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Audit System Overview for Manufacturers of (rough to) polished diamonds that make Canadian origin claims

Manufacturers of (rough to) polished diamonds must have in place tracking, numbering and recording systems that will allow for the reconciliation of entire or partial contents of rough diamond parcels from which Canadian diamonds have been produced. Manufacturing facilities for cutting and polishing diamonds used for the program must also have stone-by-stone tracking systems utilizing a unique identification number and recording system.

Adherence to the tracking systems requirements is fundamentally important to the Canadian Diamond Code of Conduct claims.

Basic Information Requirements - needed for control

1. Proof of origin as Canadian mined
2. Copy of the producer invoice, stating Canadian Origin and quality of rough
3. The unique original Rough Parcel number supplied by the Producer/Vendor
4. Total weight of the Rough Parcel
5. Manufacturers tracking number for the Rough Parcel and each stone
6. Rough Weight of each rough crystal or Sawn diamond weight where applicable
7. Polished diamond weight
8. The name of the cutting and polishing facility.

Background

Each rough diamond parcel ("Rough Parcel") supplied by a Canadian Diamond Producer that is used for the production of qualifying diamonds for the Canadian Origin Program must be accompanied by an invoice bearing:

1. a unique identification number of the Rough Parcel,
2. a statement verifying Canadian Origin,
3. the Producers description of the rough diamonds contained in the Rough Parcel, and number of stones if available
4. the aggregate weight of the Rough Parcel.

Each Canadian mined diamond original invoice number is entered into the Manufacturer's Inventory Management System. If possible each parcel is documented as well.

2. Rough stones may be manufactured and sold as Canadian and rough stones may be traded outside of being called Canadian. Stones removed at this point from the original parcel with no regard to stone by stone tracking will no longer qualify as being Canadian. Once any stone is separated from its original parcel without a tracking number being assigned then it can no longer be return to the Canadian Diamond claim program.

3. Parcels of rough diamonds for manufacture may be sorted into price points at head offices. A price point is a sorting category and refers to a diamonds size, colour, shape and purity. Each price point is further sorted into makeable and sawable/splittable stones. A makeable stone can proceed to the polishing process and a sawable/splittable stone needs sawing or splitting, normally into two but sometimes many more pieces, to optimize the stone's yield. The largest polished diamond is referred to as the A stone. The second, third and fourth largest stones are referred to as the B, C and D stones and so on. If the stone is sawn or split then the after sawn/split weight must be recorded for the corresponding part of the stone. This new weight is now the rough crystal weight for parcel reconciliation purposes.

4. Stone numbers should be sequentially allocated to individual stones. The stone number may be preceded by a parcel number which may be the original parcel number or a parcel number allocated by the manufacturer. Information imbedded in the stone number should be such that any single stone can be tracked back to the original producer invoice. Total rough weight of individual stones must be agreed (reconcilable) to the original parcel weight of stones for manufacture. Normally stones would be wrapped in individual briefke's/packets at this point. The stone number may be noted on the briefke/packet either by means of a bar code or manually written on. This stone number will stay with that single stone throughout the manufacturing process.

5. Rough stones can be sent to factories outside of the manufacturers head office. The factories may or may not be in the same country as the head office. Rough stones shipped to factories should be marked in the inventory system to indicate to which factory it was sent. Each factory must have an inventory tracking, numbering and recording system that allows for the reconciliation by Rough Parcel number, stone count, weight and, where applicable, stone identification numbers of the entire contents of all Rough Parcels.

Stones may be identified in the inventory system as being under manufacture. Normally the factories can return complete or part shipments. The system of following the shipments must be robust enough to allow for parcel by parcel reconciliation. Cutting and polishing facilities must have an inventory tracking, numbering and recording system that allows for the continuous monitoring of the status and weight of all stones. Additionally, the facilities must be secure (protected from potential harm or loss) for receiving the rough parcels and for keeping both the eligible rough diamonds and all polished diamonds derived from the parcel segregated from all other rough or polished diamonds.

6. Pre-Preparation (Marking & Assessing). Markers inspect the stones through microscopes or loupes to assess the stone. Digital software is also used to assess external and internal rough conditions. Stones with qualities outside a manufacturers-imposed tolerance limits are directly rejected and removed from the stone by stone tracking system. Once removed and separated from the parcel they can no longer be returned to a Canadian Diamond Claim program.

7. Once the diamond is finished being polished it is sent from the factory back to the manufacturer. The batches the factory sends back do not necessarily correspond with the batches originally sent by the manufacturer. The factory must send an invoice with details summarizing the content of the batch (reference is made to each stone number on the invoice sent by the manufacturer and/or parcel numbers of the manufacturer).

Upon receipt, the manufacturer's head office weighs and counts the stones and agrees this information to the information received. Specifically, the weight of the received batches is reconciled with the weight mentioned on the invoice. Next, the listing is reconciled with the data in the inventory management system and adjustments (in status) are made or details are added in the inventory management system.

8. After checking the received stones they will be final graded and wrapped in new briefke's/packets. The stones tracking number, final weight and grading will be recorded in the inventory system and possibly on the briefke's/packets. The final quality grading is not regarded as part of qualifying for the Canadian Diamond claim but helps in proving traceability.

9. Diamonds that are sold or identified as diamonds that will be sold under the Canadian origin claim cannot be sold to a consumer until it is assigned and lasered with a tracking number. When a consumer facing number is lasered on the diamond that differs from the actual manufacturing tracking number then the inventory system must show a direct relationship between the two. So, from the number lasered on the stone they should be able to track the stone back to the original producer invoice.

Optional Step:

This step is sometimes done before or after final lasering.

Should a client require an independent lab certificate the stones are sent to a laboratory for certification /report and possibly laser inscribed. (A certification/report is a third-party confirmation of the stones weight, grading and quality of the cut (the 4 c's)). Stones that sent are recorded and then reconciled when the same stones are returned from the laboratory.

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