

Due Diligence Implementation Guidance v Oct 2023

- Risks in diamond supply chains take various forms. In addition to risks for money laundering and conflict financing, there are various risks for human rights and the environment.
- Diamond companies are increasingly expected to carry out 'due diligence' in line with international guidelines like the UN Guiding Principles on Business and Human Rights, and the OECD Due Diligence Guidance.
- Due diligence involves a series of processes aimed at understanding and mitigating risks, and at structuring your business internally to monitor risks.

Due diligence: three parallel processes



Structure your business internally

Define and Communicate your Supply Chain Policy

What?

Define the Supply Chain Policy for your company. This policy explains what your business commits to and what you expect from your suppliers.

How?

- Tailor the **AWDC supply chain policy template** to your business
- Get management to approve the policy
- Communicate the policy to suppliers (e.g. through website, email, together with the consignment note or invoice)
- Get your suppliers' commitment to respect the policy

Assign responsibility for supply chain due diligence

What?

Define who in your business is responsible for supply chain due diligence.

How?

- We recommend appointing your AML officer since this person already has the knowhow and understanding of due diligence processes and risk assessments.
- In larger companies, due diligence is best implemented by a team composed of people from different departments (e.g. compliance, sustainability, procurement)

Set up systems for collecting data from suppliers

What?

Ensure that you have systems in place to collect key information from suppliers

How?

- **Information on AML risks** (money laundering): Use AWDC AML client letters to request all necessary documents of your supplier related
- **Information on origin and sustainability risks:** request information from suppliers about origin and about their due diligence processes. We suggest using the template in appendix (inspired by the RJC COP7 Due Diligence Toolkit)
- Use Bureau van Dijk database to collect key supplier details about politically exposed persons; country risks; sanctions and watchlist.
- *Optionally: Make use of digital platforms to monitor supplier sustainability performance (AWDC is currently exploring these systems)*

Understanding risks

Understand *potential* risks in diamond supply chains

What?

As a responsible diamond company, it is important to be aware of risks in diamond supply chains. These risks include money laundering, corruption, armed conflict, and negative impacts on human rights and the environment.

How?

- Subscribe for newsletters, webinars, and trainings of AWDC and RJC
- Regularly consult the news on websites like RJC news and Rapaport
- Stay up-to-date with information on Conflict-Affected and High-Risk Areas by checking the [RJC's COP 7](#). Further information about CAHRAs can be found on the website of the [International Peace Information Service](#)
- An assessment of sustainability risks is available on the AWDC website. This assessment will be updated in the future.

Check if these risks are *effectively* present in your own supply chain

What?

Once you understand potential risks, it is important to assess the extent to which your supply chains are *effectively* exposed to these risks.

How?

1) Determine the origin of your diamonds by relying on the following information

- Country of mining origin on Kimberley Process Certificates;
- World Diamond Council warranty statement on the invoice of your supplier (see Best Practice Guide for further details)
- Other company-specific warranties on the invoice of your supplier (e.g. 'The goods do not originate from ...')
- Diamond Origin Reports for mining origin of polished diamonds (e.g. GIA origin reports, Sarin diamond journey, ..)
- Further information obtained directly from supplier (see 'Structure your business internally')
- Information requested from Diamond Office, which can make an inventory of incoming shipments of diamonds before official import via foot printing methodology.

2) Assess your suppliers:

- Use AWDC AML (client) letters to request all necessary documents of your supplier (available on the AWDC website)
- Use Bureau van Dijk database to collect key supplier details about politically exposed persons; country risks; sanctions and watchlist.
- Ask suppliers to sign your supply chain policy and to provide you with information about their sustainability policies (see 'structure your business internally')
- Optionally: Rely on third-party supplier sustainability assessments (AWDC is currently exploring these systems).

3) Check for red flags:

- Country of origin is a CAHRA or a high-risk country on the BSCI country risk list
- Country of origin is not known or information is inconsistent
- Supplier assessment reveals risks related to money laundering, corruption, or sustainability
- Supplier refuses to sign supply chain policy
- Indications that diamonds originate from artisanal and small-scale mining
- Adverse media reporting involving your supplier

If any of these red flags exist, you need to take steps to mitigate risks (see below)

Mitigating risks

What actions can I take to mitigate risks?

- Engage in a **dialogue with your supplier** to clarify your concerns and to jointly develop corrective actions. Corrective actions that need to be taken will depend upon the type of risk or violation that has been identified. For instance, if the country of origin is unknown, corrective actions should consist in providing more information about origin. If the country of origin is a CAHRA, corrective actions could consist in carrying out additional checks to make sure that profits from diamond extraction and -trading do not contribute to armed conflict.
- Carry out **further investigations** to gather more information about your suppliers and about (risks in) your supply chains. Possible sources include media reports, investigative reports, and possibly paid third-party data providers.

What actions can I take to mitigate risks?

- Consider **joining an industry or multi-stakeholder initiative**. The most important initiative for the diamond industry is the [Responsible Jewelry Council](#) (RJC). The RJC is built around a standard that pays central attention to sustainability due diligence, and that is enforced through audits.
- **Sourcing from artisanal mining**. A growing number of initiatives are emerging that encourage responsible artisanal mining in line with social and environmental standards, and that support their integration in diamond supply chains. Prominent examples include:
 - **Gemfair** was initiated by De Beers in 2018. It is based on a standard for responsible artisanal diamond mining, and an accompanying certification scheme. Gemfair has also set up developed a digital platform where miners can upload their products to receive a price assessment from De Beers, and to receive offers from Gemfair participants.
 - **DDI@Resolve**. The Diamond Development Initiative and Resolve are setting up a responsible sourcing program for artisanal diamonds based on the Maendeleo Diamond Standard. This standard promotes better prices for artisanal miners, and a “system of legalized mining operations that respect human rights, health and safety, and support environmental sustainability”. In 2022, the Antwerp World Diamond Centre (AWDC) initiated a pilot project with DDI@Resolve in the Democratic Republic of Congo, with the aim of certifying six cooperatives under the Maendeleo standard, and increasing the supply of responsible artisanal diamonds on the Antwerp market.
 - **Diamonds for peace** is an NGO that is active in Liberia, where it is trying to set up a Fairtrade-like system for diamonds that links artisanal miners directly to diamond manufacturers and jewelers. It trains artisanal miners to better understand the diamond supply chain, and supports alternative livelihoods, not to replace diamond mining, but to allow miners to finance mining activities.

Appendix: template for supplier letter

Dear [insert recipient's name],

I am writing to inform you that [your company name] is committed to carrying out due diligence to ensure that our diamond sourcing does not contribute to conflict, human rights violations, or negative environmental impacts. Our commitment is outlined in our Supply Chain Policy which can be accessed [provide link / attach the document].

As part of our commitment, we are working with our suppliers to understand the origin of our diamonds and the due diligence processes that are being applied by our suppliers to identify and manage key supply chain risks. Hence, we kindly request you to:

- 1) **Respect our policy:** Confirm in writing (by signing our supply chain policy) that you have read, understood and respect our Supply Chain Policy, and will adhere to its principles in your own activities;
- 2) **Provide information about the origin of diamonds:** This information can be provided (for instance) on the invoice. Please specify the % of diamonds for which you are able to provide:
 - **Detailed information about mining origin:** Rough/polished diamonds from known large-scale mining or artisanal and small-scale mining producers that provide information on the original source of production (e.g. company, mine or specific area of production is known).
 - **Some, but limited, information about mining origin:** Rough/polished diamonds from established suppliers or open markets where there is some, but limited, information on the original source of production (Please provide information that is known e.g. country of origin).
 - **No information about mining origin:** Rough/polished diamonds from established suppliers or open markets where there is no information available on the original source of production.
- 3) **Provide evidence that you have undertaken due diligence** to identify and mitigate risks for money laundering, corruption, armed conflict, human rights, and the environment. Such evidence could include copies of your responsible sourcing policies, copies of supply chain risk assessments, audit reports, or evidence of participation in responsible sourcing initiatives or programs (e.g. Responsible Jewellery Council)

Feel free to contact me at [insert contact details, e.g. phone number, email address, ...].

Warm regards,
[insert name and signature]