COLORED GEMSTONES

A New Facet of Compliance
Colored Gemstones

Colored gemstones have always held a space in the jewelry market. Over the last decade, the demand for these precious stones has been on the rise.¹ Maybe it is the appealing price point, the allure of their vibrant colors or their royal history. Whatever it is, they are breaking auction price records as consumer’s appetite for diamonds declines.² Jewelers of America’s 2015 Cost of Doing Business Report estimates that while colored stone jewelry holds only a fraction of total retail sales it is estimated to be a $10 - $15 billion industry.³ As consumers become increasingly aware of the issues surrounding the mining of diamonds and other minerals, interest in ethical sourcing has carried over to the colored gemstone market.
Human rights violations, environmental impacts and corruption are known to exist in the mining sector. Colored stones are no exception. Persistent negative environmental impacts have been known to occur in sensitive habitats and protected areas.

Direct mining activities have caused deforestation and soil erosion that has led to water pollution. Corruption and illegal activities can be compared to those of other mineral extraction practices including illegal extraction and smuggled gemstones being traded to finance various armed rebel groups.
The Gemstone Supply Chain

Mine To Market

The road from mine to market is a complicated one. There are transparency and traceability limitations in the supply chain given there are close to 50 colored gem producing countries¹ spread across 6 continents. Approximately 80 percent come from artisanal and small-scale mining operations (ASMs) and the remaining 20 percent from large-scale mining operations (LSMs).² The high volume of these small geographically remote ASMs make it difficult to provide an accurate assessment of the colored gemstone supply chain.

Unlike gold and diamonds, which have a relatively limited number of companies controlling the market, the colored gemstone supply chain is difficult to map. There are so many players throughout the mining, processing, cutting and polishing stages it is hard to know how many times the rough and cut stones have changed hands before reaching the consumer.² To further complicate things, the process in which a stone travels from the mine to cutting and processing centers and then ultimately to the consumer varies from country to country.
The Graduate Institute of Geneva's Institute of International Development Studies Applied Research Seminar Report states, “Dealers often buy stones in countries where smuggling is rampant, recordkeeping is poor, corruption is high and mine owners neglect internationally recognized labor standards.”¹ It is not uncommon for a stone's origin to be mislabeled on disclosure invoices as some stones can glean higher prices depending on their country of origin.⁶ Most jewelers, wholesalers and retailers do not know the mine origin or sourcing information of the stones they purchase.¹ This is a large part of the problem in regulating the industry or conducting due diligence on colored stones.

Gemstone Regulations

Currently, there are no laws in place regulating the colored gemstone industry.¹ There are many stakeholders in the arena who advocate for responsible sourcing and would like to see some form of regulation brought to the colored gem sector. There have been some proposals for certification schemes similar to the United Nations Kimberley Process Certification Scheme (KPCS) to prevent conflict diamonds; however, none have yet become law.²

Some retailers are ahead of the regulatory curve by proactively responding to customers' increased awareness and demand for sustainably and ethically sourced goods. Jewelers such as Brilliant Earth utilize a business model that is a direct mine to market approach to responsibly sourced gemstones. They even offer a “Conflict Free” guarantee their gems are sourced in accordance with ethical and environmentally responsible principles. Others demonstrated their commitment to responsible sourcing by developing their own internal initiatives, like the American Gem Trade Association (AGTA) members' Code of Ethics commitment to disclose gemstone enhancements and treatment.⁷

There are organizations with voluntary programs in place to help ensure fair ethical practices and sustainability in the colored gemstone industry. For example, the World Bank’s 2001 Communities and Small Scale Mining (CASM) initiative aims to transform “activity from a source of conflict and poverty into a catalyst for economic growth and sustainable development.”² The United Nations Interregional Crime and Justice Research Institute (UNICRI), “promotes a Chain of Custody Certification Mechanism that aims to ensure that precious stones which will be UNICRI certified are tracked through the sourcing process and comply with ethical standards.”¹
With the absence of official government issued guidance, some existing frameworks can apply to colored gemstones. For example, the OECD Due Diligence Guidance focuses on 3TG but can be applicable to other minerals. Recognizing the OECD applies to all minerals, Signet Jewelers has created Responsible Sourcing Protocols (SRSPs) requiring suppliers to complete a SRSP compliance report. Implementation of colored stones into the SRSPs is expected to phase in by the end of this year.⁴

Many jewelers utilize the Responsible Jewellery Counsel (RJC) as a reliable source of verified metal and diamond suppliers. The RJC Code of Practices defines responsible, social and environmental business practices for companies in the jewelry supply chain. Earlier this spring, the RJC updated their Code of Practices expanding the mineral scope of their certification to incorporate select colored gemstones including rubies, emeralds and sapphires. This summer we saw the first colored gemstone mine (Greenland Ruby) become a member of the RJC and begin the formal certification process. The RJC has also announced the possibility of extending the scope of their mineral certification to all colored gemstones.⁵ As their scope expands we expect to see more mines join RJC and possibly more organizations incorporating colored gems into their initiatives.

Though regulatory requirements do not currently exist, running a due diligence program to understand the origin of the gemstones in your products is highly recommended. If you’re interested in speaking with a supply chain tracing specialist, click here and fill out the form on the Source Intelligence contact us page.

Sources: