

# WORLD FEDERATION CODE OF CONDUCT (WFCOP)

## APPENDIX A

**January 31, 2007**

### CONFLICT DIAMONDS

**29TH CONGRESS, ANTWERP, 2000**

#### **JOINT RESOLUTION WFDB AND IDMA:**

WFDB and IDMA, representing all the principal diamond manufacturing and trading centers of the world, have consistently been aware of and been involved in combating the conflict diamonds problem. Particularly, they point to the numerous resolutions passed by themselves and their members.

We believe that more can and should be done to limit, if not eliminate, this problem entirely. We believe that the solution to the conflict diamonds problem is a moral imperative above all others. However we do not believe that the solution necessarily entails damage or limitation to the 96+% of the world diamond trade which is legitimate.

On the contrary, we believe that an enlightened and effective approach to the problem can lead to the improvement of the diamond market overall.

It is our understanding that all concerned parties are aware of the positive benefits of diamonds as well as their potential role in providing prosperity, a key ingredient of peace, in countries currently experiencing strife. Over the past year, various solutions have been proposed. We have analyzed these proposals, some of which we have found to be ineffective, others more practical and some impractical. All the proposals have had elements that we believe are logical and should be incorporated into an effective solution.

As diamond manufacturers and traders primarily responsible for the conversion of rough diamonds into polished and the marketing of those polished diamonds, we are proposing a number of concrete steps to be taken by all parties concerned which we believe will lead to a more effective and immediate resolution of the problem.

While our proposal may be subject in the future to any number of improvements, we believe it is, in the first instance, practically implementable in the short term, and it does not preclude further steps being taken as and when "the means and requirement arise.

Specifically and most importantly, we are mindful that the next phase of solution must start sooner rather than later and that if this is to be done in a non-destructive manner, the most practically implementable steps must be taken first, in order that the process not be delayed with theoretical concepts and technologies.

1. We recognize that rough diamonds individually are not sufficiently determinable as to source and origin. However, with the correct system, rough diamond parcels can be monitored within a net.
2. There is no implementable means of tagging, tracking and identifying finished polished diamonds.
3. All legitimate diamonds in their rough form can travel within an identifiable net.

Accordingly we propose:

1. Each accredited rough diamond importing country, whether a producer, manufacturing or dealing center, enacts "redline" legislation. As such, no parcel of rough may be imported unless such parcel of rough has been sealed

and registered in a universally standardized manner by an accredited export authority from the exporting country.

2. Each exporting country, which can be either a producer country or accredited dealing/manufacturing center, will establish accredited export offices or diamond board which will seal parcels of rough diamonds to be exported and registered in an international database. If the country is a producer country, it will be accredited only if it has control mechanisms in place to determine the flow of rough and legitimate ownership of rough presented to the export authority.
3. Polished diamond consuming countries will enact legislation forbidding importation of polished diamonds from any manufacturing/dealing country that does not have "redline" legislation as regards the importation of rough.
4. Each and every country, as part of the diamond net, be they rough exporters, importers, or polished consuming countries, enacts legislation bringing criminal penalties on any individual and/or company proven to be knowingly involved in illegal rough diamonds.
5. Each and every diamond organization adopts an ethical code of conduct as regards conflict diamonds, labor practices and good business practices in general, the failure to adhere to which would lead to expulsion from WFDB, IDMA and all other relevant organizations.
6. As a positive measure of compliance, all relevant and interested parties promote adherence to the code of conduct as a positive consumer choice in the marketplace.
7. We enlist the support of the banks, insurance, shipping companies and other pertinent providers of goods and services to our industry to expose and cease business relations with any entity that is found knowingly to violate these principles.
8. That there is a continual analysis of relevant technologies and investment by the industry in developing them further for implementation leading to greater compliance.
9. That compliance with the above be monitored and controlled by a World Diamond Council comprised of producers, manufacturers, traders, governments and relevant international organizations. That this process be fully verified and audited.

A joint committee of both organizations has been formed in order to ensure rapid implementation of the above. As we envisage it, each time rough diamonds leave a producer or rough trading center, those rough diamonds would be sealed in a standardized manner by an authority accredited by the World Diamond Council. This is the only means by which those diamonds could be imported into the next country.

We understand that it is the nature of the diamond business and directly related to the profitability of mines and the efficient manufacturing processes currently employed, that rough diamonds of various origins and qualities are mixed together into saleable parcels. Therefore, our system allows for the mixture of such parcels by requiring their further export and import from any mixing or dealing center to be subject once again to sealing and documentation.

Key to the whole process is monitoring and keeping accounts of the date flows. In particular, it is essential to be able to verify and see that one country's exports to another are matched by that country's official imports from the exporting country. All accounts should, ultimately, balance.

The establishment of the World Diamond Council is crucial to this process in that the World Diamond Council would be required to balance all imports and exports and accredit importing and exporting authorities in each country.

Just as importantly, it is undoubtedly correct to assume that a certain degree of deliberate non compliance may occur. The World Diamond Council would be required to remove export accreditation from producer countries where rough exports are known to exceed production capacity or verified official imports.

By the same token, the World Diamond Council would be able to remove the accreditation of countries to import diamonds if it was found that those countries were allowing the import of non-verifiable rough.

We believe that funding for our proposals can be achieved through charging a minimal levy, both on the import and export of rough diamonds. Undoubtedly, effectiveness of the system can be improved over time. However, we believe that we will immediately close off all the legal loopholes by which conflict diamonds may currently be entering the trade.

This will make the task of relevant customs and criminal authorities far easier in terms of identifying and prosecuting perpetrators. In particular, if all legitimate rough diamonds are knowingly declared, the four percent of conflict rough diamonds will be impossible for those few companies trading in them to hide.

As a final note, we do not claim that this is an immediately perfect system or that improvements cannot be made. However, we believe that these are practically implementable measures, that they will be highly effective in terms of the current status quo and that they can be relatively rapidly implemented without precluding any further additions.

Most significantly, we believe that our proposals will see immediate results and that they are non-destructive to the legitimate industry and producer countries. In fact they stand to enhance the legitimate trade. By adopting a code of conduct, consumer choice can be made into a positive enhancement of the diamond industry, without the necessity of negative imagery.

### **30th CONGRESS, LONDON, 2002**

#### **JOINT WFDB/IDMA RESOLUTION:**

THE WORLD FEDERATION OF DIAMOND BOURSES and the INTERNATIONAL DIAMOND MANUFACTURERS ASSOCIATION, recognizing that the trade in conflict diamonds is a matter of serious international concern being addressed by governments, industry and civil society in the Kimberley Process, and mindful of the unacceptable suffering of innocent people, unanimously adopted the following resolution at their joint meeting in London the 29th October, 2002:

- a) To meet the challenge of preventing the trade of conflict diamonds, both organizations, and their constituent and affiliated members hereby create the following voluntary system of industry self-regulation in order to comply and support government undertakings of the Kimberley Process.
- b) Each member organization undertakes to require its members to:

#### SYSTEM OF WARRANTIES:

- i. Make the following affirmative statement on all invoices for the sale of rough diamonds, polished diamonds and jewelry containing diamonds. "The diamonds herein invoiced have been purchased from legitimate sources not involved in funding conflict and in compliance with United Nations resolutions. The seller hereby guarantees that these diamonds are conflict free, based on personal knowledge and/or written guarantees provided by the supplier of these diamonds.

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- ii. Not to buy any diamonds from firms that do not include the above statement on their invoices.
- iii. Not to buy any diamonds from suspect or unknown sources of supply and/or that originate in countries that have not implemented the Kimberley Process International Certification Scheme.
- iv. Not to buy diamonds from any source that after a legally binding due process system has been found to have violated government regulations restricting the trade in conflict diamonds.
- v. Not to buy diamonds in or from any region that is subject to an advisory by a governmental authority that conflict diamonds are emanating from or available for sale in such region unless such

- diamonds have been exported from such region in compliance with Kimberley Process requirements.
- vi. Not to knowingly buy or sell or assist others to buy or sell conflict diamonds.
  - vii. Assure that all company employees that buy or sell diamonds within the diamond trade are well-informed regarding trade resolutions restricting the trade in conflict diamonds.
- c. Each member organization shall expel and publicize the expulsion of any members that after a due process investigation by the member's trade organization has been found to be in violation of the above resolutions.
  - d. In coordination with and upon the advice of governmental authorities each member organization shall publicize within the diamond trade:
    - i. All government regulations governing the flow of conflict diamonds and all advisories from governments regarding the trade of conflict diamonds.
    - ii. The names of firms and/or individuals that after legally binding due process have been found to be guilty of violating Kimberley Process requirements (including government regulations) applicable to the trade in conflict diamonds.
    - iii. The names of all regions and locations that governmental authorities advise that conflict diamonds are emanating from or available for sale.
  - e. Each member organization shall assist and provide technical support regarding government regulations and trade resolutions restricting the trade in conflict diamonds to all legitimate parties in need of such information or expertise.

#### **31ST CONGRESS, NEW YORK, 2004**

##### **JOINT WFDB/IDMA RESOLUTION:**

The International Diamond Manufacturers Association (IDMA) and World Federation of Diamond Bourses (WFDB) re-confirm their commitment to end any use of rough diamonds for the purpose of funding conflict in Africa. By forming together in 2000 the World Diamond Council, IDMA and WFDB worked closely with governments and civil society to formulate the Kimberley Process not only to contribute to the end of conflicts by preventing so-called conflict diamonds from entering the legitimate trade, but also to contribute to effective conflict prevention.

Diamonds make an enormous contribution to the economic development and prosperity of the nations that produce, cut, manufacture and design diamonds and diamond jewelry. Our endorsement of the Kimberley Process and the supporting system of warranties has contributed to the achievement of the main goals of the Kimberley Process. We will continue to remain vigilant so that rough diamonds are never again used to fuel war.

Consistent with the undertakings expressed by the World Diamond Council at the Kimberley Process Plenary meeting in October 2001 in Luanda, Angola, the Joint Resolution of IDMA and WFDB passed at the World Diamond Congress in London in October 2002, and consistent with previously enacted individual resolutions adopted by all member organizations of the WFDB and IDMA, it is hereby resolved that WFDB and IDMA strenuously urge its members to continue to fully enact and implement the Kimberley Process Certification Scheme (KPCS) and its supporting system of warranties.

1. Each member is urged to continue to educate themselves and other members of the industry in the implementation and enactment of the KPCS and the supporting system of warranties.
2. Each organization is urged to pro-actively ensure that their members seek from their suppliers' specific warranties on any invoice or memo

accompanying diamonds or jewelry containing diamonds that the diamonds are traded in a manner consistent with UN resolutions, the Kimberley Process and the system of warranties.

3. Each organization is urged to pro-actively ensure their members include on each invoice or memo for diamonds or jewelry containing diamonds a warranty that they have been traded in a manner consistent with UN resolutions, the Kimberley Process, and the system of warranties.
4. Each company is urged to periodically review their individual business records of incoming and outgoing warranties for the purpose of ensuring the use of warranties for all goods traded.

IDMA and WFDB call upon all other sectors of the diamond trade, including jewelry manufacturing and retail sectors to fully participate in efforts to educate their members on the system of warranties and to fully participate in the efforts of the World Diamond Congress to implement the obligations of the Kimberley Process and the system of warranties.

## **DIAMOND TREATMENTS**

### **26th CONGRESS, ANTWERP 1993**

#### **RESOLUTION:**

The fact that diamonds have been artificially infused with foreign matter, or are coated, or are wholly or partially synthetic, or have been treated by irradiation, must be disclosed as such when offered for sale and in writing on the invoice and memorandum. Any breach of the above rule by a member of an affiliated Bourse shall be regarded as fraudulent.

Any violation of the above rule shall be referred to the Bourse for disciplinary action and shall be grounds for suspension, expulsion, fine or such other appropriate disciplinary measure as provided by the By-Laws of the Bourse. If the seller alleges that he was not aware of any treatment, he shall bear the burden of proof thereof

in order to avoid any sanction.

If the seller of a diamond, even in good faith, fails to abide by the above rule, the buyer shall be entitled to cancel the sale, return the diamond, obtain a refund of the purchase price and any direct damage as the buyer may have suffered.

*(1992 Resolution amended by the Judicial Committee assisted by the General Counsel)*

### **27th CONGRESS, TEL-AVIV, 1996**

#### **RECOMMENDATION:**

To prohibit the posting of notices on Bourse premises for the purchase or sale of fracture-filled diamonds, provided that such prohibition does not conflict with local laws.

### **28th CONGRESS, BANGKOK, 1998**

#### **JOINT RESOLUTION WFDB/IDMA ON LASER DRILLING:**

Although laser drilling is an acceptable, permanent process utilized in the cutting and polishing of diamonds, and does not infuse a foreign substance into a diamond or otherwise affect its integrity, it is nevertheless required that this process be disclosed in writing when offered for sale.

This resolution will take effect on January 1, 1999.

### **PRESIDENTS' MEETING, MOSCOW 1999**

#### **RESOLUTION:**

1. If a diamond has been treated or processed in order to alter or enhance its color, other than by generally accepted procedures of cutting and polishing, this fact must be disclosed in writing when such a diamond is offered for sale or submitted for certification.
2. The removal of a lasered inscription, which identifies a diamond as having been treated or processed as above, shall be considered a deceptive practice.
3. Any violation of Article 1 or 2 above shall be regarded as fraudulent and shall be referred to the applicable Bourse for disciplinary action and shall be grounds for suspension, expulsion, fine or such other disciplinary measure as the Bourse deems fit.
4. If such treated or processed diamond is sold without disclosure in breach of the above rule, even in good faith, the buyer shall be entitled to cancel the sale, return the diamond and obtain a refund of the purchase price.

### **30th WFDB CONGRESS, LONDON, 2002**

#### **COMBINED RESOLUTION ON TREATED DIAMONDS ACCEPTED BY THE 28TH CONGRESS OF THE WORLD FEDERATION OF DIAMOND BOURSES IN BANGKOK, JULY 26-29, 1998 AND AMENDED AT THE 30TH CONGRESS OF THE WFDB, LONDON, OCTOBER 27-29, 2002:**

1. The WORLD FEDERATION OF DIAMOND BOURSES rules that in the event of any infusion or coating of foreign matter, treatment by irradiation, or by high pressure/high temperature (HPHT) or any other treatment, the manufacture in part or in whole synthetically:
  - a) In the case of rough diamonds, the foregoing are totally prohibited;
  - b) In the case of polished diamonds, the foregoing must be disclosed in writing when offered for sale or sold.
2. Any violation of the above shall be regarded as fraudulent, shall be referred to the applicable Bourse for disciplinary action and shall be grounds for suspension, expulsion, fine or such other disciplinary measure as the Bourse deems fit.
3. If a seller of a rough or polished diamond, even in good faith, is party to offering a diamond for sale which is in breach of the above rule, the buyer shall be entitled to cancel the sale, return the diamond and obtain a refund of the purchase price and any direct damage which he may have suffered.
4. For the protection of the consumer, THE WORLD FEDERATION OF DIAMOND BOURSES strongly urges:
  - a) Gemological laboratories not to issue diamond grading reports on diamonds which have been artificially infused or coated with foreign matter;
  - b) Bourses to prohibit the posting of notices on Bourse premises for the purchase and sale of such diamonds, provided that such prohibition is not in conflict with local laws.
5. THE WORLD FEDERATION OF DIAMOND BOURSES strongly urges gemological laboratories to disclose in diamond grading reports the fact that laser-drilling has been applied to a diamond.

### **30th WFDB CONGRESS, LONDON, 2002**

#### **RESOLUTION:**

Congress strongly reminds members of the duty to disclose treatments and in particular HPHT.

Failure to do so will automatically result in a severe sanction which can take the form or lead to an expulsion.

It is of absolute necessity for bourses to act immediately and to implement a severe sanction procedure against the wrongdoers.

We furthermore request the co-operation of the gemological laboratories in identifying the wrongdoers and informing the bourses accordingly."

*(pertaining exclusively to polished diamonds)*

## **SYNTHETIC DIAMONDS**

### **32nd WFDB CONGRESS, TEL AVIV, 2006**

#### **RESOLUTION 1**

That the usage of synthetic diamonds for gem purposes be acknowledged and that gemmological laboratories be requested and encouraged to issue certificates describing same, provided that such certificates clearly emphasise the fact that such are synthetic diamonds.

#### **RESOLUTION 2**

That the term "synthetic diamonds" be used for man-made/laboratory produced diamonds.

#### **RESOLUTION 3**

That the terminology normally used by laboratories to describe the features of diamonds should not be utilised for synthetic diamonds and that the IDC be authorised to formulate alternative terminology to describe such features for usage by laboratories.

## **IMPROPER LABOUR PRACTICES & HEALTH CONDITIONS IN WORKPLACE**

### **PRESIDENTS' MEETING, ANTWERP, 1994**

#### **RESOLUTION:**

In order to protect diamond workers worldwide, the W.F.D.B. and I.D.M.A. condemn the employment of under-age workers, the use of cobalt polishing wheels, and any other improper labor practices.