

DE BEERS

GROUP OF COMPANIES

ROUNDTABLE: MANAGING INTEGRITY RISKS IN THE LUXURY GOODS SECTOR 28 FEBRUARY 2017

On Tuesday 28 February 2017, senior executives and representatives from a selection of the world's leading luxury goods companies gathered at the Organisation for Economic Co-operation and Development (OECD) in Paris for a roundtable discussion on managing integrity risks in the luxury goods sector. The event was part of De Beers' long running Diamond Dialogues series and co-hosted by the OECD.

The discussion, held under Chatham House rule, provided an opportunity for shared learning on issues of mutual interest across sub-sectors of the luxury goods markets. Participants included those with an interest in diamonds, gemstones, jewellery, apparel, footwear, fine art and wine.

The session was opened by Juan Yermo, Deputy Chief of Staff of the Secretary General OECD, and a distinguished panel shared comparative approaches to sustainability, managing integrity risks and building trust. Participants then discussed key challenges, including those associated with complex global issues, such as modern slavery, supply chain traceability and anti-money laundering.

Some key insights from the discussion included:

- Managing integrity has never been more important than it is now, with the erosion of trust in business and governments, and growing consumer expectations for brands to be doing the right thing.
- Leadership vision and visible support for sustainability and supply chain programmes were identified as crucial to driving performance improvement, both operationally and when influencing across supply chains.
- Management systems need to be dynamic, constantly evolving to ensure they support business risk management strategies, remain relevant and respond to changing legislation (eg modern slavery).
- Alignment with global initiatives and standards supports stakeholder confidence in programmes, particularly when supported by third party verification. Alignment of different approaches with the OECD Guidelines for Multinational Enterprises was discussed.
- Businesses recognise the opportunity presented by the Sustainable Development Goals to identify new or further existing partnerships, scale positive social, environmental impact and support local development agendas.
- Managing integrity risks across global supply chains requires companies to understand and engage with socio-economic development issues in different ways. Tackling complex issues, such as child labour, may require a holistic approach where companies look beyond site risks to address more systemic drivers.
- Supply chain traceability presents both challenges and opportunities. Luxury brands must balance the drive for increased transparency, ensuring customers get the information they need to have faith in the integrity of the product, while being mindful of the discretion traditionally associated with luxury goods. Furthermore, it was raised that in some cases visibility and traceability to high-skilled craftsmen can help demonstrate the uniqueness and luxury elements of a product.
- Investment in the innovation of products, in terms of both the materials used and production processes employed, was highlighted as one driver of sustainability.
- In some sectors, the leverage a luxury brand can exert is relatively small when compared with consumer brands. As such, collaboration outside of luxury sectors can prove beneficial.
- Understanding where a business has the greatest influence and ability to have positive impact is essential to driving improvement across the value chain. To date, supply chain management efforts have sometimes focused on either upstream and operational impacts (eg diamonds) or on downstream impact (eg apparel). However, some of the greatest opportunities to influence in luxury brands may be in other areas of the value chain.

Participants expressed an interest in cross-sectoral collaboration and a desire to continue the discussion. To this end, De Beers has committed to sponsor an annual 'Diamond Dialogue' for the luxury goods sector.