



STEPHANE FISCHLER
WDC PRESIDENT

Report to the WDC General Assembly
WDC ANNUAL GENERAL MEETING
October 3, 2019

Dear WDC members
Members of the WDC Board of Directors,
Dear colleagues,
Ladies and gentlemen,

Let me first thank you for being present today. It indicates both your own and your companies' commitment to our mission. For this I am personally very grateful.

The 2019 AGM represents the start of the final leg of my current mandate as WDC President. Our next AGM will be presided over by our Vice President, Edward Asscher, who will lead the organization for two years, during which the Kimberley Process will be chaired by Russia and then Botswana.

We all serve as part of a common effort, not only to protect our industry and the wellbeing of all our stakeholders, but also to secure the inherent value of diamonds. We do this in cooperation with our sister industry-organizations, as well as with governments and the civil society groups associated with the KP and the diamond business.

We are living today through a period of history that, in my opinion, will be seen in future years as one that had a transformative effect on our industry and our consumers. It is characterized by disruptive technologies, which in historical terms is not out of the ordinary. But the economic and social uncertainty that inevitably results from technological disturbance is today taking place against the backdrop of geopolitical disruption. Hopefully this is a short-term phenomenon, but that cannot be guaranteed.

During this momentous period of history, several of the countries that will determine the future of our planet are pushing short-term populist agendas, and in so doing are running up a tab of never-before-experienced proportions that is likely to become the responsibility

of our children and grandchildren' generations. This includes the accumulation of massive levels of national debt, fiscal policies based on near zero and even negative interest rates, and the liberal use military power as means of forcing political solutions. And that is all in addition to what most probably is the most devastatingly misguided policy of all, which is discounting and even ignoring the threat of global warming.

The World Diamond Council and the Kimberley Process were both established on a principle that economic and political expediency are not mutually exclusive. Twenty years ago, we came to understand that our actions, and sometimes our failure to act, have consequences.

We learned that we need to act responsibly not only to protect our bottom line, but also to protect the lives and the livelihoods of all our stakeholders and their dependents. We obviously do not have it within us to solve all the world's problems, but we do have the power to make a difference. There is an axiom in the Talmud that when you save one life, you have in fact saved the entire world. From where we stand, that should be a guiding principle.

I firmly believe that the long-term future of our industry will depend on our collective ability to ensure a sense of fairness and ethical responsibility through the diamond value chain, or, as we so often state, from mine to marketplace. And when I say "fair" and "ethically responsible," I refer both to how we relate to our product and the way it is handled, and also to the way in which we relate to each other.

In respect to the latter, the diamond industry's midstream has suffered particularly in recent years from a general lack of ethical fairmindedness, coupled with an increased readiness to take risks and leverage debt with other people's money. This has resulted in the erosion of its global asset base.

We all know the causes, but they alone cannot account for a situation in which so critically an important section of the pipeline has been rendered so fragile. The health of our industry requires recognition that all its various sectors have common cause, and the short-term gain for certain players cannot come at the long-term expense of others.

This sense of fairness and ethical responsibility also must relate to promoting the growth of the social and developmental value-proposition of diamonds, and then committing retailers to relaying it to consumers. Disseminating this information must be considered a central part of our mission, and like every message we put out it must be truthful. We also need to work outside of our comfort zone, taking our message to external stakeholders, who are frequently ignorant of the issues and at times fiercely critical.

We must do better at communicating our achievements. At the same time, we must also acknowledge our failures and challenges, and articulate clearly how we plan to confront them. Ultimately, we will secure our reputation not through press releases alone, but only if they are backed up by actions.

The image of the diamond thus far been quite resilient, and with good reason. But it seems that projecting its image has become the exclusive responsibility of retailers, with most other participants in the supply chain taking the role that they play for granted.

The voices that are considerably less likely to be heard are those of our colleagues who are working in those geographic regions where reputational risk is high, and in particular in areas where artisanal mining is taking place. There is nothing inherently wrong with this, on the contrary. But there are protocols, rules and conventions for trading goods from these sites, through which not only the integrity of the product and the business are protected, but so is the wellbeing and livelihood of the miners and their dependents.

We have a role to play in ensuring that these protocols, rules and conventions are observed, and that they are transparently reported upon. If this is not done, we turn a blind eye to the possible damage that could be caused through the mining of raw materials and their financial flows, and we open ourselves to criticism by NGOs and the media, and motivate governments, legislators, regulators and the financial community to consider us as a high-risk industry.

And so, you may ask, what can the WDC do within its mandate, particularly as it relates to the Kimberley Process Certification Scheme?

Let me first share what we have done since our last meeting.

Before going into detail, allow me to first pay tribute to the Kimberley Process Task Force, which has carried the brief of formulating the WDC's position vis-à-vis the three-year KP reform process, which formally will end at the KP Plenary Meeting during the third week of November.

Our industry is indeed fortunate to have such dedicated group of women and men, who with support of their companies and organizations, have worked tirelessly for the collective benefit of us all. I could not wish for a better team of people, without whom nothing of what I am about to share would have been possible. The KPTF has been just amazing – Marie-Chantal our outgoing Executive Director, Udi our secretary, Karla, Elodie, Ronnie, Peter, Ferial, James, David, Steven, Agathe, Alan, Sabyasachi, Shashank, Didier and Damian.

As many of you know well, the process of driving change within the KP, where decisions have to be consensual, is a slow and sometimes a painstaking experience. This is particularly challenging in the current geopolitical climate, which has bred feelings of mistrust among certain KP participant countries, who are convinced that the broadening the scope of the process could be politically harmful and detrimental to their ability to trade.

The WDC has reached out through the years to a multiple of actors, ranging from producing and trading countries, international and multilateral organizations, and last but certainly not least the NGOs.

We first managed to work together with the previous KP Chairs, from Australia and the EU, with the support of many others, like China, Russia and the US, to push for a reform and not

just a review. In retrospect, we modestly believe that the critical support obtained for that approach can be credited, at least in part, to the work of the WDC.

At the same time, we managed to reestablish good working relations with the KP's Civil Society Coalition, as well as with major NGOs that we met with at the beginning of this year, and with whom we continue to have an ongoing dialogue.

We have thus far judged our success by the fact that the KP membership agreed to engage the subject of reforming its infrastructure, scope and review mechanisms. That's not an insignificant achievement in itself, for it implies recognition that there are problems that need to be addressed. Still, at this point in time, I must still be honest and point out and I do not know whether the KP will actually succeed in reforming itself, and in so doing ensure that the KPCS remains relevant.

But what I can say with confidence is that the work done by our team has been exemplary and remarkable. By taking the time to listen, explain, argue and propose, this collective effort has led to what I hope ultimately will be significant steps forward.

There have definitely been successes chalked up. The WDC's proposal to establish a permanent secretariat, to better support the work of KP, was formally accepted. The sub-committee within the KP that is hammering out the nuts and bolts involved in the creation of a permanent secretariat is led and managed by WDC's own Peter Karakchiev. We already have made a commitment to co-finance the new secretariat.

In the absence of a permanent secretariat, the diamond industry has been financing the Administrative Support Mechanism, whose work continues mainly thanks to the AWDC, with support of IDI, GJEPC and the DDI. Here we must recognize the effort and dedication Elke Ceulemans, from AWDC, who for many years has been the efficient and effective pillar of the ASM.

In addition to our work on the permanent secretariat, our KPTF team has provided input on all the major issues pertaining to the KPCS core document and the Peer-Review Mechanism, where most of our proposals were retained.

We have played an active role in the proposed creation of a Multi-Donor Fund that will be established to finance the participation in the KP forum of countries with limited capacity, as well as members of the Civil Society Coalition. Here we contend that the funding should come from KP-participant countries.

Clearly the most delicate issue in the KP reform process has been the proposed expansion of the scope of the certification scheme. A great deal of effort has been invested, and I believe that so far it has paid off by managing, slowly, to change the attitude of some participants. I would note that WDC, working closely with the Civil Society Coalition, developed the first proposal that kick-started the discussions.

We are still far from a final agreement, but I believe that there is now a general awareness that a new and strengthened scope will indeed be of benefit to the KP and all its

stakeholders. These are extremely complex negotiations, where the North-South divide is apparent, and where different historical contexts must be acknowledged, for they shape perceptions and understandings. I must salute the very positive roles played by the EU as chair of the sub-group examining the scope of the KP core document, and Angola and Canada, respectively as Chair and Vice Chair of the Ad Hoc Committee for Review and Reform. We look forward to a positive outcome under India's KP Chairmanship

One of the more challenging issues today is the situation in the Central African Republic, which after an absence was readmitted into the KPCS within a special operational framework to ensure the strict traceability of goods sourced from agreed mining zones. As part of the process, the KP set up a Monitoring Team chaired by the United States, which includes representatives from relevant working groups, civil society and the WDC. Here I would like to highlight the work done by, Udi Sheintal, our representative on the MT, supported by Damian Gagnon, and of course Mark Van Bockstael.

In the meantime, a peace process has been agreed to by the various parties in the CAR conflict and we can only hope it will be successful, eliminating the need for a special monitoring system.

But we are not there yet, and unfortunately far from it. In the meantime, diamond companies must be on the alert and conduct due diligence to ensure that any rough diamonds they are considering purchasing were not sourced from a non-monitored sites in the CAR.

This is a good juncture to point out that the role played by our members, as part of the WDC and independently, is not only preventative. I would also like to highlight the impressive level of support provided by some of our members to capacity building in KP countries. This sometimes relates to gemological training, sorting and valuation, as well as financial support for regional initiatives that are aligned with WDC objectives.

The Diamond Development Initiative – DDI – is one of our key partners in this area, creating the conditions conducive for capacity-building projects on the ground in the artisanal mining areas in KP countries. Through its development and support in adopting the Maendaleo Diamond Standards, it is helping transform the artisanal mining sector from a high-risk challenge into a secure and developing industry that contributes directly the economies of the countries in which it is active, and a reliable source of revenue for the miners, their families and the communities in which they live. The diamond industry has duty to support these efforts, in part by conducting due diligence and care when sourcing rough diamonds.

Among the capacity building projects initiated by WDC members is GemFair by De Beers, which currently is working with artisanal miners in areas of Sierra Leone that have been certified as being compliant with DDI's Maendaleo Diamond Standards as well others compliant with Gemfair own standards. It is seeking to change the commercial dynamic on the ground, and benefit those who for so long have been denied a fair reward for their labor. We are very grateful for De Beers' efforts and considerable investment, led by Feriel Zerouki, and for their commitment to change.

They are not alone in this area. The AWDC initiated a jewelry project, called “My Fair Diamond,” using artisanally-mined stones from Sierra Leone, in areas that have been certified as compliant according to the Maendeleo Diamond Standards, and currently are working on a project to create a traceable chain of supply of rough diamonds from MDS-compliant artisanal mining sources in the Republic of Guinea in West Africa.

We would like to encourage our members, each to their own capability to initiate and cooperate with others in creating such capacity-building options. Together they reinforce our common mission to ensure ethical practices from mine to market.

And where we can, WDC will support your efforts, turning a spotlight on the good work that you do. Each of the two first editions of the new WDC newsletter featured capacity-building efforts by WDC members, and we will continue to do so. Successful diamond marketing, we are told, requires the ability to tell a story. These are good stories to tell.

For the second year in a row, in April we presented the WDC’s position at the Conflict Minerals Forum of the OECD in Paris, and I believe that we were well received by government and NGOs alike. I believe the WDC needs to continue its engagement with this important body, whose guidance system is today largely considered the gold standard in all the mineral extractive sectors.

A very important part of our work, of course, has been the development of the new System of Warranties, for which we have received a clear mandate from our board.

We are all aware of the pressures upon us to be more transparent, particularly concerning the provenance of our products and the due diligence mechanisms being applied to ensure their integrity. The new WDC System of Warranties will certainly contribute, and we are looking forward to providing the industry the tools necessary for using the mechanism throughout the whole supply chain. Its impact on small and medium businesses specifically could be profound.

In this respect, I would be remiss if I would fail to mention one member of the team, who has been there since the start in driving our efforts. I refer of course to Mr. Peter Karakchiev from Alrosa.

Peter today wears many hats, not only in respect to the System of Warranties, but also as mentioned as the architect of the KP Permanent Secretariat. He also was called upon to fill the very large shoes of the one and only Mark van Bockstael as WGDE Chair.

One successful initiative that we are particularly proud can be credited to both Mark and Peter. Thanks to their hard work, in June of this year the World Customs Organization ratified a new international six-digit code in its HS system, relating specifically to “synthetic diamond, unworked or simply sawn or roughly shaped.” Until now, rough man-made diamonds have been grouped together with all other synthetic stones.

Let also pay tribute to the team that has contributed to developing the toolkit under Peter’ chairmanship: Alan Cohen, from WFDB; Pranay Narvekar, from GJEPC; James Evans Lombe,

from JA; Karla Basselier, from AWDC and David Bouffard, from Signet. Thank you all for your critical contribution.

CIBJO and its president, Gaetano Cavalieri, as one of our founding WDC member, merits our appreciation for the confederation's remarkable contribution in developing responsible sourcing guidelines for the supply chain, as well as its unwavering support and readiness to share experiences and opinions.

We have also worked very closely with RJC, at its invitation, to integrate the new System of Warranties into its Code of Practice. The WDC welcomes Iris Vanderveken as RJC's newly appointed CEO.

As always, I would like to salute the support of our other two founding members, IDMA and the WFDB.

The WDC serves as a moral compass for the diamond industry, and in this respect, it is critical that we both be seen and heard, which brings me to our communication department, where excellent progress has been made. Steven Benson was selected as our new communications manager earlier this year by the Communication Committee, and in recent months communications infrastructure, output and presence have been significantly upgraded.

I must salute and thank David Bouffard, the Chair of our Communications Committee, as well as its members: Edward Asscher, our Vice President; Marie Chantal Kaninda, the outgoing Executive Director, Udi Sheintal, WDC Secretary; Dolly Choudhary, GJEPC; Elodie Daguzan, Rubel & Menashé; Karen Rentmeesters; AWDC; Robyn Ellison, Rio Tinto; Ferial Zerouki, De Beers; Ronnie VanderLinden, IDMA; Peter Karachiev, Alrosa; Rami Baron, WFDB; and last but not least, Steven. He has been doing a great job of developing and supporting our communication, and we are very fortunate to have him with us. And thank you Gaetano for your support.

Before I conclude, allow me to pay special tribute to our remarkable outgoing Executive Director Marie Chantal Kaninda, who graciously has agreed to support us here during the Annual General Meeting in Antwerp and at the KP Plenary Meeting next month in New Delhi.

Marie-Chantal, or MC as many of you know her, has made a unique contribution to the WDC and to the KP, and instilled within us a sensibility and broader perception of our industry that will remain long after her departure. She has decided to shift her attention from the global to local, and to serve in her own country, the DRC, in a new mission, for which we wish her the greatest success. We will miss you Marie-Chantal.

Under the chairmanship of our Vice President Edward Asscher the search for a new executive director is ongoing.

In conclusion, I hope I have managed to clearly represent all our work and efforts of the past year to all of you, our members and guests that are present today.

I also hope that I have underscored the absolutely critical role played by the WDC, on behalf of all the players and stakeholder in our value chain, and how important it is that companies and organizations join and contribute, with their knowledge, opinion and commitment. Only together can we secure the future success of our common enterprise and that of the women, men and families who are part of it.

Thank you.