

RAPAPORT®

UN Global Compact Communication on Progress

3rd COP

Rapaport Group

March 2011

In this document **the Rapaport Group** describes how it upholds and supports the ten principles of the United Nations Global Compact Initiative.

Statement of Support

We are now in the 3rd year of our membership of the United Nation's Global Compact and remain committed to support this august body in its initiatives. We at the Rapaport Group have in the past year solidified and entrenched our role and involvement as industry leaders and standard-bearers striving towards fulfilling and furthering many of the ten principles in our business practices and in the global community at large.

The publishing of this our Third Communication on Progress (COP) serves to highlight our continuous and determined efforts in this regard. We continue to be at the forefront of the campaign for the finding of an equitable and fair solution for the legitimatization and making available of Marange, Zimbabwe diamonds provided they are Kimberley Process (KP) certified, meet Rapaport Minimum Standards and are free of human rights violations, and are not traded in violation of U.S. sanctions.

On the compliance side, we at Rapaport remain unwavering and unflinching in our commitment for legal and ethical standards in the diamond industry requiring all suppliers of diamonds offered for sale and participants at Rapaport Auctions and traders on our trading networks to meet legal, ethical and our Rapaport minimum human rights standards. We remain committed to the need for the diamond and jewelry industry to establish realistic sourcing standards based on sustainable legal and ethical principles which we have defined as our Rapaport minimum standard. This is encapsulated in the following statement:

“All diamonds that are legal and not directly involved in severe human rights violations should be freely, fairly and legally traded “

We at Rapaport continue to forge ahead with integrity in our progress for the implementation of many of the United Nation's Global Compact principles in our daily operations since the publication of our Initial COP in 2009 and our 2nd COP last year. There is yet much to be done in furthering these and many of the other principles which are at the heart of the aims and goals of the United Nation's Global Compact, and we shall continue to strive towards accomplishing this in the years ahead.

Yours truly,

A handwritten signature in black ink, appearing to be 'M. Rapaport', enclosed within a hand-drawn oval shape.

Martin Rapaport
Rapaport Group Chairman & CEO
March 2011

The Ten Principles of the United Nations Global Compact:

Human Rights

Pages 1-4

- Principle 1: Business should support and respect the protection of internationally proclaimed human rights;
- Principle 2: make sure they are not complicit in human rights abuses.

Labor

Page 5

- Principle 3: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labor;
- Principle 5: the effective abolition of child labor;
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

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- Principle 7: Businesses are asked to support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility;
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Pages 7-10

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Human Rights

Principle 1: Respect the protection of international human rights.

Principle 2: Make sure that they are not complicit in human rights abuse.

GRI indicators represented: HR1, HR2, HR3, HR4, 4.8, 4.10, 4.12, 4.13, 4.17, SO 5

Human Rights and the Diamond Industry

There is a great need for clarity on the issue of human rights in the diamond and jewelry industry. Rapaport's position on this issue is well known. Rapaport recognizes the role played by political, social and other external forces that impact on supply and demand scenarios in the allocation of scarce resources beyond the mere economic. The diamond and jewelry industry is undergoing a period of great change. This has resulted in a re-evaluation of considerations like the issue of how to allocate scarce resources, i.e. diamonds, in a peaceful and fair manner. As a result, Rapaport has long emphasized the need for the diamond and jewelry industry to establish realistic sourcing standards based on sustainable legal and ethical principles. This has led Rapaport to set its own Human Rights standard for the diamond industry which it has termed: "The Rapaport Minimum Standard".

The "Rapaport Minimum Standard" provides as follows:

"All diamonds that are legal and not directly involved in severe human rights violations should be freely, fairly and legally traded " and the phrase "directly involved in severe human rights violations" is for purposes of this definition defined as describing diamonds whose physical production involved murder, rape, physical violence or forced servitude.

This definition is not restrictive. Some firms and brands, including Rapaport, may wish to apply ethical standards above and beyond this Rapaport Minimum Standard. Rapaport believes everyone is entitled to maintain and brand their own ethical standard as long as they meet an acceptable minimum standard. Rapaport strongly and absolutely opposes the trading of diamonds directly involved in severe human rights abuses in the free market even if there may be a law in a particular country permitting the trading in such diamonds. They are a violation of basic human rights, even if governments may somehow try to legitimize them.

In regard to Kimberley Process- (KP) certified diamonds from Marange, Zimbabwe, the Rapaport position is that if these diamonds meet the Rapaport Minimum Standard, ensuring they are free of human rights violations, they can be purchased, cut and traded in all jurisdictions where they are legal.

The Rapaport Group and RapNet (the Rapaport diamond trading network) do not seek to restrict the legal trade in Marange diamonds or honest efforts to legitimize the Marange mining sector through the introduction of responsible firms that implement proper human rights standards. Furthermore, we recognize the positive opportunity that Marange diamonds bring for increased employment in India.

Rapaport therefore supports efforts that increase the quantity of diamonds offered to the diamond trade so as to encourage increased competition and reduce the negative effect of stockpiling or restricted production by mining companies. The diamond industry needs more rough and Marange goods should be legitimized and made available.

Our standards for legitimizing Marange rough are straightforward:

1. Eliminate human rights violations;
2. Allow independent nongovernmental organizations (NGOs) and representatives of the diamond trade free, uncontrolled access to monitor the elimination of such violations;
3. Sell the diamonds through entities that are not on U.S. or European Union (E.U.) sanctions lists; and
4. Assure that the revenues from the diamond sales are distributed legally and in a way that reasonably and fairly benefits the people of Zimbabwe.

Regarding the listing of KP-certified Marange diamonds on RapNet, Rapaport's position is : As RapNet is a U.S. entity and the companies selling the Marange diamonds are owned by entities on the U.S. sanctions list, Rapaport will not list these diamonds for sale on RapNet. RapNet will not suspend members that legally trade KP-certified Marange diamonds as long as they do not list them on RapNet or sell them to U.S. or other entities that are not allowed to buy them. Of course, RapNet members must also ensure the diamonds they sell are not involved in severe human rights violations, as defined in our minimum standard.

In the absence of attempts by Rapaport and independent sources to verify this, the Rapaport stance with regard to the current batch of KP-certified Marange diamonds is that the possibility exists for severe human rights violations associated with these KP certified diamonds from Marange: Unfortunately, the KP does not certify that diamonds are free of human rights violations and therefore, diamonds that have been certified by the KP cannot be assumed to be free of human rights violations. We are unable to confirm or deny reports of the absence of human rights violations regarding the current batch of KP-certified Marange diamonds and reject reports to this effect provided by interested parties who have been given controlled-access, guided tours of the Marange area by the Zimbabwean government, following military cleansing operations.

Our position is that it is the responsibility of sellers, not RapNet, to confirm the absence of human rights violations in the diamonds they trade. Should a RapNet member be found to be trading in diamonds involved in severe human rights violations, they will be expelled from RapNet and named. We strongly urge RapNet members to exercise extreme caution regarding all Marange and other diamonds from questionable areas, even if the diamonds have KP certificates.

The actions and activities taken to achieve the above:

- by the publication on Rapaport`s website of a full web -page entitled **“Zimbabwe Diamonds”** containing recommended articles, press releases, trade alerts, latest news, feature articles, Rapaport statements and letters, background material and other additional information on Marange diamonds and the human rights violations in the Zimbabwean diamond fields. This web-page is constantly updated with the latest news and information and may be viewed by visitors to our website. For more information refer to **“Zimbabwe Diamonds”** page on Rapaport`s website at: www.diamonds.net/Zimbabwe and to Appendix A;
- on June 20, 2010, Martin Rapaport, Chairman of the Rapaport Group, undertook a 3 day water – only fast outside the Kimberley Process (KP) Meetings in Tel Aviv, Israel to protest the issuing of Kimberley Process Certificates for blood diamonds and to draw attention to the fact that it is unethical for the diamond and jewelry trade to rely upon the Kimberley Process Certificate Scheme or System of Warranties to ensure that diamonds are not involved in severe human rights violations such as murder, mutilation, rape, and forced servitude. Refer Press Release, **“Martin Rapaport Begins 3 Day Protest Fast Outside Kimberley Process Meeting”** dated June 20, 2010 (Appendix B);
- by Rapaport setting its own Human Rights Standard for the Diamond Industry . Refer to attached Press Release, **“Rapaport Group Sets Human Rights Standard in Keynote Address to Indian Diamond Industry “** dated August 30,2010 (Appendix C);
- by the giving of speeches and addresses by Martin Rapaport to industry leaders at diamond conferences internationally on the topic of human rights and the diamond industry and the Rapaport Minimum Standard for human rights. Refer to attached transcript of keynote address of Martin Rapaport delivered at the Taj Mahal Palace, Mumbai, India entitled **“Rapaport Group Sets Human Rights Standard”** dated August 25, 2010, which address has been translated into Hebrew and Gujarti to reach a wider audience and also appears on Rapaport`s website. (Appendix D);
- by the publication in Rapaport publications and on its website of articles on human rights and the diamond industry. Refer article by Martin Rapaport entitled **“Human Rights and the Diamond Industry”** in the Rapaport Diamond Report, October 2010 (Appendix E);
- by the implementation of a policy for the naming and expulsion of any RapNet member from the RapNet electronic trading network should such RapNet member be found to be trading in diamonds involved in severe human rights violations;
- by strongly urging RapNet members to exercise extreme caution regarding trading in Marange and all other diamonds from questionable areas which may be involved in human rights abuses, even if these diamonds have KP certificates; and
- by continuing to educate the diamond sector concerning human rights and the diamond and jewelry industry and the making available on our website of information and materials concerning diamonds sourced from countries associated with severe human rights violations.

Fair Trade Diamond and Jewelry Conferences

GRI indicators represented: 4.8, 4.13

Rapaport continues to sponsor numerous activities and conferences throughout the year that introduce and promote the idea of Fair Trade to members of the jewelry industry in developed countries.

Since our 2nd Communication on Progress last year, the Rapaport Group has organized and held three Fair Trade Diamond and Jewelry conferences, the most important of which was the Rapaport 2010 International Diamond Conference held in New York on October 21, 2010. The presentation and discussions at these conferences highlighted and identified an awareness of fair trade, human rights and the application of ethics to the diamond trade. The afternoon session of the Rapaport 2010 IDC Conference was devoted entirely to finding reasonable and pragmatic solutions to ethical problems confronting the diamond industry. Experts in the field of business and human rights, law and ethics participated in open and frank discussions on this issue.

Community Outreach

GRI indicators represented: 4.8, 4.13

The Rapaport Group remains committed to community outreach and is strongly dedicated to philanthropic initiatives and charitable causes. The Rapaport Group regularly donates at least ten percent of its profits to charity and initiates programs to alleviate poverty in Africa and elsewhere.

Labor Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

Rapaport is committed to adhering to its previously stated position of going beyond all legal requirements to provide fair, flexible and appropriately remunerated employment to its entire permanently employed and freelance workforce across its global offices. We remain steadfast and committed to providing transparent remuneration, flexible working practices and day -to -day working conditions with appropriate benefits for all our staff and personnel, which are on the whole in excess of industry standards and minimum legal requirements.

Principle 4: The elimination of forced and compulsory labor

GRI Indicators Represented: HR7

Principle 5: Abolition of child labor

GRI indicators represented: HR6

Rapaport continues to adhere to all local laws in relation to child labor, and we do not use any forms of child labor.

The reduction and elimination of child labor continues to be addressed through the advancement of our fair trade and related programs in Sierra Leone.

Principle 6: The elimination of discrimination in respect of employment and occupation.

GRI indicators represented: LA 10

There continues to be no discrimination in the company`s employment practices on the grounds of race, color, creed, religion, national origin, gender, age, or sexual orientation. The company is an equal opportunity employer and the sole criteria for hiring and promotion is based on employee qualifications, performance, abilities and competencies required to do the job.

Environment

Principle 7: Support precautionary approach to environment

GRI indicators represented: 3.13

Principle 8: Undertake initiatives to promote greater environmental responsibility

GRI indicators represented:
EN3, EN4, EN5, EN6, EN7, EN14, 1.1

Principle 9: Development and diffusion of environmentally friendly technology

GRI indicators represented: EN17

As alluded to in our previous COP's, Rapaport is an international network of companies which provides added value services to the diamond industry that supports the development of free, fair and competitive global diamond markets, and is primarily a publishing, research and diamond price and market information service provider and the operator of the world's largest diamond trading network. This means that our core business is internet -based as opposed to a manufacturing, mining extraction or an agricultural business. Thus, the role that the Rapaport Group best plays in the matter of environmental responsibility and awareness is not in its own practices, but in that of advocacy and influence on the diamond mining and trading sectors and on the diamond consumer public.

Yet, like all businesses, Rapaport faces considerable environmental challenges and takes its environmental responsibility very seriously. Rapaport supports a precautionary approach to the environment. Our key environmental challenges within our own business structure have focused around office energy, efficiency, transportation and ways to reduce our carbon footprint and this continues to be the focus of our environmental responsibility.

Rapaport continues to work on improving the way it does business in a changing environment. The initiatives which have been introduced to promote greater environmental responsibility by using renewable energy sources and to increase energy efficiency (for example, by the use of more energy efficient light bulbs, the turning off of computers, printers, water coolers and urns overnight) have resulted in substantial energy savings. We are beginning to see dividends and the positive benefits which have resulted from the adoption of these measures in the form of reduced utility bills which are now being received by the organization. Printing on both sides of a page whenever possible and only upon recycled paper is now de rigueur in our organization. These endeavors have led to substantial recycling benefits and have significantly reduced indirect energy consumption.

The Rapaport organization strives to continue to contribute to a sustainable environment in the years ahead by the adoption of the above and similar environmentally friendly and energy savings initiatives.

Anti-Corruption Principles

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

GRI indicators represented: HR 1, HR2, HR 3, 4.8, 4.9, 4.10, 4.12, 4.13, 4.17, SO2, SO3, SO4, & SO5

The Rapaport Group of Companies firmly believes that all businesses should work against corruption in all its forms.

The Rapaport Group remains committed to legal and ethical standards in the diamond industry and requires all suppliers of diamonds offered for sale and participants at Rapaport Auctions and traders on our trading networks to meet legal, ethical and our Rapaport minimum human rights standards.

The Rapaport Group is unwavering and unflinching in its commitment to an honest, fair, secure, transparent, efficient and competitive market for the trading of diamonds, gems and jewelry and the furthering of its policy of conducting business to the highest moral and ethical standards and business practices in full compliance with all applicable laws and regulations, including but not limited to, the Kimberley Process, U.S. Patriot Act, and U.S. Federal Trade Commission Guidelines. Rapaport seeks to do business only with those who share and support its commitment to these values and has this year instituted a due diligence evaluation and compliance review procedure for all future potential business partners seeking to enter into a strategic business relationship with our organization. No dishonest, illegal and unethical activities or behavior, such as bribery, fraud, corruption, money–laundering, or the trading in conflict or “blood diamonds” will be tolerated. This is clearly borne out in Rapaport’s RapNet Code of Conduct, Terms of Service and Trading Rules to which all customers and users of our RapNet diamond trading network service must subscribe.

We are committed to the need for the diamond and jewelry industry to establish realistic sourcing standards based on sustainable legal and ethical principles which we have defined as our Rapaport minimum standard. This is encapsulated in the following statement:

“All diamonds that are legal and not directly involved in severe human rights violations should be freely, fairly and legally traded “

In order to participate in Rapaport Auctions or other Rapaport trading activities all diamonds offered for sale must be legitimately sourced.

This year in addition to adherence the usual RapNet Code of Conduct, Terms of Service and Trading Rules detailing the terms of service and rules applicable for trading on our RapNet service, all Rapaport suppliers of diamonds offered for sale and participants at Rapaport Auctions and traders on our trading networks are required to sign a declaration to confirm and guarantee the source of the diamonds supplied to the Rapaport Group for sale through a Rapaport auction or other sales channel and to confirm that they are in compliance with the following statements:

1. that the diamonds have been purchased from legitimate sources not involved in funding conflict and in compliance with United Nations resolutions and the Kimberley Process;
2. that the diamonds have been sourced in compliance with the local laws governing the company that is supplying the diamonds and in compliance with the U.S. Patriot Act;
3. that the diamonds have not been involved in human rights violations (i.e. the physical production of the diamonds did not involve murder, rape, physical violence or forced servitude), based on personal knowledge and/or written guarantees from suppliers; and
4. that the diamonds are not traded in violation of U.S. sanctions or sourced from Marange, Zimbabwe or other sources banned by the Rapaport Group.

Rapaport's position regarding ethical standards in the diamond trade is that the diamond and jewelry industry must take full responsibility for their ethical choices and actions and must not delegate their ethical values to trade organizations or others. Rapaport recognizes that ethical standards is about applying a system of universal moral values to one's decision making and that ethics transcends the law. Being ethical means internalizing your values and doing the right thing by following your conscience. But businesses don't have souls and don't have a conscience. Companies are profit motivated simply to do what they have to do to make money. Fortunately in ethical societies the things that companies have to do to make money force them to adopt ethical principles. Rapaport believes that society needs to create demand for ethical products and destroy demand for unethical products by getting consumers to buy into one's proposed ethical values. The application of ethical standards that transcends law is a business matter driven by consumer demand. Society gets the exact level of ethical value it is willing to pay for. Rapaport espouses the view that from a company and consumer perspective ethics must be considered as another added value service or product. Ethical products, like ethical diamonds and jewelry, must be treated as a sustainable business opportunity that requires real demand. Business ethics is not another form of ethics, ethics is another form of business.

Rapaport does not tolerate any fraudulent activity on its website and trading platforms and condemns all fraudulent diamond trading including the trading of fraudulent grading certificates. Such trading is a clear violation of the RapNet Terms of Service and user agreement. Violators will be removed from the RapNet trading network. Rapaport has not hesitated to take immediate necessary steps to eradicate the trading of fraudulent grading certificates when such illegal activity was identified to have taken place on its network and an immediate caution and warning was issued to other RapNet users and subscribers alerting them of this illegal activity and for them to be watchful of such illegal practice in the future. [Performance Indicator – SO4].

The actions and activities taken to achieve the above:

1. by Rapaport's continued commitment to legal compliance and ethical business dealings and practices enshrined in our Code of Conduct, Terms of Service and Trading Rules and other core documentation detailing the terms of service and use rules applicable for trading on our RapNet service to which all customers and users of our RapNet diamond trading network ("RapNet Members ") must adhere. These rules and regulations ensure that diamond trading takes place on our trading platforms in full compliance with all applicable laws, legal and ethical business practices, and that all aspects of the Kimberley Process and anti-money laundering regulations relating to the diamond industry are followed;
2. by the continued regular monitoring and auditing of group activities and business dealings to ensure proper and strict compliance and adherence to laws and to serve to promote sound and ethical business practices;
3. by the conducting of ongoing employee educational programs to re-enforce and strengthen employee knowledge and methodology for carrying out of employee functions for customer identity verifications, checks and procedures for detection of money laundering activities, fictitious and fraudulent transactions;
4. by the setting and establishment of its own Rapaport Minimum Standards for human rights for the diamond and jewelry industry on which realistic sourcing standards should be based ;
5. by its efforts at the forefront of the campaign for the finding of an equitable and fair solution for the legitimatization and making available of Marange, Zimbabwe diamonds to the diamond trade provided they are Kimberley Process (KP) certified, meet Rapaport Minimum Standards and are free of human rights violations, and are not traded in violation of U.S. sanctions;
6. by the introduction of the requirement for all Rapaport suppliers of diamonds offered for sale and participants at Rapaport Auctions and traders on Rapaport trading networks to be required to sign a declaration to confirm and guarantee the source of the diamonds supplied to the Rapaport Group for sale through a Rapaport auction or other sales channel and confirming the legitimate source of the diamonds supplied and that it is not involved in human rights violations. (Refer Appendix F- Declaration from Suppliers: Diamonds Source Compliance).
7. by the issue of a notice on the RapNet service informing and alerting RapNet members that suspected trading in fraudulent EGL grading certificates had been identified and discovered to have taken place on the RapNet service and cautioning RapNet members against this illegal practice and warning that all accompanying grading reports for laboratory diamonds should be carefully checked and verified and the RapNet service immediately notified should this unlawful

practice be discovered. All 4,600-plus RapNet members were asked to affirm their agreement not to trade in fraudulent grading reports on RapNet by clicking on an “I Agree” box before entering the RapNet service. Refer “Notice To RapNet Members : Fraudulent EGL Certificates “ dated April 11, 2010 (Appendix G);

8. by the publication of articles on ethical considerations in the diamond industry. Refer article by Martin Rapaport entitled “Ethical Considerations” in the Rapaport Diamond Report, October 2010 (Appendix H); and
9. by the holding of conferences to promote discussion and dialogue on the application of ethics to the diamonds trade. A whole afternoon session was devoted to this topic at the Rapaport 2010 International Diamond Conference held in New York on October 21, 2010

**Index of GRI Performance Indicators Relevant to the
Implementation of the Global Compact Principles**

GRI Indicator	Description	Reported Under	Pages
HR 1	Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results	Principles 1, 2 & 10	1-4 & 7-10
HR 2	Evidence of consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers/contractors and customers	Principles 1, 2 & 10	1-4 & 7-10
HR 3	Description of policies and procedures to evaluate and address human rights performance with the supply chain and contractors and customers, including monitoring systems and results of monitoring	Principles 1, 2 & 10	1-4 & 7-10
HR 4	Description of global policy and procedures/ programmes preventing all forms of discrimination in operations, including monitoring systems and results of monitoring	Principles 1&2	1-4
HR 6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	Principle 5	5
HR 7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	Principle 4	5
LA 10	Description of equal opportunity policies or programmes, as well as monitoring systems to ensure compliance and results of monitoring	Principle 6	5
3.13	Explanation of whether and how the precautionary approach or principle is addressed by the organization	Principle 7	6
EN 3	Direct energy consumption by primary source	Principle 8	6
EN 4	Indirect energy consumption by primary source	Principle 8	6
EN 5	Energy saved due to conservation and efficiency improvements	Principle 8	6
EN 6	Initiatives to provide energy efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	Principle 8	6
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EN 14	Significant environmental impact of principal products and services	Principle 8	6
1.1	Statement of the organization's vision and strategy regarding its contribution to sustainable development	Principle 8	6
EN 17	Initiatives to use renewable energy sources and to increase energy efficiency	Principle 9	6
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Principle 1& 10	1-4 & 7-10
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	Principle 10	7-10
4.10	Processes for evaluating the highest performance body's own performance, particularly with respect to economic, environmental, and social performance	Principle 1& 10	1, 7-10
4.12	Externally developed economic, environmental, and social charters, principles, or other indicatives to which the organization subscribes or endorses	Principle 1& 10	1, 7-10
4.13	Membership in associations (such as industry associations) and /or national /international advocacy organizations in which the organization: has positions in government bodies/participates in projects or committees/provides substantive funding beyond routine membership dues or views membership as strategic	Principle 1, 7&10	1-4 & 7-10
4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded to those key topics and concerns, including through its reporting	Principle 1& 10	1-4, 7-10
SO 2	Description of the policy, procedures/management systems, and compliance mechanisms for organizations and employees addressing bribery and corruption	Principle 10	7-10
SO 3	Percentage of employees trained in organization's anti-corruption policies and procedures	Principle 10	7-10
SO 4	Actions taken in response to incidents of corruption	Principle 10	7-10
SO 5	Public policy positions and participation in public policy development and lobbying	Principle 1& 10	1-4 & 7-10


Appendix

- Appendix A: **“Zimbabwe Diamonds** “page from website: www.diamonds.net/Zimbabwe
- Appendix B: Rapaport Press Release **“Martin Rapaport Begins 3 Day Protest Fast Outside Kimberley Process Meeting”** dated June 20, 2010
<http://www.diamonds.net/MediaCenter/PressRelease.aspx?ArticleID=31414>
- Appendix C: Rapaport Press Release, **“Rapaport Group Sets Human Rights Standard in Keynote Address to Indian Diamond Industry “**dated August 30, 2010
<http://www.diamonds.net/News/NewsItem.aspx?ArticleID=32341>
- Appendix D: Transcript of Keynote Address of Martin Rapaport delivered at the Taj Mahal Palace, Mumbai, India entitled **“Rapaport Group Sets Human Rights Standard”** dated August 25, 2010
<http://www.diamonds.net/News/NewsItem.aspx?ArticleID=32337>
- Appendix E: Article entitled **“Human Rights and the Diamond Industry”** by Martin Rapaport in the Rapaport Diamond Report, October 2010
- Appendix F: Declaration from Suppliers: Diamonds Source Compliance
- Appendix G: RapNet **“Notice to RapNet Members: Fraudulent EGL Certificates “**dated April 11, 2010
- Appendix H: Article entitled **“Ethical Considerations”** by Martin Rapaport in the Rapaport Diamond Report, October 2010
<http://www.diamonds.net/News/NewsItem.aspx?ArticleID=32791>

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◆ - Recommended Articles

◆ **Jerusalem Proposal - Draft Administrative Decision
Kimberely Process - January 2011**

◆ Ethical Considerations
Martin Rapaport – October 2010

◆ Rapaport Group Sets Human Rights Standard
Rapaport Press Release - August 30, 2010

◆ Human Rights and the Diamond Industry - Text of Speech
Martin Rapaport - August 25, 2010

◆ TRADE ALERT: Marange Diamonds
Rapaport News - August 12, 2010

◆ TRADE ALERT: Rapaport Bans Zimbabwe's Marange Diamonds
Rapaport News - November 16, 2009

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Rapaport Editorial – December 23, 2010

Kimberley Process Plenary Meeting Ends With Stalemate on Zimbabwe Diamond Exports
Rapaport News – November 7, 2010

◆ A New KP Era
Rapaport Editorial – November 4, 2010

◆ KP Fails to Make Decision on Defiant Zimbabwe
Rapaport News – November 4, 2010

◆ Delegates call Upon KP to Address Human Rights
Rapaport News – November 1, 2010

◆ A Bloody Shame
Rapaport Editorial - August 12, 2010

KP Certified Marange Diamonds Auctioned in Harare
Rapaport News - August 12, 2010

Army Cleans Up Marange for KP Visit
Rapaport News - August 10, 2010

Zimbabwe to Auctions Marange Diamonds This Week
Rapaport News - August 9, 2010

◆ KP Reaches Agreement with Zimbabwe
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- ◆ Global Witness Rejects Claim That Zimbabwe Diamonds Are Clean

Rapaport News - June 8, 2010

- ◆ Kimberley Process Monitor Says Zimbabwe Compliant

Rapaport News - June 8, 2010

- ◆ Uncertified Marange Diamonds About to be Exported

Rapaport Trade Alert - June 6, 2010

- ◆ Bastardizing the Diamond Industry

Rapaport Editorial - May 27, 2010

A Final Nail in the KP Coffin

Rapaport Editorial - April 8, 2010

An Open Letter to Abbey Chikane, the New KP Monitor for Zimbabwe

Rapaport Editorial - March 4, 2010

Zimbabwe Faction Seizes Diamond Riches to Buy Power

Rapaport News - November 30, 2009

- ◆ Human Rights Reports Ongoing Abuses in October

Rapaport News - November 7, 2009

Featured Articles:

- ◆ Diamond Ethics 101 - Martin Rapaport interview with Peter Singer, the Ira W. DeCamp Professor of Bioethics at Princeton University.

Rapaport Diamond Report - October 2010

- ◆ Dying to Work - Farai Mutsaka

Rapaport Diamond Report - October 2010

- ◆ Stop Buying and Selling Blood Diamonds by Martin Rapaport

Rapaport Diamond Report - February 2010

- ◆ Global Witness Rejects Claim That Zimbabwe Diamonds Are Clean

Rapaport News - June 8, 2010

Rapaport Statements and Letters:

World Diamond Council Updates Trade on Marange Rough

Rapaport Press Release - February 3, 2011

KP Chair's Notice After Jerusalem Plenary

Kimberley Process - November 18, 2010

Martin Rapaport Begins 3 Day Protest Fast Outside Kimberley Process Meeting

Rapaport Press Release - June 20, 2010

- ◆ Rapaport Letter of Resignation from World Diamond Council

Martin Rapaport - February 1, 2010

Rapaport Resigns from World Diamond Council

Rapaport Press Release - February 1, 2010

- ◆ Rapaport calls on the Responsible Jewellery Council to ban Marange Diamonds

Martin Rapaport - January 19, 2010

Rapaport calls on World Diamond Council to ban Marange Diamonds and World Diamond Council Responds

Martin Rapaport - December 2, 2009

- ◆ Rapaport Bans Zimbabwe's Marange Diamonds

Rapaport Press Release - November 24, 2009

Rapaport calls on World Federation of Diamond Bourses (WFDB) and International Diamond Manufacturers Association (IDMA) to ban Marange diamonds

Martin Rapaport - November 18, 2009

Statements by Other Organizations:

- ◆ RJC Statement to Members on Marange Diamonds

RJC Press Release - February 2, 2010

- ◆ WDC Calls for Increased Vigilance Regarding Marange Diamonds

World Diamond Council Press Release - January 27, 2010

Letter To Diamond Retailers Regarding Zimbabwe's Blood Diamonds
Human Rights Watch - December 17, 2009

- ♦ IDMA and WFDB Affirm Commitment to WDC and Kimberley Process
IDMA and WFDB Press Release - November 18, 2009

Press Release on Zimbabwe
World Diamond Council Press Release - November 6, 2009

Rapaport Editorials:

- ♦ Stop Buying and Selling Blood Diamonds by Martin Rapaport
Rapaport Diamond Report - February 2010
- ♦ Rapaport Bans Zimbabwe's Marange Diamonds by Martin Rapaport
Rapaport Diamond Report - December 2009

Background on Zimbabwe's Marange Diamonds:

- ♦ Time Line of Events at Marange Diamond Fields
February 2011
- ♦ Background: Zimbabwe's Marange Diamond Mines
March 2009

Reports of Human Rights Violations in Zimbabwean Diamond Fields:

- ♦ Kimberley Process Review Mission Report
November 2010
- ♦ KP Monitor's Final Report for Marange
Abbey Chikane – November 2010
- ♦ Deliberate Chaos
Human Rights Watch – June 21, 2010
- ♦ PAC Calls on the KP to Suspend Zimbabwe
Partnership Africa Canada (PAC) - June 14, 2010
- ♦ The Return Of The Blood Diamond
Global Witness - June 13, 2010

KP Monitor's Second Fact Finding Mission Report
Abbey Chikane – May 28, 2010
- ♦ Porous Security at Canadile costing Zimbabwe
Center for Research and Development (CRD) - May 10, 2010
- ♦ KP Monitor's Report From Fact Finding Mission
Abbey Chikane – March 21, 2010

Dealers try to thwart conflict diamond trade in Zimbabwe, but loopholes persist
MediaGlobal - March 4, 2010
- ♦ Zimbabwe's Diamond Mines Lead to Rape, Murder, and Thievery
Fast Company Magazine - December 1, 2009

Africa's Diamond Trade Under Scrutiny
New York Times - November 4, 2009
- ♦ Human Rights Abuses in the Marange Diamond Fields of Zimbabwe
Human Rights Watch Report – June 2009

Zimbabwe, Diamonds and the Wrong Side of History
Partnership Africa Canada Report – March 2009

The following report was kept secret by the Kimberley Process
and finally made public by the New York Times on Nov. 4, 2009

Kimberley Process Review Mission Report and Zimbabwe Response
Kimberley Process Final Report - June 30 to July 4 2009
- ♦ How to identify Rough Diamonds from Marange, Zimbabwe
Kimberley Process WGDE Report - December 2008

The Marange Mines are located within the
Chiadzwa Diamond Fields in the Mutare West
region, 90km southwest of the city of Mutare on
the eastern border of Mozambique.

Map courtesy of allaboutgemstones.com



For additional information about the ban and how to identify Marange diamonds email zimbabwe@diamonds.net or contact your local RapNet representative.

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PRESS RELEASE

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Martin Rapaport Begins Three-Day Protest Fast Outside Kimberley Process Meeting

Rapaport Protests Issuance of Kimberley Process Certificates for Blood Diamonds

RAPAPORT PRESS RELEASE, June 20, 2010, Tel Aviv: Martin Rapaport, Chairman of the Rapaport Group, has begun a three-day fast outside the Kimberley Process (KP) meetings. The water-only fast began at sundown on Sunday, June 20 and will continue until sundown on Wednesday, June 24, following the close of the KP meetings in Tel Aviv, Israel.

Rapaport is fasting to protest the issuing of Kimberley Process Certificates for blood diamonds and to draw attention to the fact that it is unethical for the diamond and jewelry trade to rely upon the Kimberley Process Certification Scheme (KPCS) or System of Warranties to ensure that diamonds are not involved in severe human rights violations, such as murder, mutilation, rape and forced servitude.

Martin Rapaport's statement:

"The Kimberley Process (KP) is aiding and abetting severe human rights violations as it certifies, legalizes and legitimizes blood diamonds. Corrupt governments have turned the KP on its head. Instead of eliminating human rights violations, the KP is legitimizing them.

"The diamond trade and consumers cannot trust the Kimberley Process, its system of warranties or those that promote the Kimberley Process as an assurance of the legitimate source of diamonds. We must face the fact that the Kimberley Process is a politicized, government-controlled initiative that is incapable of eliminating human rights violations in the diamond sector. It's time for the World Diamond Council (WDC) and responsible NGOs to withdraw from the KP.

"The solution is outside the KP. The diamond trade must take full responsibility for how and where it buys its diamonds. It must stop hiding behind the KP and recognize that it has moral and ethical obligations that transcend national and international laws. While governments cannot enforce international human rights standards due to sovereignty issues, diamond traders can use their purchasing power to enforce such standards. The key to understanding this issue is that, in the end, our diamonds are only as good as we are."

Comments and messages for Martin Rapaport can be sent to [Martin @ Rapaport.com](mailto:Martin@Rapaport.com).

For additional information about this issue, visit www.diamonds.net/zimbabwe.

About the Rapaport Group: The Rapaport Group is an international network of companies providing value-added services that support the development of free, fair and competitive global diamond markets. Established in 1978, the Rapaport Diamond Report is the primary source of diamond price and market information. Group activities include publishing, research and marketing services, Internet information and diamond-trading networks, global rough and polished diamond tenders, diamond certification, quality control, shipping and financial services. www.diamonds.net

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Rough Markets

Rapaport Group Sets Human Rights Standard in Keynote Address to Indian Diamond Industry

Martin Rapaport defines the Rapaport Minimum Standard for diamonds.

Aug 30, 2010 11:34 AM By Rapaport

RAPAPORT...

[View this press release in Hebrew](#)

[View this press release in Gujarati](#)

PRESS RELEASE, August 30, 2010, Mumbai: Martin Rapaport addressed the issue of human rights and the diamond industry in a keynote speech delivered on August 25, 2010 at the Taj Mahal Hotel in Mumbai, India. Rapaport emphasized the need for the diamond and jewelry industry to establish realistic sourcing standards based on sustainable legal and ethical principles. He defined the Rapaport Minimum Standard for human rights as follows.

The Rapaport Minimum Standard:

“All diamonds that are legal and not directly involved in severe human rights violations should be freely, fairly and legally traded.”

Note: the phrase “directly involved in severe human rights violations” is defined as diamonds whose physical production involved murder, rape, physical violence or forced servitude.”

The full text of his presentation is attached to this press release.

Rapaport discussed Marange diamonds, as well. While Kimberley Process- (KP) certified Marange diamonds are legal in India and many other countries, there was no assurance that they were free of human rights violations. Furthermore, KP-certified Marange diamonds are not legal for purchase by U.S. and European Union (E.U.) entities due to sanctions against their suppliers.

While RapNet - The Rapaport Diamond Trading Network will not allow members to list KP-certified Marange diamonds for sale due to sanctions issues, the network will not ban members who legally trade such KP certified diamonds off the network as long as the diamonds are not involved in severe human rights violations. Rapaport emphasized that sellers are responsible for ensuring the diamonds they offer for sale are not involved in severe human rights abuses and that if it can be shown that any seller knowingly offers such diamonds for sale on RapNet or elsewhere, with KP certification or not, the seller will be expelled from RapNet and named.

Rapaport also communicated requirements for the legitimization of Marange diamonds:

1. Eliminate human rights violations;
2. Allow independent nongovernmental organizations (NGOs) and representatives of the diamond trade free, uncontrolled access to monitor the elimination of such violations;
3. Sell the diamonds through entities that are not on U.S. or E.U. sanctions lists; and
4. Assure that the revenues from the diamond sales are distributed legally and in a way that reasonably and fairly benefits the people of Zimbabwe.

The presentation concluded on a note of good will between the Rapaport Group and the Indian diamond industry.

“India now has the ability to spend many tens of millions of dollars in Zimbabwe. Imagine how that money could benefit the people of Zimbabwe if it is channeled responsibly. What a great opportunity India has to create good karma, to help Zimbabwe, to create ethical products and fair trade jewelry.

I believe in India and I believe in the goodness of its diamond people. And I believe that when all is said and done, India’s diamond community will use their purchasing power to greatly benefit the people of Zimbabwe. With India’s help and responsible actions, I pray that Marange diamonds can and will be a blessing for the people of Zimbabwe and the people of India,” said Martin Rapaport, Chairman of the Rapaport Group.

The full text of Martin Rapaport’s presentation, “Human Rights and the Diamond Industry,” is attached to this release and may be used for publication. The speech can also be found online at <http://www.diamonds.net/News/NewsItem.aspx?ArticleID=32337>.

About the Rapaport Group: The Rapaport Group is an international network of companies providing added value services that support the development of free, fair, competitive and transparent global diamond markets. Established in 1978, the Rapaport Diamond Report is the primary source of diamond prices and market information. Group activities include publishing, research and marketing services, Internet information and diamond-trading networks, global rough and polished diamond tenders, diamond certification, quality control, compliance, shipping and financial services. Additional activities of the group include the development of markets for ethical and fair trade diamonds and jewelry. Additional information is available at www.Rapaport.com or by sending email to info@rapaport.com.

About RapNet: RapNet – The Rapaport Diamond Trading Network - is the world's largest diamond-trading network. With daily listings of over 710,000 diamonds valued at \$4.6 billion and over 5,000 active trading members in 74 countries, RapNet is the primary international marketplace for Gemological Institute of America (GIA) and other certified diamonds. RapNet is available in English and Chinese. Additional information is available at www.rapnet.com.

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Mining

Rapaport Group Sets Human Rights Standard

In a speech to the Indian diamond Industry, Martin Rapaport defines minimum human rights standard.

Aug 30, 2010 9:52 AM By Martin Rapaport

RAPAPORT...

Read this speech in Hebrew

Read this speech in Gujarati

Human Rights and the Diamond Industry

A Presentation by Martin Rapaport,
Chairman of the Rapaport Group

Wednesday, August 25, 2010
The Taj Mahal Palace, Mumbai, India

Mr. Vasant Mehta, Chairman of India's Gem and Jewelry Export Promotion Council (GJEPC); Mr. Mehul Choksi, Chairman of the Federation of Indian Chambers of Commerce and Industry; Mr. Ashok Minawala, Immediate Past Chairman of the Gem and Jewelry Federation; honored guests and clients; ladies and gentlemen: Good evening.

The diamond and jewelry industry is undergoing a period of great change. We are in the midst of a global financial crisis that is realigning social, economic and political power. A new world order is emerging as unprecedented demand, driven by extreme growth in developing economies, reallocates power from West to East and North to South. Over the next decade, India and China will be the new America and Africa will be the new India.

For some, the changes may appear merely economic, as yesterday's suppliers become tomorrow's customers and factory nations become consumer nations. But there is more to our story than business: The real issue is power.

As the global economy expands beyond our wildest dreams, hundreds of millions of new consumers will demand more products. Control over scarce raw materials will become a national priority for emerging nations. Access to resources will have political and military ramifications. In some instances, resource warfare may develop as countries fight over scarce minerals. Consider just one example of many: Coltan is an irreplaceable component in all electronic devices from iphones to pacemakers. Eighty percent of the world's supply of Coltan is estimated to come from the Congo, a country at war with itself.

The issue of how to allocate scarce resources in a peaceful and fair manner isn't just about diamonds. In fact, diamonds are a decidedly minor issue when one considers the strategic importance of oil, uranium, copper, zinc and many other commodities. The diamond industry must recognize that the external forces that impact our supply and demand scenarios are not limited to economic crisis. They include political and social forces involved in the allocation of scarce minerals.

This now brings us to a discussion of human rights and the diamond and jewelry industry. There is a great need for clarity on this issue and so this evening, I present the Rapaport Minimum Standard:

All diamonds that are legal and not directly involved in severe human rights violations should be freely, fairly and legally traded; and

The phrase "directly involved in severe human rights violations" is defined as describing diamonds whose physical production involved murder, rape, physical violence or forced servitude.

Some firms and brands, including Rapaport, may wish to apply ethical standards above and beyond this Rapaport Minimum Standard and there is nothing wrong with this. Everyone is entitled to maintain and brand their own ethical standard as long as they meet an acceptable minimum standard.

It should be clear that if, when and where laws somehow allow the purchase of diamonds directly involved in severe human rights, I strongly and absolutely oppose the trading of such diamonds in the free market. They are a violation of basic human rights, even if governments somehow try to legitimize them.

It should also be clear that it is unfair to restrict or blame firms that follow the Rapaport Minimum Standard. We must accept the fact that the diamond industry is governed by

competitive market forces. If a firm does not buy legal diamonds, their competitors will and they will be forced out of business. Diamond firms have a right to make a living and they should not be prevented from buying diamonds that meet a minimum standard.

Let us now discuss the situation regarding Kimberley Process- (KP) certified diamonds from Marange, Zimbabwe.

The Rapaport position is that if these diamonds meet the Rapaport Minimum Standard, ensuring they are free of human rights violations, they can be purchased, cut and traded in all jurisdictions where they are legal.

The Rapaport Group and RapNet, the Rapaport diamond trading network, do not seek to restrict the legal trade in Marange diamonds or honest efforts to legitimize the Marange mining sector through the introduction of responsible firms that implement proper human rights standards. Furthermore, we recognize the positive opportunity that Marange diamonds bring for increased employment in India.

And finally, we wish to support efforts that increase the quantity of diamonds offered to the diamond trade so as to encourage increased competition and reduce the negative effect of stockpiling or restricted production by mining companies. The diamond industry needs more rough and Marange goods should be legitimized and made available.

Our standards for legitimizing Marange rough are straightforward:

1. Eliminate human rights violations;
2. Allow independent nongovernmental organizations (NGOs) and representatives of the diamond trade free, uncontrolled access to monitor the elimination of such violations;
3. Sell the diamonds through entities that are not on U.S. or European Union (E.U.) sanctions lists; and
4. Assure that the revenues from the diamond sales are distributed legally and in a way that reasonably and fairly benefits the people of Zimbabwe.

Regarding the listing of KP-certified Marange diamonds on RapNet: As RapNet is a U.S. entity and the companies selling the Marange diamonds are owned by entities on the U.S. sanctions list, we are unable to list these diamonds for sale on RapNet. It is a strange situation because the KP has certified diamonds that are illegal for a U.S. or E.U. entity to purchase and made the diamonds legal for trade in India, China and most other countries.

Accordingly, RapNet will not suspend members that legally trade KP-certified Marange diamonds as long as they do not list them on RapNet or sell them to U.S. or other entities that are not allowed to buy them. Of course, RapNet members must also ensure the diamonds they sell are not involved in severe human rights violations, as defined in our minimum standard.

Regarding the possibility of severe human rights violations associated with KP certified diamonds: Unfortunately, the KP does not certify that diamonds are free of human rights violations and therefore, diamonds that have been certified by the KP cannot be assumed to be free of human rights violations.

NGOs that we have spoken to, and our own information sources, have been denied access to the Marange area by Zimbabwe military or police forces. Many NGOs have been afraid to even try and visit the area due to the arrest and continued persecution of Farai Maguwu, a leading human rights activist and legitimate independent source of information.

The current status of our information is that we have been unable to confirm or deny if there are human rights violations associated with the current batch of KP-certified diamonds. We reject reports provided by interested parties who have been given controlled-access, guided tours of the Marange area by the Zimbabwean government, following military cleansing operations.

Our position is that it is the responsibility of sellers, not RapNet, to confirm the absence of human rights violations in the diamonds they trade. Should a RapNet member be found to be trading in diamonds involved in severe human rights violations, they will be expelled from RapNet and named. We strongly urge RapNet members to exercise extreme caution regarding all Marange and other diamonds from questionable areas, even if the diamonds have KP certificates.

And now on to the issue of Reputational Risk.

The fact that Zimbabwean government entities benefitting from the sale of Marange diamonds are on the U.S. and E.U. government sanctions list is a clear indication that firms seeking to maintain a reasonable ethical standard are well advised to avoid these

diamonds. While it would be unfair for Rapaport to penalize firms that comply with the Rapaport Minimum Standard, it is reasonable for Rapaport Group companies and others to consider refusing to trade in such diamonds.

Consider the following example. If Rapaport or others wish to restrict our diet to vegetarian food, we have a right to do so. Furthermore, if firms wish to open a vegetarian restaurant that restricts certain foods, they have the right to do this, as well. Finally, firms have a right to advertise the fact that vegetarian food is better than nonvegetarian food so as to attract customers to their restaurant.

The issue here is that just because certain diamonds are legal does not mean that they are ethical. Ethical firms may wish to apply standards above the law. They might consider who benefits from the sale of the diamonds. Some firms may not want to buy diamonds that fund activities they consider bad or support suppliers who fail to direct money to legitimate stakeholders. Essentially, diamond buyers, like restaurant diners, have the right to choose where and how they spend their money.

While I understand and accept the concerns of diamond cutters in Surat, I also understand and accept the concerns of diamond retailers facing socially conscious consumers across the jewelry counter. Cutters may not have an incentive to do anything "above the law" out of fear that if they don't buy Marange goods they may lose business. On the other hand, the position of some jewelers may be the exact opposite. They may fear losing customers if they do not offer socially responsible ethical jewelry.

The bottom line when it comes to applying ethical standards that are "above the law" is the bottom line: the financial bottom line. In other words, in order for firms to apply ethical standards that are "above the law," they must have an economic incentive to do so. In order for rational business firms to be ethical, it must "pay" to be ethical.

We must understand that ethics in the diamond and jewelry industry is a business matter. Firms will do what is good for their business — no more and no less.

The way forward is for socially responsible firms to create and encourage demand for ethical jewelry products. We must create a situation where ethical suppliers make more profit than unethical suppliers and firms compete to sell "better" products. The level of ethical behavior in our industry depends on our ability to create sustainable ethical demand and the willingness of consumers to pay higher prices for ethical jewelry.

Firms must recognize that the level of their ethical behavior is a business decision, sort of like deciding if you are going to produce an Excellent or Very Good cut for a diamond.

In conclusion, let us consider the Golden Rule. Most interpretations explain that the golden rule means that you should treat others as you yourself would wish to be treated. So, Indian cutters in Surat would want poor diggers in Marange to be treated as they would like to be treated — not taken advantage of.

There is, however, another interpretation. The golden rule means that he who has the gold rules. This also implies that he who has the gold has a responsibility to spend the gold wisely and responsibly.

The point here is that consumers and companies must take full responsibility for how they spend their money. All of us are responsible for the unintended consequences of our purchasing decisions.

The bottom line of our story is that India is on the way up. It is doing well and will do even better. India is no longer the poor country it once was. India now has the gold.

India now has the ability to spend many tens of millions of dollars in Zimbabwe. Imagine how that money could benefit the people of Zimbabwe if it is channeled responsibly. What a great opportunity India has to create good karma, to help Zimbabwe, to create ethical products and fair trade jewelry.

I believe in India and I believe in the goodness of its diamond people. And I believe that when all is said and done, India's diamond community will use their purchasing power to greatly benefit the people of Zimbabwe. With India's help and responsible actions, I pray that Marange diamonds can and will be a blessing for the people of Zimbabwe and the people of India.

Thank you.

[View the related Rapaport Press Release from August 30, 2010.](#)

For additional information about the Rapaport Group and our position on human rights and the diamond and jewelry industry, please email fairtrade@diamonds.net or visit www.diamonds.net.

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Human Rights and the Diamond Industry

BY MARTIN RAPAPORT

The diamond and jewelry industry is undergoing a period of great change. We are in the midst of a global financial crisis that is realigning social, economic and political power. A new world order is emerging as unprecedented demand, driven by extreme growth in developing economies, reallocates power from West to East and North to South. Over the next decade, India and China will be the new America, and Africa will be the new India.

For some, these changes may appear to be merely the result of economic evolution, as yesterday's suppliers become tomorrow's customers and factory nations become consumer nations. But there is more to our story than business. The real issue is power.

CONTROL OF RESOURCES

As the global economy expands beyond our wildest dreams, hundreds of millions of new consumers will demand more products. Control over scarce raw materials will become a national priority for emerging nations. Access to resources will have political and military ramifications. In some instances, resource warfare may develop as countries fight over scarce minerals. Consider just one example of many: coltan is an irreplaceable component in all electronic devices from iPhones to pacemakers. Eighty percent of the world's supply of coltan is estimated to come from the Congo, a country at war with itself.

The issue of how to allocate scarce resources in a peaceful and fair manner isn't just about diamonds. In fact, diamonds are a decidedly minor issue when one considers the strategic importance of oil, uranium, copper, zinc and many other commodities. The diamond industry must recognize that the external forces that impact our supply-and-demand

scenarios are not limited to economic crisis. They include political and social forces involved in the allocation of scarce minerals.

RAPAPORT MINIMUM STANDARD

Regarding the issue of human rights and the diamond and jewelry industry: There is great need for a clear and simple minimum standard that everyone can understand and apply. We have therefore established the following minimum human rights standard.

The Rapaport Minimum Standard:

"All diamonds that are legal and not involved in human rights violations may be freely, fairly and legally traded."

Some firms and brands, including Rapaport, may wish to apply ethical standards above and beyond the Rapaport Minimum Standard, and there is nothing wrong with that. Everyone is entitled to maintain and brand their own ethical standard as long as they meet an acceptable minimum standard.

It should be clear that if, when and where laws allow the purchase of diamonds involved in human rights violations, I strongly and absolutely oppose the trading of such diamonds on the free market. They are a violation of basic human rights even if governments try to legitimize them.

It should also be clear that it is unfair to restrict or blame firms that follow the Rapaport Minimum Standard. We must accept the fact that the diamond industry is governed by competitive market forces. If firms do not buy legal diamonds, their competitors will — and they will be forced out of business. Diamond firms have a right to make a

living and they should not be prevented from buying diamonds that meet a minimum standard.

ZIMBABWE AND THE KP

The Rapaport position is that if Kimberley Process (KP)-certified diamonds from Marange, Zimbabwe, meet the Rapaport Minimum Standard and are free of human rights violations, they can be purchased, cut and traded in all jurisdictions where they are legal.

The Rapaport Group and RapNet, the Rapaport diamond trading network, do not seek to restrict the legal trade in Marange diamonds nor honest efforts to legitimize the Marange mining sector through the introduction of responsible firms that implement proper human rights standards. Furthermore, we recognize the positive opportunity that Marange diamonds bring for increased employment in India and other cutting centers. And finally, we wish to support efforts that increase the quantity of diamonds offered to the diamond trade in order to encourage increased competition and reduce the negative effect of stockpiling or restricted production by mining companies. The diamond industry needs more rough and Marange goods should be legitimized and made available.

Our standards for legitimizing Marange rough are straightforward:

- Eliminate human rights violations.
- Allow legitimate representatives of the diamond trade and independent nongovernmental organizations (NGOs) free, uncontrolled access to monitor the elimination of such violations.
- Sell the diamonds through entities that are not on U.S. or European Union (E.U.) sanctions lists.
- Assure that the revenues from the diamond sales are distributed legally and in a way that reasonably and fairly benefits the people of Zimbabwe.

MARANGE DIAMONDS AND RAPNET

Regarding the listing of KP-certified Marange diamonds on RapNet: RapNet is a U.S. entity and the companies selling the KP-certified Marange diamonds are subject to U.S. sanctions. RapNet does not support the sale of diamonds from sanctioned entities and has therefore banned the listing of Marange diamonds on our network.

Furthermore, we are deeply concerned about continuing human rights abuses involving Marange diamonds due to the fact that the Zimbabwean military continues to deny access to legitimate, independent human rights inspectors we can trust.

It is a strange situation because the KP has certified diamonds that are illegal for a U.S. or E.U. entity to purchase and yet made the diamonds legal for trade in India, China and most other countries.

RapNet will not suspend members that legally trade

KP-certified Marange diamonds, as long as they do not list them on RapNet or sell them to U.S. or other entities that are not allowed to buy them. Of course, RapNet members must also ensure that the diamonds they sell are not involved in human rights violations as defined in the Rapaport Minimum Standard.

Regarding the possibility of human rights violations associated with KP-certified diamonds: The KP does not certify that diamonds are free of human rights violations. Therefore, KP certification and the KP system of warranties cannot and should not be relied upon to assure the legitimacy of diamonds.

NGOs with whom we have spoken, and our own information sources, have been denied access to the Marange area by Zimbabwe military or police forces. Many NGOs have been afraid to visit the area due to the arrest and continued persecution of Farai Maguwu, a leading human rights activist. The current status of our information is that we have been unable to confirm or deny whether there are human rights violations associated with the current batch of KP-certified Marange diamonds. We reject reports provided by interested parties who have been given controlled-access guided tours of the Marange area by the Zimbabwean government following military cleansing operations.

Our position is that it is the responsibility of sellers, not RapNet, to confirm the absence of human rights violations in the diamonds they trade. Should a RapNet member be found to be knowingly trading in diamonds involved in human rights violations, that member will be expelled from RapNet and named. We strongly urge RapNet members to exercise extreme caution regarding all Marange and other diamonds from questionable areas, even if the diamonds have KP certificates.

REPUTATIONAL RISK

The fact that Zimbabwean government entities benefiting from the sale of Marange diamonds are on the U.S. and E.U. government sanctions list is a clear indication that firms seeking to maintain a reasonable ethical standard are well-advised to avoid these diamonds. While it would be unfair for Rapaport to penalize firms that comply with the Rapaport Minimum Standard, it is reasonable for Rapaport Group companies and others to consider refusing to trade in such diamonds.

Consider the following example. If Rapaport or others wish to restrict our diet to vegetarian food, we have a right to do so. Furthermore, if firms wish to open a vegetarian restaurant that restricts certain foods, they have the right to do this as well. Finally, firms have a right to advertise the fact that vegetarian food is better than nonvegetarian food so as to attract customers to their restaurant.

The issue here is that just because certain diamonds are legal does not mean that they are ethical. Ethical firms may

“All diamonds that are legal and not involved in human rights violations may be freely, fairly and legally traded.”

wish to apply standards above the law. They might consider who benefits from the sale of the diamonds. Some firms may not want to buy diamonds that fund activities they consider bad or support suppliers who fail to direct money to legitimate stakeholders. Essentially, diamond buyers, like restaurant diners, have the right to choose where and how they spend their money.

While I understand and accept the concerns of diamond cutters in Surat, I also understand and accept the concerns of diamond retailers facing socially conscious consumers across the jewelry counter. Cutters may not have an incentive to do anything “above the law” out of fear that if they don’t buy Marange goods, they may lose business. On the other hand, the position of some jewelers may be the exact opposite. They may fear losing customers if they do not offer socially responsible, ethical jewelry.

The bottom line when it comes to applying ethical standards that are “above the law” is the bottom line — the financial bottom line. In other words, in order for firms to apply ethical standards that are “above the law,” they must have an economic incentive to do so. In order for rational business firms to be ethical, it must “pay” for them to be ethical. Firms will do good and be good as long as it is good for their business.

We must recognize that the level of ethical behavior and sourcing in our industry is a pragmatic business decision based on cost benefit and driven by consumer demand. It is similar to a manufacturer’s or retailer’s decision to produce or sell Fair, Very Good or Excellent cut diamonds.

The way forward is for socially responsible firms to create and encourage demand for ethical jewelry products. We must create a situation where ethical suppliers make more profit than unethical suppliers and firms compete to sell “more ethical” products. The level of ethical behavior in our industry depends on our ability to create sustainable ethical demand and the willingness of consumers to pay higher prices for ethical jewelry.

INDIA AND THE GOLDEN RULE

In conclusion, let us consider the Golden Rule. Most interpret the Golden Rule to mean that you should treat

others as you yourself would wish to be treated. So, Indian cutters in Surat would want poor diggers in Marange to be treated as they would like to be treated and not be taken advantage of.

There is, however, another interpretation. The Golden Rule also means that he who has the gold, rules. This implies that he who has the gold has a responsibility to spend the gold wisely and responsibly.

The point here is that consumers and companies must take full responsibility for how they spend their money. *All of us are responsible for the unintended consequences of our purchasing decisions.*

We must recognize India’s powerful role as the world’s primary diamond cutting center. Furthermore, India’s rapidly expanding economy is creating unprecedented wealth and opportunity, as well as a booming national jewelry trade. India is no longer the poor country it once was. India now has the gold and with that gold comes responsibility.

India now has the ability to spend hundreds of millions of dollars in Zimbabwe and other countries with problematic human rights issues. Imagine how that money could benefit the poor people of Zimbabwe if it is channeled responsibly. Imagine how it could create good karma for India, Africa and the international diamond trade. But let us also imagine how that money could support oppression, slavery and other human rights abuses if it is spent irresponsibly. How India buys its rough diamonds will have major impact on the reputation of diamonds and the diamond industry.

Let us also recognize that the responsibility is not India’s alone. It belongs to all of us — cutters, wholesalers and retailers the world over. We must set ethical and moral standards for how and from whom we buy diamonds. We must seize the opportunity to create ethical diamonds and jewelry products and markets.

For, in the end, after all the articles are written and read, after all the money is made and spent, in the very end, our diamonds are only as good as we are and we are only as good as the good our diamonds have brought to the world. ♦

For more information on Rapaport and Fair Trade, please visit www.rapaport.com/zimbabwe or email fairtrade@diamonds.net.

RAPAPORT®

Dear Supplier,

Thank you very much for doing business with us. The Rapaport Group requires suppliers to meet legal and ethical standards. In order to participate in Rapaport Auctions or other Rapaport trading activities all diamonds offered for sale must be legitimately sourced.

Please read and confirm your compliance with the statements below by completing the form and signing in the space provided. This declaration should only be signed by a person authorized by the supplier to consign the diamonds to Rapaport and confirm the source of the diamonds.

I/we hereby confirm and guarantee that all diamonds we supply now and in the future to the Rapaport Group for sale through a Rapaport auction or other sales channel:

1. Have been purchased from legitimate sources not involved in funding conflict and in compliance with United Nations resolutions and the Kimberley Process.
2. Have been sourced in compliance with the local laws governing the company that is supplying the diamonds and in compliance with the U.S. Patriot Act.
3. The diamonds have not been involved in human rights violations (ie the physical production of the diamonds did not involve murder, rape, physical violence or forced servitude), based on personal knowledge and/or written guarantees from suppliers.
4. Are not traded in violation of U.S. sanctions or sourced from Marange, Zimbabwe or other sources banned by the Rapaport Group.

Thank you very for cooperating with our compliance requirements. Please do not hesitate to contact us at +1-212-354-9100 or email trade@Rapaport.com should you have any questions.

Name of signer: _____
Signature: _____ Date _____
Position/Title: _____
Company: _____
Address: _____
City, State, Country : _____
Telephone Number: _____
Email Address : _____

User Agreement

Terms of Service

Notice To RapNet Members Fraudulent EGL Certificates

Sunday, April 11, 2010

Dear RapNet Members,

We are interrupting your RapNet service to inform you that the World Federation of Diamond Bourses (WFDB) issued a notice to its members, on Friday, April 9, 2010 stating that "fraudulent EGL certificates have been traded on the Rapaport website."

The WFDB did not contact RapNet prior to this notice nor have they provided us with any information about who might be offering such diamonds for sale or which EGL diamonds may be fraudulent.

We are cautioning all RapNet members to carefully examine all laboratory graded diamonds to ensure that their accompanying certificates are not fraudulent and to immediately notify RapNet via email report@RapNet.com should they identify any fraudulent grading reports in the market.

In the coming days, RapNet will be contacting members and establishing an online forum to allow our community to express their views and provide input regarding this and other important issues.

In addition, we take this opportunity to alert our members that a stockpile of 2.7 million carats of Marange diamonds may soon be coming onto the marketplace with Kimberley Process Certificates. The Rapaport Group and RapNet continues to ban trading of these diamonds from Marange. For ongoing updates and information please visit: <http://www.diamonds.net/Zimbabwe/>.

As always, your comments and suggestions are most welcome. Please do not hesitate to contact us directly via e-mail at report@RapNet.com.

Yours truly,

Saville Stern
COO RapNet

Please confirm your acceptance by checking the box.

I hereby confirm that I have read and agree to the above notice and that grading reports for the diamonds that I offer for sale on RapNet are not fraudulent.

[Click Here to Enter RapNet](#)

Financial-Legal

Ethical Considerations

Can our industry establish ethical standards?

Oct 1, 2010 7:15 AM By Martin Rapaport

RAPAPORT... Ethics is about doing the right thing, being good, honest and fair. It's about differentiating between right and wrong and applying a system of universal moral values to your decision making. While there are many ideas and philosophies about ethics, the bible sums it up in three words. "V'ahavta L'raicha Komocha" – love your neighbor as yourself.

The problem with ethics is that it often demands altruism —doing good without reward — something that is inconsistent with our modern, Darwinian, survival-of-the-fittest competitive world. Why should I help someone else you may ask? What benefit will I get from it? Essentially, I love myself more than my neighbor, so why should I help my neighbor? This is especially true in a situation where if I help my neighbor, I lose out. Love my neighbor? You have to be kidding.

To some degree society has us do good, or at least refrain from doing bad, so that we can enjoy common benefits. It's an I'll donate to the hospital, so you will donate to the hospital, so if either of us gets sick we can be cured kind of situation. Or, I won't steal from you, so you won't steal from me. What happens when the benefit is less obvious? For example, a cashier does not notice they are giving you back too much change? Do you return the money? Why should you? Are you an ethical person?

Groups of people form societies that create laws and rules that supposedly optimize benefits to members. Laws are involuntary, created by governments who enforce compliance. Rules are voluntary. We may choose to join, or not join, a tennis club, or a trade association that enforces certain rules and provides benefits we desire. Then there are our own personal rules of behavior. What we do, or don't do is based on our sense of right and wrong. These personal rules reflect our ethical values.

Many people think that as long as they follow the law they are ethical. But that's not true. Ethics transcends the law. To be an ethical person you have to do what is right even if your government does not require you to do so and even if your government makes it illegal to do so. As my mother —a survivor of Nazi Germany — will tell you, laws and governments are sometimes evil. Consider Mahatma Gandhi, Martin Luther King and Nelson Mandela, all of whom fought against unethical laws and served time in prison. Make no mistake — if you want to be ethical you can't hide behind the law.

Being ethical requires a powerful personal commitment and a willingness to face strong challenges to your integrity. Sometimes, it can be downright painful. Those who do not share your ethical values will attack you for raising issues that make them look bad, or feel uncomfortable. They may hate you for not being politically correct. If the ethical issue you confront is important, be prepared to lose money and prestige as the maxim "no good deed goes unpunished" is applied. While others may or may not support you, in the end, your only real reward for being ethical will be knowing that you have done the right thing.

Ethics is personal. Your ethical values must be based on your internal beliefs and commitments. While your parents, family, friends, religion and society may have great influence, they are not responsible for your actions — you are. You can't delegate your ethical obligations, or your responsibility, for the intended and unintended consequences of your actions. Being ethical means internalizing your values and doing the right thing by following your conscience.

Business Ethics

The problem with business ethics is that there is no such thing. Businesses don't have their own ethics. They don't have souls and they don't have a conscience. Businesses are legitimate, money-making machines whose actions are controlled by law. In spite of the fact that public relations, marketing and branding experts give companies personalities, the hard truth is that businesses are profit robots, nothing more and nothing less. Don't be fooled into believing that companies love us, or our environment. Companies simply do what they have to do to make money.

Fortunately, in ethical societies the things that companies have to do to make money force them to adopt ethical principles. I am not saying that companies can't be ethical. I am saying the sole motivation for companies to be ethical is based on their ability to make money by being ethical.

For example, if consumers care about human rights or environmental damage to the extent that they are willing to pay more for products that are not evil, then that is what companies will provide. On the other hand, if consumers don't want to pay more for ethical products, companies will then produce the best product at the lowest price ignoring the negative consequences of their actions. The same scenario plays out with laws. In a society that

cares about ethical values such as human rights, or the environment, government creates and enforces laws that promote and protect the ethical rights of stakeholders impacted by a company's activities.

In many instances governments have passed laws that force and/or encourage ethical behavior by companies. The Canadian mining industry is a good example with legal approval required for a broad range of issues including environmental impact and agreements with the local indigenous population. Since companies have to follow the law in order to make money, laws play an important role in establishing minimal ethical standards for companies. The red line for a company is the law and the bottom line is profits.

But how does society get companies to do more than the law requires or is able to enforce? How do we get companies to apply ethical values that transcend the requirements of law? The answer is really very simple: We pay companies to do what we want them to do and we lower their profits if they do what we don't want them to do.

Once we accept the fact that companies are not altruistic, and that they are profit motivated, it's relatively easy to ethically manipulate them with a carrot stick approach based on creating demand for ethical products and destroying demand for unethical products.

The key to this approach, and the thing that makes it ethical, is that you can only increase or decrease ethical demand to the extent that consumers buy into your proposed ethical values. For example, if consumers are willing to pay 20 percent more for ethical diamonds, it stands to reason that some bright entrepreneurs will establish a reputable monitoring system that brings such ethical products to the market. The ethical diamonds will then compete in a free and fair market with other less ethical products. On the other hand, if consumers don't want to pay more for ethical products then they will not be created and offered for sale.

Therefore, the application of ethical standards that transcend law is a business matter driven by consumer demand. Consumers get to vote with their dollars for the type and level of ethical products that they want to buy. Society gets the exact level of ethical value it is willing to pay for. Companies make rational decisions about ethics based on consumer demand. Competition ensures a broad range of ethical products at fair prices.

From a business perspective, threats by NGOs agitating for ethical products and against unethical products is nothing more or less than good marketing by competitors seeking to introduce new products. NGOs can scream their heads off, but if consumers don't put their money on the line by paying more for ethical products, or by refusing to buy unethical products, it's just noise. On the other hand, if NGOs or ethical competitors hit the right note with consumers – watch out. People will put their money where their mouth is and markets can be irrevocably changed, generic products destroyed and businesses bankrupted.

Consider what happened to Nike. After NGOs and the media publicized Nike's unfair labor practices in the late 1990's its profits plunged 49 percent and its share price fell by 57 percent. Our point here is not to terrorize jewelry brands into accepting unreasonable NGO demands, but rather to point out that there are real sticks and carrots out there.

Perhaps the best way for us to understand ethical business practices from a company and consumer perspective is to consider ethics as another added value service or product. A broad range of ethical jewelry products will be coming onto the market. Companies should incorporate these products into their marketing mix based on their ability to sell them. Treat ethical products as a sustainable business opportunity that requires real demand. At the same time keep far away from unethical products. Don't buy them and don't sell them. You don't want to be Nike'd.

In conclusion, consider this: Business ethics isn't another form of ethics, ethics is another form of business.

Organizational Ethics

Many years ago before the Gemological Institute of America (GIA) established a diamond grading system, legitimate jewelry retailers had a severe problem. Consumers had no idea about the quality of diamonds. Misrepresentation was rampant. Companies that honestly represented their diamonds were at a distinct disadvantage. Most often the sale went to the jeweler who was the biggest and best liar. The term "clean diamond" was so abused and misrepresented that the U.S. Federal Trade Commission outlawed its use.

The American Gem Society (AGS) and GIA were established to bring order and set standards that ultimately cleaned up what had become a dishonest and dysfunctional diamond market. The role that these organizations played at that time is proof positive that trade organizations can play an important role establishing a basis for ethical business practices and standards.

Given the success of the AGS and GIA many of us might believe that it is okay to delegate ethical responsibilities to trade organizations like the Jewelers Vigilance Committee (JVC),

Responsible Jewelry Council (RJC), or World Diamond Council (WDC). In my opinion, that's not a good idea. The ethical standards of the JVC, RJC and WDC are not up to my standards and may not be up to yours.

Let us consider an initial simple ethical standard for non-profit organizations: "Tell the truth, the whole truth and nothing but the truth." Unfortunately in my opinion, the JVC, RJC and WDC fail to meet this standard.

The WDC, RJC and JVC refuse to inform their members and the trade that Kimberley Process (KP) certification does not ensure that diamonds are free of human rights abuses. While the RJC has great potential, it fails to require certified members to source their products ethically and suffers from a "garbage in and garbage out" problem that could be easily fixed.

Then there is the JVC whose tagline is "The Industry's Guardian of Ethics and Integrity." Last year the JVC failed to disclose direct evidence of murder, rape and other human rights violations in Zimbabwe. On September 27, Cecilia Gardner, JVC's President and CEO issued a bizarre statement outlining how U.S. companies can evade U.S. sanctions against Zimbabwean companies. Aside from the fact that her statements are patently false and misleading her final paragraph says it all.

"You will note that there is one issue the JVC has not addressed in this article – the ethical calculation one might apply generally to the purchase of diamonds from Marange. This is a subject for another day. JVC's focus and expertise is legal compliance which is the subject of this article."

Perhaps it's time for the JVC to get rid of its "The Industries Guardian of Ethics and Integrity" tagline. At least until "another day comes around." Right now it looks like false advertising.

It is important to counter our negative statements about industry organizations with compliments for an organization that is telling the truth. Consider the following statement by Jewelers of America (JA).

"We remain concerned and have advised our members of other serious issues around the goods from Marange beyond the scope of the KP. ... As such we recommend that JA members practice due diligence, doing what they can, within their spheres of influence to protect the legal integrity of the diamonds they trade in. This includes requiring their suppliers to provide additional written reassurances, beyond the WDC's System of Warranties statement, that the diamonds they supply have not been obtained in violation of applicable nation laws and/or sanctions. Despite the fact that limited exports from the Marange region of Zimbabwe will have KP certificates, we believe these diamonds should be considered such a violation at the present time." (bolding by JA).

Clearly, JA is taking a responsible position in spite of the fact that it is part of a political coalition whose other members support the KP to the extent that they refuse to inform the trade of its deficiencies. Kudos to JA. They have had the integrity to warn the trade even when it is not politically correct to do so. JA meets our standard — the others don't.

Conclusion

It is important to recognize that ethical values that transcend the law are a personal and voluntary issue. Just because I may not agree with another person's ethics does not necessarily make them, or me, evil. It is okay if you don't agree with me, or with anything I have said in this article. It's okay to be ethical without being judgmental.

I would like to make the point that it is vital for people to take the time and make the effort to personally establish ethical guidelines. While it may be advantageous to join a group of likeminded people who share your values, do not ever delegate your ethical values to trade organizations or others. In a world where people are sometimes killed for diamonds I have written this article to provide fair warning to the diamond and jewelry trade that each of us must take full personal responsibility for our actions.

RAPAPORT
INFORMATION THAT MEANS BUSINESS.