



Kimberley Process 2016 Plenary Meeting

WDC President Andrey Polyakov

Opening Remarks

Honorable KP Chair Mr. Ahmed Bin Sulayem, distinguished guests, Ladies and Gentlemen.

Honorable KP Chair Mr. Ahmed Bin Sulayem, Honorable KP Vice-Chair Mr. Robert Owen–Jones, distinguished delegates and guests, Ladies and Gentlemen.

First of all allow me on behalf of the WDC to thank UAE and Mr. Ahmed Bin Sulayem personally for the warm hospitality and professionalism in organizing this Plenary Session and for an eventful KP agenda throughout the year.

Sixteen years ago, representatives from several African diamond-producing countries met in Kimberley to evaluate how to stop the

conflicts on this continent which were fed also by rough diamonds. Back then the task seemed to be nearly impossible.

Today we can see the results of this combined effort. The diamonds which were called “blood or conflict diamonds” are almost completely excluded from the global trade.

Every rough diamond parcel is accompanied by a certificate confirming its non-conflict origin. Export and import procedures in most of the countries are subject to rigorous control.

We probably won't ever be able to say with certainty that we achieved a 100% clean trade. Neither does the palm oil or cacao industry. As in any other global business, it is impossible to follow every merchant in the world, it is impossible to catch every single fraudulent man by the hand. But it is our goal to try every day to achieve it. Today we can be confident that if a person comes into a store, he or she buys there a piece of jewelry set with a non-conflict stone.

Throughout its 16-year history, the KP has been repeatedly criticized for its cumbersome structure and slowness in decision-making. But despite the fact that not everything is perfect, Kimberley Process copes with its main task, to protect the market from conflict diamonds. The latest example is the ongoing support for a successful resolution of the situation in the Central African Republic. Well-timed and concerted

actions of the KP allowed to stop the export of conflict stones and in fact continue to contribute to the hopeful conclusion of the armed conflict in the country.

WDC, NGOs and country representatives organized a monitoring mission to CAR, and I would like to acknowledge the important role that Civil Society played in this matter. Following the monitoring results, first diamond mining areas were found compliant with the minimum requirements of the KPCS. Today there are already four designated "compliant zones" that are allowed to export diamonds under strict expert control of the KP.

For those who think KP is no longer of use, I believe its never ending importance was again underlined this year. The story of CAR brings positive news not only to the diamond market. Its value is far bigger - as out of the CAR's 4 million population, 1 million people rely on the diamond industry for their livelihood. With the resumption of legitimate trade, the budget of CAR started receiving much awaited income from diamond mining and begin economic recovery. Many people of CAR can finally get a legitimate job.

This example once again demonstrates that the actions of the KP determine not only the future of the diamond market, but also the

state of regional economies, and most importantly – the lives of millions of people relying on the diamond industry.

Everybody in this room has a great responsibility. We need to be aware that as members of the KP we are the voice of millions of other people not being here today. That is why decisions taken within the KP should be as objective as possible, free from current political tensions and follow the main mission – to curb the trade in conflict diamonds. I hope that we will continue following this principle when making the decision on Venezuela readmission.

One of the biggest challenges today is valuation. Primarily countries with small-scale artisanal mining are faced with the complexity of it. Lack of practical experience and qualified specialists, as well as fragmentation of approaches towards valuation prevent some countries to efficiently and accurately assess potential revenues. These shortcomings in the end also create space for non-transparent operations with rough diamonds.

It is obvious that this problem is very complex, but nothing is easy on the right path, and I am glad to witness the KP paying appropriate attention to it. Following the 2014 Plenary in Guangzhou, WDC led the establishment of the subgroup on valuation, which received a mandate of mapping current valuation methodologies used by KP Participants.

This year, the KP Chair introduced a new format of an open dialogue on this subject – workshops on diamond valuation. Many of us participated in all three such forums, which united not only representatives of nations, but also companies, traders, experts - all parties directly involved in rough diamond trade. The Valuation subject was examined in detail in two major diamond hubs – Antwerp and Dubai, contributing their expertise to the discussion.

Yesterday the WDC kicked-off a new format of Observers' collaboration and held the first KP Observers Forum, attended by WDC, DDI and ADPA. Among other issues we discussed what the industry, with the knowledge and experience we have, could do for the countries, in need of such expertise. We believe very strongly that education is key. The WDC through its members could provide accessible evaluation training, supporting and educating professional appraisers to work in those diamond areas where this help is needed and recommended by the KP. I believe that the unique structure of the Kimberley Process, ensuring full independence in decision-making, as well as one-of-the-kind industry expertise of WDC, could guarantee the success of such joint efforts.

John Donne stated in the 16th century that 'no man is an island and everybody is a piece of a continent'. We believe that the KP and WDC

are dealing with compliance, industry regulation, interaction between governments and industry participants. But we rarely talk about consumers. However, the attractiveness of our products starts with the impact that it has on consumers. Diamonds make people dream. The sparkle, the meaning, the endlessness, the fact that it is rare and real. We need to understand that it is that sparkle that we need to protect as well. If that fades away, consumers will buy something else. Without consumer confidence, there's no demand for diamonds. Without consumer confidence, there's no need for the Kimberley Process because there's no diamond trade itself. Without consumer confidence, there are no ten million jobs for industry workers, no schools, hospitals and other social infrastructure, which is today accessible in many regions only because of diamond mining. Therefore, it is our work to think not only about regulation improvements, but also on how to convey the results of our work to those who directly buy diamonds and determine the future of our business.

Consumers change as the world around them changes. Thirty years ago, the main determining criteria for the diamond jewellery customer were the qualitative characteristics of the 4 C's – colour, clarity, carat and cut. Some fifteen years ago the fifth "c" was added –the C of conflict-free. Today, consumers have their own view not only on fair

price or status, but on sustainable development and contribution to society he or she makes by consuming a particular product.

Our task as an industry is to give the consumer the information he needs to make up his mind. It is important to form a global understanding of how the KPCS works and how unique it is compared to regulation in other industries.

WDC will continue on its mission to further protect the integrity and reputation of the Kimberly Process. Promoting the KP to the main stakeholders and general public, and creating an understandable supply chain transparency in support of the KPCS, constitute an integral part of the WDC Strategic Plan, adopted in April 2016.

But we have decided that our responsibility needs to reach even further. Being the unified industry representative in the KP, WDC has always advocated the ability of our members to self-regulation. With the aim to improve industry transparency and consumer confidence, the WDC created the System of Warranties, which extends the confirmation of non-conflict origin of rough diamonds further down the chain to the final consumer.

Today the SoW is a declaration that the market stakeholders agree to guarantee the conflict-free origin of their product to the consumer. It has been a voluntary system from its inception. Currently the WDC

discusses the possibilities of improving the SoW and making it more solid and up-to-date. One of the options is to create a cross-functional marker that could be used by all participants of the diamond pipeline and would confirm the non-conflict origin of stones on every stage of creating a diamond piece. I'm pleased to see that many industry participants agree with the need to implement a stronger system, and I thank all our members who contribute their time and efforts to keep this dialogue going forward.

It goes without saying that within the KP, the WDC will continue to provide technical and financial assistance as well as the Administrative Support Mechanism implementation. We will represent the diamond industry in the KP committees, review visits and on other occasions. In particular, the WDC reaffirms its readiness to lead the work of the WGDE and hopes for its candidacy to be re-approved for the next term. We also see the need to continue supporting the mandate of the Sub-group on valuation in 2017 for it to finish the work that has been started. WDC is happy to welcome more expertise into the WGDE to support the work of its Chair, both from Participants and Observers. We also look forward to the start of the new KPCS review cycle next year and plan to productively contribute to the discussions.

As an Observer, we are open to support any decision of this KP Plenary on the approval of the KP vice Chair for 2017 – consensus that will definitely uphold the integrity and the credibility of the Process.

Thank you again Mr. Chair. I wish all of us productive and successful work here in Dubai. We will discuss a lot of topics over the next few days and we look forward to making the KP stronger to address the new challenges.

Thank you.