



JEWELERS OF AMERICA, INC.

December 21, 2006

Corinna Gilfillan
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GLOBAL WITNESS
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Washington, D.C. 20036

Nick Dearden
Business and Human Rights Team
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Dear Corinna and Nick,

Jewelers of America was surprised to learn, from several of our members, that you have started a global survey of retailers concerning their implementation of the World Diamond Council's System of Warranties, in support of the Kimberley Process.

We must, first, express our disappointment that you chose not to consult JA before sending this survey. As you'll recall, we had agreed that Global Witness would contact JA before sending another survey to retailers, during a meeting I held with you when you last surveyed retailers in 2004.

In addition, you've sent your inquiry at a very challenging time for retailers – their prime selling season – making it very difficult for them to respond in the time frame you've suggested.

As well, some of the questions in your letter are likely to blindside many retailers, since the questions ask for assurances on practices retailers are not required to undertake as part of the System of Warranties.

According to p. 8 of “The Essential Guide to Implementing the Kimberley Process,” produced by the World Diamond Council as official guidance for all members of the trade, retailers are required by the System of Warranties “to insist that their suppliers provide warranties for all diamonds polished after January 1, 2003.” The WDC further recommends that retailers: 1.) inform their suppliers in writing that they require a warranty; 2.) retain these warranties for five years.

As you know, JA has repeatedly provided guidance and reminders to its members to adhere to the System of Warranties, and we have attached a copy of our latest documents. You will see that in our Self-Assessment Checklist, we additionally recommend that our members internally audit invoices to verify that the warranty statement is there, even though this is not required of retailers by the SoW (though we are aware that suppliers are required to have independent auditing by their own auditors farther up the supply chain). Some of our members do perform internal or independent audits, but not all have taken such actions.

While most retailers can provide a company policy on diamond sourcing to prevent the purchase of conflict diamonds, as well as an explanation (with samples of warranties received and procedures undertaken) on how they have implemented the System of Warranties, the rest of the items you ask for are problematic. Specifically:

1. **“Actions retailers have taken to prevent diamond smuggling from the Ivory Coast.”** Retailers helped fund and have appointed the World Diamond Council to monitor KP efforts. WDC acted on our behalf in attending the KP Plenary in November, at which participants developed an action plan to address allegations that diamonds smuggled from Ivory Coast are exported from Ghana. Therefore it is unfair to ask retailers about individual actions they are taking in this situation. Acting individually, retailers are ineffective. Speaking with one voice through the WDC, the entire trade has taken action in enforcement of the Kimberley Process.
2. **“Retailers’ policies for ensuring that suppliers are responsibly sourcing diamonds.”** Retailers are required to insist that all their suppliers provide warranties and to keep those warranties for five years, in accordance with the System of Warranties. Retailers can choose to ask their suppliers for more information, and some do. But since retailers are not required to do so by the SoW, many do not. This should not be perceived as a lack of caring or interest, but simply that they are following the requirements – and expect their suppliers to do the same.
3. **“Samples of independent auditing measures.”** The System of Warranties does not require retailers to undergo independent auditing. This fact should not be misconstrued as a lack of caring or interest in the system on the part of retailers. They are doing what the system has asked of them. They do understand that suppliers are obligated to conduct independent audits using their own auditors, and they expect them to comply with this requirement.

As you are well aware, the diamond supply chain is complex. Our retail members recognized at the outset that, rather than acting individually, the best way to combat

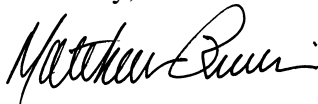
conflict diamonds and support the Kimberley Process was to work together with all levels of the supply chain. Our designated representative is the World Diamond Council, which leads our efforts on issues such as diamond smuggling from conflict countries and ensuring responsible sourcing throughout the industry, via the System of Warranties.

Your letter misleads retailers by implying that they should be individually fulfilling other and additional “responsibilities” that are not part of its role in the Kimberley Process or the System of Warranties. Your questions will confuse many retailers and serve only to undermine the unified system that the trade initiated at the time the Kimberley Process was approved.

We will be informing retailers about the problems we have with your letter and the information it seeks. JA will also correctly reinforce with retailers their actual responsibilities to the Kimberley Process and the System of Warranties.

Jewelers of America, which represents 11,000 U.S. retailer-member stores, is willing to participate, along with other segments of the supply chain, in collaborative efforts with your organizations to develop practical and achievable measures that will improve the effectiveness of the Kimberley Process and the System of Warranties. Asking individual retailers to work on these efforts is counterproductive and will not be effective. Only by working in concert with the rest of our supply chain can we assure real change.

Sincerely,



Matthew A. Runci
President and CEO
Jewelers of America

Encl.:

JA 2006 Conflict Diamonds Summary for Members
JA 2006 Conflict Diamonds Sample Letter to Suppliers
JA 2006 Conflict Diamonds Self-Assessment Checklist
JA 2006 Conflict Diamonds Sample Statement to Consumers