



World Diamond Council

WORLD DIAMOND COUNCIL 4TH ANNUAL MEETING
CATANIA ~ FEBRUARY 5 - 8, 2006

CHAIRMAN'S REPORT: ELI IZHAKOFF

It is with great pleasure that I welcome such a distinguished group of leaders of the international diamond and jewelry industry, government officials and representatives of civil society to the 4th Annual Meeting of the World Diamond Council. First, on behalf of the World Diamond Council, allow me to express our gratitude to the government of the region of Catania, which has been so generous in hosting us in Sicily and making our stay so memorable. And of course thanks also go out to my very good friend Dr. Gaetano Cavalieri, the president of CIBJO, The World Jewellery Confederation, who made this event possible. I would like to take this opportunity to thank again the Dubai Metal and Commodities Center (DMCC) for hosting our last annual meeting in Dubai and for sponsoring one of the gala dinners at this event.

The World Diamond Council traces its roots back to a historic joint resolution passed by the World Federation of Diamond Bourses and the International Diamond Manufacturers Association at the World Diamond Congress in Antwerp, Belgium, in July 2000, where they agreed upon the establishment of a body that would coordinate the diamond industry's efforts in its battle to end the scourge of conflict diamonds. In the months leading to the WDC's first formal meeting in Tel Aviv, Israel, in September 2000, we brought on board major players from the mining, jewelry and service sectors, so that the WDC would operate as an inclusive, all-industry coalition, stretching all the way from the mine to the jewelry retailer.

From the very beginning, our aim was to develop, implement and oversee a tracking system for the export and import of diamonds, so as to prevent the exploitation of the gemstone for illicit purposes, such as war and inhumane acts. In cooperation with governments, the United Nations and civil society organizations, we were instrumental in the creation of the Kimberley Process Certification Scheme, which today is the primary tool being used to rid the trade of conflict diamonds. I can say with confidence that there is no example as shining as that offered by our business community, by which an entire industry voluntarily subjected itself to both government and self-regulation, with all the expenses involved, in order to tackle what

primarily was a humanitarian problem. Cynics have said that our main interest was always our pocket books, but it is a charge that I disagree with. The business community is rife with examples of embattled industries that have rejected calls for regulation, and very rarely have they been required to pay any significant price for the choices that they made. We acted otherwise, and in that respect I believe that the World Diamond Council can be most proud about what has been achieved.

2005 WDC REPORT

During the course of 2005, the World Diamond Council engaged in a variety of activities, all of which related to its role as the industry representative in forums overseeing the implementation and improvement of the Kimberley Process Certification Scheme (KPCS). Our members were active in many of the established Kimberley Process Working Groups, and WDC representatives have participated in virtually every review visit that has taken place throughout the world.

WDC representatives also continue to support the implementation of the KPCS through educational programs, written communications, consultations with governments and more. These efforts further the goals of the KPCS, and build confidence in the system that has been in force since 2003.

WDC has also been active in promoting the goals of the KPCS and the underlying system of warranties for polished diamonds and jewelry containing diamonds. This has included written articles, educational seminars, business consulting and public meetings.

Kimberly Process–related activities

Members of the WDC participated in the Kimberly Process Plenary during 2005 and were fully engaged in the work of the various working groups and sub–groups. Indeed, I would note that the central role that we play in the Kimberley Process is underscored by the fact that the keynote speech at this event is being delivered by Kago Moshashane, the Kimberley Process Chairman.

Representatives of the WDC on the Working Groups on Statistics, Participation, Monitoring and Diamond Experts include Mark Von Bockstael (Chairman, WDC Technical Committee), Cecilia Gardner (WDC General Counsel), Andrew Bone (DeBeers) and myself. WDC will also participate in the work of the ad–hoc sub–group on alluvial diamond production and the ad–hoc Working Group Review of the KPCS, providing technical assistance and expertise as needed.

WDC representatives have also participated in numerous review visits as part of the peer review process of the KPCS. Sergei Oulin (Alrosa, WDC Vice Chairman) headed the review visit to the United States on behalf of the Russian Federation. Abbey Chikane (WDC Director) headed review visits in Africa on behalf of the South African government. Mark Van Bockstael (HRD), Yair Cohen (Israel Diamond Exchange Managing Director) and Moti Besser (Israel Diamond

Manufacturers Association General Manager) all took part in review visits to various countries. I had the privilege to participate in the review visits to the three major cutting centers—Israel, India and the European Union (Antwerp). Mark Van Bockstael also participated in KP missions to Lebanon, Cote d'Ivoire and the Democratic Republic of Congo and others, providing technical assistance and expertise on matters pertaining to diamond production.

Members of the WDC actually facilitated the KP review visit to the United States in June 2005, organizing sessions with the various U.S. government agencies involved in KPCS compliance, connecting the review team with various industry members engaged in KP compliance, hosting the delegation and providing venues for meetings. Cecilia Gardner, in her capacity as General Counsel of the WDC, worked closely with Stan Specht of the U.S. Department of State to ensure that the KPCS review team was able to complete its tasks successfully.

Industry-related activities

The World Diamond Council is typically seen as a body that liaises on behalf of the jewelry industry with governments, international organizations and NGOs, and that of course is correct. But the council also plays a role within the jewelry and gemstone sector, and there its task is primarily educational.

The council's ability to encourage compliance in the industry is through the informational campaigns that it operates. This is an absolutely essential component of its work, especially since much of what we promote has to be adopted voluntarily by the industry.

Representatives of the WDC continue to educate the industry on the legal requirements of the KPCS in various international localities. WDC provides counseling to businesses on the requirement of the KPCS, and on the system of warranties. The compliance with the system of warranties, by all evidence, is robust and widespread.

Representatives of WDC, including Shmuel Schnitzer (President, WFDB), Jeff Fischer (President, IDMA), Dr. Gaetano Cavalieri (President, CIBJO), Mark Van Bockstael (HRD), Cecilia Gardner (WDC General Counsel) and myself participated in seminars throughout the year, which took place at trade shows and conferences. There we educated members of the industry about compliance with KPCS requirements and the system of warranties. The most recent event was just several weeks ago in Israel, where I spoke to some thirty candidate bourse members about their obligations within the framework of the Kimberley Process. I would like to commend the Israeli Diamond Exchange for making it obligatory for

every newly admitted bourse member to take a course about the KPCS requirements and the System of Warranties. At each of the events we have participated in, the WDC's "Essential Guide to the Kimberley Process" was distributed.

In 2005, WDC participated with NGOs and others in the development of a poster that explains the KPCS and the system of warranties. The poster is for use both in retail stores and manufacturing facilities, and is a useful means of educating the entire distribution pipeline about the KPCS and the system of warranties.

These types of tools enable members of the industry to explain to business partners and consumers the mechanism of the KPCS and the system of warranties. Copies of the poster are available in a digital file format from the WDC web site at www.worlddiamondcouncil.org.

Conclusion

As the representative of those who are most closely concerned with the extraction, manufacturing and sale of diamonds on the ground, the WDC will continue to provide expert and technical assistance to the various KPCS functionaries, and guidance to the industry on the details of the KPCS and the system of warranties.

We should not only do the right thing, but we also should be seen to be doing the right thing. In the current political and business environment it is essential that we are successful in projecting an image of a socially-conscious industry that considers good business and ethical business to be one and the same thing. In this respect, we feel that it is important that we raise our public profile, and one way to do this is by establishing information booths in major industry trade shows, like Basel, JCK-Las Vegas, New York and Hong Kong.

As we will hear during our meetings here in Catania, the industry will soon be challenged by the fallout from a major Hollywood production, starring Leonardo DiCaprio and tackling the issue of what most probably will be referred to in the media as "blood diamonds." Instead of running for cover, I would suggest that we take a positive, proactive approach. The fact that we all are gathered here today is positive proof that the gemstone and jewelry industry is not prepared to allow conflict diamonds to sully our reputation. Our actions over the past several years demonstrate clearly that we have nothing to be ashamed about. Indeed, the work that has been done by the World Diamond Council should be used as an example to others in the business community as to how an industry can unite in order to better society in

general. We clearly are not part of the problem, but rather we are part of the solution.