



The Tiffany Standard

After more than a century of capturing the beauty of nature in its designs, the venerable American house is working to protect this source of inspiration.

BY JILL NEWMAN



FINE JEWELRY is fashioned from precious gold, diamonds, rubies, and emeralds—extremely limited natural resources whose origins often are shrouded in mystery and controversy. The mining of valuable minerals and gems can damage the environment, exhaust natural resources, and even incite political chaos in an unstable region that holds a bounty of these materials. Nevertheless, the allure of precious gems

remains undiminished, leaving jewelers to set their own ethical standards for how their products are sourced.

Tiffany & Co. has positioned itself at the forefront of some contentious issues, even refusing to offer some gems—specifically coral and newly mined rubies, spinel, and jadeite from Myanmar—that compromise its values. Guiding this initiative is Michael Kowalski, Tiffany's unassuming 53-year-old chairman



Tiffany introduced tanzanite to the world but pulled the gem from its cases when rumors of terrorist funding surfaced in 2002. A year later, the deep-violet gem (above) was cleared of controversy and returned to the Tiffany collection.

and chief executive officer, who also is a trustee of the Wildlife Conservation Society and a passionate outdoorsman fond of hiking and sea-kayaking in Alaska. "Everyone has come to realize that there are legitimate issues on natural resource extraction, and there is no reason to think the jewelry industry is exempt from them," says Kowalski. "We have an opportunity to exhibit leadership and raise awareness in the industry. We have an obligation to do that, and ultimately customers do care."

Kowalski recently has made some surprisingly bold moves that conservationists who police the industry have hailed. In 2004, in a full-page advertisement in the *Washington Post* that bore his signature, he criticized the U.S. government's sanctioning of a Montana silver mining operation that he viewed as hazardous to the environment.

Kowalski's conservation efforts extend to his role as the head of the Tiffany & Co. Foundation, which has given millions of dollars in grants to organizations that promote responsible mining, coral reef conservation, and land protection. Tiffany also is a



founding member of the newly formed Council for Responsible Jewellery Practices.

Kowalski's ideals are transforming the 168-year-old company, which realized sales of \$2.2 billion in fiscal 2004, a 10 percent increase over the previous year. (Profits were \$304.3 million, 41 percent ahead of the previous year.) As it strives to gain control over the sources of its raw materials

and its supply chain, Tiffany & Co. is becoming a vertically integrated retailer—an industry anomaly. Instead of purchasing partly finished gold jewelry, it now acquires directly from an American mine gold ingots that it melts and molds into jewelry in its own manufacturing facilities in New York and Rhode Island. Rather than buying cut and polished diamonds, Tiffany & Co. purchases rough stones directly from mines it deems socially and environmentally responsible. Last year, it opened its own diamond-cutting and -polishing facilities in Belgium, South Africa, and Canada. "If the vertical chain is unbroken, then we have control over the origins of materials relative to social issues," explains Kowalski.

Gold mining, in particular, has come under scrutiny by environmentalists because it requires moving massive amounts of earth and typically uses huge quantities of cyanide to cull the gold from the rock. However, Tiffany procures all of its gold from Bingham Canyon Mine in Salt Lake City, Utah, a division of the Kennecott Utah Copper mine that does not employ cyanide to extract the gold.

Tiffany also has partnered with the Center for Science and Public Participation, WWF-International, and



Tiffany collections include the modern Atlas bracelets (left), which are based on the clock that crowns the entrance of the Fifth Avenue store (above).



Earthworks to establish a comprehensive set of standards for the U.S. and international mining industries: the Framework for Responsible Mining, which was released last October. “We needed to understand what constitutes responsible mining; it had not been well defined,” he says. “Gold mining is an important industry in the United States, and we need to do it right with rigid standards.”

Diamond-mining and -trading practices are the other dark clouds looming over the jewelry industry. Of particular concern are so-called blood, or conflict, diamonds, stones whose mining and sales generate funding for oppressive regimes in some African countries. “When conflict diamonds arose [in the late 1990s], the industry, to a great degree, was blindsided by the issue,” says Kowalski. Prior to then, he adds, the industry had not been concerned with the sources of the stones because most retailers are so far removed from them.

Tiffany was particularly aggressive in taking control of its diamond acquisitions, although Kowalski says most consumers do not ask about the origin of a diamond. Under Kowalski’s

stewardship, Tiffany became the first retailer to partner with a diamond mining company to ensure that its supply of diamonds is mined in a socially and ethically responsible manner. In 1999, it purchased a 13.9 percent stake in Toronto-based Aber Diamond Corp. for \$71 million, which Aber used to finance its Diavik Mine in Canada’s Northwest Territories. Last year, Tiffany sold its interest for \$268 million, but the terms of the transaction enabled Tiffany to retain its purchasing rights to Diavik’s diamonds.

In another unorthodox move, Tiffany entered into a partnership with Tahera Diamond Corp. in November 2004 so that it could purchase a portion of the diamond production from Tahera’s Jericho Diamond Project in Canada.

Tiffany provided a \$35 million financing credit to help Tahera establish a mine on its Jericho property in accordance with Tiffany’s standards. Both the Diavik and Jericho mines are innovative projects intended to preserve and restore the environment, to protect wildlife, and to support the local population.

Some of Tiffany’s competitors and suppliers have criticized the company’s moves as being reactionary, such as when it swiftly removed tanzanite from its display cases in 2002 after reports surfaced that sales of the deep-violet gems might be funding terrorist activities. “The situation was not clear, and we took an extremely conservative position,” Kowalski says. A year later, Tiffany began selling tanzanite again, after it was satisfied that the rumors were unfounded.

Tiffany also stopped purchasing rubies, jadeite, and spinel from Myanmar in 2003, when the U.S. government passed a law banning imports because of that country’s human rights violations. Last March, U.S. Customs and Border Protection altered that ruling to allow the importation of gemstones mined in Myanmar provided they had been cut and polished

Tiffany & Co. spent a year procuring the stones for the Majestic Diamond necklace (shown above with a 41-carat detachable pendant).

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CHAIRMAN AND CEO, TIFFANY & CO.

in other countries. While most jewelers resumed importing the gems, Tiffany sustained the moratorium. "We support democratic reforms and an end to human rights abuses in that country," Kowalski explains. "We believe our customers would agree with our position."

Kowalski, an avid scuba diver, also champions the protection of coral reefs. Tiffany eliminated coral jewelry from its offerings eight years ago, despite its popularity. "It's never been clear whether harvesting coral can be sustainable, and the coral reefs are threatened," Kowalski points out. Last year, the Tiffany & Co. Foundation awarded grants of more than \$400,000 to groups promoting coral reef preservation.

Kowalski insists his actions are not based simply on his own ethics and interests, but are aligned with stockholders' and consumers' expectations from the brand. "I would not call this altruistic," he says. "It's a smarter, better way to do business." *

Tiffany & Co., 800.526.0649,
www.tiffany.com



Tiffany's classic
Tahitian pearls

DESIGNER GENES

Over the past few decades, Tiffany's designer collections have helped shape the company's enduring legacy.



Jean Schlumberger: Hailed as one of the 20th century's great artisans, the late Jean Schlumberger is eternally linked to Tiffany & Co. While serving as vice president from 1956 until his death in 1987, Schlumberger produced some of his most imaginative designs, including brooches depicting jeweled jellyfish and dolphins, and elaborate gem-studded floral-themed pieces. By re-creating his designs for the modern era, Tiffany caters to its Schlumberger collectors while cultivating a new audience of jewelry aficionados.



Paloma Picasso: Paloma Picasso brought an exuberant new spirit to Tiffany when she unveiled her first collection for the company in 1980. Her signature style is expressed in innovative graffiti-like shapes and large-scale pieces featuring exotic colored gemstones in striking combinations.

Elsa Peretti: Elsa Peretti's minimalist, organically shaped jewelry designs were introduced in 1974 and soon came to represent a new movement in everyday, modern jewelry that appeals to women across cultures and ages. The Italian designer has created one best-selling collection after another, using motifs such as beans, hearts, and snakes, as well as modern mesh designs and versatile gem-set chains called Diamonds by the Yard. —J.N. *



*Jean Schlumberger
Bow Knot clip (above left),
Paloma Picasso Anniversary
earrings (above right), and
Elsa Peretti Sevillana
bracelets (left).*

TOP LEFT: RICHARD PIERCE; TOP RIGHT: STEPHEN LEWIS; BOTTOM: JOSH HASKIN

ARCHITECTURAL JEWELS



IN APRIL, Tiffany & Co. will unveil a new collection of jewelry and home accessories designed by renowned architect Frank Gehry (left). “Gehry’s revolutionary aesthetic has literally redefined architecture,” says Michael Kowalski, Tiffany’s chairman and CEO. “We fully anticipate that our partnership, combining as it does Mr. Gehry’s genius with Tiffany’s tradition of innovation and utmost quality, will change the rules of jewelry and fashion to equal and spectacular effect.” The Gehry Collection will debut with six distinct lines of jewelry, in addition to a selection of table-top items employing precious metals, gemstones, and wood.

Why did you decide to partner with Tiffany & Co. and how did the collaboration come about?

FRANK GEHRY: When Tiffany introduced their Mark watch in 1999, they honored various people who had made their mark professionally. I was one of the honorees. I had been thinking about designing jewelry, but I wasn’t sure how to go about it. As I developed a relationship with Tiffany, the idea started to look more and more fascinating and feasible. They showed me how my ideas could become jewelry, and together we tested the limits of conventional jewelry design. I was amazed by how they transformed my sketches into beautiful objects.

How do you view Tiffany’s design legacy, and what do you hope to contribute to that legacy?

FG: Tiffany established a simple, elegant beauty that is timeless and completely American in character, while maintaining the highest standards of quality and craftsmanship. I hope to add a new twist to that heritage with my own unique point of view, realized with the same standards of excellence that define everything Tiffany creates.

What is the defining characteristic of great American design?

FG: One of the defining qualities of great American design surely is optimism. American designers are up for anything and for any challenge, and are not holier than thou when it comes to tackling and bringing good design to the most mundane problems.

What quality makes a building or a piece of jewelry transcend into the realm of art?

FG: *Transcend* is certainly the key word. A great building or piece of jewelry is more than the sum of its parts. It has a special quality that results from the perfect meeting of materials and design, and also of time and place, which makes the eye linger and the imagination go

beyond the basic building blocks to touch the emotions in a deep and meaningful way.

What are the parallels between architecture and jewelry design? What challenges arose in developing the jewelry?

FG: They are both highly creative pursuits and require the ability to visualize within a prescribed environment. A building or a piece of jewelry can’t be just anything. It must adhere to certain conditions. The challenge is to satisfy all the conditions, yet design something that is truly different and innovative. Designing is never easy. But the more you work with the materials at hand, the more ideas come to you about new ways to shape them. That is where I found the collaboration with Tiffany to be so exciting. These people know how to make jewelry and are open and receptive to my thinking and process.

How did you select the materials for the jewelry, and why did you choose them?

FG: The forms and shapes that emerged from my sketches or models seemed to suggest the material that would best suit their size and particular contours. For the first collection, I used primarily gold, silver, wood, and gemstones, which gave me a broad color palette and an array of rich textures to work with.

Do you wear jewelry or watches?

FG: Wearing jewelry never occurs to me. I do have a special Tiffany watch—it was a gift that I treasure very much.

How do your designs fit into a square blue box? Or are you reconfiguring that box, too?

FG: My designs will fit perfectly in the famous Tiffany blue box, which is a worldwide icon. But don’t be surprised if I try to redesign it. I really can’t help myself.

—LAURIE KAHLE 