SPARKLING JEWELS, OPAQUE SUPPLY CHAINS

SUMMARY

The Covid-19 pandemic has demonstrated the fragility of global supply chains and the vulnerability of people working at the bottom of these supply chains. In the mining sector, the pandemic has had devastating effects on workers and communities around the world. In some parts of Africa, Asia, and Latin America, small-scale mining activity has been reduced or halted due to lockdowns and blocked trade routes. Where mining has been suspended, mine workers and their families have lost their income. Where mining has continued, workers and affected communities have been exposed to increased risks to their human rights. In some small-scale mining areas, child labor has risen.
In addition, some illegal mine operators and traders have made use of the Covid-19 pandemic to expand their unlawful small-scale mining activities. Illegal gold mining in Africa and Latin America threatens the environment and rights protections, especially the rights of Indigenous peoples. And while lockdowns have been important in combatting the spread of the pandemic, they have also hampered government monitoring and enforcement of mining and labor rights standards. Finally, industrial mines have become hotspots for Covid-19, including the world’s deepest gold mine, located in South Africa.

The Covid-19 pandemic has also posed vast challenges for the jewelry and watch industry, a major market for gold, diamonds, and other minerals. Jewelry companies have had to close stores, and consumer demand has slumped. Companies that were investing in responsible sourcing have diverted attention and resources to more immediate crisis management measures. But now more than ever, because of the increased risk of abuse, jewelry companies should conduct human rights due diligence to ensure that they do not cause or contribute to rights abuses in their supply chains. To achieve this they should comply with the United Nations Guiding Principles on Business and Human Rights (the “UN Guiding Principles”) and a sector-specific norm for mineral sourcing, the Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas by the Organization for Economic Development and Cooperation (the “OECD Minerals Guidance”). Such human rights due diligence should include steps to prevent and address environmental harm and risks from climate change, given their foreseeable impact.
This report scrutinizes and ranks 15 major jewelry companies for their efforts to prevent and address human rights abuses in their gold and diamond supply chains between 2018 and 2020, following up on Human Right Watch’s 2018 report, “The Hidden Cost of Jewelry.” The report also assesses the role of broader industry initiatives, including certification standards.

The 15 companies featured in this report have been selected to include some of the industry’s largest and best-known jewelry and watch companies from different markets: Boodles (United Kingdom), Bulgari (Italy), Cartier (France), Chopard (Switzerland), Chow Tai Fook (Hong Kong), Christ (Germany), Harry Winston (United States), Kalyan (India), Mikimoto (Japan), Pandora (Denmark), Rolex (Switzerland), Signet (United States), Tanishq (India), Tribhovandas Bhimji Zaveri Ltd. (TBZ)(India), and Tiffany & Co. (US). Thirteen of the companies were first assessed by Human Rights Watch in 2018 and have been evaluated for their progress made since publication of our initial report. Two companies, Mikimoto and Chow Tai Fook, were added to this assessment to extend the report’s geographic scope to Japan, Hong Kong, and China. While these 15 companies are not representative of the entire industry, collectively they generate more than US$40 billion in annual revenue, about 15 percent of global jewelry sales.

Overall, the report finds that there has been some progress in individual company practice and in industry standard-setting since 2018. Still, most companies assessed fall short of meeting international norms, and existing certification schemes lack rigor and transparency. In short, much more needs to be done to assure consumers that the jewelry they buy is sourced responsibly.

On the positive side, 11 of the 15 companies assessed have taken some steps to improve their human rights due diligence since the publication of our 2018 report. Eight of the fifteen companies assessed in this report have taken some steps to enhance traceability of their gold or diamonds. Some have opted to source only recycled gold, thus avoiding risks related to mined gold of unknown origin. Several companies have strengthened their supplier codes of conduct, more rigorously screened their suppliers, or published their requirements of suppliers for the first time. Some now publicly identified their suppliers. In addition, 10 companies assessed have taken steps to disclose publicly more information on their due diligence in ensuring respect for human rights. While the steps taken by individual companies vary greatly, and some companies are still performing poorly, these efforts demonstrate progress.
Gold miners at an illegal mine in the Amazon jungle in the municipality of Itaituba in Pará state, Brazil, August 21, 2020. © 2020 Lucas Dumphreys/Associated Press
Several industry initiatives have also progressed since 2018. For example, the Responsible Jewelry Council (RJC), the main jewelry industry association, has brought its main certification standard in line with the OECD Minerals Guidance. The Fairtrade and Fairmined Gold standards, which have successfully certified artisanal and small-scale gold mines, are popular with small jewelers and some bigger companies. A new, robust standard for responsible mining has been launched by the Initiative for Responsible Mining Assurance. In addition, several industry initiatives are underway to use technology—such as blockchain and laser technology—to ensure full traceability of diamonds and other minerals. Overall, many players in the sector are recognizing the need to respond to increased consumer demand for responsible and transparent sourcing, as well as to demands and requirements by governments for responsible company conduct.

On the negative side, some of the companies have serious gaps in their due diligence on human rights and transparency. For example, most jewelry companies are still not able to trace their gold and diamonds to the mines of origin. Many do not conduct thorough human rights assessments or mitigation measures regarding conditions at the mines of origin or elsewhere in the supply chain. This is a serious gap, given the legacy of human rights abuses in gold and diamond mining generally, and the renewed human rights risks linked to the Covid-19 pandemic. In the context of the pandemic, few companies appear to have reassessed their supply chains for renewed risks, or actively taken steps to protect the rights of workers in their supply chains. Most companies also do not report on their due diligence efforts to respect human rights in detail. Notably, the vast majority of companies assessed do not report on the human rights risks identified, mitigating actions taken, or non-compliances found. None publish audit reports.

Furthermore, four companies assessed disclose almost no information to the public about their approach to responsible sourcing. This lack of transparency contravenes international norms and standards on best business practice, and diverges from the industry trend described above. When companies do not disclose any information about their practices, it becomes impossible for consumers, the general public, or affected mining communities to assess their actions, and corporate accountability is harder to establish.
Although certification standards should set a high standard, they have not always done so. For example, standards by the main jewelry industry group, the RJC, or the Kimberley Process Certification Scheme and the World Diamond Council’s System of Warranties Guidelines do not require full traceability, transparency, or robust on-the-ground human rights assessments from their members. Third-party audits of jewelry supply chains are often conducted remotely, and auditors sometimes lack human rights expertise. While some industry standards, such as the RJC and the London Bullion Market Association (LBMA), require companies to report about their human rights due diligence efforts, they do not mandate the publication of audit reports or instances of non-compliance found. Their own implementation and certification processes lack transparency, too. The roll-out of the 2019 RJC standard, for example, is planned over a multi-year period, and its certification process is opaque. About 30 percent of RJC members also have the reputational benefit of being members without having completed certification. Voluntary standards can play a role in generating dialogue and supporting companies that seek to develop best practice. But they cannot replace legal requirements, as our findings confirm. Ultimately, only mandatory human rights due diligence rules—laws—will create a level playing field and move the whole industry in the right direction.
For this report, Human Rights Watch sent letters to the 15 companies profiled, requesting information about their policies and practices in relation to human rights due diligence and the sourcing of their gold and diamonds. Nine companies responded in writing to Human Rights Watch’s letters requesting information regarding their policies and practices with regard to sourcing: Boodles, Bulgari, Cartier, Chopard, Chow Tai Fook, Pandora, Signet, Tanishq, and Tiffany & Co. The company responses varied widely, with some providing detailed information on their policies and practices in writing, while others provided only general information on their approach to sourcing. Five companies that responded to Human Rights Watch also spoke to us via conference call: Boodles, Bulgari, Pandora, Signet, and Tiffany & Co. Human Rights Watch also requested information from these companies regarding their response to Covid-19. Six companies did not reply to several requests for information on their Covid-19 response: Christ, Harry Winston, Kalyan, Mikimoto, Rolex, and TBZ.

We assessed the companies for their human rights due diligence measures taken between 2018 and 2020, based on the information provided to Human Rights Watch directly, as well as publicly available information. Since very little information was available on Kalyan, Mikimoto, Rolex, and TBZ, we could not rank these four companies. Below is the ranking that summarizes our findings:

### Jewelry Companies on Responsible Sourcing: 2020 Ranking

<table>
<thead>
<tr>
<th>Rating</th>
<th>Companies</th>
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<tbody>
<tr>
<td>EXCELLENT</td>
<td>Tiffany &amp; Co., Pandora</td>
</tr>
<tr>
<td>STRONG</td>
<td>Bvlgari, Cartier, Signet</td>
</tr>
<tr>
<td>MODERATE</td>
<td>Boodles, Chopard, Harry Winston</td>
</tr>
<tr>
<td>FAIR</td>
<td>Chow Tai Fook, CHRI, Tanishq</td>
</tr>
<tr>
<td>WEAK</td>
<td>Kalyan, Mikimoto, Rolex, TBZ</td>
</tr>
<tr>
<td>VERY WEAK</td>
<td>No information regarding responsible sourcing</td>
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To move forward, all **jewelry companies** need to put in place strong human rights safeguards—otherwise, they risk contributing to human rights abuses. In particular, companies should:

- Put in place a robust supply chain policy that is incorporated into contracts with suppliers and available to the public;
- Establish chain of custody over gold and diamonds by documenting business transactions along the full supply chain back to the mine of origin, including by requiring suppliers to share detailed evidence of the supply chain;
- Access human rights risks throughout their supply chains;
- Respond to human rights risks throughout their supply chains;
- Check their own conduct and that of their suppliers through independent third-party audits (a systematic and independent examination of a company’s conduct), and through reliable, accessible, and independent community- and operational-level grievance mechanisms;
- Publicly report at regular intervals on their human rights due diligence, including risks identified;
- Publish the names of their gold and diamond suppliers; and
- Source from responsible, rights-respecting artisanal and small-scale mines, and support initiatives seeking to improve human rights conditions in artisanal and small-scale mines.

Certification schemes and responsible sourcing initiatives—including the Responsible Jewellery Council and the World Diamond Council—should set and uphold a high industry standard and ensure they do not give legitimacy to companies that do not deserve it. Such initiatives should:

- Require companies to adhere to international human rights and humanitarian law;
- Require companies to disclose information on their suppliers, human rights due diligence conducted, audit summary reports, and grievances received and addressed; and
- Ensure that companies are checked for compliance through thorough audits by human rights experts;
- Sanction companies that fail to adhere to the standard, including by withdrawing certification and membership; and
- Ensure that civil society groups and industry representatives have equal decision-making powers and are represented equally on the board of directors and other key bodies.

As governments develop legislation on supply chain due diligence, they should require proper human rights assessments, prevention, mitigation, and remedy, and full transparency in supply chains. Membership in a certification standard, such as the RJC or LBMA, should not automatically exempt companies from their obligations or penalties under the law, as is currently planned or debated in several jurisdictions.
Satellite image recorded on October 12, 2020 shows mining sites and deforested areas along tributaries of the Tapajós River in the Tapajós Environmental Protection Area (APA Tapajós), Pará State, Brazil. © 2020 Planet Labs

Overview of illegal mining areas and deforestation around the Tapajós River, Pará State, Brazil, accessed via https://mineria.amazonasambiental.org/ on November 11, 2020. The boundaries of illegal mining areas are approximate and depend on the availability of satellite imagery and the information provided by third parties. © 2020 Portal Raig - Minería Ilegal. Additional data sources: PRODES, OSM
Gold and diamond mining have been linked to serious human rights violations, including child labor, harm to the environment, and conflict-related abuses. During the Covid-19 pandemic, human rights risks have increased in some areas. Where mining has stalled due to lockdowns, mine worker families have been stripped of their income. Where mining has continued, workers and affected communities have faced increased risks of child labor and other abuses.

*Sparkling Jewels, Opaque Supply Chains* scrutinizes and ranks the efforts of 15 major jewelry brands to prevent and address human rights abuses in their gold and diamond supply chains, and tracks progress since Human Rights Watch’s 2018 report on the subject. It also assesses the role of broader industry initiatives, including certification standards. The report is based on interviews and communications with jewelry companies, industry groups, and supply-chain experts, among others.

Eleven of the 15 companies assessed have taken some steps to improve their sourcing practices since our 2018 report, for example by enhancing traceability or transparency. But most companies still fall short of meeting international norms. Many do not know from which mines their gold and diamonds originate, and do not provide comprehensive public reports on their sourcing practices.

Jewelry companies should do more to fully control their supply chains, assess and address human rights risks, and publicly report on their actions. Voluntary certification standards have helped generate dialogue and supported companies that seek to develop best practice, but they do not always set a high standard. Ultimately, only mandatory human rights due diligence rules—laws—will create a level playing field and move the whole industry in the right direction.

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