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WDC PRESIDENT

Speech to Gala Dinner
WDC ANNUAL GENERAL MEETING
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Your Excellencies,
Dear colleagues
Fellow WDC members,
Ladies and gentlemen,

We have come a long way since that fateful July day here in Antwerp, more than 19 years ago, just a few minutes' drive from where we are gathered this evening. I was there, as were a number of people here in this room, and we understood then that the industry in which we had grown up was about to be transformed. But I doubt that any of us comprehended how significant that change would be.

For those who were not present, allow me to set the scene. Antwerp was hosting the World Diamond Congress, which is a biennial event at which meet the general assemblies of the World Federation of Diamond Bourses, or WFDB, and the International Diamond Manufacturers Association, known in the industry as IDMA. These are usually low-key affairs, attended almost entirely by diamond industry members. But just several months earlier, news of the conflict diamond crisis in Africa had broken, with appalling pictures of atrocities in the affected countries' diamond fields being displayed in both the print and broadcast media.

So what would have been an industry event was transformed into a mass media happening, with news crews from around the world, ministers of different national governments, members of parliaments and the U.S. Congress, UN ambassadors and a host of human rights organizations. Thrust into the spotlight was the HRD, which was the forerunner to the AWDC, which is hosting tonight's dinner as well as the WDC AGM; Sean Cohen, the South African president of IDMA; and the late Bram Fischler, my uncle, who was the WFDB president, as well as being president of the Antwerp Diamond Bourse, where we are having our dinner tonight.

That day in Antwerp it was resolved to create an industry association that became the World Diamond Council, which would work together with governments and civil society to rid the world of conflict diamonds.

Already then, we understood that this would need to involve a regulatory system, which would be able to monitor diamonds flowing through the value chain. In fact, the actual concept of creating government-sanctioned offices that would examine and certify parcels of rough stones at the point of import and export was proposed first in a paper entitled the “WDC System for International Rough Diamond Export & Import Controls.” Its author was Mark Van Bockstael, who for 18 years was almost definitely our organization’s hardest working official within the KP, serving until last year as chair of the its Working Group of Diamond Experts. Published in 2000, it preceded the launch of the Kimberley Process Certification Scheme by more than two years.

What was achieved out of a tragic set of circumstances most probably has very few, if any precedents. The act of a business sector not only agreeing to be regulated voluntarily, but actually proposing the regulatory system that would be imposed upon it was unusual. So was the coalition that was created involving government, business and civil society, which was established to design and implement it. Also out of the ordinary was the speed at which an international system, which required legislation to be passed in every country and region that was part of it, was phased in and made effective.

And the results spoke for themselves. Within just a few years, the incidence of conflict diamonds – which had been defined as rough diamonds whose proceeds were used to finance uprisings against legitimate governments – had fallen to a mere fraction of what it had been, almost certainly contributing to end of civil war in most of the affected regions.

But, of course, the story does not end there.

Two decades after the world first became aware of the phenomenon known as conflict diamonds, systemic violence remains a problem in some diamond-producing areas, although today it is rarely associated with civil war.

The one exception is in the Central African Republic, which after an absence was readmitted into the KPCS within a special operational framework that was created to ensure the strict traceability of goods sourced from agreed mining zones. These are monitored to prevent violations.

As part of the process, the KP set up a Monitoring Team currently chaired by the United States, which includes representative from relevant working groups, civil society and the WDC.

But still, individuals and companies from our industry must remain on the alert, as well as conduct due diligence to ensure that all of the rough diamonds originating from CAR that they are considering purchasing are KP-compliant. This means that these must be part of parcels issued with CAR KP certificates, which only can accompany rough diamonds that have been extracted at one of the monitored sites.

In general, however, the continent of Africa has undergone a political transformation. Whereas power changed hands 87 times through military action between 1950 and 2010, in 2019 only one serving leader had entered office through a coup, and that was in Zimbabwe where it was bloodless.

But, whereas political and ethnic acts of violence have become decidedly less commonplace in African producing countries, economically-driven violence is more routine – sometimes involving state actors, at other times private security forces, and also criminal elements. The primary victims of the violence, however, remain the same. Most commonly, they are artisanal miners, their families and the communities which rely upon their income.

And it is not only overt violence by which this vulnerable sector is victimized. Operating in remote areas, with only rudimentary tools and very little access to market information, their options in trading the rough diamonds that they have discovered are very limited. They frequently are preyed upon by unscrupulous traders, who pay them a fraction of a stone's real value, making it extremely difficult, if not impossible, to emerge from the poverty in which they live.

But the world has changed as well. Whereas the concept of the Kimberley Process Certification Scheme was groundbreaking in 2003, other mineral sectors caught up, placing the issue of conflict minerals onto the front burner, often at the insistence of governments and the international community. The gold standard for many today is the OECD Due Diligence Guidance for Responsible Mineral Supply Chains, which directly references issues like human and labor rights, anti-corruption and anti-money laundering. Introduced in 2010, it is now in its third edition, and it forms the basis of the European Union's new conflict minerals regulations, which were approved in 2017 and will come into full force in 2021.

Furthermore, new generations of consumers, and more specifically the Millennials and Generation Z, are showing themselves to be considerably more inclined to insist that the purchases they make have social value, as well as monetary value. And in the age of the Internet, they have the tools to examine the backstory of the products they buy.

And, as we well know, these new-generation of consumers have a greater than ever set of alternatives when it comes to spending their discretionary income on luxury products. The competition that we face in the diamond business comes mainly from outside of our sector, like from other luxury products, travel and electronics. The emergence of manufactured synthetic diamonds has created a different category, and an additional choice for consumers looking to purchase jewelry.

Now I remain convinced about the natural diamond's ability to face down this competition and even increase its market share, but to do that we need to be able to tell a compelling story. In the natural diamond we have one, but it must be and remain a story of shared benefits.

For the past three years, the KP has been undergoing a process by which it has been reviewing its certification system. With the support of the Civil Society Coalition within the KP and several of the member governments, we were able to convince the body that this

not only should be considered a period of review, but of reform as well. This is a not a simple process, because any decision in the KP can only be made with the consensus of all member governments.

The period of review and reform will come to a close at the KP Plenary Meeting in New Delhi in the third week of next month. And we can point to some successes.

The WDC had proposed that a Permanent Secretariat be created, to replace the Administrative Support Mechanism that is currently run by our members – mainly AWDC, but with support of IDI, GJEPC and the DDI. That proposal was formally accepted. Currently, a sub-committee chaired by our board member, Peter Karakchiev of Alrosa, who I would note is also Mark Van Bockstael's successor as chair the Working Group of Diamond Experts, is finalizing the details. The WDC has already made a commitment to co-finance the new KP Permanent Secretariat.

The WDC's Kimberley Process Task Force team, which has coordinated all work being done in relation to the review and reform process, has provided input on all the major issues, including the KP Peer-Review Mechanism, where most of our proposals were retained. We furthermore 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 insisted that the funding should come from KP-participant countries.

We have also been deeply involved in what almost certainly is the most complicated issue in the KP reform process, and I refer here to the proposed strengthening of the scope of the certification scheme. In this respect WDC, working closely with the Civil Society Coalition, formulated the first concrete proposal that was put on the table.

As of today, there is still no final agreement, but significantly there is a general appreciation that a new and extended scope will be of benefit to the KP and all its stakeholders. That in the past was not a foregone conclusion.

To get to the promised land could still take time, and it will require that all KP participants listen to each other, and understand the different historic and principled positions of their counterparts. In this respect I would like to pay tribute to the skillful and compassionate roles being played by Mrs Hilde Hardeman and her team as the EU chair of the sub-group examining the scope of the KP core document, as well as Angola and Canada, respectively as Chair and Vice Chair of the Ad Hoc Committee for Review and Reform.

We hope to be able to report a successful conclusion at the KP Plenary in New Delhi under India's chairmanship

In terms of the supply-chain due-diligence support that WDC supplies on its own accord, we have taken a more proactive approach. We have actively expanded our own System of Warranties, which now expressly include references to international standards supporting human rights and strict labor practices. It was approved last year, and we currently are

working on a toolkit that will assist companies throughout the supply chain in adopting the mechanism.

The diamond and jewelry industries themselves are taking an increasingly activist approach to the expanding perception of supply chain integrity, corporate social responsibility and sustainability. Earlier this year CIBJO approved its new responsible sourcing guidelines for all jewelry, precious metals and gemstone companies in the supply chain, and the Responsible Jewelry Council released its updated Code of Practices. Both documents expressly reference both the Kimberley Process Certification Scheme and the WDC System of Warranties.

Members of our industry are also involved at the grass roots level in the mining areas, writing that important chapter of the natural diamond story about the product's social contribution.

Through its Maendaleo Diamond Standards, the Diamond Development Initiative, or DDI, is helping transform the artisanal mining sectors in KP-member nations into secure industries that contribute directly the economies of the countries in which they are active, as well serving as reliable and sustainable sources of revenue for the miners, their families and the communities in which they live.

Among the capacity-building projects initiated by WDC members are 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 and/or Gemfair's own standards.

The AWDC initiated a jewelry project, called "My Fair Diamond," using artisanally-mined stones from Sierra Leone, also from areas that have been certified as compliant according to the DDI Maendaleo Diamond Standards, and it currently is 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.

Other notable initiatives by WDC members have focused on training and capacity building, in their own countries and beyond them. Some have already been executed successfully and others are in the planning stages.

This is the final year of my term as WDC President, and it has been a fascinating and inspiring experience, Next year, the WDC will be presided over by our current Vice President Edward Asscher. The organization will be in wise and experienced hands.

There are a great many people who have supported me beyond the call of duty over the past few years, and I was able to thank many of them by name when I addressed the AGM earlier today.

But, tonight, I would like to thank our host of these past two days in Antwerp, the AWDC, which once again demonstrated its unflinching readiness to serve the better interests of our great industry.

I also would like to pay special tribute to our outgoing Executive Director Marie Chantal Kaninda, or MC, as we call her. She has already followed her heart and taken up a position in her own country, the DRC, but agreed to support us here in Antwerp and at the KP Plenary Meeting next month in New Delhi. As I remarked earlier today, through her personality, history and understanding, she has instilled within us a sensibility and broader perception of our industry that will remain long after her departure. We wish her the very best of luck.

All that I have spoken about for the past 10 minutes or so relates to about 5 percent of total world rough diamond output in terms of value. This is the share of production produced by mainly artisanal miners operating in what we consider high-risk areas. In contrast, about 95 percent of rough diamonds in terms of value are mined by a handful of larger, industrialized companies, which over the years have delivered incredibly transformative and positive change in the countries where they operate.

As an industry, we are prepared to go to great lengths to protect the integrity of those remaining 5 percent. This is who we are.

We are an industry that understands that when we are talking about 5 percent of total value, we are not simply referring to dollars and cents. We are referring to diamonds whose derived revenues might potentially make a massive impact on the lives of people in the countries where they are sourced.

This is the industry of which I have been a part of for more than 40 years, and a community of women and men of whom I am incredibly proud.

To all of you, thank you for joining us tonight in celebrating the World Diamond Council and the principles for which we stand.

Enjoy the evening.