

DIAMOND PIPELINE INTEGRITY

*How to Protect your Natural
Diamond Business from Undisclosed
Laboratory-Grown Diamonds*



Ensure your team is ready for...

- consumer questions
- stricter protective procedures
- marketing and terminology compliance

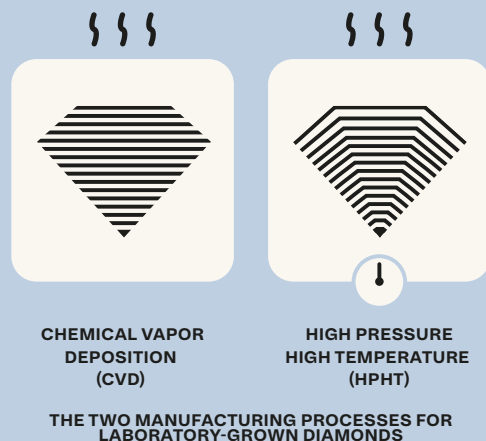
What's on the horizon?

While we can't predict the future, it's clear that we all need to be able to identify and disclose laboratory-grown diamonds accurately and confidently.

The Natural Diamond Council, the National Association of Jewellers, and the London Diamond Bourse are jointly committed to ensuring you're ready for whatever comes your way, whether that's stamping out the risk of undisclosed laboratory-grown diamonds, honing your terminology, or fielding consumer enquiries.

Everyone has a part to play in ensuring the UK jewellery retail landscape is of the highest possible standard. Bricks-and-mortar retailers, ecommerce players, jewellery brands, auction houses, pawn shops, antique dealers, wholesalers, suppliers, cutters and polishers, and jewellery manufacturers. All your efforts count towards our shared goal to protect consumer trust.

WHAT'S A LABORATORY-GROWN DIAMOND?



A laboratory-grown diamond, also referred to as a synthetic or laboratory-created diamond is an artificial product that has essentially the same chemical and physical characteristics as a natural diamond. A laboratory-grown diamond is a crystalline form of the chemical element carbon created in a manufacturing facility.



UNCUT LABORATORY-GROWN DIAMONDS



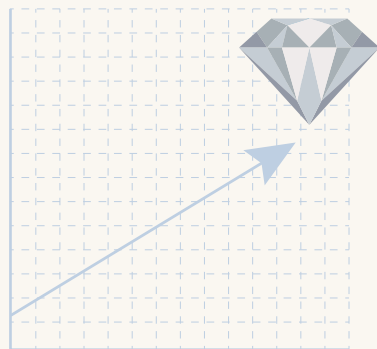
ROUGH NATURAL DIAMONDS

Why now?

Right now, 40.3% of British shoppers are **unaware of the existence of laboratory-grown diamonds**, according to a Harris Interactive's survey of 4,000 UK consumers in February 2023. Retailers have a **duty of care** to protect these consumers by using correct terminology and disclosure.

The **risks are real** and ever-changing. Prices for laboratory-grown diamonds have fallen rapidly since 2016. In some cases the price of a 1.5-carat stone has fallen by more than 74%. The widening price differential between laboratory-grown diamonds and natural diamonds makes risk of fraudulent practices even greater.

“Whilst the price of natural diamonds has also fluctuated over the last 35 years, on average they have risen by 3% per annum.”



As a hard-working retailer, you are likely relying upon your suppliers to tackle these issues. But remember, **everyone is accountable**. Unknowingly selling undisclosed laboratory-grown diamonds as natural diamonds is the **responsibility of the seller** and can lead to commercial penalties and criminal charges.

In UK law, the *Fraud Act 2006* specifically mentions “fraud by false representation” and “fraud by failing to disclose information”.

How Do I Protect My Jewellery Business?

The following steps are designed to assist you in putting the right processes and procedures in place in your organisation to ensure your business and customers are protected.

RISK ANALYSIS

What's the journey of my diamonds?

Start by mapping your diamond supply chain, both internally and externally. How might undisclosed laboratory-grown diamonds enter your supply and remain undetected?

- Consider your suppliers, the contractors used for repairs, customer returns and even internal risk of ‘stone switching’ or accidental mix-ups by employees.
- For each identified risk area, assess the level risk from low to high. An example of low risk might be the purchase of rough diamonds in marked tamper-proof packaging from a Responsible Jewellery Council certified mining company. Medium risk could be purchasing polished diamonds from an audited supplier, while high risk emerges when buying polished diamonds on the open market from an unknown seller.

WARRANTIES & KNOW YOUR COUNTERPARTIES

How can I mitigate the risks I've found?

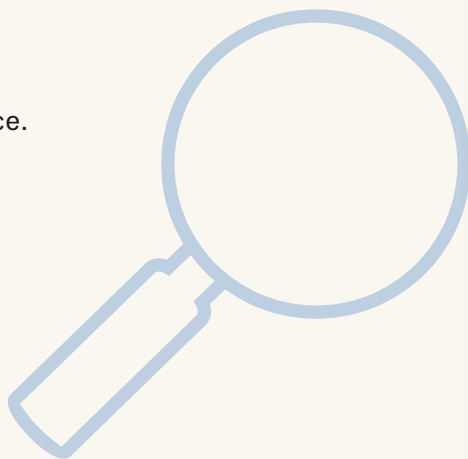
With your risk assessment complete, it's time to turn these low, medium and high-risk points into actionable policies and procedures, unique to your business, which can be followed by your entire team. Here's what you might choose to do:

WARRANTIES

- Request written warranties from your suppliers guaranteeing the diamonds they supply are natural. For example, have they incorporated the World Federation of Diamond Bourses warranty into their invoices and memos? *"The diamonds herein invoiced are exclusively of natural origin and untreated based on personal knowledge and/or written guarantees provided by the supplier of these diamonds."*

KNOW YOUR COUNTERPARTIES

- Find out how much you really know about your extended network by conducting *Known Your Counterparties* (KYC) due diligence. For example, are they certified by the Responsible Jewellery Council?
- Ensure all your counterparties adhere to the *World Diamond Council System of Warranties Guidelines* for added reassurance.



PRODUCT MANAGEMENT

How can I protect the integrity of my product flow?

So, you've ensured to the best of your ability that diamonds flowing into your business are correctly labelled from genuine, trustworthy and certified suppliers. Now, it's down to your handling procedures.

SEGREGATE PRODUCT FLOW

- Segregate product flow to differentiate between natural diamonds and laboratory-grown diamonds.
- Follow clearly distinguishable procedures for each product type to avoid confusion or cross-over.
- Ensure products are stored, processed, sorted, packages, branded, marketed and sold separately.

INVENTORY MANAGEMENT SYSTEM

- Manage your inventory and consider how new software or computer systems could benefit you.

SECURITY SYSTEM

- Assess your security systems to mitigate 'stone switching' no matter how unlikely. Consider how people enter and leave your store and build vigilance into your operation.

TAMPER PROOF PACKAGING

- Prioritise tamper-proof packaging, especially when diamonds are transported, and work with high-quality logistics experts.

VERIFY YOUR DIAMONDS

How can I be 100% sure that what I have is a natural diamond?

Even if you trust your suppliers and your team implicitly, accidents do happen. Not all incidents of undisclosed synthetic diamonds are purposeful and malicious. Be ready for anything by verifying your diamonds independently and confidently.

- Create an in-house testing regimen with one or more ASSURE Tested Diamond Verification Instruments or utilise the services of a qualified gemmological laboratory.
- Ensure your team understand exactly what is expected of them, whether they are handling melee goods or larger diamonds.
- When taking-in items for repair, test the diamonds and repeat the test when they arrive back at your store for complete peace of mind.



TESTING OF DIAMOND
VERIFICATION INSTRUMENT
AT UNIVERSITY OF ANTWERP



The ASSURE Program

The *ASSURE Program* was developed by the Natural Diamond Council as a testing regimen for Diamond Verification Instruments.

Simply put, the *ASSURE Program* provides objective and reliable information on the performance of commercially available instruments and their effectiveness at identifying and/or recognising natural diamonds, laboratory-grown diamonds and diamond simulants.

All instruments are tested against the *Diamond Verification Instrument Standard* by an independent third-party laboratory using verified test samples. All this information is packaged up and available for free online to help you make an informed purchasing decision.

Look for the *ASSURE TESTED* certification mark to find verified test results and use this to make your own judgements about what will work for your retail environment.



naturaldiamonds.com/assure

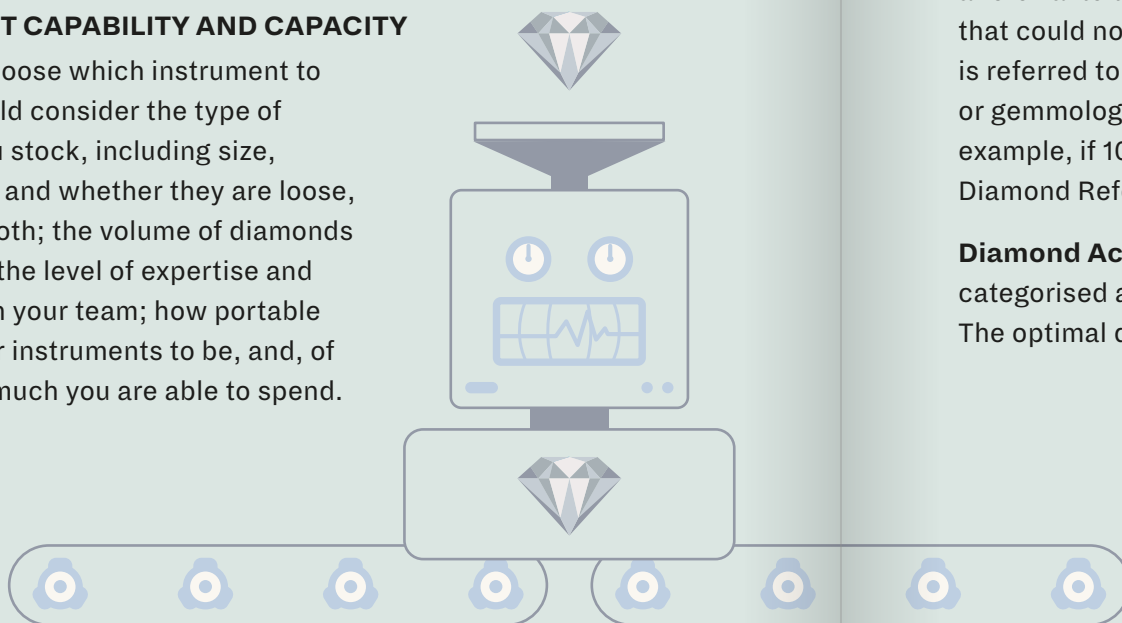
Things to bear in mind when purchasing a Diamond Verification Instrument...

SCREENING VS AUTHENTICATION

Authentication instruments determine the nature of each specific stone. Screening instruments verify most natural diamonds but refer some natural diamonds and any synthetic diamonds for further testing. These referred stones, called referrals, can be then correctly classified using authentication instruments or by referring them to gemmological laboratories. Depending on your operational needs, you may need both screening instruments and authentication instruments.

INSTRUMENT CAPABILITY AND CAPACITY

Before you choose which instrument to buy, you should consider the type of diamonds you stock, including size, colour, shape and whether they are loose, mounted or both; the volume of diamonds you process; the level of expertise and experience on your team; how portable you need your instruments to be, and, of course, how much you are able to spend.



KEY PERFORMANCE METRICS

Diamond False Positive Rate is the ratio of laboratory-grown diamonds (and diamond simulants if applicable) erroneously classified as natural diamond to the total number of laboratory-grown diamonds (and diamond simulants) tested. This is the fundamental measurement for the performance of the instrument. The optimal Diamond False Positive Rate is 0%.

Diamond Referral Rate is the ratio of natural diamonds categorised as a referral to the total number of natural diamonds. A referral is a stone that could not be classified by the Diamond Verification Instrument and is referred to further testing—by a separate authentication instrument or gemmological laboratory—to determine the nature of the stone. For example, if 100 out of the 1,000 diamonds were categorised as refer, the Diamond Referral Rate would be 10%.

Diamond Accuracy is the ratio of natural diamonds correctly categorised as natural diamond to the total number of natural diamonds. The optimal diamond accuracy is 100%.

DISCLOSURE & WARRANTIES

How can I make sure my customers know and understand what they are buying?

Give your customers formal assurances of what they are buying and make sure you don't make any misleading statements in your sales procedures or online.

DISCLOSURE

Use the *Diamond Terminology Guideline*, aligned with *ISO standard 18323* and the *CIBJO Diamond Blue Book*, which is assured and recognised by Trading Standards in the UK market, to keep your language spot on. Here is an excerpt from the guideline:



**Diamond
Terminology
Guideline**

1. When referring to synthetic diamonds:
 - a. Use one of the following authorised qualifiers when referring to synthetic diamonds: “synthetic”, “laboratory-grown” or “laboratory-created”.
 - b. Do not use abbreviations such as “lab-grown” and “lab-created”.
 - c. Do not use the following terms: “cultured diamonds” and “cultivated diamonds” as “cultured” and “cultivated” refer exclusively to organic/biogenic products.
 - d. Do not use the following terms: “real”, “genuine”, “precious”, “authentic” and “natural” as those apply exclusively to natural minerals and gemstones.
2. A diamond is natural by definition. Therefore, use the word “diamond” without a qualifier when referring to a diamond. If differentiation from synthetic diamonds is required, use the term “natural diamonds” as term of equivalent meaning.
3. Do not use the following confusing expressions: “natural treated diamonds” and “treated natural diamonds”. Instead, simply use “treated diamonds”.

WARRANTIES

- Issue written warranties to your customers. For example, you can sign up for the *World Diamond Council System of Warranties* and include the warranty on invoices and/or guarantee the naturality of your diamonds by using the World Federation of Diamond Bourses' warranty.

MARKETING MATTERS

What are the marketing best practices I should follow?

With unscrupulous sellers making all sorts of claims, your goal as a high-quality retailer should be honesty, transparency and accuracy in every social post, sales speech, blog post, product description and advert.

- Ensure your entire communications team is clued up on the *UK Code of Non-broadcast Advertising and Direct & Promotional Marketing* (CAP Code) by the Advertising Standards Authority (ASA).
- Read the *Green Claims Code* by Competition and Markets Authority (CMA) to break the cycle of dubious ethical and sustainable marketing claims. For every statement you make, you must have audited and certified data to support it and which is made publicly available.
- If you sell laboratory-grown diamonds, follow CIBJO's *Laboratory-Grown Diamond Guideline* and make the nature of your product immediately and abundantly obvious to the consumer, online and in-store.
- Ask a third-party to read your marketing and product descriptions – can they comfortably say whether a natural diamond or a laboratory-grown diamond is being referenced?

DOCUMENT & REVIEW

How can I stay on the ball and not fall behind?

Remember, being ready for anything means recognising the ever-changing market we all operate in. Complete regular risk assessments, address your policies and procedures, and stay abreast of the latest marketing best practice guidelines from the Natural Diamond Council, National Association of Jewellers, CIBJO, Responsible Jewellery Council and various other bodies.

- Fully document and audit your activities. Investigate incidents and discrepancies and, when needed, report incidents to relevant counterparties and authorities.
- Complete audits to make sure the procedures you have in place actually work!
- Keep your team up to date with the latest developments in laboratory-grown diamonds and detection.
- Invest in training to upskill and educate your sales professionals. The Natural Diamond Council has online educational platforms to support your investment in education.
- Subscribe to relevant newsletters from governing bodies for easy updates.
- Get copywriting advice to ensure your language online and in press releases is accurate.
- Be ready for whatever comes your way as a retail jeweller of distinction.

Who do I contact to learn more?

Natural Diamond Council

naturaldiamonds.com

info@naturaldiamonds.com

National Association of Jewellers

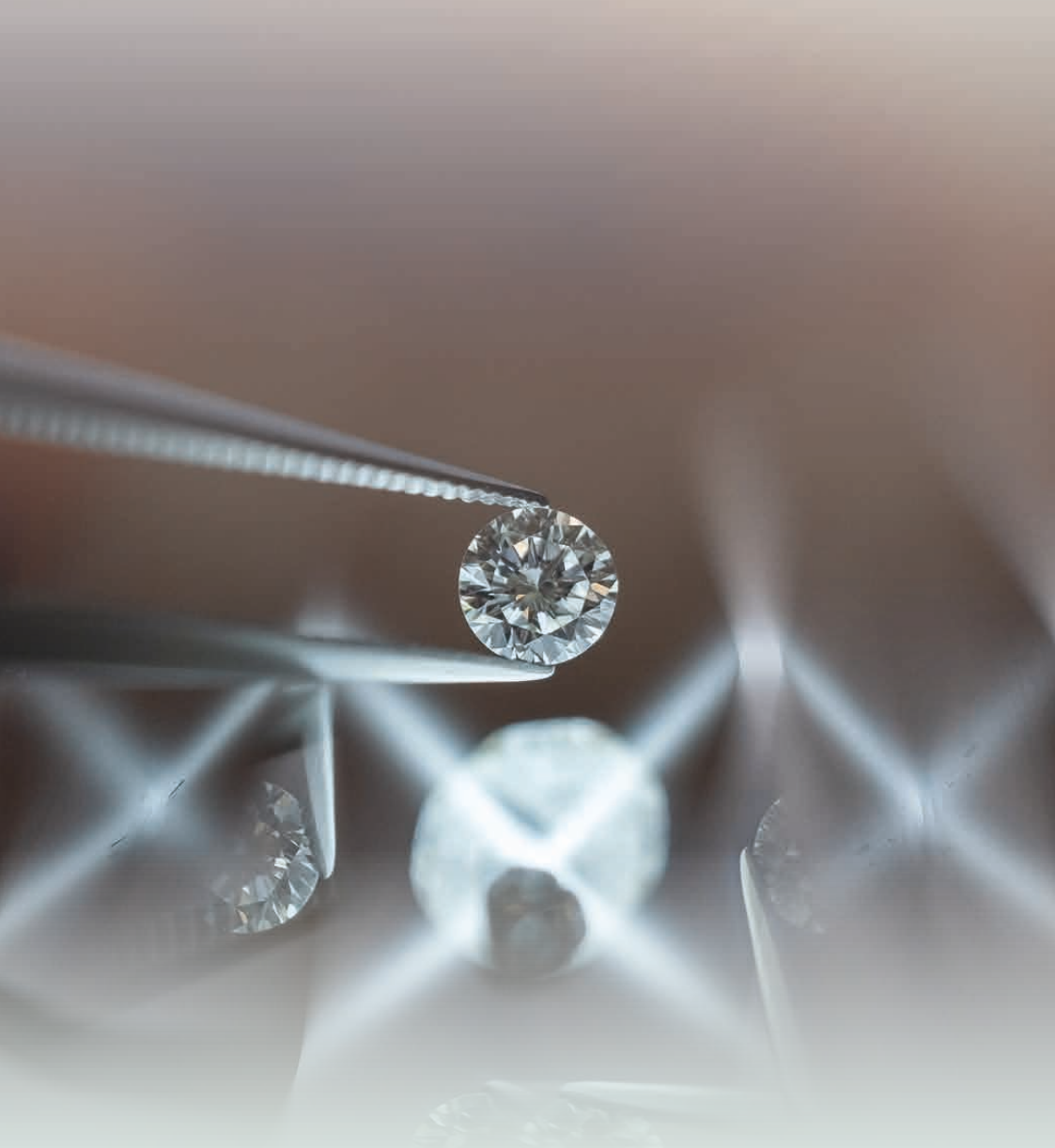
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DIAMOND
COUNCIL



The National
Association
of Jewellers



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