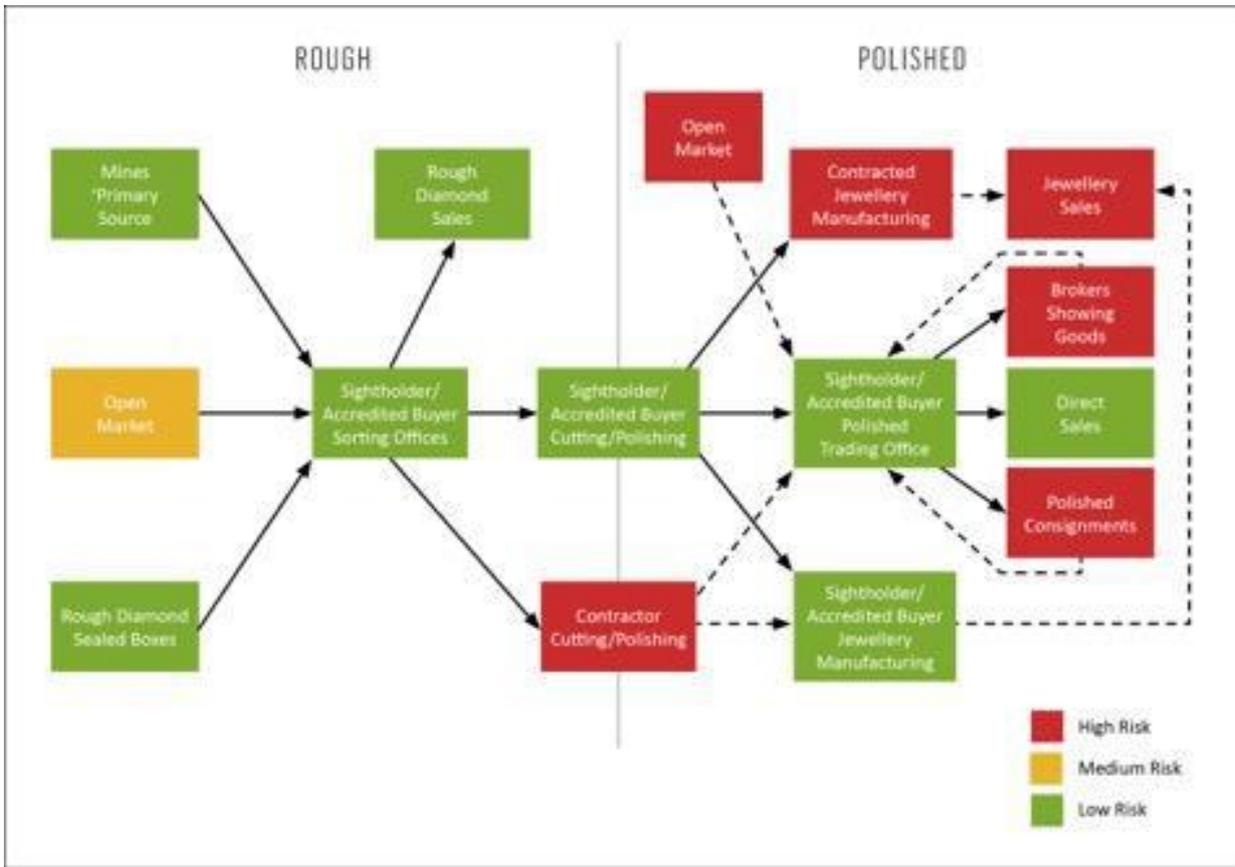
**RJC:** Responsible Jewelry Council: see “Member Certification” (under Code of Practices, especially “Provenance Claims”) at [www.responsiblejewellery.com](http://www.responsiblejewellery.com)

**VBA:** Signet Vendor Buying Agreement.

**WDC:** World Diamond Council. See System of Warranties.

**WFDB:** World Federation of Diamond Bourses. See also The WFDB Charter on Disclosure of Synthetic, Treated Natural and Natural Diamonds.

B: EXAMPLE DIAMOND SUPPLY CHAIN & RISK POINTS



Source: De Beers Best Practice Principles 2016

**C: KIMBERLEY PROCESS CIVIL SOCIETY COALITION – EIGHT KEY ISSUES - 2016**

- Preventing diamonds from fueling violence and conflict of any kind or funding abusive government forces, in line with the OECD Due Diligence Guidance and applicable UN Security Council sanctions and resolutions;
- Ensuring companies in the diamond industry are legally required to meet their responsibility to respect all human rights throughout their global operations, as outlined in the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance;
- Supporting greater revenue and data transparency across the diamond supply chain, in line with the Extractive Industries Transparency Initiative (EITI), the Open Contracting Partnership, and similar efforts;
- Addressing in both producing countries and trading centres the undervaluation of diamonds and links to tax evasion and transfer mispricing;
- Addressing the potential for the diamond supply chain to be used for the purposes of money laundering, corruption, or threat finance, in line with the Financial Action Task Force (FATF) 2012 Recommendations and the FATF's 2014 report on diamonds;
- Taking effective steps to eliminate forced or child labor in diamond mining or manufacturing, in line with applicable International Labour Organization (ILO) Conventions; and
- Promoting sustainable and meaningful economic development throughout the diamond sector and particularly in artisanal producing countries, in line with the UN Sustainable Development Goals and the KP Washington Declaration.
- Continuing to expand on efforts within the KP that are rooted in productive multi-stakeholder collaboration, such as working to improve KP enforcement and strengthened internal controls in manufacturing, trading, and producing countries, including in regions like West Africa and the Central African Republic.



## STANDARD GUIDANCE

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### *Undisclosed Synthetic Diamonds*

## ISSUE BACKGROUND

*Undisclosed synthetic diamonds have increasingly been reported within the diamond supply chain. The diamond industry will be at risk of strong reputational damage should more incidents occur and is collectively looking at ways to continue with actions to eliminate this risk and protect the end consumer.*

*De Beers' research indicates that when it comes to life's important moments, consumers want natural diamonds. They are often dependent on the technical knowledge of the seller, therefore transparency and honesty at all times is imperative. While disclosed synthetic diamonds may have an appropriate place in the market, misrepresenting a synthetic diamond as a natural diamond is potentially an act of fraud, which may give rise to a criminal investigation and legal consequences including conviction. Trading in synthetic diamond products without full disclosure could discredit a diamantaire's business and bring the entire diamond supply chain into disrepute, potentially diminishing both trade and consumer confidence in purchasing diamonds.*

*We therefore have a shared responsibility to maintain the reputation and goodwill of De Beers and our Sightholders/Accredited Buyers.*

*To help support De Beers' goal the Best Practice Principles (BPP) have been modified to minimise, with the aim of minimizing, the risk in De Beers' and Sightholders'/Accredited Buyers' supply chains, strengthening the existing trust in the De Beers and Sightholder/Accredited Buyer brands. The BPP team proposes the following alternative approach which would have the dual function of mitigating an identified risk in the diamond industry, while also ensuring a workable solution for all Sightholders/Accredited Buyers across all sizes of goods.*

## DEFINITIONS

### DIAMOND:

The World Jewellery Confederation (CIBJO) and the Federal Trade Commission (FTC) define a diamond as 'a natural mineral consisting essentially of pure carbon crystallized with a cubic structure in the isometric system'. A natural mineral is one formed completely by nature without human intervention.

### DIAMOND SIMULANT:

A non-diamond material that is used to emulate the appearance of a diamond.

### SYNTHETIC DIAMOND:

A product that has been either partially or wholly crystallised or re-crystallised due to artificial human intervention. This is produced either by high pressure and temperature (HPHT) or by chemical vapour deposition (CVD). Synthetic diamonds require cutting and polishing. The appearance of a pre-polished synthetic diamond differs from that of a natural diamond.

### TREATED DIAMOND:

A diamond that has been altered by any unnatural process by means of human intervention such as fracture filling or irradiation.

### TREATMENT:

Any process changing, interfering with and/ or contaminating the natural appearance or composition of a diamond other than the accepted practices of cutting and polishing. This includes colour (and decolourization) treatment, fracture filling and laser and irradiation treatment and coating.



**CVD – Laser sawn unpolished**



**HPHT – Unprocessed**



**The colourless stone on the right has been HPHT treated**

## **GUIDANCE ON ROUGH AND POLISHED DIAMONDS IN THE 0.01CT AND ABOVE CATEGORY**

### **ASSESSMENT QUESTIONS:**

In order to mitigate risk and protect your business the following questions have been added to the BPP Workbook:

1. Does your Group purchase, manufacture, deal, trade or equivalent in synthetic diamond goods?

NB: It is not a breach of the BPPs to purchase, deal or trade in synthetic diamonds so long as the BPP disclosure requirements are satisfied in full.

2. As applicable, does your company have clear policies and procedures to ensure that your natural diamond production/polishing/jewellery manufacture/trading and/or any other relevant process in your pipeline is segregated from your synthetic diamond business?
3. Has your company conducted an internal pipeline risk assessment identifying all possible contamination points? – This refers to the risk of an undisclosed synthetic diamond entering your natural diamond supply chain. Further information on this is available in the section on ‘Pipeline risk assessment of Contamination Points’.
4. Does your company have clear policies, robust procedures and training to ensure that all contamination points are rightly addressed?

### **KEY LEGAL REGULATIONS**

In addition to the BPPs and the various diamond industry bourse and trade association rules and regulations, the issue of disclosure also has possible legal implications. De Beers and its Sightholders and Accredited Buyers operate in multiple global jurisdictions each with their own laws and legal systems and as such, the obligations and consequences of non-compliance to disclosure requirements will vary by jurisdiction. However, in terms of De Beers benchmarking the severity of non-disclosure, consideration should be given to adopting a minimum base standard in the application of disclosure requirements.

In the UK, the most relevant legislation is the Fraud Act 2006 which includes but is not limited to: (i) offences of fraud by false representation; and (ii) fraud by failing to disclose information that one is under a legal duty to disclose. In addition, also of relevance are The Proceeds of Crime Act 2002 and The Money Laundering Regulations 2007, given the potential association between non-disclosure of synthetic diamonds and financial crime. It is expected the majority, if not all, jurisdictions in which De Beers’ Sightholders and Accredited Buyers operate will have equivalent legislation in place making non-disclosure not only a breach of the BPPs but also likely giving rise to criminal liability which has obvious consequences for the ability of a Sightholder and Accredited Buyer to maintain ongoing Sightholder and Accredited Buyer status.

## SUGGESTED IMPLEMENTATION APPROACH

The additional BPP requirements call for all Sightholders/Accredited Buyers to conduct a pipeline risk assessment of contamination points.

- Risk analysis of contamination points – identify areas that are at risk for contamination. The longer the pipeline the greater the risk, creating increased opportunity for undisclosed synthetic diamonds to be exchanged for natural diamonds or added into parcels intended for clients. It is a requirement that all Sightholders/Accredited Buyers map out their diamond pipeline. Please refer to ‘Pipeline risk assessment of Contamination Points’ for more information.
- To address the identified contamination points Sightholders/Accredited Buyers are required to create a unique policy, procedure and training programme for each risk. By way of example, procedures could include a combination of the following:
  - Full disclosure at all times – including verbal disclosure prior to and during sale, and written disclosure in each bill of sale, receipt, laboratory certificate or other documentation relating to the sale in the relevant local language. Any term used to conceal the fact that a diamond is synthetic diamond or misinforms the consumer must not be used.
  - Assurance – As per the World Federation of Diamond Bourses Charter the following texts are required on every invoice or memo:
    - 1) *“The diamonds herein invoiced are exclusively of natural origin and untreated based on personal knowledge and/or written guarantees provided by the supplier of these diamonds.”*
    - 2) *“The diamonds herein on memo are exclusively of natural origin and untreated based on personal knowledge and/or written, guarantees provided by the supplier of these diamonds.”*

Stronger assurances should be given on invoices where all goods are either still in their natural rough form or are able to be fully tested prior to sale; the following text is proposed for these cases:

“On behalf of [Sightholder/Accredited Buyer name], and with its full authority, I declare by way of this written assurance that the diamonds [invoiced/sent by memo] and contained herein are exclusively natural diamonds meaning that the referenced [parcel/box] contains no synthetic diamonds or diamonds that have been treated.”

The above assurances will form a “Chain of Accountability” and although will not suffice on their own, will strengthen your procedures.

#### ACCESS TO EFFECTIVE DETECTION EQUIPMENT:

- Goods can be tested prior to confirming acceptance of the shipment and depending on the size of your pipeline, before the point of sale. Detection equipment can be purchased but if your company is not in possession of effective detection equipment then goods that are coming through identified high risk contamination points should be sent to a reputable gemmological institute for testing. Detection machines and instruments are available on the open market; in addition to this the De Beers Group designed and developed.
- DiamondSure™ and DiamondView™ to facilitate the detection of synthetic diamonds. An Automated Melee Screening instrument (AMS) has been developed to enable the screening of large parcels of melee stones. These machines can be ordered via the International Institute of Diamond Grading and Research website: [www.iidgr.com](http://www.iidgr.com).

#### BUYING FROM TRUSTED SUPPLIERS:

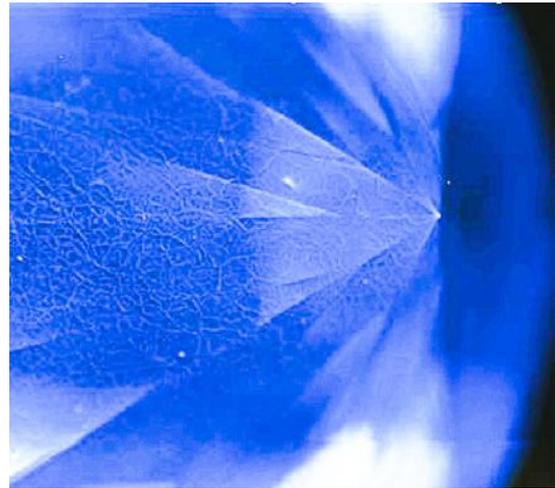
- De Beers sells its own production from mines in Botswana, Namibia, South Africa and Canada, and you can be sure that all diamonds you purchase from De Beers are natural. Purchases from primary source mines should come with the assurances that support the WFDB declarations. To reduce this risk further, it is De Beers' guidance that Sightholders/Accredited Buyers only buy from suppliers on which they have carried out robust due diligence and with which KYS (Know Your Supplier) and "Chain of Accountability" systems are fully implemented.

#### FACTORY CONTROLS IN PLACE:

- Implement effective and detailed policies, procedures, security, monitoring and training to avoid "switching" on the factory floor. For more information, please refer to the Product Security section (A.6) of the BPP Requirements.

#### REPORTING:

- Take action to notify and report incidents to relevant organisations, bourses, trade associations, law enforcement agencies and suppliers. Inform the BPP team immediately if you have inadvertently supplied undisclosed synthetic diamonds.



**DiamondView™ image of a Type IIa natural diamond**



**DiamondView™ image of a CVD synthetic diamond that has not been heat treated after growth**



**DiamondView™ image of a CVD synthetic diamond that has been heat treated after growth**

## **REPORTS OF UNDISCLOSED SYNTHETIC DIAMONDS**

In cases where incidents are reported of Sightholders/Accredited Buyers inadvertently supplying undisclosed synthetic diamonds, the BPP team will conduct an internal investigation on the basis of publicly available information. At this stage all information willingly supplied by the Sightholder/Accredited Buyer will be included into the content of the investigation.

The results of the internal investigation will be formally presented to the BPP Committee, which in turn will make an informed decision on whether further action is required. Further action could be taken in the form of specified extraordinary audits which may pressure test the procedures and the identified risks of the Sightholder/Accredited Buyer in question. Please note that 'non-disclosure of synthetic diamonds, treated diamonds or diamond simulants' is a listed material breach of the BPPs and may result in the loss of Sightholder/Accredited Buyer status.

## **KEY DECISION MAKERS AND CHECKLIST FOR BPP COMMITTEE CONSIDERATION**

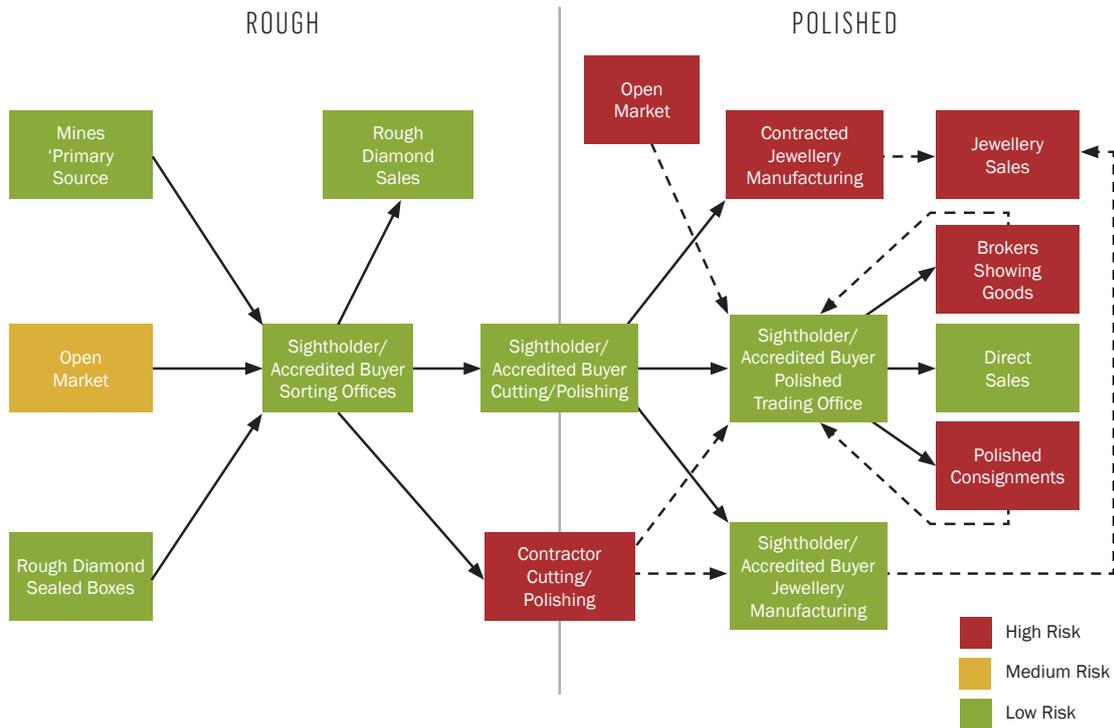
- Existing policies – All Sightholders/Accredited Buyers have existing policies and procedures on disclosure. These will need to be reviewed to ensure that they are robust enough to address the risks involved in the Sightholder/Accredited Buyer pipeline; this is applicable to all Sightholders/Accredited Buyers.
- Size, shape and quantity of goods – melee carries a different risk from large stones and procedures must be robust enough to reflect the attributed risk. For example, polished diamonds over 0.30cts which are entering your pipelines through identified high risk contamination points must all be tested prior to assurances being made at the point of sale.
- Availability of detection equipment.
- Past BPP compliance record.
- Bringing the industry into disrepute - we have a shared responsibility to maintain the reputation of De Beers and its Sightholders/Accredited Buyers.
- Assurances for "Chain of Accountability."
- Immediate notification to the relevant body.

Please Note: If undisclosed diamonds are found at any point in the pipeline, De Beers' investigation will be focused on the seller prior to the incident.

## PIPELINE RISK ANALYSIS OF CONTAMINATION POINTS

In order to manage and define areas at high risk for contamination we require all Sightholders/ Accredited Buyers to produce a diagram to map out the supply pipeline. You will need to provide policy, procedures and training for all contamination points identified, furthermore for the purpose of BPP compliance testing is only required at high risk contamination points. For more information on how to assess contamination points please refer to the Disclosure Practice Note at [www.debeersgroup.com](http://www.debeersgroup.com)

Please see below for an example:



# **BPP MELEE ASSURANCE PROTOCOL: GUIDANCE FOR ROUGH AND POLISHED DIAMONDS IN THE 0.01CT AND BELOW CATEGORY**

## **INTRODUCTION**

The BPP Melee Assurance Protocol only applies to rough and polished diamonds in the 0.01ct and below category.

De Beers developed the BPP Melee Assurance Protocol, a pipeline of sealed melee/sealed diamonds in the 0.01ct and below category, to support Sightholders and Accredited Buyers in providing their customers and stakeholders with independent assurance that these diamonds are conflict free and of natural diamond origin by taking additional steps to minimise the risk of undisclosed synthetic diamonds entering the natural diamond pipeline.

The BPP Melee Assurance Protocol is based on establishing systems that provide for the segregation and protection of diamonds that are 0.01ct and below from other diamond inventory, therefore providing an important point of differentiation and confidence in the business practices involved during the manufacturing process. Independent third party auditing of these segregated systems provides assurance to customers and stakeholders that the mitigating action has been applied to address the risks posed, thus enhancing consumer confidence and adding value to diamond jewellery products and the diamond industry as a whole.

In order to mitigate risk and protect the natural diamond supply chain business the following questions, under the Melee Assurance Protocol, have been added to the BPP Assurance Programme workbook.

## **2016 WORKBOOK – MELEE ASSURANCE PROTOCOL**

1. Does the company/entity/facility purchase, polish and cut, trade, manufacture jewellery, deal in rough and polished goods in the 0.01ct and below size category? If you answer ‘yes’ to this question, then proceed to answer the following seven questions.
2. Has the company/entity/facility conducted a specific pipeline risk assessment for diamonds that are 0.01ct and below?
3. Has the company/entity/facility implemented procedures to ensure each risk area is adequately addressed, in effect, sealing the pipeline in accordance with the BPP guidance provided?
4. Does the company/entity/facility have auditable systems in place to ensure this approach, including policies, procedures and training, are current and effective?
5. If the company/entity/facility use off-site contractors to manufacture their goods in the 0.01ct and below category, are these contractors declared on the BPP SMART System as substantial contractors and therefore participating in the BPP Assurance Programme?
6. If the company/entity/facility use off-site contractors to manufacture their goods in the 0.01ct and below category, does the company/entity/facility conduct annual verification visits (internal audits) to ensure systems are being implemented and guarantees are being met?
7. If the company/entity/facility uses off-site contractors to manufacture their goods in the 0.01ct and below category, does the company/entity/facility provide tamper-evident packaging to the contracting company for the return of the polished goods?
8. In identified high risk areas (e.g. purchasing from the open market), is laboratory testing conducted in compliance with the BPP guidance on the Melee Assurance Protocol?

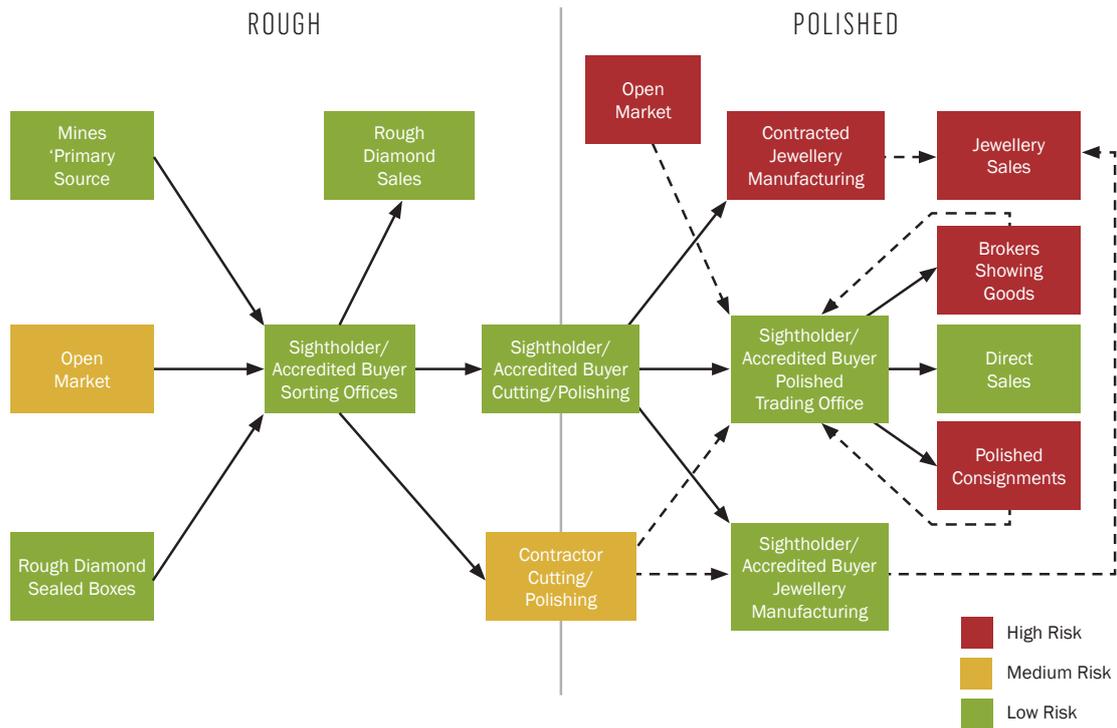
## **2016 BPP CONTRACTOR WORKBOOK – MELEE ASSURANCE PROTOCOL**

1. Does the company/entity/facility have systems in place to ensure segregation of goods in the 0.01ct and below category, during the manufacturing process, for each client?
2. Does the company/entity/facility provide a guarantee to each client that the polished yield originates only from the rough diamonds supplied by the client?
3. Does the company/entity/facility provide a guarantee to each client that effective controls are in place to prevent substitution and theft of goods in the 0.01ct and below category?
4. Does the company/entity/facility provide final polished product in tamper-evident packaging, as provided by its client(s), with the relevant guarantees?

## SUGGESTED IMPLEMENTATION APPROACH FOR SIGHTHOLDERS/ACCREDITED BUYERS

The additional BPP Requirements for the Melee Assurance Protocol requires all Sightolders and Accredited Buyers to take the following steps for assessment against a sealed pipeline:

1. Risk Assessment: Policies, Procedures and Training: In order to manage and define areas at high risk of contamination of synthetic diamonds, Sightolders and Accredited Buyers are required to map out their unique diamond pipeline. A procedure and training programme shall be provided for all contamination points that have been identified. For the purpose of BPP compliance, full testing is required for identified high risk areas. Each contamination point has a unique risk level, and will subsequently require suitable actions to be undertaken to address each risk. Risk levels assigned to contamination should be reviewed regularly, and when there are any material changes to the pipeline.



2. Testing requirements: Where high risk areas have been identified, further measures must be implemented to reduce the risk. Diamonds from high risk areas, such as polished diamonds purchased on the open market, should undergo full testing in a reputable laboratory to confirm there are no synthetic diamonds included in the parcel. For medium risk areas, sample testing is a requirement. A sample of the polished diamonds manufactured by an off-site contractor must be tested at a laboratory. Please refer to the Disclosure Practice Note for guidance on sample sizes.
3. Qualifying contractors: All substantial contractors manufacturing diamonds that are 0.01ct and below qualify for assessment against the BPP Melee Assurance Protocol requirements. Please note that in order to comply with these requirements all non-substantial contractors, who manufacture 0.01ct and below, must be declared on the SMART system as substantial contractors, and participate in the Contractor BPP Programme, in order to qualify for assessment against the BPP Melee Assurance Protocol. Virtual contractors cannot participate in the BPP Melee Assurance Protocol. A list of all contractors participating in the Melee Assurance Protocol must be signed off by a Key Individual for the Group.

4. Internal Onsite Verification: the Sightholder/Accredited Buyer shall conduct their own onsite audits on relevant contractors as part of their procedures to meet the Melee Assurance Protocol requirements. The scope of these onsite audits can include:
  - To ensure that the rough-to-polished yield originates from the parcel supplied by the Sightholder/Accredited Buyer, verify that the contractor segregates the relevant diamond parcels from any other diamond parcels in the manufacturing process.
  - Review the effectiveness of the segregation system.
  - Review of systems and controls to prevent substitution and theft.
  - Review of relevant training to staff to ensure these processes are being implemented.

It is not a requirement to employ a third party to conduct these audits; it is sufficient for the Sightholder/Accredited Buyer's BPP Manager or equivalent to assess the procedures are adequate and effective.

5. Tamper-evident packaging: Implement a process whereby all substantial off-site contractors return polished diamonds, which have been manufactured from designated rough diamond supply, in tamper-evident packaging.

#### **ACCESS TO EFFECTIVE DETECTION EQUIPMENT AND REPUTABLE LABORATORIES:**

Laboratories that do not separate referred or synthetic diamonds, after testing, should not be used.

This guidance will be reviewed as detection equipment in this size category evolves.

#### **IMPLEMENTATION APPROACH FOR CONTRACTORS:**

The following suggested implemented approach is required for substantial off-site contractors:

1. Segregation: Robust, auditable systems shall be in place to ensure that the rough diamonds supplied for manufacturing through the Melee Assurance Protocol are processed separately from all other clients' diamonds in order to provide evidence that the polished yield originates from the rough diamonds provided by the Sightholder/Accredited Buyer. The contractor shall provide all relevant procedures and documentation to evidence segregation systems to the Sightholder/Accredited Buyer, on request, for example during an onsite audit.
2. Product Security: robust, auditable systems shall be in place to address any risks relating to product security. This shall include the prevention of theft and substitution of diamonds.
3. Return of diamonds participating in the Melee Assurance Protocol:
  - a. Guarantees: The contractor shall provide the following two guarantees when returning the polished diamonds:
    - (contractor company name) hereby guarantee that the polished diamonds in this parcel are the full yield from the rough diamonds received from (Sightholder company name).
    - (contractor company name) hereby guarantee that the factory has adequate controls, systems and procedures in place to prevent theft and substitution of diamonds, while ensuring the safety and security of all employees.
  - b. Packaging: all polished diamonds manufactured by the contractor that qualify for the Melee Assurance Protocol shall be returned to the Sightholder/Accredited Buyer in tamper-evident packaging to reduce any risk of contamination.



# BEST PRACTICE PRINCIPLES

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*Disclosure Practice Note*

*May 2016*

## INTRODUCTION

*As the external landscape regarding synthetic diamonds continues to develop, De Beers will be issuing practice notes to accompany its existing Best Practice Principles material in order to provide Sightholders/Accredited Buyers with the latest guidance on how to mitigate risk in relation to trading in undisclosed synthetic diamonds, given the likely causes of risk and maturity of mitigation approaches.*

*This note provides guidance to Sightholders/Accredited Buyers until such time as a further practice note is issued by De Beers.*

## SITUATION OVERVIEW

All synthetic diamonds can be readily detected using existing detection equipment such as the DiamondSure™ and DiamondView™ instruments developed by De Beers. De Beers recognises, however, that quick and practical testing of smaller stones cannot necessarily be undertaken using these instruments, given the numbers of pieces involved, until there is more widespread access to effective bulk screening instruments such as the Automated Melee Screening (AMS) device.

The following steps should therefore be taken to minimise risk until a further practice note is issued by De Beers.

## TYPE II GUIDANCE FOR ROUGH AND POLISHED DIAMONDS IN THE 0.01CT AND ABOVE CATEGORY

### *Type II Diamonds*

Types II diamonds contain negligible amounts of nitrogen as it is an abundant element and was readily incorporated into diamonds as they grew in the earth's upper mantle. Type II diamonds are very rare, making up only approximately 1-2% of the world's mined diamonds. Type II diamonds are divided into two categories – IIa and IIb. This sub-division is based on the impurities that are present.

Type IIa – these stones contain no measurable nitrogen or boron impurities and are usually colourless, brown or pink - seldom red or green and never yellow. Currently produced CVD synthetic diamonds are type IIa and it is also possible to produce type IIa synthetic diamonds using HPHT synthesis. Parcels made up of a high proportion of type IIa stones should therefore be treated with suspicion.

Type IIb – these stones have boron impurities and conduct electricity as a direct result of this. They are very rare. The majority of natural blue diamonds are Type IIb.

- De Beers' extensive research on DiamondSure™ and the Automated Melee Screening device shows that a natural parcel has on average, a 98% pass rate with 2% referrals. This has proven to be the average content of natural diamond Type IIa in any given parcel. The expected pass rate does however depend on the size of polished diamonds within the parcel, and decreases as the size of goods within a parcel decrease. As a result, De Beers would like to give further guidance on testing.
- For polished goods in the 0.01 - 0.03 cts size range, Sightholders/Accredited Buyers can assume that parcels showing a 95% or more pass rate are natural diamond parcels. However it is expected that from time to time a random check of the 5% referrals is conducted as part of your procedures for increased confidence in your pipeline.
- For polished goods in the 0.04 - 0.07 cts size range, Sightholders/Accredited Buyers can assume that parcels showing a 96% or more pass rate are natural diamond parcels. However it is expected that from time to time a random check of the 4% referrals is conducted as part of your procedures for increased confidence in your pipeline.

- For polished goods in the 0.08 - 0.14 cts size range, Sightholders/Accredited Buyers can assume that parcels showing a 97% or more pass rate are natural diamond parcels. However it is expected that from time to time a random check of the 3% referrals is conducted as part of your procedures for increased confidence in your pipeline.
- For polished goods in the 0.15 - 0.17 cts size range, Sightholders/Accredited Buyers can assume that parcels showing a 98% or more pass rate are natural diamond parcels. However it is expected that from time to time a random check of the 2% referrals is conducted as part of your procedures for increased confidence in your pipeline.
- For polished goods in the 0.18 - 0.22 cts size range, Sightholders/Accredited Buyers can assume that parcels showing a 98% or more pass rate are natural diamond parcels. However it is expected that from time to time a regular check of the 2% referrals is conducted as part of your procedures for increased confidence in your pipeline.
- For polished goods in the 0.23 - 0.29 cts size range, Sightholders/Accredited Buyers can assume that parcels showing a 98% or more pass rate are natural diamond parcels. However it is expected that from time to time a regular check of the 2% referrals is conducted as part of your procedures for increased confidence in your pipeline.

Any pass rate below the described thresholds must trigger an investigation. In such cases De Beers advises Sightholders/Accredited Buyers to carry out full testing of referred goods to identify whether the diamonds are natural or synthetic diamond, further action is required if synthetic diamonds are found. (for more information please refer the BPP Requirements on Disclosure)

## DETERMINING THE RISK IN YOUR PIPELINE

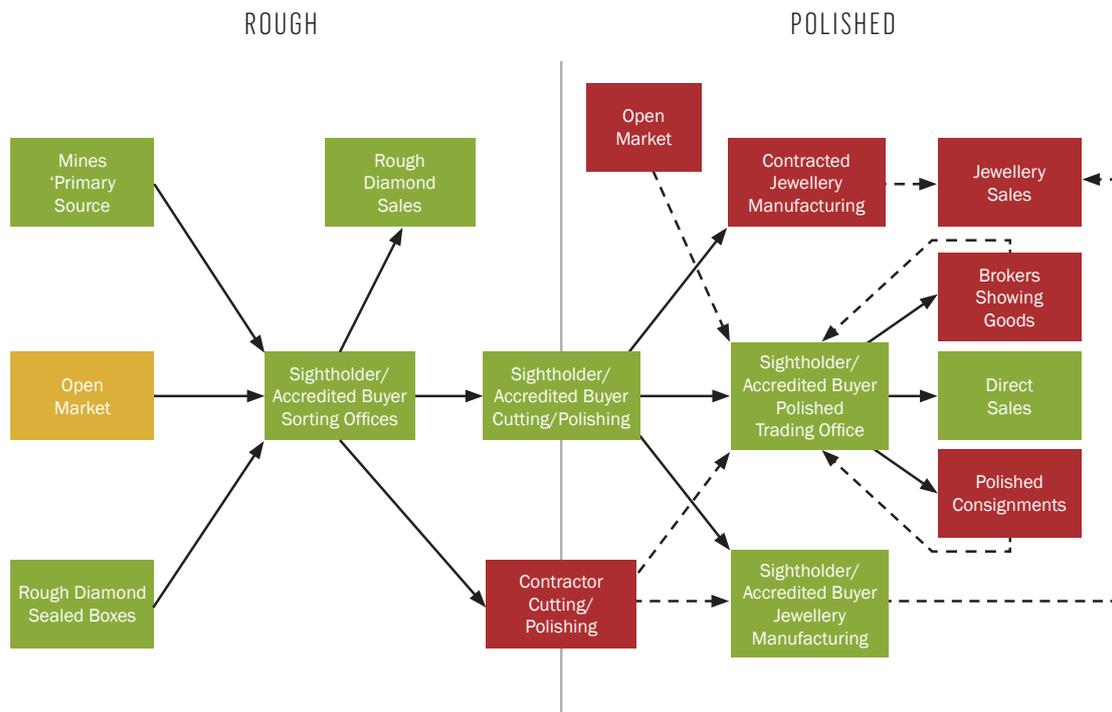
As part of the 2016 BPP Assurance Programme, Sightholders/Accredited Buyers are required to map out their pipeline and identify all the possible contamination points in their business. Each contamination point will hold a different level of risk and different risk levels will require different types of action to be taken.

Defining risk:

- **Low Risk:** Strong level of confidence, implausible risk of contamination, simple distinction between synthetic diamond and natural diamond component.
- **Medium Risk:** Moderate level of confidence, possible risk of contamination, simple distinction between synthetic diamond and natural diamond and/or existing systems in place: policy, procedure and training required.
- **High Risk:** Moderate to low level of confidence, high risk of contamination-testing required for distinction between natural diamond and synthetic diamond component alongside policy, procedure and training.

Sightholders/Accredited Buyers will be required to define the level of risk attributed to each identified contamination point and determine whether testing (including sample testing) is required alongside stronger policies, procedures and training. Refer to the Disclosure Requirements in the 2016 BPP documentation for further guidance.

The diagram below further illustrates how to conduct your Pipeline Risk Assessment:



**Low Risk:** if Sightholders/Accredited Buyers are buying rough directly from primary sources, they can be confident that the mined parcels are natural diamonds; therefore no further action is required.

**Medium Risk:** buying rough from the open market is a medium risk contamination point. Unprocessed synthetic diamonds are easily identified with the naked eye and so this contamination point could be rightly addressed through policy, procedure and training. For example in this case, the procedure could require that all members of the rough purchasing team are trained in identifying the different characteristics between unprocessed synthetic diamonds and rough natural diamonds. Buying polished diamonds from the open market could also be medium risk if your supplier has auditable systems in place to ensure that his contamination points are effectively addressed

**High Risk:** this is the only level of risk where testing goods is a requirement, Polished diamonds coming in to a Sightholder's/Accredited Buyer's pipeline from an external source may be considered high risk contamination points. For cases like these, stronger procedures are required to protect your pipeline; these must include a form of testing. Testing could be in house or through the use of external testing platforms and depending on the size ranges could be conducted through sample testing. See the guidance on sample testing to determine sample sizing.

## GUIDANCE ON TESTING (INCLUDING SAMPLE BASE CHECKS)

As part of their procedures to cover high risk points in their pipelines, Sightholders/Accredited Buyers are advised to ensure testing of all goods. However, we recognise that testing all goods can add a financial strain to your business, and therefore propose random sample testing per size category as outlined below if full testing is not financially feasible.

Polished diamonds of greater than 0.30 cts should all be tested or be accompanied by a certificate from a reputable grading laboratory prior to entering your supply chain. For polished diamonds that fall below this cut-off point we have developed the following tables as a guide to Sightholders/Accredited Buyers in choosing minimum sample sizes. If a sampling approach is adopted it is essential that measures are taken to ensure that sampling is random.

## SUGGESTED MINIMUM RANDOM SAMPLE SIZES AS A FUNCTION OF NUMBER OF STONES/PARCEL AND FOR DIFFERENT SIZE RANGES

(i) Number of stones in samples

Stones per parcel	1-3 pt	4-7 pt	8-14 pt	≥15 pt
50	37	40	42	44
100	60	65	72	79
150	75	83	94	108
200	86	97	112	131
250	94	107	126	151
300	100	116	137	168
350	105	122	147	182
400	109	128	155	195
450	112	133	162	206
500	115	137	168	216
600	120	143	178	233
700	123	148	185	246
800	126	152	192	258
900	128	156	197	267
1000	130	158	201	276
2000	139	172	224	320
3000	143	177	233	338
4000	144	180	237	347
5000	145	181	240	353
10000	148	185	246	366
20000	149	186	249	373
30000	149	187	250	376
40000	149	187	251	377
50000	149	188	251	377

(ii) Sample as a % of the parcel

Stones per parcel	1-3 pt	4-7 pt	8-14 pt	≥15 pt
50	75.0%	79.0%	83.5%	88.4%
100	60.0%	65.3%	71.6%	79.2%
150	50.0%	55.7%	62.7%	71.7%
200	42.8%	48.5%	55.8%	65.5%
250	37.5%	43.0%	50.2%	60.3%
300	33.3%	38.6%	45.7%	55.9%
350	30.0%	35.0%	41.9%	52.1%
400	27.2%	32.0%	38.7%	48.7%
450	25.0%	29.5%	35.9%	45.8%
500	23.1%	27.4%	33.5%	43.2%
600	20.0%	23.9%	29.6%	38.8%
700	17.6%	21.2%	26.5%	35.2%
800	15.8%	19.0%	24.0%	32.2%
900	14.3%	17.3%	21.9%	29.7%
1000	13.0%	15.8%	20.1%	27.6%
2000	7.0%	8.6%	11.2%	16.0%
3000	4.8%	5.9%	7.8%	11.3%
4000	3.6%	4.5%	5.9%	8.7%
5000	2.9%	3.6%	4.8%	7.1%
10000	1.5%	1.8%	2.5%	3.7%
20000	0.7%	0.9%	1.2%	1.9%
30000	0.5%	0.6%	0.8%	1.3%
40000	0.4%	0.5%	0.6%	0.9%
50000	0.3%	0.4%	0.5%	0.8%

To calculate the number of stones in a parcel, simply divide the parcel weight by the average weight per stone.

These minimum random sample sizes have been selected to give a 95% confidence level that the pass rate for the sample would reflect (to within a given margin of error) the pass rate for the parcel as a whole if it were fully tested. They were calculated using the expected pass rates and margins of error listed below for each size band and are optimal for colourless to near colourless diamonds, however higher referral rates for diamonds that are outside this colour range. These were extracted from extensive research in which many diamonds were tested using DiamondSure™ and the AMS machine ( see Type II guidance for further information.

Size range	Expected pass rate	Margin of error	Threshold pass rate
1-3 pt	97.5%	2.5%	95%
4-7 pt	98%	2%	96%
8-14 pt	98.5	1.5	97%
≥15 pt	99%	1%	98%

#### EXAMPLE 1

A 200 ct parcel of stones with average weight 2 pts contains approximately  $200/0.02 = 10,000$  stones. The table indicates that a minimum sample of 148 randomly chosen stones (1.5% of the parcel in this case) should be tested. If the pass rate for those 148 stones is 95% or greater, this will give a measure of confidence that the parcel as a whole would have a pass rate consistent with an absence of synthetic diamonds.

#### EXAMPLE 2

A 20 ct parcel of 5 pt stones contains  $20/0.05 = 400$  stones. The table indicates that a minimum sample of 128 stones (32%) should be tested. If the pass rate for those 128 stones is 96% or greater, this will give a measure of confidence that the parcel as a whole would have a pass rate consistent with an absence of synthetic diamonds.

### GUIDANCE FOR COLOURED STONES AND FANCY CUT MELEE

All stones can be tested to see if they are natural or synthetic diamonds, however due to certain restrictions around coloured and/or fancy cut melee (higher referral rates with the AMS) the risks related to trading in undisclosed synthetics diamonds should be addressed through a combination of processes. These could include:

- **Testing:** detection equipment can be purchased or goods should be sent to a reputable gemological institute, please note the sample testing requirements apply also in these cases.
- **Buying from trusted suppliers:** Sightholders/Accredited Buyers should only buy from suppliers on which they have carried out robust due diligence and with which KYS (Know Your Supplier) and “Chain of Accountability” systems are fully implemented.
- **Assurance:** Sightholders/Accredited Buyers should only purchase/receive goods which come with assurances relevant to the risk. For example should Sightholders/Accredited Buyers contract their cutting and polishing to an external factory, the polished yield should come with an assurance that it is a direct yield from the provided rough parcel.
- **Factory controls in place:** implement effective and detailed policies, procedures, security, monitoring and training to avoid “switching” on the factory floor. For more information, refer to the Product Security section (A.6) of the BPP Requirements.

# BPP MELEE ASSURANCE PROTOCOL

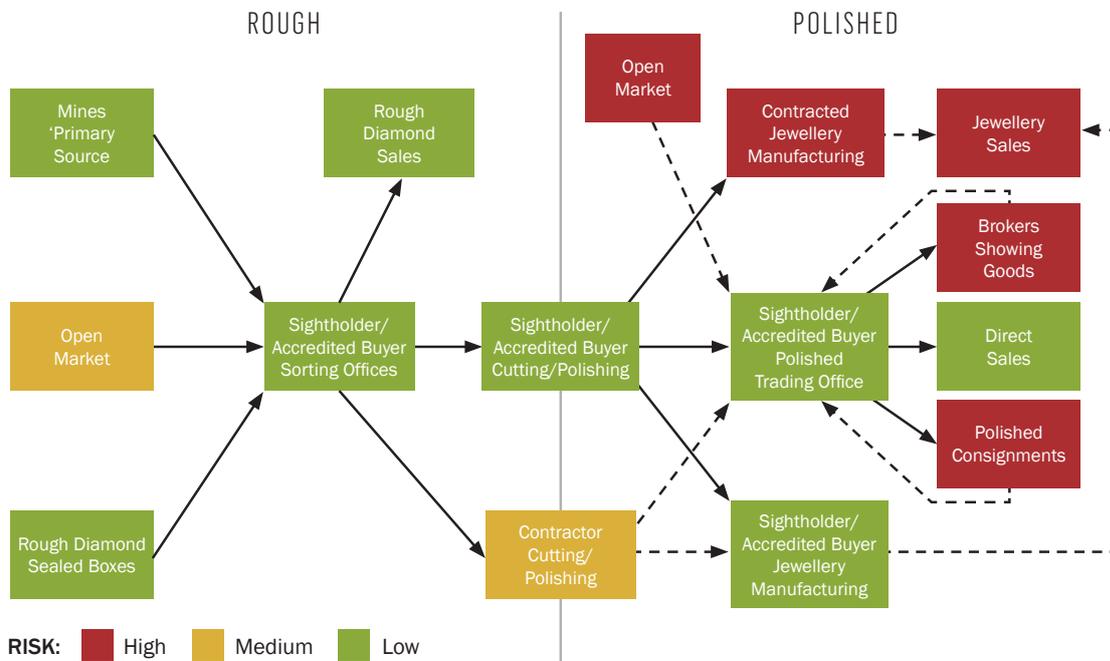
## GUIDANCE ON ROUGH AND POLISHED DIAMONDS IN THE 0.01CT AND BELOW

### SITUATION OVERVIEW

*De Beers recognises that there is not, at present, a cost effective practice to address the potential risk of undisclosed synthetic diamonds entering the natural diamond pipeline in the 0.01ct and below category. However, the BPP Melee Assurance Protocol requirements offer a practical solution to mitigate against this risk through the implementation of auditable and segregated systems that are independently verified by a third party auditor, as part of the BPP Assurance Programme.*

### PIPELINE RISK ANALYSIS OF CONTAMINATION POINTS

Sightholders and Accredited Buyers are required to map out their pipeline for diamonds that are 0.01cts and below, identify all the possible contamination points in their business and assign them with a risk level.



### THESE EXAMPLES ARE NOT DEFINITIVE AND EXCEPTIONS MAY OCCUR

**High Risk:** A moderate to low level of confidence, high risk of contamination due to unknown rough origin; high risk of unknown sources of polished diamonds/manufacturers; no visibility of systems or processes. Robust procedures are required and must include full testing for synthetic diamonds at a reputable laboratory.

Purchasing polished diamonds from the open market, polished diamonds being sent out on consignment, and the use of brokers or other third parties could all be considered high risk contamination points. Auditable systems must be implemented to ensure that all purchases are documented and the testing results are retained.

**Medium Risk:** A moderate level of confidence, possible risk of contamination, however verified compliance against the BPP Melee Assurance Protocol requirements reduces the risk. Robust procedures are required and must include sample testing for synthetic diamonds at a reputable laboratory.

Purchasing rough diamonds from the open market is classified as medium risk due to simple visual distinction between unprocessed synthetic diamond and natural rough diamond. To address any potential contamination risk, all members of a rough purchasing team should be trained to identify the different characteristics unprocessed synthetic diamonds. Off-site non-substantial contractors that are engaged to cut and polish rough diamonds in the 0.01carat and below category shall be declared as substantial contractors on the BPP SMART System and will fully participate in the Contractor BPP Assurance Programme. Sightholders and Accredited Buyers must ensure that the offsite contractor has auditable internal management controls to address any potential contamination points at its premises. If only partial compliance is demonstrated by the Sightholder/Accredited Buyer, then the off-site manufacturing process shall be classified as high risk and full testing of polished diamonds at a reputable laboratory will become a requirement.

**Low Risk:** A strong level of confidence, implausible risk of contamination due to all processes from rough to polished being performed in house.

Purchasing rough diamonds directly from a primary source would be classified as low risk and would constitute the beginning of a sealed pipeline. Manufacturing that is carried out by an on-site contractor would ensure continuance of the sealed pipeline; however, the Sightholder or Accredited Buyer must have full overview of the systems in place by completing a merged tier A BPP workbook and have full oversight of the processes and systems at the manufacturing location.

## GUIDANCE FOR SAMPLE TESTING

As part of standard procedures to manage medium risk areas within your diamond supply chain, Sightholders and Accredited Buyers are required to select a random sample of polished diamonds, e.g. polished diamonds from an off-site contractor.

The table (see right) is the minimum suggested random sample size for colour to near colourless, <0.01ct which should be adopted for the BPP Melee Assurance Protocol, i.e. 0.01ct and below.

Size range	Expected pass rate	Margin of error	Threshold pass rate
<0.01ct	97.5%	2.5%	95%

To calculate the number of stones in a parcel, simply divide the parcel weight by the average weight per stone.

### EXAMPLE

A 200 ct parcel of stones with average weight 0.01ct contains approximately  $200/0.01 = 20,000$  stones. The table indicates that a minimum sample of 149 randomly chosen stones (0.7% of the parcel in this case) should be tested. If the pass rate for those 149 stones is 95% or greater, this will give a measure of confidence that the parcel as a whole would have a pass rate consistent with an absence of synthetic diamonds.

### Size category <0.01ct

Stones per parcel	Number of stones for sample testing	Sample in % terms
50	37	75.0%
100	60	60.0%
150	75	50.0%
200	86	42.8%
250	94	37.5%
300	100	33.3%
350	105	30.0%
400	109	27.2%
450	112	25.0%
500	115	23.1%
600	120	20.0%
700	123	17.6%
800	126	15.8%
900	128	14.3%
1000	130	13.0%
2000	139	7.0%
3000	143	4.8%
4000	144	3.6%
5000	145	2.9%
10000	148	1.5%
20000	149	0.7%
30000	149	0.5%
40000	149	0.4%
50000	149	0.3%