

## Summary Report for De Beers Group 2016 Cycle

### Role of SGS in the Best Practice Principles Programme

#### Appointment of SGS

SGS has been the verification partner for the De Beers Best Practice Principles (BPPs) Assurance Programme since July 2003. After involvement in the development of the programme and initial pilots, SGS has verified compliance against the BPP requirements since they came into full force in 2005.

SGS is the world's leading independent verification and certification organisation with no commercial interests in the diamond industry. SGS continues to maintain a vigilant system to ensure that no conflicts of interest arise through the provision of additional services to Sightholders, Accredited Buyers or the De Beers Group. This has been supplemented by further safeguards since SGS gained accreditation as a Certification Body for the Responsible Jewellery Council (RJC), which also has requirements in this regard.

#### Scope of Work and Evolution of Programme

The 2016 BPP cycle ran from 1 April 2016 to 31 March 2017. The programme remains fully aligned with the RJC Code of Practices Standard 2013. In some cases, the BPP requirements are set at a higher level and this has not been compromised.

For the 2016 cycle, the requirements in relation to mitigating the risk of undisclosed synthetic diamonds entering into the natural diamond pipeline has been further enforced with a stricter line taken on compliance, given that this is now in its second year. The Guidance on Undisclosed Synthetic Diamonds was also extended to include the BPP Melee Assurance Protocol for diamonds in the 0.01ct and below category.

Mid-way through the 2016 cycle, De Beers introduced five beneficiation project members through a new enterprise development project that aims to support the growth of Historically Disadvantaged South African owned diamond businesses that can ultimately become Accredited Buyers / Sightholders. As they are also customers of De Beers, they are required to comply with and participate in the BPP Programme. These are very small companies that are being assisted to develop systems to support a status as responsible businesses. As this was their introduction to the programme, they were each asked to complete a first-party workbook, which was reviewed with feedback provided to assist them for future cycles.

Given the alignment of the BPP requirements to the RJC Code of Practices, the online system provides opportunities to leverage areas of commonality. This includes the option for participants who are already certified to the RJC Code of Practices to upload their RJC certificates to the online system and respond to a more limited number of questions for their first-party assessments. As before, the third-party verification visits continued to assess compliance across all relevant points, so that a 'deeper' verification is undertaken. In addition, Sightholders and Accredited Buyers may elect to integrate RJC certification visits into their BPP programme to streamline their approach to these programmes and avoid audit duplication. In 2016, this resulted in 20 Sightholders/Accredited Buyers electing either to become certificated or renew their certification through this option.

The scope of work undertaken by SGS as the BPP verifier for the 2016 cycle comprised the following:

- Desktop review of a sample of the workbooks submitted by Sightholders and Accredited Buyers for their owned operations and contractor (Tier B) sites and by the De Beers Group of Companies. This process verifies that all required workbooks have been submitted; that all questions have been answered; that the responses to the questions support the compliance status declared in each case; and to test the conclusions by requesting supporting evidence on a random number of questions.

- Verification visits on up to 10 per cent of each Sightholder Groups and Accredited Buyers declared eligible entities to independently assess the situation through first-hand evaluation of evidence of compliance with the issues concerned.
- Additional visits to a sample of Tier B contractors who were declared as manufacturing melee diamonds (0.01carats and below) to conduct a limited scope visit covering the new Melee Assurance Protocol and key Health & Safety and Labour Standards topics. This included, for the first time, non-substantial contractors who are manufacturing this size.
- Provision of information relating to the compliance status of Sightholders' and Accredited Buyers' entities and details of any significant issues. This information is provided in accordance with the confidentiality requirements imposed by the Ombudsman.
- Ongoing support in explaining local legislative requirements and common issues and challenges.

## **Verification Methodology**

The verification process is undertaken in three stages:

- In the country of operation, workbooks are reviewed by qualified auditors who also meet the requirements of the RJC certification programme. These are experienced social auditors, cross-trained in environmental management and the business elements applicable to companies involved in diamonds and gold, and trained on the requirements of the BPPs.
- Local reviews are then submitted to a central review point and subsequently crosschecked to ensure consistency by country and requirement.
- A sample of up to 10 per cent of each Group's entities is selected centrally for onsite verification visits to check the effectiveness of the first-party assessments and to evaluate at first hand the situation on the ground.

## **De Beers Group Facilities**

For the De Beers Group, the requirement for the submission of self-evaluations was completed to the agreed deadlines and 60 workbooks were submitted for eligible facilities. Seventeen workbook reviews were conducted during the cycle. These have been rated in accordance with the BPP programme requirements and resulted in two Minor Infringements being raised, which, are in the process of having corrective action plans developed.

Seven onsite verification visits were also completed, reflecting a mix of activities and geographical scopes to review the ongoing performance at these entities. One Minor infringement was raised for which a corrective action plan is to be developed.

There are no open infringements from previous cycles and the BPP team and De Beers Group entities have been open to all improvement recommendations and responsive to all information requests.

## **Sightholders and Accredited Buyers**

Sightholders and Accredited Buyers were required to complete and upload workbooks for all eligible entities and contractors for whom they represent >75% of their business and declare any non-substantial contractors on the BPP SMART system. In addition, they were asked to declare all contractors who are manufacturing melee diamonds to enable a pilot review to be undertaken to cover the new BPP Melee Assurance Protocol requirements.

2,959 eligible entities were declared and workbooks were submitted within agreed timescales. Where entities are co-located or part of a retail brand, merged workbooks may be submitted and this resulted in 881 individual workbooks. Of these, 264 workbooks were reviewed for this cycle and rated in accordance with the BPP programme requirements.

In addition, 120 onsite verification visits were completed based on the sampling rules defined above. This included the pilot audits undertaken at the non-substantial contractor sites involved in manufacturing melee diamonds.

## Overall Summary

Policies and procedures are now embedded into normal operations for De Beers' facilities and there is a commitment to continuous improvement against both the BPP and RJC requirements.

No material breaches or major infringements were identified during first- or third-party assessments. Three minor infringements were identified and the Group is actively working on corrective action plans for these.

Sightholders and Accredited Buyers had a more mixed performance. A total of 175 infringements were raised during the cycle, of which 33 were major infringements with two raised against Business Principles; 30 against Social Requirements and one against Environmental Requirements.

This is an increase since the 2015 cycle with Major Infringements largely being found in the areas of Health & Safety (especially fire safety), discrepancies in documentation (relating to working hours and wages) and a few one-off infringements relating to various legal requirements. In addition, some newer Sightholders are still developing the required policies and procedures.

The Sightholders have been asked to provide corrective action plans for these infringements, which will be reviewed by the local SGS offices. They will then need to provide evidence of completion of these actions to close them out. For Major Infringements, the local SGS offices actively follow up with the Sightholders to ensure that these are completed in a timely manner. For Minor Infringements SGS reviews evidence as it becomes available.

## Recommendations and Future Developments

A new online system is being launched in time for the 2017 cycle to provide greater functionality to all users. It is hoped that this will encourage the upload of more evidence to support responses with the first-party workbooks and more timely responses to queries raised during the desktop review process. This will, in turn, allow more detailed responses from SGS to encourage deeper self-assessments by the BPP managers so that they take greater ownership of the programme.

For Sightholders and Accredited Buyers, disclosure and mitigation of risks in relation to the synthetic diamonds entering supply chains will continue to be a major focus, as will the effective closure of infringements raised during this and previous cycles.

As in previous cycles, Sightholders and Accredited Buyers will be able to opt in for combined BPP/RJC verification with the possibility of this leading to a recommendation for RJC Certification. The RJC will be launching a review of the Code of Practices Standards in late 2017 and the output of this exercise will be studied to further develop the BPP requirements for future cycles.

A number of De Beers Group Sightholders and Accredited Buyers provided responses to the voluntary section, Corporate Social Investment and Business Impact, which seeks to encourage participants in the BPP Programme to highlight any case studies of their projects and programmes that support the United Nations Sustainable Development Goals. This will continue in 2017 with further take-up expected.



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