

INTRODUCTION

UL Consumer and Retail Services (CRS) Responsible Sourcing team would like to thank our team, guest speaker, Philip Olden, and valued guests joining us for UL's first UK Consumer Retail Services (CRS) Summit in London on May 16, 2017. We were thrilled to have Philip Olden representing Signet Jewelers, the jewelry retail group with the largest number of stores in the world, and market leaders in the USA and Europe, give unique insights during our "Jewelry - Compliance, Conflict Minerals" session. Other sessions included, "How to Manage Complex Global Supplier Networks", "Managing Anti-Bribery Controls in Product Inspections", "Optimizing Social Audits – creative ways to gather additional insights during the Audit Process", and, "Ready to Detox? Green Services and Chemical Management".

If you were unable to join us for this event, UL shares a series of "An Interview With..." conversations with some of our speakers. This is our third blog from the event.

An Interview with Philip Olden



Philip Olden

Consultant to the Luxury Goods and Jewelry sector



UL RESPONSIBLE SOURCING'S JUDE MACKAY, SPOKE WITH PHILIP OLDEN AFTER THE MAY 16 LONDON EVENT TO DISCUSS THE KEY THEMES OF THE SUMMIT.

Jude Mackay Philip, thanks so much for joining us at UL's first European Consumer and Retail Services Summit, and giving such great insights into the responsible jewelry sector.

The UN has documented links between mining and armed groups, and the use of child labor and forced labor, the lack of health and safety provisions at mines, and the extreme abuse of women in armed conflict zones. In 2000, the Kimberley Process (KP) gathered Southern African diamond-producing states to commit to cease trade in "conflict diamonds". It's great to be able to talk about what happened next in the industry, as a result of the Process, and how that commitment was used to developed practical standards to implement.

Philip Olden The Kimberley Process established a system of warranties from member states for rough diamonds: it formed a foundation of assurances of where the diamonds come from; it gave the reasons why the industry should be responsible; and helped lead to the establishment of the Responsible Jewellery Council (RJC) in 2005, which provided gold and diamond industry responsible business practices assurances. The Dodd Frank Act (U.S.A., 2011) and the EU (2016) legislation around Conflict Minerals then provided greater assurance of provenance. Diamonds are not included in the Dodd Frank Act nor the EU regulations [for gold and the "3Ts" - tin, tantalum and tungsten] but diamonds are obvious high-value, low-volume items which could be easily traded illicitly, so it's important that the diamond industry also develops assurances and standards which build on the Kimberley Process and provide assurance on the integrity of the diamond supply chain. [As of 2013, the KP has 54 participants, representing 81 countries, with the European Union and its 28 Member States counting as a single participant, represented by the European Commission. KP members account for approximately 99.8% of the global production of rough diamonds.]

Jude Mackay Philip, you use the term "assurances" which is a bold word.

Philip Olden Yes, there are various standards that can be used for systematic verification. Some trace to the source mine, an effective chain-of-custody; some trace back to choke points, gold refineries, for example; and the RJC members can make provenance claims, for example, "all our diamonds come from Canada", or in accordance with Signet Responsible Sourcing Protocol. Assurances are manifested according to complexity of supply chain and are independently verifiable.

Jude Mackay What's blockchain technology, and why can this type of assurance add value to responsible supply chain management?



Philip Olden Blockchain is a system of tracking transactions of a product supply chain, with the owners of the next process verifying the previous transactions of that chain. It's transparently visible to all and [the systems employed] cannot be tampered with. For the jewelry industry this is still in early stages of development: IBM is currently in the stakeholder engagement process stage to understand the challenges. One challenge we see is how to verify "mixed materials", meaning parcels of materials (for example, diamonds) with Blockchain provenance mixed with non-Blockchain parcels, as trading is based on quality rather than on source. Diamond specs will provide challenges. Many in the jewelry industry are interested in blockchain technology but challenges need to be considered [before it's widely adopted].

Jude Mackay We spoke to UL's UK Summit crowd at a very exciting time for the responsible jewelry industry, with the release of the "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas" and the discussion of the April enactment of the "EU Conflict Minerals Legislation at the 11th Forum on Responsible Mineral Supply Chains" in Paris earlier this month. We know you're on the Working Group of the OECD Conflict Minerals discussion. There are some progressive changes. UL attended the Electronic Industry Citizenship Coalition (EICC)'s first European Outreach Meeting in January this year, and there was much discussion around Conflict Minerals, so much so that they are partnering with other industries, like the automotive sector, and changing their name to the Responsible Business Alliance. Which industries are getting involved?

Philip Olden All companies in the EU [with these minerals in their product supply chain] will have to report their Conflict Minerals practices from 2021 onwards. The RJC provided the means for companies in the jewelry industry to provide assurances for responsible practices, including using their verifiable chain-of-custody and provenance claims system. But the main catalyst for industry to take this seriously was the Dodd Frank Act of 2010 in the US, which became mandatory for US-listed companies from 2013 onwards, applying to gold and 3Ts: the same minerals are in scope for the new EU legislation. The Dodd Frank Act was the most significant impact as the U.S. fine jewelry supply chain has a very broad global reach. Other markets, like China and India, do not have the same global impact. So this Act provided a platform for major implementation of standards, and Signet transparently and openly introduced their Responsible Sourcing Protocols for all companies to use, as they are looking to both advance their industry and harmonize efforts. This can be applied not only to gold, 3Ts and now diamonds, as it's aligned with the OECD guidance, so it's being prepared now for silver, platinum and colored stones: so, eventually all minerals used in fine jewelry. The Dodd Frank Act set the scene, standards were developed, which were adopted as best practice, applied beyond scope, and have now become "part of doing business". Another industry that was always active in this space was the electronics (especially smartphones and computers) industry, for Gold and the 3Ts: Signet was involved with the EICC and the development of the Conflict-Free Smelters Initiative, and this has been of great relevance here. At the Paris OECD meetings in May this year there were many more industries present that had not attended these discussions before, especially as the OECD has confirmed that their guidance is applicable to all minerals. There is much focus on this, from multiple stakeholders, civil society and media. Next year, the OECD will release their due diligence guidance for all industries and all minerals, which will advise companies to identify risks and adopt best practices to mitigate these risks, and these will become general practice for the future.

Jude Mackay What recommendations do you have for those starting out on their EU Conflict Minerals journey?



Philip Olden When starting to develop their Responsible Sourcing Protocols, Signet encountered resistance with, “you can’t do this, you can’t trace gold, it’s like water”, especially as a third of the global market supply is recycled. But with the help of others in the industry, like the London Bullion Market Association (LBMA), they continued. My advice would be to work with industry and trade associations, especially those with influence over choke points, and to follow the OECD 5-Step Framework. The first step is to put proper management systems in place, meaning have a Compliance Officer. Then begin to action due diligence in your supply chain: ask suppliers where the materials come from, and which of the sources of these minerals are subject to industry standards. Here, when getting into the details, we often see stumbling blocks, and sometimes resistance can be seen, with for example, “you cannot impose standards on this supply chain, on me”, or “it’s not what we do”, but everyone says this. The easiest part is working with suppliers within your own supply chain. The legislative requirement really pushed the industry associations [to adopt change]. The LBMA said “we can do it” and helped develop responsible standards for Gold: this became a core reference for Signet in their Responsible Sourcing Protocols. Influencing your industry trade associations to collectively act is the key. If there is unethical trade in products sold, reputational damage can be disastrous, and this can happen to any industry. The reason why the jewelry industry is so sensitive is because the products are sold for the materials used – like gold and diamonds – and this is not so prevalent in other industries. If you can get traceability of bananas and coffee and wood pulp in paper, there is no reason why your industry cannot also apply this. Don’t take “no” for an answer. And get engaged: become part of an industry association.

ABOUT PHILIP

Philip Olden is an independent consultant in the luxury and jewelry sectors, representing Signet Jewelers, the market-leading jewelry retailer in the USA, Canada and the UK with over 3,500 retail stores. His other clients have included Swarovski, Rio Tinto, the Responsible Jewelry Council (“RJC”) and the OECD. His previous experience includes Managing Director positions at the World Gold Council, Richemont Luxury Group and Inchcape plc. In his work for Signet, he has managed the development and implementation of market-leading responsible sourcing protocols for gold, which have been Signet policy since 2013 for all Signet’s suppliers. He is an accredited subject matter expert for the RJC and a member of the OECD’s Multi-stakeholder Working Group. Philip also leads a project for Signet for the sourcing of certified artisanal gold from the DRC in partnership with gold refiners, civil society, US State Department and other leading downstream industry participants.

Signet’s Protocols can be found here:

<http://www.signetjewelers.com/corporate-responsibility/responsible-sourcing/>

The OECD’s “Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas” can be found here:

<http://www.responsiblejewellery.com/oecd-due-diligence-guidance/>

ABOUT UL JEWELRY & WATCHES

From mines to manufacturers, wholesalers to retailers, UL provides a wide range of services for the jewelry industry. UL’s expertise in quality assurance, responsible sourcing, global regulatory requirements and product safety testing knowledge uniquely positions UL to serve as your trusted resource.

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