UPLIFTING THE EARTH

THE ETHICAL PERFORMANCE OF LUXURY JEWELLERY BRANDS

Ian Doyle and Jem Bendell

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Lifeworth helps clients in establishing more responsible and sustainable practices, products and services. This creates value through reducing risk, stimulating commitment, and generating opportunities.

Lifeworth provides strategy, communications, liaison, inspiration and education services for clients at various stages of their evolution towards responsible enterprise. Starting with responsible enterprise strategy development and leadership, Lifeworth accompanies organisations in implementing greater corporate responsibility across the value chain as well as creating simple processes to monitor change, providing the means to report on performance.

Since 2007, Lifeworth has had a particular focus on the luxury sector and created the Authentic Luxury Network *(www.authenticluxury.net)* to facilitate exchange amongst professionals on the subject of luxury and sustainability.

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Fair Jewelry Action (FJA) is a human rights and environmental justice network within the jewellery sector. FJA promotes ethical and fair trade jewellery business by advocating traceability and transparency in the jewellery supply chain. FJA's objective is to direct more of the economic contribution of the jewellery sector toward regenerating local economies in small-scale artisan producer communities, as well as supporting their cultural integrity and assuring environmental sustainability.

FJA's activities focus on being a driving force and voice to consumers with the aim of making ethically and fairly traded jewellery the only moral choice. FJA will support jewellers by connecting them with the source of their material and enabling them to see the social, environmental and market advantage of providing ethical products.

FJA does this through three principle action streams: education, campaigning for indigenous peoples affected by mining and producer support of small-scale miners for Fairtrade certification purposes.

http://www.fairjewelry.org/

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List of Acronyms

ARM	Alliance for Responsible Mining
ASM	Artisanal and Small-scale Mining
BMP	Bureau for Minerals and Petroleum
CSR	Corporate Social Responsibility
DDI	Diamond Development Initiative
DTC	Diamond Trading Company
FLO	Fairtrade Labelling Organisation
GAF	Global Action Foundation
GR	Golden Rules
GRI	Global Reporting Initiative
IRMA	Initiative for Responsible Mining Assurance
ISEAL	International Social and Environmental Accreditation and Labelling
ISO	International Organisation for Standardisation
FJA	Fair Jewelry Action
JoA	Jewelers of America
LSM	Large Scale Mining
KPCS	Kimberley Process Certification Scheme
NDG	No Dirty Gold
NGO	Non Government Organisation
RJC	Responsible Jewellery Council
SEC	Securities and Exchange Commission
SoW	System of Warranties
TAWOMA	Tanzania Women Miners Association
TNG	True North Gems
UNHCR	United Nations Refugee Agency
WDC	World Diamond Council

Foreword

As we realise the problems with growing poverty and environmental degradation, we can feel overwhelmed. Not only do we know it is our joint responsibility to address these problems, but we also know that our generation is potentially the last one that can take action to avert environmental catastrophe. Business leaders today have the opportunity to play a major role and are on the spot to take action for change.

Science, regulation and consumer pressure are three pillars that support change. We need scientists to help us understand how environmental problems and poverty came about and how they can be solved. We need laws and regulation to facilitate and accelerate change. People who buy luxury jewellery are often motivated by a desire to celebrate or by an act of gratitude, and because they trust the value of the piece. Such clients are naturally thoughtful about the nature of the beautiful items they buy.

However, information on product traceability is not yet widespread, and is not a legal requirement. If it were, it would have a great impact on buying decisions. People have the right to know more about the products that they buy and the environmental and social impact they leave. As this report shows, efforts to create traceability in jewellery supply chains are much needed and should be supported and developed by industry leaders, who fully understand the power that consumers have in making a difference. Environmental problems and poverty can be mitigated through a well informed public supported in making the right choices.

More leaders in the luxury goods industry, including jewellery brands, are taking note of these new consumer interests. Industry executives are aware of the discerning behaviour of their target market and their sophisticated clientele. In response, we have seen more industry leaders take action to ensure their supply chains are more responsible by supporting the Kimberley Process and working with initiatives such as, the Responsible Jewellery Council and No Dirty Gold. All of these have contributed to moving us forward, but we have much further to go if we are to ensure that the jewellery industry makes a positive difference to sustainable development.

In Change, an Opportunity

Based on my experience in leading change in a jewellery business, I am convinced that there is much more work to do on our social and environmental performance. This industry, maybe because it sells products that last forever, often has difficulty in thinking outside the usual frame, in engaging new people, in trying new practices or in anticipating new consumer values.

I learned that a good manager must have the humility and intelligence to continuously analyse strategy so that it can be adapted or even changed. This is because the environment is in a state of increasingly rapid flux, and only those who can anticipate movements will prosper. This is particularly relevant to the luxury industry, which needs to anticipate trends and recognise new opinion leaders. Firmness and flexibility are advantages in an industry where arrogance reigns supreme.

That is why this report from pioneers in responsible jewellery analysis and advice, Lifeworth Consulting and Fair Jewelry Action, is an invaluable contribution for wise, forward-thinking executives in our evolving industry. Co-written by the lead author of the seminal WWF report on sustainable luxury, Jem Bendell, this report is an authoritative assessment of current practice as well as leading innovation in ethical excellence.

Uplifting the Earth comes at the right time to facilitate the sharing of best practices. Often industry best performers and entrepreneurial companies do not to disclose information about their initiatives. They are afraid that disclosure would trigger suspicion among consumers and accusations of 'green-washing'. If what does not get measured does not get managed, this report is great news for the industry. Assessing the social and environmental performance of luxury jewellery brands, and sharing that information, is a useful move to accelerate change and refocus attention on issues that are as much a business consideration as an ethical one.

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Executive Summary

Luxury jewellery brands have always sought to set new standards. Consumer concerns over the ethical sourcing of gemstones and precious metals have pushed luxury jewellery brands to redefine business excellence. Corporate responsibility, therefore, needs to be integrated as a core business function to not only address these concerns, but also encourage more responsible aspirations across the sector and within society.

This report is an analysis of how ten leading luxury jewellery brands are addressing their corporate responsibility, particularly the sourcing of gemstones and precious metals. By benchmarking Boucheron, Buccellati, Bulgari, Cartier, Chanel, Chopard, Graff Diamonds, Harry Winston, Piaget and Van Cleef & Arpels, the report highlights various levels of corporate responsibility engagement. Boucheron and Cartier are the most active brands in trying to address the ethical, social and environmental aspects of their business throughout the supply chain, while the remaining brands are either inactive or only partially active.

The results of the study suggest that the major reasons for the overall poor performance include an inadequate focus on traceability and pro-poor development issues, insufficient transparency, the emphasis on safety rather than opportunity, and limited attention to relationships. The reason for this lack of leadership is argued to be the absence of a positive vision for responsible jewellery. Although a decade of effort to reduce conflict and environmental damage from jewellery supply chains has curbed poor practices, it has not yet shaped an aspirational role for jewellery. The focus has been on risk reduction, rather than delivering positive outcomes. By examining efforts of responsible jewellery pioneers, this report outlines a vision of ethical excellence in luxury jewellery, where brands can literally 'Uplift the Earth' by providing decent work, building community and restoring environments.

Twelve key findings include:

1 Information on social and environmental performance is difficult to obtain from luxury jewellery companies, indicating a general lack of transparency. This despite the fact that many of the brands are members of an international, not-for-profit organisation called the Responsible Jewellery Council (RJC), which seeks to restore consumer and stakeholder confidence within the jewellery sector. With limited information available to the public, consumers are unable to assess how brands are contributing to a more just and sustainable world. As a gemstone with excellent transparency demonstrates superior quality, greater corporate transparency can be a source of excellence for luxury jewellery brands.

2 Gemstone clarity is also an indicator of superior quality and this is no different from the clarity of corporate communication. Brands that improve the clarity of their disclosure demonstrate excellence. Better contextualisation is one way to enhance clarity. For instance, when a brand states that it supports conflict-free diamond sourcing through the initiative

The jewellery industry has excelled in transforming the earth's minerals into objects of exquisite character known as the Kimberley Process (KPCS), how does it actually support it? This statement is hollow in light of the legal obligations in place which force brands to purchase diamonds within the KPCS framework. How do brands ensure that the mines from where they source diamonds respect human rights and pay a living wage to miners? Exceptional clarity and transparency enhance a gemstone's value. Luxury jewellery brands adopting the same gemstone qualities can also add value to their brands.

3 The assessed brands did not disclose *how* they combat corruption. As a key element of the RJC's code of practice, brands need to disclose how they fight corruption especially since many diamonds are sourced from countries with poor corruption perception ratings. This will be a challenge for brands that do not know where their gemstones and precious metals come from.

4 Brands need to know the source of their precious metals and gemstones. Part of the reason why transparency and clarity are a challenge for luxury jewellery brands is because traceability has not been a priority. In light of the fact that complete traceability is already a reality for some ethical boutique jewellery brands, the larger brands can demonstrate excellence by making ethical sourcing more scalable.

5 To make ethical sourcing more scalable, brands need to strengthen relationships within the supply chain. Traceability will help them do this. While the RJC is currently assessing the feasibility of a chain of custody, such a framework needs to be embedded in relational economies that benefit humanity as well as mitigate brand risk. This means engaging with poor communities so that the supply chain is understood in terms of a strategic investment rather than a way to cut costs. Such investments require time and some risk-taking because they are based on relationships. Given that jewellery is a repository of not only culture, but also highly symbolic and emotional meaning, ethical sourcing in a piece of jewellery has tremendous and natural brand appeal.

Gemstone clarity: a metaphor for corporate transparency

6 A development focus is key to responsible business excellence as it demonstrates a progressive approach in responding to social needs. As millions of artisanal miners depend on mining for a living, opportunities abound for brands to engage with poor communities for development purposes. Rather than mitigating risk, a progressive approach seeks social innovation. The only brand among those benchmarked in this study that is progressing on this issue is Cartier, through its partnership with Goldlake. But other initiatives such as the Diamond Development Initiative (DDI), which seeks to use diamonds as an engine for development, already have an established level of capacity, which makes investment relatively low risk.

7 The luxury jewellery sector is at a crossroads. Initiatives such as KPCS and RJC are playing important roles in helping companies to formalise their commitments on ethics, the environment and human rights. However, leading experts on ethical sourcing say their standards do not represent the most responsible practices in the jewellery industry and there are questions about their impact on the ground, particularly in regard to artisanal and small-scale-mining (ASM). For luxury jewellery brands that see themselves as responsible business leaders, further action is needed not only to strengthen such initiatives but also move beyond them and explore more responsible business models.

8 Brands need to be courageous. Seeking safety through compliance will *perhaps* protect brand reputation, but it demonstrates uniformity rather than leadership, and risks degrading into complacency. Leaders take risks effectively. Rather than seeking comfort from peers, opening up an organisation to critical thinking is one way to broaden a company's vision on how to contribute to society in ways that will inspire key stakeholders including staff and customers. Furthermore, by inviting critical thinking, the innovation playing field is extended rather than restricted.

9 A key aspect of responsible business practice involves reflecting on what *meaning* one's business is contributing to the world. Brands can leverage responsible practices to inspire new understandings of the purpose of their enterprise, which can help the organisation's staff and key stakeholders to remain inspired and learn continuously. Brands can create future heritage today, transmitting messages of responsibility for future generations as well as the present. This approach can influence design and craftsmanship so that jewellery pieces symbolise responsible excellence for generations to come.

10 According to accounts given by staff in the brands' boutiques, six brands have Burmese rubies as part of their collections. Apart from risking brand reputation in selling Burmese rubies, there are inconsistencies between corporate policy and what is happening on the shop floor. Better integration of corporate responsibility policies is required across organisations.

11 One aspect of corporate responsibility that all the luxury jewellery brands missed relates to long-term objectives. A sign of a brand's strategic commitment to corporate responsibility is the inclusion of long-term goals, which drive better ethical, social and environmental performance. It is also an indicator of a brand's purpose. Clearer communication on how brands are working towards transforming their businesses to embed responsibility as part of their purpose is one area which can be improved across the luxury jewellery sector.

12 Of the ten benchmarked brands, it appears that only Cartier is significantly active in addressing their social responsibilities. Therefore many luxury jewellery brands are at risk of being left behind in an increasingly aspirational marketplace. The following table summarises the brands' activity, as identified by this study.

SUMMARY OF THE ETHICAL PERFORMANCE OF LUXURY JEWELLERY BRANDS

BRAND	ASSESSMENT	BURMESE RUBIES IN COLLECTION?
Boucheron	Active	'Pre-embargo' Burmese rubies
Buccellati	Inactive	Unclear
Bulgari	Partially active	Unclear
Cartier	Significantly active	'Pre-embargo' Burmese rubies
Chanel	Partially active	No
Chopard	Partially active	Yes
Graff	Inactive	Yes
Harry Winston	Partially active	'Pre-embargo' Burmese rubies
Piaget	Partially active	Yes
Van Cleef	Partially active	No

Introduction

Adornments made of precious metals and set with gemstones have been a feature of most societies for thousands of years. The buying and gifting of bracelets, rings, necklaces and watches to mark special occasions continues to grow worldwide. The social and environmental impact of these items is important due to the meanings they embody for those they adorn, but also because millions of people depend on the industry for a living. Around 100 million of the world's poor depend on the informal artisanal and small-scale mining (ASM) sector, which supplies 10% to 15% of global gold and diamond production. The jewellery industry can therefore be an important vector to improve the quality of life in poor communities and the lives of all involved in jewellery – from ground to gift. Responsible jewellery is made of components that are sourced, traded, processed and assembled, then promoted and sold, in fair, environmentally appropriate and socially beneficial ways. Luxury jewellery brands have a particular role to play, as they have the consumer mandate and product margins to demonstrate excellence to others. As such, they are the focus of this report.

Concerns over the ethical sourcing of gemstones and precious metals since the mid 1990s has generated interest in the ethical performance of jewellery brands. Initiatives that attempt to promote a responsible jewellery industry exist, but questions over their limitations and the availability of information on social and environmental performance of luxury jewellery brands makes it difficult to assess what could be leading practice within the industry. As such, benchmarking is needed to better understand competitor approaches to social and environmental issues.

Nuggets of gold

This is the first study to benchmark luxury jewellery brands on their corporate responsibility. Ten luxury jewellery brands were analysed for their ethical, social and environmental performance, with particular attention on the ethical sourcing of precious metals and gemstones. The brands were selected for their renown and focus on gemstones, providing a cross-section of different organisational types in this sector. The brands are Boucheron, Buccellati, Bulgari, Cartier, Chanel, Chopard, Graff Diamonds, Harry Winston, Piaget and Van Cleef & Arpels. Although there are wide variety of ethical issues for luxury jewellery brands to address, this report focuses on the sourcing of metals and gemstones, given the importance of mining for millions of people and their environment.

This benchmarking is timely as consumers reconsider the value of luxury following the global financial crisis. In this report we collate the mounting evidence of a newly aspirational marketplace, where high-end consumers expect ethical excellence from luxury brands as an aspect of being a superior company providing prestige products. Highlighting this development, the November 2010 Spanish edition of *Vogue* published an article on luxury and ethical jewellery, where co-author Jem Bendell highlighted how ethical excellence is becoming part of luxury brand management:

> *"Today, taking our time is a rare pleasure, and so seems something of a luxury. Taking the time to create a product of exceptional quality is therefore a hallmark of luxury. So is taking the time to make the right decisions from a company's office... Luxury needs to take the time to demonstrate transparency and humanity."*[1]

Uplifting the Earth co-author Jem Bendell discusses responsible jewellery in *Vogue*

While Vogue's article points to increasing consumer awareness on social and environmental issues, several reports indicate that the context for ethical jewellery production is still very much evolving. An Associated Press investigative report in 2008 showed that gold being mined by African children using mercury was entering the supply chain.[2]

Meanwhile, a February 2010 report from Earthworks, a non-profit organisation dedicated to protecting communities and the environment from the destructive impacts of mineral development, stressed how luxury brands were only average performers when it came to fulfilling their obligations as part of the No Dirty Gold campaign.[3] Thus, the chapter entitled 'Context' explores the global environment for the luxury jewellery industry and the luxury sector in general. It details the significant market data on an increasingly aspirational marketplace for luxury goods and services, whereby consumers want ethical excellence from luxury companies.

The chapter 'The Research' explains the research methodology for the report. This involved an analysis of publicly available data related to brands' corporate responsibility, information from investment analysts, direct contact with brands, shop-floor research in the brands' boutiques, and interviews with eleven leading experts on the responsible sourcing of gemstones and precious metals. To identify how brands could shape future agenda, the experts were also questioned on the leading responsible practices in the sector.

Thus the chapter 'Leading Practice' discusses what experts consider to be leading responsible practices for the jewellery industry according to the following categories: governance and management, environment, workplace, community and customer.

The chapter 'Analysis' compares brands' actual performance as detailed in the appendix with

Kangaba-Mali access hole to the underground shafts

what experts considered leading practice to determine if brands' corporate responsibility were aligned. The study found that, of the leading luxury jewellery brands analysed, it appears that most are not systematically addressing the ethical, social and environmental aspects of their business throughout the supply chain. The research suggests that key failings include an inadequate focus on traceability and pro-poor development issues, insufficient transparency, the emphasis on safety rather than opportunity, and limited attention to relationships. The report finds various levels of corporate responsibility engagement. Boucheron and Cartier were found to be working on social and environmental issues in a significant way, while Bulgari, Buccellati, Chanel, Chopard, Graff, Harry Winston, Piaget and Van Cleef & Arpels were found to be either inactive or partially active on these issues.

The limited action by brands may be due to a limited vision of what ethical jewellery can be. Although a decade of effort to reduce conflict and environmental damage from jewellery supply chains has curbed some of the worst practices, it has failed to identify an aspirational role for jewellery.

Through the survey of leading experts and pioneers in responsible jewellery a vision of ethical excellence emerges, which is the subject of the chapter 'Unveiling Ethical Excellence'. It provides guidance for brands on strengthening existing initiatives, embedding a culture of responsibility, engagement opportunities to socially innovate, and how responsible practices can inspire new approaches to business. In addition, the report offers some critical thinking to help brands deepen their reflection on corporate responsibility, providing the groundwork necessary for brands to look beyond their own risk and be leaders on societal issues.

By comparing the actions of ten luxury brands with this new vision, the report finds luxury jewellery firms risk being left behind in an increasingly aspirational marketplace. The report therefore invites luxury jewellery brands to go further, and leverage corporate responsibility to advance new ideas and generate new opportunities. Brands willing to broaden their vision of corporate responsibility beyond compliance can improve the lives of those who need it most. While initiatives protect brand reputation, their purpose is to defend the rights of those who do not have a voice. Brands must not lose sight of that as better reputation is only a side effect of concern for humanity. This report explores how luxury jewellery brands can broaden their thinking on corporate responsibility so that they can be agents for social change.

The report builds on Lifeworth Consulting's research and advisory services in responsible luxury brand management. In 2007 the WWF-UK report *Deeper Luxury: Quality and Style When the World Matters* was widely acknowledged to have inspired the luxury industry to increase efforts on their social, environmental and ethical performance. Co-written by the lead author of *Deeper Luxury,* this report is released without charge by Lifeworth Consulting to contribute to the ongoing development of luxury brand responsibility.

Context

The luxury industry is going through turbulent times. While growth forecasts predict a return to business-as-usual following the financial crisis, there are numerous unprecedented external factors that are impacting the industry.[4] Global communication has, for one, enabled consumers to be more aware of social and environmental issues. The explosion of social media is changing the role of advertising and branding. The shift from the West to the rest has likewise matured sufficiently so that emerging cultural ideas and icons from around the world are complimenting the well-established cultural assumptions that have guided the luxury industry until now.

The Ritz Hotel, Paris, an emblem of luxury for over a century

The lingering psychological effect of the financial crisis has also changed consumer relationship with luxury. Because the crisis has affected consumer spending, the luxury industry cannot rely on this as its remedy. A report from Boston Consulting Group in late 2010 confirmed that because of the crisis, "luxury has lost much of its mystique" as people re-assess their behaviours and motivations. "The challenges posed by this conceptual shift will be more fundamental and lasting than the challenges that arose from the crisis." [5]

The Luxury Institute's semi-annual wealth survey published in September 2010 entitled, *The State of the Luxury Industry,* concluded that US consumers are now questioning the value for money of luxury goods with over two-thirds of respondents citing that luxury brand prices are too high "relative to the value for money they deliver." Forty-two percent of wealthy shoppers say that luxury brands are becoming commodities and that there is a lack of exclusivity. This is of no surprise in light of the fact that 56% say that craftsmanship of luxury products is on the decline; 51% say that product quality is waning; 50% notice a slippage in customer service quality and 48% say that luxury products are losing their design value.[6]

Luxury consumer attitudes are also evolving when it comes to their expectations on the ethical, social and environmental responsibilities of luxury brands. A 2010 study by market researcher Ifop showed that 47% of individuals in the top 25% income bracket across France, China, Japan and the Unites States are willing to pay more for responsibly produced goods. In China, the top 20% of income earners ranked social and ecological responsibility fourth among the nine factors that luxury consumers consider important when purchasing luxury goods. Similarly in Japan, the top 5% of income earners ranked social and ecological responsibility as third among twelve categories, with both these surveys ranking it ahead of creativity.[7] While consumer opinion cannot necessarily be taken as hard fact, it does indicate that there is considerable consumer awareness, in this case in Asia, on social and environmental issues.

The status conferred upon the consumer through the conspicuous consumption of luxury goods has also evolved, giving rise to new concepts such as conspicuous conservation. A 2010 World Jewellery Confederation report entitled, *Responsible Luxury,* suggested that luxury consumers are seeking differentiation by engaging on a deeper level in their purchase decisions, so much so, that in some cases:

> *"…the awareness of the provenance and production process of a luxury item has become as important to the consumer as the actual product itself. Buying no longer just demonstrates financial or stylistic independence. Knowing its foundation signifies a social conscience, a duty of care and a deeper knowledge of craftsmanship, skill and quality. In response, luxury companies providing greater and more transparent product information during the consumer journey, can elevate a buyer from simple acquirer to informed enquirer, an upward leap of status in our post-recession society."*[8]

The very mention of 'social conscience' suggests that the increasing social awareness of luxury consumers necessitates a deeper focus than just status mobility, one that is founded on the benefit of the other. Thus, a more holistic vision of responsible luxury that embodies notions of equality and fairness is emerging.

This is also reflected in general developments associated with approaches to corporate responsibility. In 2010, the notion of 'inclusive business,' whereby business can have a greater positive impact on development by adapting their core business to encourage development outcomes, was popularised.[9] The focus is less on small enterprises seeking to address social needs profitably or on large firms providing donations to good causes. It is more on large firms that adjust their core businesses to provide social benefit for a greater cross-section of people, including suppliers from poorer communities.

As a result, the frame for considering responsible luxury is also changing. Managing risk is no longer adequate to respond to the greater needs of the world. The Luxury Institute report *Wealth and Luxury Trends 2011 and Beyond* concluded that luxury brand managers will need to reflect a benevolent culture, in tune with evolving societal values.

Thus, approaches that require brands to engage on social issues to better understand the causes of societal problems are necessary rather than piecemeal corporate responsibility that only reduces negative impact for the purposes of protecting brand reputation. Several of the experts that participated in the research supported this tendency by stating that a pro-development focus was a key part of demonstrating a commitment to ethical sourcing.

What this means for the luxury sector, including luxury jewellery, is that brands need to demonstrate not only excellence in terms of social and environmental performance through their strategies, but their

Contrasts, Place Vendôme, Paris, January 2011

Place Vendôme, the heart of the luxury industry

products also need to exemplify fairness and equity, and contribute to the betterment of society. This represents a new era in luxury that requires brands to rethink their strategy if they are going to capitalise on the opportunities that arise from more responsible business approaches.

Luxury companies may wonder whether the social or environmental quality of their products influences consumers' decision to buy. Just because sales are still being made does not mean that there is no demand for more responsible products. Increased demand for corporate responsibility among the affluent, in fact, suggests the opposite.

First, the lack of translation of high consumer awareness into altered consumer behaviour shows that there is a major market for those who manage to offer superior social or environmental quality in a credible way, alongside a great performing product or service.

Second, those consumers who are not yet decisively motivated by environmental or social performance are motivated by a range of other quality and reputational factors that are influenced by what the fashion media and their friends believe. Both the fashion media and friends on social media discuss brands more when there is an interesting social or environmental story to tell. Therefore, superior social or environmental performance can feed the conversation about the broader relevance and performance of a brand.

Third, the latest understanding of marketing and advertising does not see the consumer as sovereign, but one that can be engaged in a conversation where tastes and interests evolve. One way that companies can lead is by listening to their customers, thus providing better choices and removing poorer ones. According to the Sustainable Consumption Roundtable, in their report *Looking Forward, Looking Back,* the time is also ripe for brands to do so. The report states that,

> *"…historically, the green consumer has not been the tipping point in driving green innovation. Instead, choice-editing for quality and sustainability by government and business has been the critical driver in the majority of cases ... Choice-editing for sustainability is about shifting the field of choice for mainstream consumers: cutting out unnecessarily damaging products and getting real sustainable choices on the shelves."*[10]

Forced to restore consumer confidence due to concerns linked to blood diamonds and the social and environmental risks associated with gold mining, many jewellery brands are working with the Responsible Jewellery Council (RJC) and the Kimberley Process (KPCS) as a means of demonstrating greater corporate responsibility. RJC's standard plays an important role in helping companies formalise their commitments on ethics, the environment and human rights. Through its

Legal gold mine in French Guiana

certification scheme, learning will accelerate as issues are clarified and mechanisms are defined for monitoring and measuring progress. KPCS has also minimised the flow of so-called 'blood diamonds' that fund conflict. As such, these two initiatives represent an important starting point in attaining a more responsible jewellery industry.

However, they aim to reduce the negative impact of the sector rather than promote approaches to providing greater social benefit. Many of the experts interviewed saw leading practice as going beyond these two initiatives. Some companies are actively criticising these initiatives as a means to differentiate themselves from the mainstream.[11] By stating so and pledging greater traceability and transparency, such companies are targeting an emerging market that is sceptical of corporate claims and highly interested in social and environmental issues. Furthermore, as most gemstone and precious metals mining takes place in developing countries, there is enormous scope for brands to demonstrate their commitment to adding value at a societal level.

The Fairtrade label is one initiative that uses a market-based approach to enable better trading conditions for producers in developing countries and promote sustainable development. In light of the launch of Fairtrade Gold early in 2011, there are already signs that brands which do not engage in such issues will be left behind. If diamonds are the 'jewel in the crown', then it is plausible that a fair trade diamond is only around the corner.

The diamond industry itself is at an impasse. KPCS' modification in January 2011 of the Jerusalem Agreement on diamond exports from Zimbabwe is an acknowledgement of the politicisation of the process. It places more hurdles in the way to improve its effectiveness. For example, the Zimbabwe agreement excludes KPCS requirements to monitor shipments, and according to the Israeli Diamond Industry website:

> *"At Zimbabwe's insistence, the agreement's "violence clause" has been altered and now requires that three – rather than two – KPCS member nations support a call for monitoring, in effect making it more difficult [to] seek a formal KPCS investigation into alleged human rights abuses in the Marange diamond fields."*[12]

Furthermore, the credibility of the final agreement is questionable in light of the admission by Zimbabwe's Minister of Mines, Mr. Obert Mpofu, that the government had sold £100 million of diamonds to India despite the KPCS ban at that time.[13] With diamond mining licenses being granted to both China and India as joint ventures with the government-owned Zimbabwe Diamond Consortium (ZDC) prior to the agreement, Zimbabwe was always going to sell its diamonds.[14]

But for brands, a more important question needs to be asked: how well does the company control its supply chain to ensure that it is not complicit in doing business with a known dictator who has personally profited from human rights abuse and oppressed the Zimbabwe people?[15] In signing the deal with China, one of Mugabe's most senior intelligence representatives stated that,

> *"There is a memorandum of understanding between China and Zimbabwe — Beijing supplies weapons to us, and we allow them to mine diamonds…You can write 1,000 stories, and print them 1,000 times, but it won't make any difference…We have all the diamonds, so we have all the weapons — and we will kill anyone who tries to take anything from us."*[16]

Apart from the fact that statements such as the above do not equate to the luxurious images of jewellery and the symbols of love they embody, conflict is still very much a part of a country that is trying to fully KPCS-certify the export of its diamonds.

Furthermore, the emotional attachment to diamonds has hidden another important aspect from the luxury jewellery sector – little is being said about the other precious metals that come from Zimbabwe. Three to 4% of global gold supply is said to come from the country and it is predicted that Zimbabwe could become the third-largest platinum producer in the world.[17] With 40% of world platinum supplies being used for jewellery, questions around KPCS will be marginal if brands do not ask the bigger questions linked to all their supply chains.

Quimbelete Pits Peru, used for amalgamating gold to mercury.

How effectively the RJC certification assures supply chain integrity will be critical for luxury jewellery brands. What is clear is that more will have to be done. In a 2009 interview with Greg Valerio, CEO of RJC, Mr. Michael Rae admitted that RJC standards would not stop gold mined by children using mercury from entering the supply chain.[18] This admission should be applauded rather than criticised, not only for its candidness but because it recognises that more needs to be done to improve supply chain capacity.

The credibility of the standards themselves will also be put to the test as many RJC members must be certified by the end of 2011. If accredited auditors certify RJC member and gold producer AngloGold Ashanti further to the Ghanaian Environmental Protection Authority (EPA), classifying it as a poor performer on environmental issues and disclosure, then the standards themselves could begin to be challenged as not coherent enough.[19] Similarly, if RJC members such as Jewelers of America (JoA), the national trade association for jewellers, can oppose legislation that provides greater transparency for consumers, such actions undermine the perception that those members seek real progress. In the case of JoA, it has contested the Dodd Frank Act, which obliges US listed companies to disclose to the Securities and Exchange Commission (SEC) the source of gold and other materials used in manufacturing processes.[20]

Questions about the independence of RJC also remain given that its governance structure and standards development committee are led entirely by the industry, potentially favouring the interests of corporations to the detriment of small scale and artisanal miners.[21] While RJC is reviewing its governance and standards development processes to be an associate member of the ISEAL Alliance, the global association for social and environmental standards, it does not satisfy ISEAL's criteria to be considered an independent third party, multi-stakeholder initiative.[22] Reflecting concerns over the lack of impact on the ground, the Civil Society Coalition that was participating in the standards consultation process withdrew its support in September 2009.[23]

These issues may be resolved in the future and therefore, need to be allowed the time to mature. However, RJC's close alignment with KPCS means that the initiative is not immune to political events such as in Zimbabwe, and the very certification on which the industry is depending is exposed to a significant amount of risk. In reaction to RJC's support of KPCS' stance on Marange diamonds, Element Jewelry and Open Source Minerals have already resigned from RJC in protest.[24]

Combined with the challenges of the luxury sector in general and increasing consumer awareness, what these developments highlight is that greater corporate responsibility has a large field to play on. By exploring upstream, downstream and systemic aspects of the industry, the highly interconnected and complex network of influences that impact everyday corporate activities can provide opportunities to rethink how business is done. It is in this context that this report has been researched—to better understand how luxury jewellery brands can embrace these evolving elements and be models of corporate responsibility. Risk management is naturally one such aspect, but the report also details how greater corporate responsibility can shape organisational qualities, inspire new approaches to business and seek and create opportunities to use materials to contribute to sustainable development, in the hope that these ideas will enable jewellery brands to transition to a new level of responsible excellence.

The Research

To benchmark the brands, data was collected in four ways: a review of public information, direct contact with brands, a survey of experts knowledgeable of the issues relating to ethical sourcing, and research on the shop floor of the companies. In addition, insights from eleven experts on the leading responsible practices in the sector were used to help identify future agenda.

Public Information Review

One of the key aspects of better corporate responsibility is transparency. Therefore, a major part of the research looked at information made available to the public. This included analysis of:

- information publicly disclosed by the company or information available on its website,
- various sustainability initiatives relevant to the jewellery sector that might mention the companies being assessed. Examples include, but were not limited to, RJC, No Dirty Gold (NDG) and the Alliance for Responsible Mining (ARM),
- relevant NGO websites such as Fair Jewelry Action and Earthworks that might mention the companies being assessed,
- CSR databases, which might detail the social and environmental performance on each brand,
- data from ethical ratings houses such as Covalence and EIRIS (Experts in Responsible Investment Solutions)
- media articles in the previous 24 months.[25]

The information gathered from this search of public information was recorded under five categories representing different areas of social and environmental performance of brands: 'governance and management,' 'environment,' 'workplace,' 'community' and 'customer.'

In addition to this brand-specific research, public information was gathered on leading ethical jewellery retailers in order to identify leading practice. Examples include Brilliant Earth, CRED Jewellery and Transparence SA.

Contact with Companies

The second part of the research was to contact brands directly to confirm the publicly collected data during the first phase, and also to deepen the authors' understanding of approaches to environmental and social performance in the luxury jewellery sector. To do this, a survey addressing the main ethical, social and environmental issues linked to the luxury jewellery sector was created. Available public information was used to populate the response fields before contacting the brands to make it easier for them to complete the survey.

Each brand was contacted via telephone to explain the purpose of the study and asked whether they would like to participate. When it was not possible to speak to the contact directly, a message was left and followed-up via email with a copy of the survey questions. All brands received a copy of the survey questions by email. Brands were offered a copy of the forthcoming report and confidentiality if they agreed to participate. Seven brands confirmed non-participation while the remaining three did not respond at all. Information on the explanations given follows below.

Alluvial diamond diggers, Sierra Leone, Kono District

PARTICIPATING EXPERTS AND THEIR STAKEHOLDER SPREAD

EXPERT	AFFILIATION	MADISON DIALOGUE PARTICIPANT	PRIVATE SECTOR	CIVIL SOCIETY	ACADEMIA
Greg Valerio	Founder of CRED Jewellery, co-founder of the Alliance for Responsible Mining (ARM) and co-founder of Fair Jewelry Action	✓	✓	✓	
Marc Choyt	President of Reflective Images and co-founder of Fair Jewelry Action	✓	✓	✓	
Veerle Van Wauwe	Founder of Transparence SA and member of RJC standards committee		✓		
Patrick Schein	Founder of S&P Trading and board member of ARM	✓	✓	✓	
Luc Zandvliet	Director at Triple R Alliance		✓		
Cristina Echavarria	Executive Director ARM and member of RJC mining supplement consultative panel	✓		✓	
Saleem Ali	Associate Professor of Environmental Studies at the University of Vermont’s Rubenstein School of Environment and Natural Resources				✓
Sonya Maldar	Steering Committee member of Initiative for Responsible Mining Assurance (IRMA)			✓	
Ian Smillie	Chair, Diamond Development Initiative and a founder of the Kimberley Process. Member of RJC standards and mining supplement consultative panel	✓		✓	
Jennifer Horning	Gold Programme Manager, Solidaridad and organiser of the 2007 Ethical Jewellery Summit. Member of RJC standards consultative panel	✓		✓	
Estelle Levin	Director of Estelle Levin Ltd. Member of RJC Chain of Custody Standard and Mining Supplement Consultative Panels	✓	✓		

Contact with Non-brand Experts

The third phase of the methodology was to contact experts to deepen understanding of approaches to environmental and social performance in the luxury jewellery sector. To do this, an abridged survey was formulated: the expert either filled in the questionnaire or was interviewed by telephone. In the case of an interview, responses were summarised and sent to the relevant expert to ensure accuracy of information.

Experts were contacted from various different sectors in early 2010. Among others, the opinions of participants involved in the Madison Dialogue were sought. The Madison Dialogue is a cross-sector initiative established to promote communication and information sharing among companies, civil society groups and others seeking to encourage best practices, sustainable economic development, and verified sources of responsible gold, diamonds and other minerals. Eleven participated, of whom six participate in the Madison Dialogue. The information gathered from expert interviews was recorded in the same five categories representing different areas of social and environmental performance of brands: 'governance and management,' 'environment,' 'workplace,' 'community' and 'customer'. The table above summarises the stakeholder spread of each of the participants.

Research in Brands' Boutiques

The fourth method was shop-floor research, where the authors of the report visited the brands' stores in London and Geneva to determine if corporate policy is reflected in-store. In an attempt to better understand how ethical sourcing policies filter down to the boutiques at a retail level, sales staff were questioned on the sourcing policies of their rubies and if they had access to Burmese rubies. The research in London was conducted from February 25 to 26, 2010, and in the case of Piaget, Geneva on January 22, 2010, as there was no London boutique at the time.

The research in the London boutiques was conducted through a mock purchasing approach whereby an informed, conscientious purchaser was doing preliminary research for a future gemstone purchase. Posed were questions pertaining to the ethical sourcing of stones and metals, with a particular emphasis on Burmese rubies and how the brand could assure the origins of the materials of its jewellery. The person conducting the research had a relative in mind who was interested in making a future purchase for a ruby wedding anniversary.

The research in the Geneva boutique did not use the same approach. The boutique assistant was asked several questions about the sourcing of their rubies in the interest of research for a forthcoming book on sustainable luxury.

Limitations

Like all methodologies, there are limitations, and the non-participation of brands in the study is one. Although non-participation can be an indication of a company's approach to these issues, two brands responded that there was a lack of brand benefit from participation. The other major limitation was the difficulty in identifying responsible business practices for brands that are part of parent companies.[26]

ETHICAL PERFORMANCE EVALUATION CRITERIA

ASSESSMENT CATEGORIES	EXPLANATION
Inactive	No evidence of policies or programmes on environmental, social, and ethical issues within the organisation or value chain
Partially active	Some evidence of either policies or programmes on either environmental, social, or ethical issues within the organisation or value chain
Active	Evidence of policies and programmes on some environmental, social, and ethical issues within the organisation and value chain
Significantly active	Evidence of substantial policies and programmes on many environmental, social, and ethical issues within the organisation, value chain and sector
Very active	Evidence of leading-edge policies and programmes on a comprehensive set of environmental, social, and ethical issues within the organisation, value chain, sector and society

Responsible gold mining, Americo's mine, Chocó, Colombia

The Benchmarking Results

The data from the above-mentioned methods was combined to benchmark the brands, according to a five-tier classification as shown in the table above.

The data collected on each brand indicated various levels of engagement on social and environmental issues. Of the ten luxury jewellery brands included in the study, the two brands leading on corporate responsibility issues are Boucheron, assessed as 'active,' and Cartier as 'significantly active.' The rest of the brands are assessed as either 'partially active' or 'inactive,' indicating that these organisations are in transition and have yet to integrate corporate responsibility in a comprehensive way. The table below is a summary of the findings.

In addition to the benchmarking, the expert interviews were analysed to identify emerging themes around worst and best practices. We now turn to their insights.

SUMMARY OF THE ETHICAL PERFORMANCE OF LUXURY JEWELLERY BRANDS

BRAND	ASSESSMENT	BURMESE RUBIES IN COLLECTION?
Boucheron	Active	'Pre-embargo' Burmese rubies
Buccellati	Inactive	Unclear
Bulgari	Partially active	Unclear
Cartier	Significantly active	'Pre-embargo' Burmese rubies
Chanel	Partially active	No
Chopard	Partially active	Yes
Graff	Inactive	Yes
Harry Winston	Partially active	'Pre-embargo' Burmese rubies
Piaget	Partially active	Yes
Van Cleef	Partially active	No

Leading Practice

Overall, the eleven industry experts had heard little, and had limited direct experience of, responsible business activities by the ten brands being benchmarked. Of the ten brands surveyed, Cartier was mentioned by four experts as taking the lead on social and environmental issues due to its founding role in RJC and its partnership with Goldlake's Eurocantera mine in Honduras. Two brands, Cartier and, although not part of this study, Tiffany & Co, were complimented for having taken steps to trace and control their supply chains and requiring suppliers to do the same.

While Cartier has overtaken its peers in this study, three experts considered leading practice being reflected through smaller brands such as JEL, CRED Jewellery, Fifi Bijoux, Oria, Brilliant Earth, Reflective Images, Megan Connelly Haupt, Lori Bonn, Columbia Gem House, and to a certain extent, Ruff & Cut. CRED Jewellery, for instance, partners with Corporacion Oro Verde in Colombia in sourcing its gold and platinum. Oro Verde is responsible for creating the world's first certified green gold programme, ensuring not only traceability, but ecological sourcing and fair trade of their precious metals. Similarly, the French luxury brand JEL partners with Oro Verde and also recycles gold.

In regards to diamonds and gemstones, CRED Jewellery guarantees the origin of its material as does Oria, by partnering with specific mines in Australia,

Fairtrade Fairmined Ecological gold from OroVerde in its raw alluvial state pre refining

Canada, South Africa, Brazil, Tanzania and Kenya. As a Fairtrade programme is yet to be developed for diamonds and gemstones, CRED Jewellery and Reflective Images set the example in raising awareness at an international level.

As such, this chapter summarises the key elements that experts consider to be leading practice within the jewellery sector and will also provide the basis for the chapter 'Unveiling Ethical Excellence.' The results have been grouped according to the categories: 'governance and management,' 'environment,' 'workplace,' 'community' and 'customer.'

Governance and Management

The data revealed three clear governance and management indicators to demonstrate leading practice:

- traceability
- ethical sourcing
- control mechanisms to ensure the appropriate implementation and surveillance of policy

Traceability

Traceability, also labelled as 'mine to market,' refers to the ability to trace a product's origin down the supply chain back to its source. It is not the same as transparency, which involves the disclosure of information to the public. For instance, a transparent system could include public information about traceable products but would not be limited to just the product and its material origins. Traceability is key if brands are to be able to influence practices in the supply chain and provide credible consumer guarantees. Transparency of that traceability may or may not be necessary depending on the market credibility of ethical management systems and certifications. Of the eleven experts, eight emphasised traceability as a leading practice.

In light of RJC's plans to assist its members with a chain-of-custody certification as a complement to RJC certification and the Dodd Frank Act, traceability is certainly considered one of the most important elements of good governance and management. The Dodd Frank Act obliges US listed companies to disclose to the Securities and Exchange Commission (SEC) the source of gold and other materials used in manufacturing processes. [27]

Ethical Sourcing

Ethical sourcing means purchasing precious metals and precious stones from sources that meet the highest human rights, social, and environmental criteria at all stages in the supply chain. Experts agreed that for gemstones and precious metals to be ethically sourced, the luxury jewellery sector needs to address the processes at the heart of obtaining such materials, namely, the mining, processing, refining and recycling of gemstones and precious metals, as well as manufacturing. Ethical sourcing was unanimously identified as a condition of leading governance and management practice.

One expert also specified that best practice requires working with suppliers to encourage ethical sourcing, rather than simply specifying evidence of ethical sourcing activities from suppliers.

Control Mechanisms

Some experts highlighted the importance of implementing control mechanisms to guarantee the ethical sourcing of gemstones. This means abiding by an ethical standard written as policy and having in place a mechanism for verifying these standards. Four experts mentioned internal monitoring as a key governance and management practice. One expert mentioned Cartier while another cited DeBeers and Tiffany & Co as those which have put in place such systems. The size of these last two companies means they can control mines directly, whereas other jewellery firms will rely on collaboration to achieve changes in mining practice.

Worst Practice

Responses were varied when it came to worst practice. However, two themes were predominant. First, experts were highly critical of brands that were ignorant of the issues. Ignorance meant different things for different experts. It could mean any of the following:

- saying that ethical sourcing was not possible and the lack of caring associated with such an attitude,
- an unwillingness to address the issues,
- hiding behind initiatives in the knowledge that sourcing hasn't been ethical.

The second theme related to control mechanisms that ensure social and environmental performance. It was deemed poor governance and management not to have a) a policy with respect to ethical sourcing and b) the systems necessary to manage such a policy.

While not considered worst practice, one expert was highly critical of companies that take advantage of the weaker institutional and economic structures and tax management practices of corrupt governments that do not benefit the nation as a whole.

Good brands will work with producers who seek to pay the right amount of tax and professionalise a country's native mining industry. Examples of projects where cultural and ecological heritage are being permanently lost would be Vedanta in Orissa, India, and mining operations in Indonesian protected areas.

Environment

The most prevalent response with respect to environmental best practice was that companies need control mechanisms in place to guarantee responsible environmental practices throughout the supply chain. Some experts were less specific, citing only responsible extraction and responsible resource use, while others detailed the specifics of responsible environmental practice. Such practices would incorporate the following:

- setting progressive targets with respect to all environmental issues;
- ensuring that materials have not been sourced from protected areas or areas of high conservation value;
- ensuring the appropriate use of water so that it remains clean and accessible for the communities in and around mining premises;
- ensuring responsible waste management and mine closure;
- ensuring the responsible use of chemicals such as mercury and cyanide, and if possible, to avoid them altogether.

One expert mentioned that mining should incorporate environmental regeneration as part of production while another suggested increased sourcing of gold from recycled and secondary sources. However, one external expert to the study, Assheton Carter, Senior VP of Global Engagement at PACT, said that claiming recycled gold to be an ethical form of gold is misleading, as most gold is recycled and buying it does not promote more responsible mining. PACT is an international NGO that strengthens local capacity of communities, forging effective governance systems, and transforming markets into a force for development.[28] As the recycled market drives demand for gold overall, it thereby maintains demand for new gold, which can be produced in bad conditions. Although recycled gold is better than untraced gold, to work to influence current gold mining practices is a more engaged approach, and thus constitutes greater ethical excellence.[29]

Responses with respect to worst practice were more consistent. Two themes prevailed, namely, the irresponsible usage of chemicals and water in mining processes as well as ineffective contingency plans in the case of chemical leakage, and ignorance, including leaving the environment in a worse condition than when it was found. One expert highlighted that ASM, despite its small scale, can cause considerable environmental damage.

Workplace

Workplace best practice was centred on the existing norms that address human rights and worker occupational health and safety. The International Labour Organisation's (ILO) conventions and the UN's Universal Declaration of Human Rights were considered the minimum for best practice.

Occupational health and safety referred specifically to the appropriate use of chemicals in mining. But it also requires oxidising agents during manufacturing, and appropriate ventilation and protective equipment. One expert recommended that fabrication should take place in owned workshops, with audited subcontractors, and where working conditions and health and safety standards meet Western levels.

Kouroussa, Guinea-Conakry, woman washing gold ore

Responsible artisanal gold mine, Cuatro Horas, Arequipa, Peru

Two other areas were mentioned as well, namely, the training of miners with respect to chemical usage, and the human development of workers, particularly miners.

Greg Valerio complimented Cartier for its efforts in monitoring its manufacturing while another noted that RJC standards dealt extensively with these issues and were a positive development.

When it came to worst practice, the experts were more explicit. The overriding theme was the persistence of slave and child labour in some mining operations.

Community

Four experts suggested that companies can be agents for social development. The implication of this theme is a return to human-based relationships centred on trust rather than cost-based commodities. Without a serious commitment to true partnership, it will be impossible to build the confidence necessary to contribute socially.

Several key areas were mentioned as ways to build relationship and trust with mining companies that operate in conjunction with local communities:

- ensuring that gold is being sourced from mines that were built and are being operated with the free, prior, and informed consent of local communities,
- respect for indigenous peoples and land rights,
- development models that listen to natural ecosystems,
- ensuring fair distribution of revenues from mining operations,
- ensuring there is a development path once mining facilities have closed and that traditional sources of income have not been destroyed in the mean time.

One expert stressed that the only tangible way to implement such practices is through a supplier's code of conduct and encouraging fair trade practice as defined by FLO.

All experts considered worst practice was failing to consult and engage with communities near mining operations. While local consent to operate was a factor, not listening to the needs of the community was another. The assumption that the company knows best is a way to generate mistrust and inter-community conflict.

Customer

The unanimous opinion from experts is that transparency is key to best practice in regard to customers. Several reasons were given for this:

- honesty,
- it reconnects the customer to the production process so that economy becomes relational again,
- it repositions the concept of luxury so that value is placed on the story of the product rather than on perceived value,
- without disclosure, it is impossible for the customers to know if they are buying responsibly.

Three experts suggested that transparency needs to be coupled with accurate marketing claims, particularly with respect to Fairtrade and counterfeiting. Where Fairtrade is not a part of the retail offer, best practice would be to define fair trade and its implementation. Best practice would also include training staff to respond to questions about responsible sourcing in the luxury jewellery sector.

Ignorance was again the primary theme when it came to worst practice. Experts felt there were no excuses for not knowing the answers to questions about the sourcing of gemstones and the true impact of the product. One expert said that staff hiding behind a condescending attitude when they do not know the answers is unacceptable. Encouraging irresponsible consumption by only emphasising the perceived value of luxury or the value added at the brand end, instead of acknowledging and redistributing the value right throughout the value chain, is also seen as unacceptable. This highlights how it is increasingly difficult to speak credibly about the prestige of a brand's heritage without providing information on the individual product itself i.e. how it was made.

Analysis

To assess the ethical performance of the ten luxury jewellery brands, brand data was compared with the leading practice data from experts to determine the challenges and opportunities for the sector.

The main conclusions from this study are:

- varying levels of corporate responsibility engagement and drivers
- general lack of transparency
- not systematically managed
- poor focus on traceability
- poor focus on social development
- seeking safety not opportunity
- limited attention to relationships

Varying levels of engagement and drivers

As eight of the ten brands are members of RJC, the majority of the luxury jewellery brands are at least aware of corporate responsibility issues and have made a commitment to work on them. However, the results of this research demonstrate a variety of approaches to responsible business in the luxury jewellery sector. For the brands Buccellati and Graff Diamonds, in 2010 no information could be obtained to indicate they are concerned with social and environmental issues, and if they are, they are not communicating that interest publicly. So it is uncertain whether these two brands have made any commitments to responsible business practices. The brands Chanel and Chopard are aware of social and environmental issues, as expressed through their RJC membership, but similarly, both did not communicate this or were not demonstrating how they were implementing RJC standards.

Some information on Harry Winston and Bulgari could be found. But a deeper reflection on social and environment issues is needed by both brands as it appears they employ a limited reputation management approach to reduce commercial risk only.

Piaget and Van Cleef & Arpels also have limited information about their approach to corporate responsibility, although as part of the Richemont Group, policies at a group level are available publicly. Without better transparency, it was difficult to gain a deep understanding of how these two brands integrate such policies. Jennifer Horning, however, said the two were working in positive ways on social and environmental issues.

Boucheron and Cartier are the most active of the ten brands although their approaches differ. Boucheron shows leadership through its support of IRMA, while Cartier's innovative partnership with Goldlake shows it recognises that as a business, it can make a positive impact in building supply chain capacity. Experts are also familiar with the efforts that both brands are making in managing their supply chains, with Cartier, in particular, encouraging broad-based change within the industry.

Interestingly, of the ten brands studied, four brands belonging to larger parent companies, namely, Boucheron, Cartier, Piaget and Van Cleef & Arpels, are also signatories of NDG. This implies that because groups are publicly traded and more open to analysis by ethical investors and NGOs (such as WWF), they are encouraging action from brands. The corollary is that there is no evidence of leadership on corporate responsibility issues from an independent company amongst those assessed here. However, other less well-known brands are seeking to excel in this area, indicating that size or ownership structure is not a critical factor.

General lack of transparency

The decision of brands not to provide information for this research illustrates a general lack of transparency. The questions being asked to the companies were not unusual or difficult. If a company is managing these issues systematically, they would have pre-prepared information on all the areas enquired on. This is not surprising as none of the brands published comprehensive reporting on their corporate responsibility.

Brand websites were also a poor source of information, with either little or no information on brand policy and incomplete ethical, social and environmental indicators. Brands were transparent about their support of KPCS and their RJC membership, but as explained below in the chapter 'Unveiling Ethical Excellence', both initiatives require strengthening and do not justify lack of transparency.

Not systematically managed

The shop floor visits corroborated the impression received from public information and experts that social and environmental excellence is not yet comprehensively integrated into any of the businesses. The shop-floor research showed that brand policies on their responsibilities are not understood or implemented on the shop floor.

Women washing gold ore, Kangaba, Mali

In light of the requirement to complete certification by end-2011 to retain membership with RJC, the industry initiative will oblige better management of social and environmental issues, and create a new industry standard. While company processes will be formalised, this does not necessarily mean that brands will be creating a positive impact on the ground. This limitation is addressed below in the chapter 'Unveiling Ethical Excellence.'

No focus on traceability

None of the brands studied made definitive statements on traceability, yet this was one of the main issues identified by the experts.

If a seller can make a statement claiming ethical credentials for a metal or gemstone but cannot show where it comes from, how far down the supply chain can one go before such claims become untenable? If one can trace a metal or a gemstone, then opportunities to engage on social or environmental issues at a mine or during manufacture becomes possible. However, existing initiatives fall short of full traceability, including KPCS and RJC.

There are differing opinions on how geological assessment can determine exactly if a gemstone comes from one location or not, like for instance, if a ruby came from Burma. In addition, as situations develop and good mines can be in the same geographical regions as bad mines, systems of traceability will be important to enable a positive impact from rising luxury jewellery industry concerns.

No focus on social development

Interviews with the experts and analysis of leading ethical brands identified that positive impacts on social development in communities is one key area of opportunity. Generic statements are sometimes made about employment creation due to mining, but more specific initiatives on promoting social development through mining are rare. Only Cartier, through its partnership with Eurocantera, exhibited positive contributions to social development. No other brands showed any indication that this was part of their public corporate responsibility policies, or detailed information on social development activity in their public communications.

Marc Choyt advocated a focus on "regenerative economies," a term used to describe the impact of the jewellery sector to benefit the health and resiliency of natural and human communities, thus recognising the intrinsic connection between the health of the natural economy and humanity. In his view, it is not enough to 'sustain.' Communities are in social and ecological decline to merely maintain things as they are. Instead, to maximise impact, the capacity of small-scale artisanal mining communities, particularly those in former conflict areas, needs to be rebuilt. As such, economic activities like mining are conducted in a way that strengthens relationships and deepens interconnection between human communities and the larger ecosystem, in which such communities exist.

Seeking safety not opportunity

Many brands are depending on RJC to provide a framework for action and to support answers to media, customers and investors on matters of corporate responsibility. The focus on RJC represents a narrowing of what is leading practice and is geared towards managing risk rather than creating opportunity. Narrowing the focus prevents brands from seeing where they can contribute to sustainability so it is in a brand's interest to reflect on issues surrounding a product, not just to manage a process. As Patrick Schein commented, RJC analyses the company while he recommends a product approach. More importantly, this provides a better view of how a company could contribute to a specific issue in a specific context, and thus the opportunity to be seen contributing to social development.

Limited attention to relationships

As brands are participating in initiatives such as RJC and NDG, it may appear that they are seeking to work together on these challenges. However, that is a false impression. Neither RJC nor the Kimberley Process facilitates or requires purchasers to know the precise origin of metals or gemstones. The two initiatives do not support the building of relationships, which are vital to improve the impacts of mining worldwide, throughout the value chain. The experts all emphasised the need for traceability to build relationships in the value chain, which can lead to innovative approaches to mining and thus, a more socially beneficial and environmentally sustainable industry.

Unveiling Ethical Excellence

For brands that take the lead on social and environmental issues, they can adopt a new mindset that inspires corporate and business strategy. Rather than a risk management approach, which interprets corporate responsibility as a restrictive business activity, by considering the broader interests of society, brands can challenge existing perceptions about their businesses, opening up prospects and business approaches that previously did not exist. The changing perceptions of what responsible enterprise entails also mean that without a focus on opportunities, brands that do not take the lead on social and environmental issues could be perceived as irresponsible, potentially acting to the detriment of commercial interest. The recommendations below will offer some guidance in facilitating a transition from a risk management to opportunities approach for luxury jewellery brands.

General Corporate Responsibility Issues

Better Implementation of Corporate Responsibility

The analysis shows that efforts to embed corporate responsibility within the luxury jewellery sector are disparate, rather than comprehensive and integrated. To approach social and environmental issues in a comprehensive and integrated way, brands need to move through the twelve steps which CSR leaders in other sectors exhibit. They are outlined in Box 1.

Better Transparency

Transparency is a hallmark of ethical excellence. Contrary to contemporary business thinking, transparency need not be commercially damaging. Take for instance, Nike, which publishes a list of all its supplier factories.[30] Transparency demonstrates that relationships are strong in the face of competition. It avoids general mistrust and more importantly, enables a connection between the customer and the origin of what he or she buys. While certifications are one element in building trust, unless their governance structures reflect society's interest at large, their long-term impact is questionable. As such, transparency demonstrates a leadership position whether or not certification systems achieve credibility with stakeholders and consumers.

Better transparency can be achieved in many ways. Adopting an appropriate reporting framework such as the Global Reporting Initiative is a good starting point. The new ISO 26000 standard is also a useful tool to assess performance on a broad range of corporate responsibility issues and the GRI Sector Supplement on Mining and Metals provides guidance on specific issues.[31]

Brands can improve transparency, with the advent of social media. Brands no longer have control over the information about their products. Since Internet commentary is inevitable, as Wikileaks has demonstrated, brands using PR that glosses over social and environmental issues risk being exposed for their green washing.

BOX 1. TWELVE STEPS TO INTEGRATE CSR IN ORGANISATIONS

- Understand your values & organisational values
- Assess what your impacts are
- Decide your level of engagement
- Clarify your key stakeholders and why
- Prioritise your issues
- Allocate responsibilities
- Set targets for excellence & improvement
- Communicate aims and invite conversation
- Educate and align (dis)incentives
- Team up with others and make public commitments
- Monitor, measure and report
- Evaluate, revise, adapt

Summarised from Bendell and Doyle (eds), *Healing Capitalism,* Greenleaf Publishing, forthcoming 2012

Also, sometime in the future, third party auditors may not be the ones deciding who is good and who is not, but the consumers themselves, using the simple tools of social media or specialist digital brand-feedback that are being developed at present. There is real potential for radical transparency whereby a brand could link directly to supplier websites to demonstrate the authenticity of sourcing and the relationship that the brand has with its supply chain. Some companies such as Patagonia have already developed innovative transparency solutions. Patagonia developed the online Footprint Chronicles, which map the impacts of its products throughout the supply chain.[32] Such transparency provides a wealth of information to customers and breaks down barriers of mistrust.

Specific Areas of Risk Management

All experts agree that the responsible sourcing of gemstones and precious metals is key to demonstrating responsible business practice. The following recommendations are some actions that brands can take to demonstrate their commitment to advancing corporate responsibility in their sector, with a particular focus on responsible sourcing.

Seek Traceability of Gemstones and Precious Metals to Mines

Brands that do not know the source of their materials cannot say they are responsible. Without knowing the origins, one cannot be sure of the conditions under which the materials were mined. Brands need to be working towards the traceability of all gemstones and precious metals. This highlights the need for an independent third party multi-stakeholder initiative for traceability. Brands can show leadership by seeking to participate in the development of such an initiative.

Although RJC is currently developing a voluntary Chain of Custody certification, which will enable brands to make product-related claims about traceability, its current governance mechanism means that it is neither independent nor a third party multi-stakeholder initiative. As discussed below under 'The Responsible Jewellery Council,' brands can encourage RJC to progress on these issues.

However, other initiatives that trace to the mine already exist. One example is the Jeweltree Foundation, which has created an independent quality label that guarantees supply chain transparency, social and environmental best practice standards, and supports fair trade jewellery-related initiatives. The label is broad enough to certify both large and small scale mining, and is the first to guarantee origin and cutting centre practices for very small diamonds. Furthermore, through their database, the customer can see the credentials of every organisation that contributed to the final product, also creating a link to the origins of the raw materials.[33] As the Jeweltree Foundation seeks to support initiatives in developing countries, brands can create a direct connection between their products and development projects. The recent appointment of new chairman, John Courtens, opens the way for a truly independent third-party initiative.[34]

Brands can also support regulatory initiates such as the Dodd Frank Act, which will oblige US listed companies to disclose to the Securities and Exchange Commission (SEC) the source of gold and other materials used in manufacturing processes.

Contextualise the Statement 'we support the Kimberley Process'

Brands stipulating that they 'support the Kimberley Process' are not saying much. The law requires brands to procure their diamonds from countries participating in the Kimberley Process. By stating 'we support the Kimberley Process,' brands are in effect stating that they obey the law. Brands must contextualise that statement to provide greater transparency. This means detailing how they actually support it.

Encourage the Strengthening of the Kimberley Process

Brands can demonstrate greater commitment to the ethical sourcing of diamonds by strengthening the scope and authority of KPCS. To do this, brands should make contact with the Chair of KPCS to include the following items on the annual plenary meeting agenda:

- expanding the definition of conflict to include human rights abuses;
- financing a permanent secretariat for KPCS;
- financing a mechanism for accountable independent third-party monitoring;
- establishing majority rather than consensus voting within KPCS;
- improving transparency, particularly in regard to participating country annual reports;
- improving the statistical capabilities of participating countries to ensure credible reporting;
- extending KPCS to include trade in polished diamonds as well as rough; and the development of statistical tools to ensure that diamonds can be traced;
- reinforcing the entry conditions and eviction criteria to KPCS.[35]

Go Beyond KPCS

While KPCS requires reinforcement, as the context chapter of this report outlines, the events in Zimbabwe risk undermining the whole initiative as well as the industry. This fact means that brands need to assess how they can support parallel mechanisms that demonstrate ethical sourcing practices.

The short-term solution is for brands to work with suppliers that assure traceability of their raw materials. The ultimate goal, however, should be to develop a credible independent third-party assurance mechanism for traceability as discussed above.

Third-party Assurance for the System of Warranties

As the RJC Chain of Custody certification is to be voluntary for its members, the System of Warranties designed to eliminate conflict diamonds entering the supply chain needs to be strengthened. As the shop-floor research shows, the retail staff's general lack of awareness on conflict diamond policy is an indicator that the diamond industry's self-regulation is not sufficient to restore consumer confidence. Brands can show leadership in this area by writing to WDC to finance a third party assurance mechanism for SoW.

The Responsible Jewellery Council

Brands should encourage continued progress at RJC so that its Code of Practice goes beyond national legal compliance. Brands will show leadership in encouraging RJC to incorporate the following in its Code of Practice language:

- incorporating authoritative international standards and environmental controls on toxic substances such as mercury;
- establishing clear standards on community consent for mining operations;
- prohibiting involuntary resettlement of communities;
- establishing standards on mining in conflict zones;
- increasing coverage on tailings deposits and disposal;
- prohibiting submarine tailings disposal for gold producer members;
- adopting the United Nations Declaration of Indigenous Rights as a core principle. While the declaration applies to relations between indigenous peoples and nation states, it assures that companies are not complicit in indigenous rights abuse by sovereign states;[36]
- adopting criteria on political contributions.

Brands can also show leadership by encouraging RJC to:

- demand traceability as part of membership criteria.
- adopt an organisational structure so that a traceability requirement does not violate anti-trust laws. If RJC changes its structure such that it becomes a club of companies committed to an independently governed multi-stakeholder standard, then members can specify to their suppliers that they require them to be certified to a credible responsibility standard by an accredited inspector.
- support the Dodd Frank Act.
- broaden the current governance structure to include specific types of representation such as civil society groups, and organisations that represent small-scale miners, for which RJC members would then vote to choose representatives. The credibility of the initiative depends on a governance structure that represents society's interest at large, not just the industry.
- uphold the criteria as set out in its Code of Practice. As a matter of consistency, RJC's defence of KPCS in allowing Zimbabwean diamonds into the supply chain, appears to some to be contrary to their own human rights criteria.[37]
- prohibit a cartel sourcing mentality from members. RJC is only one initiative trying to establish more responsible business practices in the jewellery sector and other initiatives are doing more. If RJC members start obliging suppliers to be members of the RJC to do business with them, not only does responsibility become narrowly defined but brands can market themselves as responsible when in actual fact, it is clear that there are issues to be addressed. Encouraging broader change across the sector is important, but an initiative should not be used to justify business-to-business relations that contravene anti-trust laws. As such, brands that seek commercial relations that incorporate responsible business commitments should only specify performance matrices that any company can meet independently of RJC membership. This issue does not prevent RJC requiring more from its members, but it should not 'own' the mechanisms of certification, in order to avoid cartel behaviour.

Participate in the Initiative for Responsible Mining Assurance

While IRMA is still in the process of developing its standards, it is the only independent third-party multi-stakeholder initiative supported by civil society that addresses environmental, human rights and social standards for mining operations. Because the initiative targets specific mining operations as opposed to a company as is the case for RJC certification, the initiative is a more effective way to assess and monitor on-the-ground impacts. Until such time that the certification is complete, IRMA may represent a better indicator for social and environmental performance of producer companies that are a part of the jewellery supply chain. This is something which companies do need to monitor themselves, however, further to concerns over AngloGold Ashanti's controversial environmental record in Ghana.

Become a Signatory of the No Dirty Gold Campaign

By becoming a NDG signatory, brands can encourage more responsible gold mining practices that respect human rights and the environment. By supporting the campaign, brands are demonstrating their role as change agents, in turn, preserving the reputation of gold. As the NDG campaign is working with IRMA in creating its independent third party certification for the mining sector, brands are also affirming NDG's Golden Rules as part of the certification criteria, driving greater accountability within the mining industry. As RJC certification only partially covers the Golden Rules, brands can demonstrate leadership by going beyond the industry norm.

Seek and Create Opportunities to Use Materials to Socially Innovate

The jewellery of Peter Carl Fabergé, one of the most famous jewellers of all time, can serve as a reminder that luxury jewellery can have aspirations other than great beauty. François Birbaum, Fabergé's senior master craftsman from 1893 until the House of Fabergé's demise wrote:

> *"The sole aim of this production was to provide work for hundreds of apprentices."*[38]

In view of growing global inequality and the need for greater product value, a development focus is certainly one of the best ways that luxury brands can re-appropriate Birbaum's words and demonstrate responsible business excellence.

Support the Diamond Development Initiative

The words of Ian Smillie best illustrate why a development focus is important.

> *"Efforts at ethical sourcing are very important, but they can be counterproductive. For example some jewellers opt for Canadian diamonds because these are demonstrably conflict-free. This is a short-term answer to a long-term problem and is not a solution. It basically demonizes African diamonds and makes it harder for those at the bottom end of the pipeline to make a living. Africa's 1.3 million artisanal diamond diggers produce about 15% of the world's gem diamonds and earn, on average, about a dollar a day. The RJC standards are a step in the right direction, but they don't deal with producers at this level. The Diamond Development Initiative (DDI) is working at this level, and is getting industry support, but meaningful change will take time. DDI needs more support."*[39]

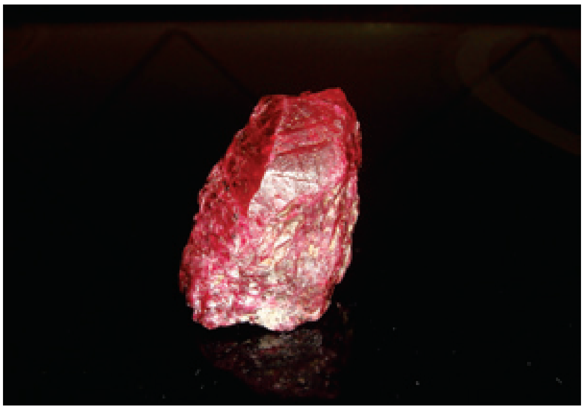
Buy Fairtrade Fairmined Gold

Fairtrade Fairmined gold was officially launched in February 2011. Fairtrade Fairmined gold is a certain guarantee for companies that decent work and community development is coming from gold mining. Seek to buy an increasing amount of Fairtrade Fairmined gold as part of a broader approach to ethical sourcing. Determine whether and how to communicate the use of Fairtrade gold to key stakeholders, including staff, investors, media, celebrity endorsers and consumers. Do not let potential questions about a limited percentage of gold sold coming from Fairtrade sources to lead to inaction, but clarify your communications strategy and seek understanding from key NGOs and journalists.

Responsible artisanal gold mine, Santa Filomena, Ayacucho, Peru

Look for Partnerships to Address Human Rights Abuses

Partnerships to address human rights abuses are one way that brands can demonstrate their broader commitment to social responsibility. One example is in Greenland. Gemmologist William Rohtert has stated that Greenland rubies rival and even surpass the quality of the famous Hmong Hsu ruby deposit in Burma. All Greenlanders had the right to gather gemstones such as diamond, sapphire and ruby under Greenland law and to sell them with the appropriate export license. However, on August 16, 2006, Greenland's Bureau for Minerals and Petroleum (BMP) changed the law so that indigenous peoples could no longer collect or export ruby, allowing only a specialist gemstone mining company, True North Gems (TNG), the exclusive rights to deposits with significant value.[40] So while in an independent internal investigation by the Greenland government declared the agency's actions illegal, native Greenlanders are being deprived of their capacity to earn their living.[41]



Greenland ruby

Brands seeking to access high-grade ruby from Greenland could persuade the BMP to give back the rights of native Greenlanders, demonstrating a core business concern for the ethical sourcing of ruby while defending indigenous rights. So, in a country such as Greenland that is seeing the visible effects of climate change, and now an unaccountable government agency decision, there is a resource available that could have a benefit for the local population and brands if used wisely.

Look for Beneficiation Opportunities

Beneficiation describes the proportion of value derived from asset exploitation, which remains in the host country, for the benefit of local communities. An example in the diamond industry is the Namibia based Finesse Diamond Corporation, a Diamond Trading Company (DTC) sight holder, which cuts 90% of its diamonds in Namibia and creates significant downstream economy.[42]

Similar opportunities exist for coloured gemstones as their sourcing remains very much a part of the informal market. As there is no global initiative addressing coloured gemstones, and with 75% to 90% of coloured gemstones coming from small and artisanal mining in developing countries, there is tremendous scope for brands to engage, particularly with respect to beneficiation.

One such project is Ruby Fair, which sources rubies out of a remote village in Tanzania and polishes in Dar es Salaam, the Tanzanian capital. Another example is the Tanzania Women Miners Association also known as TAWOMA. It coordinates several projects related to the mining of coloured gemstones such as garnets, amethyst, sapphire, green tourmaline and citrine. It also advises miners with respect to the environment, their health and legal rights. With over 350 members, its goal is to eliminate poverty. It is looking for support to develop a lapidary centre, where women can add value to their products, as well as a mineral marketing centre, where they can sell their products.[43] Brands looking to transfer their knowledge to help projects such as TAWOMA could provide development opportunities for such communities.

Organisational Qualities

Promote a Progressive Corporate Culture

The issue around Zimbabwe's participation in KPCS is a massive risk for the entire diamond and jewellery industry. In the event that KPCS does not survive, there could be a humanitarian disaster. So the politicised events of KPCS demonstrate how brands need to be adaptable and continually inquire about how to better their practices.

With societal values reflecting a concern for social and environmental issues, brands may find it useful to encourage a cultural change within their organisation. By seeking to create societal value as part of their service to customers, investors and colleagues, brands can demonstrate that they are progressive through policies that reflect society's concerns. To effect such a cultural shift, brands should look for the following personal qualities in their managers:

Active: aspiring to be a conscious agent of sustainable development in ways that involve core business.

Coherent: addressing both the positive and negative impacts of current and planned business activities, particularly on low income communities, and being transparent about the issues faced.

Self-aware: linking personal capabilities that can be used to address social problems.

Transformative: seeking enterprise opportunities that disrupt obstacles to social progress.

Creative: using methods and indicators that promote creative team-work for innovation purposes

Inquiring: seeking learning opportunities by investing time to understand points of view other than one's own on development issues, particularly low income communities, and embracing differences to co-innovate.[46]

Such a cultural shift could inspire new creative business ideas.

Improve Sales Staff Integrity

The Luxury Institute's survey on the current state of the luxury industry concluded that 32% of affluent consumers in the US are not confident of the trustworthiness of luxury firms' frontline sales force. Apart from the necessity to redouble efforts through training to improve service, one way to engender trustworthiness is to train staff on the social and environmental issues linked to the production of gemstones. As consumers become more value conscious and concerned about relationships, people want a better sense of what the sale represents by being able to relate to the product. This may explain why the same Luxury Institute survey concluded that 61% of wealthy US consumers think that buying luxury goods signifies irresponsible spending, 47% deem luxury goods and services to be unimportant in their lives and just under a third reported that luxury goods are losing their importance.[45] In light of the grinding economic recovery, brands need to create a favourable environment for luxury spending and promote positive attitudes towards their brands.

As a result, sales people with a greater command of the product and the changing dynamics of the market will be able to connect with customers on a level more in-line with emerging customer values.

Embody Jewellery Symbolism in Business Practice

The jewellery industry is one area of business where the word 'love' has not been banished. As jewellery more often than not represents a symbol of love, it would serve the luxury jewellery sector to embrace concepts of love as part of business practice. In a May 2010 BBC Radio interview, Gary Hamel, Visiting Professor of Strategic and International Management at London Business School and considered the world's leading thinker on business strategy, suggested that due to major changes in society linked to technology, there should be an associated transformation in management and organisation. While he suggested that companies provide support in developing the creative capacities of their staff, an essential part of transformation, he also stated that the word 'love' needs to be reintroduced into the workplace.[46] As such, luxury brands can ask themselves, what is a loving response to a particular social issue? One company that has made this explicit is Bali-base jeweller John Hardy. They conclude their statement of values with "we love people."[47]

Promote a Compassionate Business Culture–Look for Reparation Opportunities

The aftermath of the diamond wars left many people in the Sierra Leone mining communities disfigured and without arms or legs. The lives of these people have been forever changed and according the United Nations Refugee Agency (UNHCR), there is a lack of funds to look after the victims.[48]

Irrespective of a direct connection to these events, brands can show a commitment to caring for the people that suffer the permanent consequences of the wars, which were inextricably linked the to diamond industry.[49] By partnering with local organisations that support the victims, brands can demonstrate their compassion through reparations. One such organisation is the Global Action Foundation (GAF) which builds community-based health care that compliments the national strategy and has a programme specifically for amputees in the Kono District.[50]

Use More Responsible Practices to Inspire New Approaches to Business

Rethink Authenticity

Gemstone quality and authenticity are hallmarks of high-end luxury jewellery, yet jewellery brands have yet to make the link between traceability and authenticity. Not only does traceability assure greater business integrity but it is a guarantee of gemstone uniqueness, which in turn, assures the *integrity of the jewellery piece itself.*

Rethink Design and Meaning

Responsible jewellery has the potential to inspire jewellery design. Research into cognitive science suggests that human beings recollect experiences in the form of stories.[51] As consumers become more and more aware of social and environmental issues, there is the opportunity for brands to design jewellery pieces that relate responsible sourcing practices and recount stories about good.

If a brand wanted to communicate its responsible practices with respect to artisanal mining, a gold pan could provide the symbolic base from which to design a necklace or ring. A woman's hands could be another if the brand supports women artisanal miners. In the case of Cartier, a spiral could be metaphor for a story that represents the gravimetric technology used in sourcing its gold from the Eurocantera mine in Honduras.

The very design of the jewellery itself has the potential to embed the story of mine to market so there is the opportunity for brands to reflect on what designs or metaphors could be the expression of an ethically sourced piece.

Future design inspiration?

Start Creating a New Heritage

Brands can also consider what their jewellery will mean in the future. Corporate responsibility is not just about present behaviour. By reflecting what brands would like their jewellery to mean for future generations, jewellery design can transmit a story of a visionary brand that seeks to integrate responsible practices as part of an evolving heritage. Beyond the immediate benefits of greater responsibility, this has the potential to create generational loyalty as well as preserve jewellery as a symbol of good. This was reflected in WWF's Deeper Luxury Report in 2007.

> *"50 years hence, what a luxury firm does today will be part of its heritage, and another company that is created today will also have a heritage. A company's heritage from the 19th or 20th centuries will not stay the same, but will be interpreted on the basis of contemporary values and the company's activities during the 21st century. Luxury brands need to see heritage as an evolving phenomenon, and work at contemporary heritage creation, by shaping the future proactively."*[52]

Rethink Craftsmanship

The corollary to the above point is that craftsmanship is prime. Images such as gold pans or other equipment used in artisanal mining such as a shovel or pick are unlikely to evoke the aspirational characteristics of luxury. However, the conceptual qualities of designers and craftspeople mean that the simplest of tools can be the subjects of works of art. Encouraging designers to incorporate new meanings into their designs can not only create original pieces and communicate a story of good, but expand the conceptual field for designers and craftspeople, potentially leading to technical innovation in craftsmanship.

'Decommoditise' Jewellery

An unfortunate consequence of the assessment criteria to rate gemstone quality is that it transforms gemstones into commodities. While the quality aspect of gemstones is an important part of their value, so is the craftsmanship and design. For example, the flawless category for diamonds did not exist in the 19th century, but that does not mean that Queen Victoria's jewels have no value.

A hallmark characteristic of a commodity is that it has no qualitative differentiation, which is something to avoid in a sector that prides itself on quality, rarity and exclusivity. One way to avoid such commodification is to prioritise design and craftsmanship. For example, a client asking for a flawless 3-carat diamond does not allow the designer much space to create due to the specific cut and setting necessary to highlight a diamond's characteristics. Such requests also create uniformity in the design process, in turn, reducing exclusivity and rarity. However, if the fabrication of the piece is dictated by the designer and craftsperson, rather than the gemstone around which the piece needs to be designed, the piece will be differentiated by the artisan's creative genius, adding value even before any standardised criteria for gemstone quality.

Another way to ensure uniqueness is to embrace the natural qualities of gemstones and thus the artisan is designing *with* the gemstone, effectively letting nature be the inspiration rather than a set of pre-defined quality criteria.

Rethink Supply Chains

Working conditions in polishing houses are also an important consideration when it comes to responsible sourcing. However, not all luxury brands have the buying power to deal directly with polishing houses which weakens their capacity to engage on labour issues. For brands that do have this kind of buying power, there is an opportunity to engage in broader industry change by 'mutualising' the cost of owning a polishing house with brands that do not have the same buying power. Such a strategy would enable more direct access to polished gemstones, strengthen relationships, as well as offer better control over the supply chain.[53]

Set Long-term Objectives

Set long-term objectives that will guide the company towards better practice. Doing so can help measure the company's progress and facilitate transparency by reporting publicly on how the brand is going about achieving its goal. Long-term objectives may seem unrealistic when being set but they shape the way a business operates. Sourcing 100% Fairtrade and Fairmined gold within 10 years could be one such objective.

Furthermore, setting goals is a key aspect of leading business responsibility management practice as detailed in Lifeworth's 2007 annual review, The Global Step Change.[54] The publication related how corporate responsibility targets serve to transform the focus from continual improvement to actual performance goals, reflecting how more firms understand these issues as material to financial performance, rather than as an optional extra.

Align with New Initiatives

Support initiatives in the industry that are based on the principles of fairness and aim to develop supply chain capacity. ARM's efforts are an example whereby brands could fund and support ASM communities. Another initiative is fair trade manufacturing through Fair Jewelry Action. Brands can show leadership by supporting this project in the pilot phase, and building fairer conditions throughout the manufacturing process.[55]

Use More Responsible Practices to Inspire New Approaches for the Industry

Rethink Value

The current system for valuing gemstones is based on the four 'C's: carat, clarity, colour and cut. The value of gemstones is also based on the principle that they are commodities. In the case of diamonds, the point of reference is the Rapaport Diamond Report.

As price is the only way to compete in a commodity driven market, companies seek to create speciality products with distinguishing features that demonstrate greater value. This approach positions commodities and goods and services as mutually exclusive. An unfortunate consequence of this dichotomy is that commodities neglect social and environmental issues because price, or monetary value, is its only measure.

However, if commodity value is extended so that it includes issues that benefit humanity, such as human rights or equality or fairness, then the pricing structure internalises more responsible practices within the industry. By adding a fifth 'C', say conscience, to the pricing calculation, gemstones could be graded on social and environmental issues as well. As a 5 carat flawless diamond is more valuable than a 1 carat, so too a 5 'conscience' graded diamond would be more valuable than a 1 'conscience.' The additional rarity of the gemstone would be a source of commercial benefit to a brand.

While this resembles Fairtrade, the difference is that it would be integrated into the central pricing mechanism already in use. The advantage of this approach is that it could be a means for large-scale change as well as providing a multitude of re-distribution opportunities.

Brands could show leadership by developing a forum to discuss the feasibility of a pricing structure that embodies social and environmental issues.

Visionary Re-distribution

There is a danger in attaching a monetary value to intangibles because they can be appropriated improperly and would be subject to market forces. However, if the objective embodies clear values that seek to benefit society, then the monetary value is only a tool for achieving those goals and can be used as such.

For instance, if a percentage of the price of each polished diamond sold was required to be invested into development projects, or as a way of financing a stronger KPCS, then the monetary value is understood as what the industry deems important while also being commercially viable.

Conclusion

Peter Karl Fabergé, renown for the exquisite Fabergé eggs, once said,

> ***"I have little interest in an expensive object if its price is only in the abundance of diamonds and pearls."*** [56]

His words have as much meaning today as they did when he was alive.

Through its dedication to craftsmanship, the jewellery industry has excelled in transforming the earth's minerals into objects of exquisite character. Excellence, thus, has been traditionally defined through design and creativity.

However, this approach is evolving and a new excellence is emerging: that which goes beyond just the magnificence of the object and reflects a deeper awareness. As more people become conscious of the story behind their jewellery, they do not want these symbols of love to come from a child miner, a conflict zone or an impoverished community.

Luxury jewellery brands are in an ideal position to influence the jewellery sector due to their power, prestige and reputation. Yet of the ten luxury jewellery brands analysed in this report, with the exception of Cartier and Boucheron, it appears that most have been slow to move in demonstrating responsible business practices, particularly in regard to responsible sourcing. A poor focus on traceability means that brands cannot call themselves responsible if they do not know where their gemstones and precious metals come from. It therefore comes as no surprise that one of the key elements of corporate responsibility, transparency, is also inadequate.

In addition to some of the generic aspects of corporate responsibility that require improvement, it seems that luxury jewellery brands also have a very limited vision of what corporate responsibility is. Most have sought comfort through a risk management and compliance focus that does not leverage corporate responsibility to create opportunities. With millions of people dependant on artisanal and small-scale mining that are part of the jewellery supply chain, the scope for luxury brands to make a difference in the world is vast.

It is questionable whether the industry has genuinely integrated corporate responsibility as part of its strategy. Corporate responsibility is just that, the ability of a corporation to respond. Faced with the impoverished mining communities that are a part of brand supply chains, brands can show leadership in responding to the needs of the poor in a genuine attempt to break the poverty cycle.

To this end, brands will need to broaden their corporate responsibility focus to one that is opportunities based – to move from a risk management perspective to one that seeks to contribute through ethical excellence. This report illustrates how greater corporate responsibility can shape organisational qualities, inspire new approaches to business and seek and create opportunities to use materials to contribute to sustainable development. Along with the experts interviewed for this report, luxury jewellery brands can embrace the challenges of our times and help in Uplifting the Earth.

Appendix: The Brand Benchmarking

The results from the research for each brand are detailed below in alphabetical order according to brand name.

Boucheron

Boucheron labels itself as the most audacious of traditional French jewellers and was the first jewellery house to be located at Place Vendôme in Paris.[57] Celebrating its 150th anniversary in 2008, Boucheron represents one of the most prestigious names in the jewellery industry. It had over 50 boutiques worldwide as of December 2010. Boucheron is part of the Gucci Group, which is owned by publicly listed Pinault-Printemps-Redoute (PPR).[58] PPR, in turn, is majority-owned by the Artémis Group, who holds a 40% share.[59]

Corporate responsibility at Boucheron is integrated into the umbrella policy of the parent company. The PPR website says:

"The Group-wide CSR direction was created in 2007 and has eight members including the Corporate Social Responsibility team, on the one hand and the PPR Corporate Foundation for Women's Dignity and Rights' team, on the other hand. The CSR Direction reports directly to the Group Chairman and CEO and is represented on the Executive Committee. It is tasked with defining the Group's corporate social responsibility policy, assisting the Subsidiaries to implement the key strategic priorities, ensuring compliance with the related legal obligations, anticipating and preparing the Group for future obligations that may be introduced, and setting up Group-wide projects. The CSR Department works closely with Group Human Resources on employee-related CSR issues.

Each of the five Subsidiaries has a Head of CSR or Sustainable Development responsible for implementing the Group's CSR policy at his or her Subsidiary, as well as for instigating specific action plans consistent with the common point of reference, namely the seven key strategic priorities. In 2009, 21 employees were working directly on CSR issues in the Group's five Subsidiaries, in addition to the eight people employed at PPR Group level. Certain Subsidiaries also have CSR Committees comprised of representatives from the company's main departments and

attached to the CSR or Sustainable Development Department. PPR and its Subsidiaries have also set up two major networks of global contributors within the framework of social and environmental reporting."[60]

Within this organisational structure, contact was made with Mr. Burak Cakmak, Gucci's director of CSR, who declined to participate in the study.

The PPR website and data provided from EIRIS indicated that the parent company has policies covering many of the areas related to responsible business practice, with varying levels of quality. These areas include the environment, bribery and corruption, ethics, human rights, supply chain standards, stakeholder engagement, equal opportunity, health and safety, and customer communication. However, it was not possible to determine how these policies filtered down to the brand level as there was no information on the Boucheron website.[61]

The website did detail one of Boucheron's philanthropic projects: its partnership with Cirque du Soleil. The two collaborated to raise funds for the One Drop foundation, which aims to provide impoverished communities with access to safe drinking water.[62]

Other sources, meanwhile, indicate that Boucheron is working on social and environmental issues. Its approach is not just philanthropic but strategic. This would reflect Veerle van Wauwe's comment that "some brands work hard on these issues, but without communicating externally on it, so perception may be very different from reality."

Three experts were aware of Boucheron's involvement in addressing sourcing issues. Two said it was a signatory of the NDG Golden Rules. One expert knew that Boucheron had approached ARM about Fairtrade gold. Jennifer Horning emphasised that through Boucheron's RJC membership "and related internal audit, [it had taken] steps to become more of a leader through internal actions."

Confirming the experts' opinion was a No Dirty Gold report released in March 2010 which highlighted that Boucheron had partially conducted supply chain audits and incorporated the Golden Rules into its policy language.[63]

Boucheron is a formal participant of the Initiative for Responsible Mining Assurance (IRMA) with proceeds of an online auction organised by the jeweller in 2009 benefiting the initiative.[64] No other luxury brand is a participant, indicating Boucheron's leadership position. Boucheron's commitment to IRMA, which is developing an independent multi-stakeholder third party certification for more responsible mining practices, suggests a more strategic approach to responsible business.

This is also reflected by medium-term goal setting at the corporate level whereby all directly owned production sites of the Gucci Group, of which Boucheron is a member, will require the global social accountability standard for decent working conditions, SA 8000, by 2015.[65]

As a member of RJC, Boucheron will be required to satisfy the RJC criteria for certification, some examples of which are outlined in Box 2.[66] Also, by being a signatory of NDG, Boucheron adds another dimension to its responsible gold sourcing as it requires suppliers to:

- obtain the free, prior, and informed consent (FPIC) of affected communities;
- not force communities off their lands;

The research in the London boutique revealed that Burmese rubies were being sold but only rubies that were bought prior to the EU embargo. Gemstones could be analysed for origin upon request but it wasn't standard practice. In terms of ethical sourcing, diamonds were conflict free but only a personal guarantee was offered at this time. The assistant was aware of the reputational risks of such sourcing issues, stating that Boucheron is very careful not to get involved in diamonds that come from African countries with problems, as there would be too much to lose in terms of reputation and money. Boucheron was part of a certification process but the assistant did not mention KPCS per se.

The research indicates that Boucheron's overall activity is 'active' when it comes to corporate responsibility due to its involvement in a number of initiatives. Its membership with IRMA suggests a deeper reflection with respect to social and environmental issues. However, the NDG report and the research in the London boutique revealed that its approaches still need better integration at a policy and implementation level. Inconsistent approaches to responsible jewellery from other jewellery brands within the Gucci Group, such as Bottega Veneta and Gucci Jewellery, which are not NDG signatories, may mean that brands need better support from the corporate structure. Another major drawback is the lack of communication on the challenges Boucheron faces and how it capitalises on opportunities through its involvement in corporate responsibility initiatives. As communication on corporate responsibility is at the holding group level, Boucheron's ability to be explicit in its transparency may be effected.[67] Extending communications to the brand level may be a way for Boucheron to show leadership.

Buccellati

Buccellati, which continues to be of family-owned operation based in Milan, is renowned for its exquisite craftsmanship in jewellery and silver design, with extensive use of texture engraving as one of the most identifiable elements of its jewellery art.[68] Buccellati represents one of the most prestigious names in jewellery, boasting of a tradition dating back over 200 years.[69] They have 16 boutiques around the world as well as a wholesale division.[70]

The authors' research was unable to identify Buccellati's approach to corporate responsibility. A single article was found in the jewellery publication Solitaire, which

BOX 2. EXAMPLES OF RJC CRITERIA FOR CERTIFICATION

- Adopt a public policy that is endorsed by senior management which supports achievement of the RJC Code of Practices;
- Prohibit bribery, corruption and money laundering;
- Prove compliance with the Kimberley Process in regards to conflict diamonds;
- Ensure product integrity;
- Follow the ILO standards for workers' rights, including child and forced labour;
- Respect the UN Declaration of Human Rights;
- Implement an environmental management system;
- Employ the appropriate measures with respect to hazardous chemicals ;
- Employ the appropriate measures with respect to climate change, energy consumption, and waste and water management;
- Promote responsible business practices among business partners, commensurate with their ability to influence

highlighted Buccellati's participation in the Sotheby's auction 'Jewels for the Jungle' that raised money for the global conservation organisation, the World Wildlife Fund.[71] This may reflect a philanthropic approach to corporate responsibility, but with no other public information available, it does not appear to be systemised. Experts knew nothing about the sourcing practices of the brand and Buccellati is not a part of any initiatives to better their social and environmental performance. Ms. Simona Meschi, the executive assistant to the CEO, Mr. Gianmaria Buccellati, confirmed that Buccellati was not able to participate in the study.

The strongest indicator of Buccellati's position with respect to corporate responsibility came from the research in the London boutique. When asked if the rubies in their collection were Burmese, the staff had no idea because there were no certificates. They said "the family are in charge of all of that, we don't get told… that information doesn't filter down to us here, but I can ask for you." Further inquiry revealed that larger stones had certification but it was not clear if the certification referred to gemstone origins.

In terms of overall awareness on ethical, social and environmental issues related to sourcing, staff could confirm that, "we don't source diamonds from conflict-regions, where they can contribute to fighting or war." When asked what assurance they could provide, they said, "we only deal with people in Antwerp who are known to carry only conflict-free diamonds." The research also confirmed that there was no broader familiarity with other social or environmental policy issues.

As such, it appears that Buccellati is 'inactive' on corporate responsibility issues.

Bulgari

Bulgari jewellery is characterised by large exceptionally rare gems, combined with innovative materials and distinctive designs that fuse the classical and contemporary. It recently celebrated its 125th anniversary in Paris, with the largest exposition of Bulgari jewellery ever assembled. According to Le Figaro Magazine, Bulgari is the third most important jewellery maker in the world.[72] It has a distribution network of over 268 stores internationally[73] and it recently announced the sale of the controlling stake of the Bulgari family to LVMH.[74]

The information on Bulgari's approach to responsible business perhaps reflects that the company is having difficulties integrating corporate responsibility as a strategic approach. No information was available to confirm if there is a team dedicated to social and environmental issues. As a result, it was not possible to determine how corporate responsibility is managed within the company. Bulgari's contact for corporate responsibility is Mr. Dario DeGregorio, however, his specific title is Corporate Organisation & Total Quality Executive Director. It is unclear whether his role is dedicated to addressing social and environmental issues. He also did not confirm Bulgari's participation in the study.

Media sources suggest that Bulgari's commitment to corporate responsibility is based on philanthropy as its current partnerships include Save the Children, the international NGO dedicated to child welfare; and World Scouting, the international NGO committed to promoting the concepts of respect for others and the natural world.[75] In an interview, Mr. Chris Cordey, the head of the Sustainable Luxury Forum, discussed Bulgari's partnership with Save the Children, but emphasised its philanthropic nature.[76] Mario Riamondi's blog, which explores all aspects of social innovation, was more critical of the partnership. The blog stated that it was clearly a marketing strategy that made no attempt to respond to the causes of children in poverty.[77]

While the philanthropic aspects of Bulgari's corporate responsibility are communicated openly, other media sources reveal that its communication on social and environmental issues is poor. In the third edition of the CSR Online awards organised by the communication company Lundquist, they analysed the CSR section on websites of the top 50 companies listed on the Milan stock exchange, ranking Bulgari in equal 38th place.[78] A Hallvarsson & Halvarsson (H&H) sector analysis on seven of the top Italian fashion houses, including Bulgari, confirmed this finding. They stated that "sections of the websites dedicated to Employer Branding and Corporate Social Responsibility were particularly weak" and they observed that none of the companies published a CSR report nor provided any social indicator associated to their employees.[79]

While these studies did not target the jewellery part of Bulgari's business per se, the findings suggest an oversight in addressing Bulgari's online communication on social and environmental issues, perhaps reflecting the lack of a strategic business approach to its overall corporate responsibility.

Despite the critique from these studies, other sources suggest that Bulgari is in a transition phase and is, nonetheless, starting to deepen its reflection on responsible business practice.

The Bulgari website and data provided from EIRIS indicated that Bulgari has policies covering several of the areas related to responsible corporate practice such as the environment, bribery and corruption, ethics, human rights, stakeholder engagement, equal opportunities, health and safety, and customer communication. The following policies were available to the public:

- Code of Conduct;
- Code of Ethics;
- Diversity Policy;
- Environmental, Health and Safety Policy;
- Diamond Sourcing Policy;
- Other Gemstone Sourcing Policy[80]

The only policies that EIRIS rated highly were Bulgari's bribery and corruption policy and its code of ethics, but the latter did not address the social aspects of corporate responsibility in the section "conduct with relations in the community" For example, under supply chain, the code stated:

> *"In selecting a supplier, as in establishing the terms and conditions for making purchases of goods and services for the Group, Recipients must endeavour to obtain the greatest competitive advantage for the Group itself, selecting the supplier that is capable of supplying goods and services of the quality required under the most favourable terms and conditions."*[81]

This may be because Bulgari's supply chain standards policy is not a part of the code of ethics. However, it was not possible to confirm this information. The H&H study said Bulgari has a code of conduct for suppliers, while EIRIS claims it does not. Bulgari specifies its expectations of suppliers to prevent conflict diamonds entering its supply chain as follows:

- Bulgari buys polished diamonds only and rigorously selects its diamond suppliers;
- Bulgari rarely effects one-off type purchases. This kind of selected purchases helps Bulgari control the integrity of diamonds purchased;
- Bulgari adheres to KPCS;
- Bulgari suppliers are members of trade associations which adhere to a self-regulation system aimed at preventing trade in conflict diamonds.

Bulgari also has a clear statement that it does not buy Burmese rubies and requires that suppliers guarantee the geographical origin of the precious stones purchased.[82] Experts did not know specifics about Bulgari's sourcing practices but Greg Valerio mentioned that Bulgari is working with Pakistani designers in an effort to share and develop skills.

These initial steps demonstrate awareness on supply chain issues. However, without greater disclosure on other aspects of its supply chain management, such as labour, and how the company monitors this, further development is needed. Being a member of RJC will help Bulgari at this level by formalising its commitment on ethics, the environment and human rights as per Box 2 (page 38).

How this is embedded right throughout the organisation will be key. Information provided by boutique staff showed that there were inconsistencies between corporate policy and retail practice due to a lack of awareness on issues relating to conflict diamonds and the origins of the boutique's rubies. Although gemstones could be analysed for origin upon request, it was not standard practice. The concern for Bulgari is that this finding follows a 2004 study by Global Witness, which highlighted that US sales staff knew little about the company's conflict diamonds policy. As diamond retailers are required to educate their staff so that consumers can be given the appropriate assurances that diamonds are conflict free, Bulgari has still not fulfilled the basic self-regulation requirements at a retail level.[83]

As a result, it is uncertain whether the brand has incorporated corporate responsibility as a strategic driver, despite its philanthropic partnerships. No information could be found on how corporate responsibility is managed within the company and two studies were critical of Bulgari's poor online communication on the subject. Bulgari is to be commended for making several of its policies publicly available, however, according to EIRIS, these policies did not necessarily reflect strong positions on social and environmental issues. Concerns over how well retail staff understand responsible sourcing issues may indicate that, further integration is needed to demonstrate Bulgari's strategic commitment to corporate responsibility. As Bulgari's RJC membership will eventually facilitate this, Bulgari is 'partially active' on corporate responsibility issues.

Cartier

Hailed by King Edward VII of England as the "jeweller of kings and the king of jewellers" and the first jeweller to successfully create platinum jewellery, Cartier is considered one of the world's most powerful luxury brands with 20 boutiques in France alone.[84] Cartier is a part of the publicly listed Compagnie Financière Richemont SA, which is based in Geneva and majority-owned by Compagnie Financière Rupert.

Corporate responsibility at Cartier is integrated into the umbrella policy of the parent company as per Box 3 (page 47) from the Richemont website.

Cartier's corporate responsibility director is Ms. Pamela Caillens, who declined to participate in the study.

The Richemont website and data provided from EIRIS indicate that the parent company has policies covering many of the areas related to corporate responsibility such as the environment, bribery and corruption, ethics, human rights, supply chain, stakeholder engagement, equal opportunities, health and safety, and customer communication. However, according to EIRIS, only the stakeholder engagement and supply chain policies warranted the rating 'good' in their 2009 analysis, and that the implementation of the respective management systems was only average.

It should be noted though that Richemont's CSR Committee allows its brands to adapt and amend the various codes according to the needs of individual operations.[85] While EIRIS did not rate Richemont's common framework of policies highly, other sources indicate that Cartier has a more rigorous approach to its corporate responsibility due to its efforts in managing its supply chain.

The Cartier website, in particular, outlined its criteria on responsible sourcing. For diamonds, Cartier supports KPCS and requires its suppliers to adhere to the voluntary System of Warranties (SoW) to prevent conflict diamonds entering its supply chain. For gold, all its suppliers are required to join RJC as part of its policy to source gold responsibly.[86] Although not mentioned on its website, Cartier is also a NDG signatory. However, an NDG report released in March 2010 said Cartier had not indicated whether it had incorporated the Golden Rules into its policy language.[87]

For rubies, Cartier made a commitment in October 2007 to no longer procure rubies from Burma and issued instructions to its suppliers requesting confirmation of origin. According to a Cartier publication entitled, 'Commitments,' it also discontinued "around all lines where the same appearance could not be achieved by replacing Burmese rubies from Madagascar or Thailand" or other gemstones.[88] However as Greg Valerio told Lifeworth, almost all ruby sold in Thailand is smuggled from Burma.[89] In order to evaluate the credibility of ruby origins by suppliers, Cartier conducts random gemmological analyses on shipments. For platinum, there is no specific reference although the Cartier website states that its corporate responsibility "policy applies to all our product lines, all our activities and all our suppliers."[90]

Its November 2010 certification against the RJC code of practice for ethical, human rights, social and environmental standards indicates that Cartier has the management systems in place to monitor these policies.[91] Cartier states on its website that its corporate responsibility policy "is subject to audits conducted by an independent, international firm" covering 120 criteria and that these criteria are in-line with RJC objectives.[92] The Richemont website notes that "some thirty external audits were performed during the year ended 31 March 2010", but this number requires better context for it to be meaningful.[93] The NDG report indicated that Cartier had also conducted supply chain audits but was unwilling to share the results with NDG, and therefore, could not be evaluated against the Golden Rules. This reflects a greater need for transparency as confirmed by Greg Valerio, who said that Cartier's ability to be transparent is impeded by Richemont's corporate structure.

Jennifer Horning supported statements on the Cartier website about its approach to responsible sourcing. She stated that Cartier has

> *"taken steps to trace and control their supply chains and requiring suppliers to do the same. This includes efforts at full traceability to mines that have not been involved in conflict and/or employ best practice conventional mining techniques."*

Four experts were also aware of Cartier's overall efforts on social and environmental issues. Greg Valerio complimented Cartier for its efforts in monitoring its manufacturing, while Patrick Schein stated that Cartier represented “the best of the large brands” included in the study. This was due to Cartier co-founding the RJC and its socially innovative approach to mine collaboration.

This is exemplified by its partnership with Goldlake’s Eurocantera mine in Honduras, a gold mining operation that integrates modern alluvial and small-scale community mining that is environmentally friendly. The Eurocantera mine uses chemical-free technology and processes; a zero-discharge closed circuit water-management system that also avoids erosion; 100% recycling of waste material, such as gravel and clay, from mining; a reforestation programme; a clinic providing free health services to Eurocantera’s employees and the community; and training and education programs for artisanal miners on how they can operate responsibly and safely. Aside from providing free access to equipment, expertise such as accounting and the infrastructure for isolated villages, the partnership is supporting the much-needed critical path to market for the project.[94]

Beyond the supply chain, Cartier provides financial support for various initiatives. Also related to gold mining, Cartier has partnered with Pro-Natura International to address environmental and human development issues in Tumucumaque National Park, in the north of Brazil. The programme provides education on health and the environment, particularly with respect to the use of mercury in gold mining, conserving biodiversity, as well as promoting and developing complementary economic activities to gold mining. Cartier also co-created the Cartier Women’s Initiative Awards, which supports and encourages projects by women entrepreneurs, and it supports *La Fondation de la Haute Horlogerie* along with several brands in this study.

Cartier’s internal operations reflect efforts to integrate responsible environmental practice. In Neuchâtel, where Cartier’s watch manufacturing is based, the modernisation of the water treatment system contributed to a 30% CO2 reduction, but the timeline is not mentioned. Other measures to manage environmental impact include the collection of rainwater, recovering heat from compressors, cold generators and machines, motion detection lighting and partnerships with various transport authorities to encourage the use of public transport. As part of its internal monitoring, Cartier also carries out regular environmental auditing of its premises as well as some of its suppliers.[95]

In Paris, Cartier’s largest office of over 700 employees reduced CO2 emissions by 15% in 2007 and 7% in 2008. Internationally, Cartier has a three-year plan to fit out all boutiques with LED technology, which it estimates will result in energy savings of 50%. The Paris offices also reduced paper consumption by 20% in one year, and use only FSC-certified paper for watch and jewellery catalogues and after-sales brochures. Day to day paper use is chlorine free.[96]

Cartier also addresses issues directly linked to the working conditions of its jewellers through its Health and Safety Management System (SMS) and polishing station ergonomics project. The SMS has been an effective risk management framework that encourages jewellers to take responsibility for their safety, resulting in the two year phase-out of sulphuric and hydrochloric acid as oxidising agents during jewellery manufacture.

Cartier also has a ‘Customer Service Barometer’ which sets out the standards of service that customers should expect from sales staff.[97] It is not clear what these criteria are but the shop-floor research found some inconsistencies when it came to questions on responsible sourcing. Two boutiques were approached, a retail boutique and a luxury jewellery boutique. The assistant in the retail boutique was extremely knowledgeable about KPCS, providing a detailed and an accurate description of the process, including its development and how it monitors diamond production and movement. The assistant was apologetic that she could not respond to questions about rubies, and when questioned on gold sourcing, she replied, “It’s all 18 carat.”

In the luxury jewellery boutique, the assistant stated that “all the rubies and diamonds are conflict-free” but also recognised that “certificates rely on trust, and the paperwork can be changed. So we have a relationship with the supplier that has gone on for a long, long time, we trust them, and we both have too much to lose from having conflict-diamonds.” According to the assistant, the rubies on display were from Burma. Although sourced prior to the

EU embargo, this could be an inconsistency with Cartier's policy to discontinue "all lines where the same appearance could not be achieved by replacing Burmese rubies from Madagascar or Thailand' or other gemstones."[98]

While this suggests that Cartier needs to address some training or policy implementation issues, Cartier's position as a corporate responsibility leader in its sector is deserved. Its efforts to manage its supply chain were recognised by several sources indicating greater integration of many social and environmental issues at a strategic level. Its pioneering role in RJC and its partnership with Goldlake demonstrate how Cartier is trying to approach corporate responsibility at a systemic as well as developmental level. As a result, Cartier is without a doubt 'significantly active' on corporate responsibility issues.

As less than 5% of Cartier's gold sourcing comes from the Eurocantera mine, setting some longer-term goals to access raw materials from projects that support local communities, could create some scalable social impact, and extend Cartier's corporate responsibility commitment.[99] With a higher degree of transparency and traceability, Cartier has the potential to be 'very active.'

Chanel

Chanel is based in Paris and co-owned by Alain and Gérard Wertheimer with an international distribution network of over 200 stores.[100] Made famous by Coco Chanel, it is one of the leading luxury brands characterised by a variety of luxury goods including jewellery.

Very little information was available on Chanel's approaches to corporate responsibility. No communication could be found on their official website or through the media analysis. Experts also did not know anything about Chanel's position on responsible sourcing.

In spite of the absence of public information, two indicators suggest that Chanel is trying to internally manage its corporate responsibility. As Head of Sustainable Development, Ms. Stéphanie Lebeau is Chanel's dedicated resource to manage its corporate responsibility. However, she also declined to participate in the study. Her responsibilities include:

- implementation of environmental criteria for responsible development purposes;
- facilitation of working groups to accompany staff in fulfilling their respective action plans;
- management and reporting of performance indicators;

- implementation of the internal communication policy on corporate responsibility;
- staff training on corporate responsibility;
- lobbying representative for Chanel at a national and European level;
- regulatory and best practice monitoring.[101]

The other indicator that shows Chanel is working towards more responsible business practice is its RJC membership and active participation in its Accreditation and Training Committee. Being a member of RJC will guide Chanel in formalising its commitment on ethics, the environment and human rights as per Box 2 (page 38).

The research in the Chanel boutique revealed that it did not have rubies in its range except for a large piece several years ago, thus questions on ethical sourcing were centred on diamonds. The staff member interviewed confirmed that there were no conflict diamonds in their collection and was able to describe KPCS.

However, due to the poor overall availability of information, it was not possible to obtain a deep understanding of Chanel's approaches to corporate responsibility. With a dedicated role to manage social and environmental issues and its membership in RJC, Chanel is 'partially active' on corporate responsibility.

Chopard

Chopard celebrated its 150th anniversary in 2010 and is renowned for its creativity, innovation and technical mastery.[102] Privately owned by the Scheufele family and one of the leading luxury jewellery brands, it has over 90 boutiques around the world and is the official partner of the Cannes Film Festival.[103]

Chopard's corporate responsibility has strong roots in philanthropy. The company website and media analysis revealed several philanthropic activities that it supports. They are:

- the Elton John AIDS Foundation;
- the Jose Carreras Foundation for the Fight Against Leukaemia;
- the Prince's Charities;
- the Geneva Watch Making School;
- the WWF Tiger Initiative, a conservation project aiming at saving wild tigers from extinction.[104]

Beyond Chopard's philanthropic activities, however, it was not possible to determine how it manages its corporate responsibility or if it has a department dedicated to addressing its social and environmental issues. Although contact was made with Chopard's head of corporate marketing, Mr. Tasso von Berlepsch, who declined to participate in the study, it is also unclear if there is a role dedicated to corporate responsibility management at Chopard. Experts also did not have any information on Chopard's position on responsible sourcing.

Other media sources suggest that Chopard's corporate responsibility is not being considered strategically and is perhaps reactive. In 2009, Chopard postponed co-operation with Gulnara Karimova, daughter of Uzbek dictator Islam Karimov, to promote her Guli brand following an appeal from Uzbek human rights activist Abdujalil Boymatov, who outlined human rights abuses by the government of Uzbekistan.[105] Also in 2009, it secured an order of 250 watches for controversial Libyan leader Colonel Gaddafi to celebrate his 40 years on the throne.[106] Given Colonel Gaddafi's role in training African dictators and soldiers in blood diamond conflicts, this indicates that Chopard requires more stringent criteria when evaluating its human rights policies.[107] RJC membership will guide Chopard in formalising its commitment on ethics, the environment and human rights as per Box 2 (page 38).

The research in the boutiques confirmed that Burmese rubies were available. Gemstones could be analysed for origin upon request but it was not standard practice. In terms of responsible sourcing, diamonds were conflict free but the assistant was unable to describe KPCS or other initiatives such as NDG. Rubies were only sourced from "reputable sources" but it is the responsibility of the sourcing department in Paris.

Due to the poor availability of information, it is not possible to obtain a deep understanding of Chopard's approaches to corporate responsibility. With its involvement in RJC being recent, Chopard is only 'partially active' on corporate responsibility issues.

Graff Diamonds

Graff Diamonds is 100% owned by Laurence Graff, "the King of Diamonds" who lays claim to offering *The Most Fabulous Jewels in the World.*[108] It has been said that more important gem quality diamonds have passed through Laurence Graff's hands than any other dealer. With expansion into Asia in 2011, Graff Diamonds will have over 20 dedicated flagship stores as well as distribution outlets through selected Saks stores in the United States.

Graff's approaches to corporate responsibility appear to have their roots in philanthropy. The Graff Diamonds website states that Laurence Graff is dedicated to philanthropic and humanitarian causes. This is demonstrated by his support of a number of charities through the Graff Diamonds Foundation. He also founded FACET (For Africa's Children Every Time), which is "devoted to distributing funds for the education, health and welfare of children throughout Africa." FACET provides funding for the Graff Leadership Centre, which partners with local aid organisations in Lesotho and Botswana to give back to communities where they have sourced their gemstones. In 2007, Graff Diamonds also published *The Most Fabulous Jewels in the World,* with all proceeds going to the Nelson Mandela Children's Fund.

Contact with Graff Diamonds was made through the superior of Ms. Josie Goodbody, its senior PR representative, although no name was obtained. He declined to participate in the study. He confirmed that Graff Diamonds had a corporate responsibility policy, but no further information was given. As Graff Diamonds is not a part of any initiatives trying to address more responsible practices in the jewellery industry, it is not possible to establish if its policy is aligned with evolving industry standards.

The media analysis revealed that attempts to contact Graff Diamonds are not unique to this study. The author of the 'Sustainability Perspectives' blog, Louise

König, reported that her efforts to discuss corporate responsibility with Graff Diamonds were met without response. She cited Graff Diamonds as a poor example of corporate responsibility due to its lack of transparency and its charitable rather than a holistic approach to responsible business practice.[109]

Other media sources also raised their concerns relating to Graff Diamond's involvement in indigenous rights abuse. Survival International, an NGO campaigning for indigenous rights, connected Graff Diamonds with a proposed mining development in Botswana that evicted indigenous people from their lands and blocked access to water.[110] Two experts also made reference to these events on their blogs.[111]

The research in the boutiques revealed that Burmese rubies were available in their catalogue and that Graff Diamonds would be able to source the very best, without specifying if that would mean Burmese origins. Gemstones could be analysed for origin upon request but it was not standard practice. In terms of ethical sourcing, diamonds were conflict free and of the highest ethical standards, but the assistant was unable to talk about KPCS or other initiatives such as NDG.

Due to the poor availability of information, it is not possible to obtain a deep understanding of Graff Diamond's approach to corporate responsibility. While philanthropy appears to be an evolving part of its business, with no participation in and lack of awareness on corporate responsibility initiatives within the sector, Graff Diamonds is 'inactive' on corporate responsibility issues.

Harry Winston

Harry Winston is the inventor of modern couture jewellery and is often called "the jeweller to the stars." It has owned some of the world's most famous diamonds such as the Portuguese and the Crown of Charlemagne, and is renowned for donating the world's most famous gemstone, the Hope Diamond, to the Smithsonian Institution. The retail subsidiary operates under the legal name of Harry Winston Inc., which is owned by Harry Winston Diamond Corporation, a publicly listed company. Harry Winston has 18 retail salons worldwide.[112]

Two corporate responsibility themes were strong at Harry Winston, namely, philanthropy and governance. Harry Winston commits a minimum of 5% of pre-tax profits annually to educational causes through both Harry Winston Inc. and the Harry Winston Hope Foundation.[113] In 2008, it also sponsored a gala with proceeds benefiting the Jewelers Vigilance Committee to support its campaign against conflict diamonds.[114]

Harry Winston's website prioritised governance as key to its corporate responsibility, providing some insight on its approach. Being located within the 'Investor Relations' section of their website suggests a focus on the financial aspects of governance, perhaps prioritising its shareholders over other stakeholders. It was not possible to determine if there is a role or team dedicated to corporate responsibility at Harry Winston, although all contact to participate in the study was transferred to the investor relations department. As a result, Harry Winston did not assist in the study.

The following documents relating to Harry Winston's governance policies are available for public view:

- Code of Ethics and Business Conduct
- Whistleblower Protection Policy
- Corporate Disclosure Policy
- Insider Trading Policy
- Board of Directors Guidelines and Responsibilities
- Chairman and CEO Guidelines and Responsibilities
- Lead Director Guidelines and Responsibilities
- Committee Chair Guidelines and Responsibilities
- Harry Winston NYSE Summary of Significant Differences
- Corporate Governance Guidelines[115]

Of the above documents, the Code of Ethics is the only document that mentions the social and environmental aspects of corporate responsibility. However, it only requires legal compliance with respect to "bribery and kickbacks, copyrights, trademarks and trade secrets, information privacy, insider trading, illegal political contributions, antitrust prohibitions, foreign corrupt practices, offering or receiving gratuities, environmental hazards, employment discrimination or harassment, occupational health and safety, false or misleading financial information or misuse of corporate assets.”[116] By limiting the social and environmental criteria to “environmental hazards, employment discrimination or harassment, occupational health and safety”, the code does not address the broader issues of human rights and climate change, among others.

The code also does not cover its expectations for suppliers, nor does the company disclose information on supply chain management and monitoring. For this reason, in 2008, Meritas Mutual Funds filed a shareholder resolution for a supplier code of conduct for responsible sourcing.[117] Although initially resistant to the resolution, according to Mining Markets, the magazine for mining sector investing, Harry Winston initiated a policy on conflict gems, but it was not possible to locate the supplier code on its website.[118] Except for a web link to KPCS, no other information could be found on how Harry Winston approaches its ethical sourcing.

This may be the reason why one expert, Jennifer Horning, stated that Harry Winston was “behind the curve initially, may be catching up”, without elaborating further. The Diavik mine, partly owned by Harry Winston could be considered to have robust corporate responsibility policies due to the strict regulations linked to the mine. So while it is unclear how Harry Winston is addressing certain aspects of their corporate responsibility at the corporate level, there could nonetheless be a degree of integration. But as Harry Winston Diamond Corporation sources from mines other than Diavik, further transparency is needed to assess how it manages its overall supply chain. Media analysis also highlighted concerns over the potential damage to eco-systems and the exploitation of indigenous rights associated with the Diavik mine.[119]

Harry Winston is a member of RJC, guiding it in formalising its commitment on ethics, the environment and human rights as per Box 2 (page 38). But it is not a member of any other initiatives, despite an appeal to become a signatory of NDG.[120]

The research in the London boutique confirmed that responsible sourcing is still something that needs to be addressed. Burmese rubies were offered with an explanation that they had been sourced prior to the 2008 EU embargo. Gemstones could be analysed for origin upon request but it was not standard practice. With respect to the responsible sourcing of diamonds, the assistant was aware of KPCS and stated that the company could vouch for its diamonds because it owned diamond mines in South Africa and Canada.

Harry Winston is nonetheless ‘partially active’ when it comes to corporate responsibility. Its approach to governance is good although stronger positions need to be taken on social, environmental and responsible sourcing issues. While its RJC membership will help these aspects to evolve, greater stakeholder engagement is needed to move beyond what appears to be a shareholder focus. A clear suppliers code of conduct will also help establish how Harry Winston is integrating its corporate responsibility at a strategic level.

Piaget

Piaget is part of the Richemont Group of luxury brands and is particularly well known for its jewellery watches, manufacturing its millionth watch in 2010.[121] It has over 800 points of sale around the world, with 30 boutiques dedicated to the Piaget brand.[122]

Corporate responsibility at Piaget is integrated into the umbrella policy of the parent company as per Box 3 (page 47) from the Richemont website.[123]

Mr. Charles Chaussepied is Piaget’s CSR Director. Mr Chaussepied is also the RJC’s Standards Committee Co-chair, but he declined to participate in the study.

The Richemont website and data provided from EIRIS indicate that the parent company has policies covering many of the areas related to corporate responsibility such as the environment, bribery and corruption, ethics, human rights, supply chain, stakeholder engagement, equal opportunities, health and safety, and customer communication. However, according to EIRIS, only the stakeholder engagement and supply chain policies warranted the rating ‘good’ in their 2009 analysis, also highlighting that the implementation of the respective management systems was only average. How these poli-

BOX 3. THE RICHEMONT APPROACH TO CORPORATE SOCIAL RESPONSIBILITY

"For us, Corporate Social Responsibility (CSR) is about how we manage our impacts on society and the environment. We strive to operate responsibly and to make a positive contribution to the economy, our people and our local communities.

Responsibility for CSR lies with the Director of Corporate Affairs, a member of the Group's Management Committee. The Director of Corporate Affairs regularly liaises with Maison CEOs and regional heads.

He is supported by a CSR Committee, with representatives from Group functions including Human Resources, Internal Audit, Financial Control and Manufacturing as well as a representative from Cartier, the Group's largest Maison. The CSR Committee meets at least twice a year to review progress against a framework and to agree relevant programmes. Annually, the CSR Committee gathers data from each Maison and market. This data is reviewed, analysed, shared among peers and acted upon.

The Group requires each Maison and shared service platform to designate a named person to take responsibility for CSR, including the implementation of Group standards and local initiatives.

We organise a yearly CSR Meeting and invite the CSR representatives of each Maison and region to share progress and best-practices, discuss activities and agree goals and priorities for the coming year. The Group has also developed tools to facilitate information sharing."

cies filtered down to the brand level was uncertain, except for the responsible sourcing of raw materials where there is coherence between Richemont's and Piaget's website.

Consequently, it was difficult to gain a deep understanding of Piaget's approach to corporate responsibility through its website. Other sources proved more fruitful. One expert, Jennifer Horning, noted that Piaget's approach to corporate responsibility was "positive, ahead of the curve." Meanwhile, Mr. Christopher Cordey, founder of the Sustainable Luxury Forum, observed that Piaget is progressing as a responsible business.[124]

Whether corporate responsibility will become a core driver for Piaget in the future is doubtful. Piaget states on its website:

> *"Though environmental protection and the "green attitude" are not at the core of the company's business, we have decided to take action to reduce our impact on the environment by ensuring that we use raw materials that have been extracted and processed according to the strictest standards and by implementing strong company ethics."*[125]

This suggests a compliance approach to corporate responsibility that is defensive and does not seek opportunities to make an impact in the world.

Piaget supports KPCS and the World Diamond Council (WDC) voluntary SoW. It is a member of RJC and a signatory of NDG. While RJC membership will guide Piaget in formalising its commitment on ethics, the environment and human rights as per Box 2 (page 38), media analysis revealed that Piaget is not adhering to the Golden Rules set out by NDG. Apart from becoming a signatory and informing suppliers of intent, an NDG report released in March 2010 confirmed that Piaget had not conducted a supply chain audit, and the Golden Rules were not reflected in its policies and contracts nor were they public. However, in light of Piaget's goal to be RJC certified, this will no doubt evolve.[126]

The research in the Geneva boutique revealed that Burmese rubies could be obtained if demanded by the customer. The assistant advised, however, that a client is more likely to ask for a specific quality of gemstone rather than a geographic origin, adding that Piaget did not have a focus on coloured gemstones. The assistant was aware of KPCS but could not guarantee the traceability of diamonds and other precious gemstones.

Piaget is nonetheless 'partially active' on corporate responsibility. However, there is lack of transparency at the brand level. One reason may be because Richemont's corporate structure impedes transparency as Greg Valerio cautioned for Cartier. Better integration is also needed as the shop-floor research showed. With Piaget's involvement in RJC and other initiatives such as the Sustainable Luxury Forum, there is the potential for this to improve.

Van Cleef & Arpels

Renowned for their expertise in gemstones, Van Cleef & Arpels is inspired by its pledge to make exceptional stones sublime and has won particular acclaim for a groundbreaking gem-setting procedure known as *Mystery Setting.* Also part of the Richemont Group, it has 70 dedicated boutiques around the world.[127]

Corporate responsibility at Van Cleef & Arpels is integrated into the umbrella policy of the parent company as per Box 3 (page 47) from the Richemont website.

Within this framework, queries were directed to the company's communication director, Ms. Sibylle Jammes, but there was no response as to their willingness to participate in the study.

The Richemont website and data provided from EIRIS indicate that the parent company has policies covering many of the areas related to corporate responsibility such as the environment, bribery and corruption, ethics, human rights, supply chain, stakeholder engagement, equal opportunities, health and safety, and customer communication. However, according to EIRIS, only the stakeholder engagement and supply chain policies warranted the rating 'good' in their 2009 analysis, also highlighting that the implementation of the respective management systems was only average. How these policies filtered down to the brand level was not determined, except for the responsible sourcing of raw materials where there is coherence between Richemont's and Van Cleef & Arpels' websites.

Consequently, it was difficult to gain a deep understanding of Van Cleef & Arpels' approach to corporate responsibility through its website. However, one expert, Jennifer Horning, noted that Van Cleef & Arpels' approach to corporate responsibility was "positive, ahead of the curve."

Van Cleef & Arpels supports KPCS and WDC SoW. It is a member of RJC and a signatory of NDG. While RJC membership will guide Van Cleef & Arpels in formalising its commitment on ethics, the environment and human rights as per Box 2 (page 38), media analysis revealed that Van Cleef & Arpels is not adhering to the Golden Rules set out by NDG. Apart from becoming a signatory and informing suppliers of intent, an NDG report released in March 2010 confirmed that Van Cleef & Arpels had not conducted a supply chain audit and the Golden Rules were not reflected in its policies and contracts, nor were they public. However, in light of Van Cleef & Arpels' goal to be RJC certified, this will no doubt evolve.[128]

According to the brand director in the London boutique, Van Cleef & Arpels does not have Burmese rubies. Gemstones could be analysed for origin upon request but it was not standard practice for paperwork reasons. Only personal guarantees could be offered when it came to the responsible sourcing of gemstones and precious metals. During discussions, there was no reference to KPCS per se, but the director had a detailed knowledge on conflict diamonds. For the brand director, Van Cleef & Arpels is all about femininity and joy, celebrating the happy, joyful moments in people's lives, and so something "which drives a war that is used to pay soldiers to kill people" on your finger is incoherent. The brand director took a lot of personal pride in feeling that he was taking part in special, joyful moments in people's lives and could do so "cleanly." He said there was a lot of ignorance and denial within the industry and that it was not interested in these issues. As a result, he was only too pleased to respond to such questions as very few people care enough for financial reasons; they would prefer to save the 30% from the use of conflict diamonds or rubies from Burma. While he knew he was losing sales by adhering to such principles, he was happy to do so as he was operating ethically.

When asked about environmental management policies, he said that as Van Cleef & Arpels does not own mines, he and the retail staff, in general, did not have a good awareness of the issues and that head office was more knowledgeable on such matters. He offered to call Paris head office immediately and returned 5 minutes later with a print-out of the Council for Responsible Jewellery Practices (now RJC) "Introduction: from Mine to Retail"(2005).

Such enthusiasm for ethical excellence in jewellery is encouraging but it was not possible to verify the statements of the London boutique's brand director. In light of the NDG report, which indicated that the brand had not conducted a supply chain audit, the supply of gold is still something to be verified. However, with positive feedback from one expert and the company's involvement in RJC, Van Cleef & Arpels is 'partially active' on corporate responsibility issues.

Glossary of Terms

Alliance for Responsible Mining

The Alliance for Responsible Mining (ARM) is an independent, global and pioneering initiative established in 2004 to enhance equity and wellbeing in artisanal and small-scale mining (ASM) communities through improved social, environmental and labour practices, good governance and the implementation of ecosystem restoration. Their activities are focused on three strategic areas of work: standard setting, producer support and communication.

Together with the Fairtrade Labelling Organisation (FLO), ARM developed the first ever independent third party certification for Fairtrade and Fairmined gold to bring about social, environmental and economic development in ASM communities. Over the next five years, ARM will continue developing standards for precious metals and coloured gemstones.

http://www.communitymining.org/

Certification

Certification is the process whereby norms or standards are met through an audit. Two types of certification are relevant to this study: second party and third party. Second party certification is when an industry or trade association creates its own code of conduct and implements reporting mechanisms. On the other hand, third party certification utilises an external, independent group, sometimes a non-governmental organisation (NGO), in forming and developing rules and compliance methods and measures for a particular firm or industry. Due to the higher level of stakeholder dialogue and independence involved in third party certification, it is considered a more rigorous process in standards assurance.

Diamond Development Initiative

The Diamond Development Initiative (DDI) is a unique effort to address the problems of artisanal diamond mining, bringing NGOs, governments and the private sector together to ensure that diamonds are an engine for development. Its vision is one of “development diamonds” that are produced responsibly and safely in conflict-free zones while creating sustainable impact on the lives of artisanal mining communities. The DDI is an important complement to the Kimberley Process and its work with alluvial producer countries.

http://www.ddiglobal.org/

Dodd Frank Act

The Dodd Frank Wall Street Reform and Consumer Protection Act is a federal statute in the United States, created in response to the financial crisis in an attempt to regulate its financial services industry. Part of the regulation requires US listed companies to disclose to the Securities and Exchange Commission (SEC) their sourcing of gold and other materials from, or countries near, the Democratic Republic of the Congo.

Golden Rules

The Golden Rules are basic norms that assure human rights, labour and environmental conditions under which gold is produced as per Box 4 (page 50). They are part of the No Dirty Gold Campaign managed by the NGO, Earthworks.

Initiative for Responsible Mining Assurance

The Initiative for Responsible Mining Assurance (IRMA) is a multi-sector effort to develop and establish a voluntary system to independently verify compliance with environmental, human rights and social standards for mining operations. It is still in the process of developing its third party certification, which incorporates The Golden Rules.

http://www.responsiblemining.net/

Kimberley Process Certification Scheme

The Kimberley Process Certification Scheme (KPCS) is a regulatory system that seeks to stop the flow of conflict diamonds. Participating governments are required to ensure that each export shipment of rough diamonds is in a secure container and accompanied by a uniquely numbered, government-validated certificate stating that the diamonds are conflict-free. As of December 2010, there were 48 members, representing 74 nations. All participating nations agree not to accept any rough diamonds without an approved Kimberley Process Certificate. It has also come under serious scrutiny over its effectiveness in preventing conflict diamonds entering the market, with Ian Smillie, one of its original architects, and Martin Rapaport, the diamond industry’s leading spokesperson both withdrawing their support.[126]

http://www.kimberleyprocess.com/

No Dirty Gold

No Dirty Gold is an international campaign working to ensure that gold mining operations respect human rights and the environment. Due to the importance of gold to make jewellery, the initiative seeks the collaboration of jewellery retailers to clean up dirty gold mining and preserve gold's reputation. It is working in conjunction with IRMA to create an independent third party certification for the mining sector.

The signatories to the Golden Rules pledge to work towards sourcing precious metals that would not make them complicit in the destructive impacts of mining. This commitment means working to ensure that their suppliers of precious metals use responsible practices as outlined in Box 4.

BOX 4. THE GOLDEN RULES

- Respect basic human rights outlined in international conventions and law
- Obtain the free, prior, and informed consent of affected communities
- Respect workers' rights and labour standards, including safe working conditions
- Ensure that operations are not located in areas of armed or militarised conflict
- Ensure that projects do not force communities off their lands
- Ensure that projects are not located in protected areas, fragile ecosystems, or other areas of high conservation or ecological value
- Refrain from dumping mine wastes into the ocean, rivers, lakes, or streams
- Ensure that projects do not contaminate water, soil, or air with sulphuric acid drainage or other toxic chemicals
- Cover all costs of closing down and cleaning up mine sites
- Fully disclose information about social and environmental effects of projects
- Allow independent verification of the above

Jewellers also commit to auditing their current sources to inform their suppliers of their Golden Rules sourcing commitment, and to increase recycled content in their products.

http://www.nodirtygold.org/

Responsible Jewellery Council

The Responsible Jewellery Council (RJC) is an international, not-for-profit organisation established to reinforce consumer confidence in the jewellery industry by advancing responsible business practices throughout the diamond and gold jewellery supply chain. It is an industry lead initiative, thus its certification programme is second party, but it is the largest initiative that includes diamonds as part of their standards. Unlike ARM's Fairtrade and Fairmined gold, there are no traceability requirements in RJC standards at the moment.

http://www.responsiblejewellery.com/

World Diamond Council's System of Warranties

The World Diamond Council's System of Warranties is a business-to-business scheme that requires a declaration on the invoice accompanying every transaction of rough diamonds, polished diamonds and diamond jewellery that the diamonds are "not involved in funding conflict and are in compliance with United Nations resolutions." This declaration is subject to an annual company audit and is supervised by the relevant national authorities.

http://www.diamondfacts.org/conflict/eliminating_conflict_diamonds.html

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- Search 1: Harry Winston + CSR
- Search 2: Harry Winston + environmental
- Search 3: Harry Winston + human rights
- Search 4: Harry Winston + conflict
- Search 5: Harry Winston + sustainable development

When these searches produced many results, only the first two pages of results were examined. When information was not available at brand level, corporate websites were analysed. However, while policy may have been available, this was not necessarily an indicator of how policy was applied at the brand level, which represents a limitation (refer below) in this part of the research.

[26] Firstly, as the initial research was not necessarily going to be published, there was little marketing value from participating. As the report is intended for industry not consumers, the benefit of participation would be to learn through collectively sharing approaches, rather than seeking brand promotion. Secondly, some brands said they already knew what they needed to know on general industry practice and did not need further information, while others were clearly not approaching these issues as a priority and did not see a benefit in participating, or the eventual utility of the information. As the study shows however, much is needed to be done within the luxury jewellery sector. For this reason, several experts encouraged the publication of the report to create greater awareness in developing a fairer jewellery industry.

A key challenge for some brands was identifying how parent company policy filtered through to the brand level. The four-part methodology proposed was chosen as a way to cross-check information but in many cases, it was impossible to determine if the parent company policy is reflected at the brand level.

Finally, as all research was conducted in English and many brands are based outside of English-speaking countries, the research may not have identified relevant information when analysing media sources.

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Author Biographies

JEM BENDELL is an advisor, educator, researcher and writer with fifteen years at the forefront of innovations in business responses to sustainable development. An international authority on responsible enterprise in the luxury industry, he wrote the seminal report *Deeper Luxury: Quality and Style when the World Matters* for the environmental group WWF.

With a PhD in international policy, Jem Bendell has worked with UN agencies, international charities, universities and business throughout the world. His experience is diverse having developed initiatives to endorse sustainable fisheries (Marine Stewardship Council) and to promote sustainable finance (The Financial Innovation Lab), as well as creating several networks to support corporate responsibility (CSR Geneva and the Authentic Luxury Network). He is CEO of the responsible enterprise portal Lifeworth.com and strategy advisors Lifeworth Consulting.

As an academic, Jem Bendell has published a long series of articles on the theme of corporate responsibility, including the forthcoming book *Higher Ends: Sustainable Luxury Management and Design.* He developed the MBA module on sustainability in the luxury industry at IE Business School in Madrid, Spain and is on the advisory board of the Sustainable Luxury Research Centre in Buenos Aires, Argentina. He is also Associate Professor at the Asia-Pacific Centre for Sustainable Enterprise at Griffith Business School, Australia.

IAN DOYLE is a consultant in responsible enterprise and has been researching responsible jewellery practices for over 18 months. He participated in DeBeers' 2010 stakeholder forum and spoke at the Sustainable Luxury Forum on social innovation through the ethical sourcing of gemstones. He was also a panellist at the Sustainable Luxury Fair on the theme: 'How luxury consumers perceive sustainable development.'

He also teaches business ethics and has written regularly in the Journal of Corporate Citizenship on various themes related to corporate responsibility. He is a contributor to the forthcoming book, *Higher Ends: Sustainable Luxury Management and Design,* and co-author of *Healing Capitalism,* to be published in 2012.

His volunteering includes work with a women's association in Burkina Faso and an exploration with the UN International Strategy for Disaster Reduction (UNISDR) on the progressive business role in disaster risk reduction.

What is the social and environmental impact of the world's best jewellery companies? Are they meeting customers' new aspirations for luxury products that create benefit not harm? Can jewellery brands play a role in promoting sustainable development? What does ethical excellence look like for luxury jewellery brands today? Who is leading and who is lagging?

These questions are answered in this study produced for the jewellery industry. It finds that although a decade of effort to reduce conflict and environmental damage from jewellery supply chains has curbed some of the worst practices, it has failed to identify an aspirational role for jewellery. Today, the efforts of responsible jewellery pioneers are outlining a vision of ethical excellence. By comparing the actions of ten luxury brands with this new vision, the report finds luxury jewellery firms risk being left behind in an increasingly aspirational marketplace.

In 2007 the WWF-UK report *Deeper Luxury: Quality and Style When the World Matters* was widely acknowledged to have inspired the luxury industry to increase efforts on their social, environmental and ethical performance. Co-written by the lead author of Deeper Luxury, this report contributes to the ongoing development of luxury brand responsibility.