



# REPORT TO SOCIETY

## 2014 - 2018





# INDEX

|   |    |
|---|----|
| WORD OF <b>OUR CEO</b>  | 3  |
| ABOUT THE <b>ANTWERP DIAMOND INDUSTRY</b>                             | 6  |
| <b>ABOUT AWDC</b>   | 13 |
| <b>WHAT MATTERS TO YOU: MATERIAL TOPICS</b>                           | 25 |
| <b>HOW WE RESPOND - KEY TAKEAWAYS</b>                                 |    |
| • <b>INTEGRITY IN THE DIAMOND VALUE CHAIN</b>                         | 31 |
| • <b>COMPLIANCE</b>   | 32 |
| • <b>INNOVATION AND FUTURE</b> OF THE INDUSTRY IN ANTWERP             | 33 |
| • <b>ECONOMIC IMPACT IN DIAMOND-PRODUCING COUNTRIES</b>               | 34 |
| • <b>GOVERNANCE OF INDUSTRY</b>                                       | 35 |
| • <b>BANKING &amp; FISCALITY</b>                                      | 36 |
| • <b>DIVERSITY, LOCAL</b> ENGAGEMENT AND <b>COMMUNITY</b> INTEGRATION | 37 |
| • <b>SECURITY AND SAFETY</b>  | 38 |
| • <b>OFFICE SUSTAINABILITY</b>  | 39 |
| <b>HOW WE RESPOND - IN DEPTH</b>                                      | 40 |
| GLOSSARY  | 80 |
| GRI CONTENT INDEX   | 81 |

# WORD OF OUR CEO

Dear readers,

The diamond trade is a global and geographically expansive business. It starts in mines - some worked with no more than a shovel and a sieve, while others are billion-dollar state of the art operations. It then spreads out across the globe, touching millions of lives along the way, from some of the poorest to some of the richest. Add to this dynamic the fact that such a high-value product does not always travel in the light of day, and what emerges is a challenge to sustainable practices on many fronts.

The Antwerp World Diamond Centre (AWDC), as the representative of the diamond industry in the world's largest diamond hub, is well aware of the challenges inherent to the sustainability of a global trade, and takes its responsibilities as an influential industry organization seriously. We know that vigilance, legislation, and a comprehensive attunement of the mentality of the industry's participants to the relevant Sustainable Development Goals, (SDGs) are imperative. This report is our latest endeavor to identify the SDGs that come within the scope of the AWDC's activities.

With 86% of rough diamonds and 50% of the world's polished diamonds passing through this trading centre, internal and external expectations of the AWDC are high. Our first objective is to serve the interests of the Belgian diamond industry while adhering to strict principles of good business practices. In close second, however, is our mission to safeguard the integrity of the diamond value chain and defend the reputation of the industry in Antwerp and globally by instituting progressive practices appropriate for a 21<sup>st</sup> century organization.

The fact that talking about 'sustainability' has become so omnipresent and obligatory in the business world today, however, carries the risk of companies using it as mere window-dressing to appear acceptable to consumers. Whereas in truth, it is a matter of survival: not just of our ecosystem and ethical standards, but of our business models themselves. It is not just a matter of protecting our reputation and securing the trust of end consumers - those whom we ultimately rely on for our continued existence as an industry - but also of doing what is right.

Promoting a sustainable and transparent diamond industry is therefore one of AWDC's key strategic priorities. We work to ensure that an increasing number of companies and organizations are aware of global expectations concerning issues of sustainability, social and environmental responsibility, ethics and compliance. I am proud to say that the AWDC made sustainability a priority in the diamond industry long before many others had even woken up to the idea.



## WORD OF OUR CEO

Unfortunately, too many companies, and too many diamond trade centers, have declined to get on board. They are a minority, but they still exist, highlighting the need for stronger governance of the industry. Not only do malfeasant practices, wherever they occur, damage the reputation of the industry as a whole, they also confirm the negative perception that many people already have of our industry due to negative reports in the media. Generating trust is a critical issue to address, running like Ariadne's thread through all the material topics addressed in this report.

The deeper issue, however, is that a singular pursuit of profit may lead to less-than-sustainable practices. We at the AWDC believe that this type of mentality is based on a false choice: either pursue economic interests, or promote values such as sustainability. We argue that the goals of sound business and sustainability, the possibilities of aligning environmental conservation and profitability, are not conflicting objectives. We believe that the business model of the future must have sustainability at its core; that sustainability and growth are not mutually exclusive. Consequently, the AWDC took a calculated decision early on to make sustainability a priority in the Antwerp diamond industry.

Our efforts along these lines may best be described as an ambition to create an organizational identity focused on sustainable business practices. We have done this internally, and promote it externally. It is about defining who we are as an organization, and how we differ from other organizations. It is, as we proudly promote, our "5th C". In addition to the traditional 4 Cs, which determine the value of a diamond - carat, color, cut and clarity - our 5th C is the commitment to Compliance and CSR, to generate Confidence among stakeholders and consumers. This is the core of our business model and a core focus of our long-term strategy, not only for Antwerp but also for the global diamond industry.

When the AWDC in 2014 delivered its first Sustainability Report, we did not have many references against which we could measure our success and progress. It was not only a unique undertaking for the AWDC, but also for the diamond trade federations throughout the world. In our second sustainability report, we articulate specifically which domains of the global diamond industry pose the greatest sustainability risks, identify where we exert our greatest efforts, but also examine our successes and shortcomings regarding the issues we identified in our inaugural report.

We invite you to take a look at the challenges the AWDC and the diamond industry are facing and how we are tackling them, keeping in mind that there are still improvements to be made. An open dialogue with you, our stakeholders, will be the key to success of this process ahead.

We look forward to receiving your feedback,

Ari Epstein.





The reputation of the Antwerp diamond industry emerged as a core theme from our interviews with key stakeholders. Almost all of them mentioned it as a primary concern, or connected it to other significant issues. What follows is a selection of comments from these interviews.

*"The theme, '**Integrity in the diamond value chain**' is the one that is most important to us. The issue of reputation is also important."*

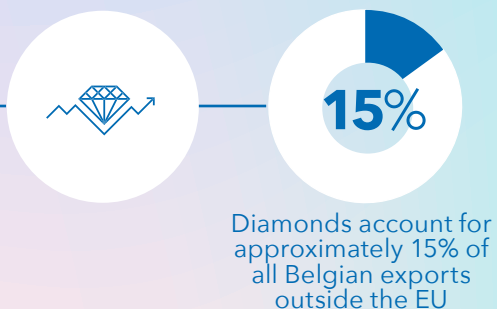
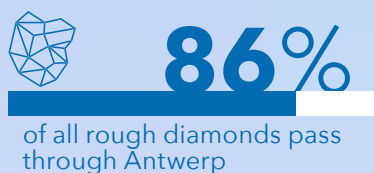
***"The three key issues? Reputation, reputation and reputation."***

**"Reputation is extremely important!** The entire AWDC program should be constructed to save the reputation of the industry by demonstrating that **the industry has gotten the message and is working differently.**"

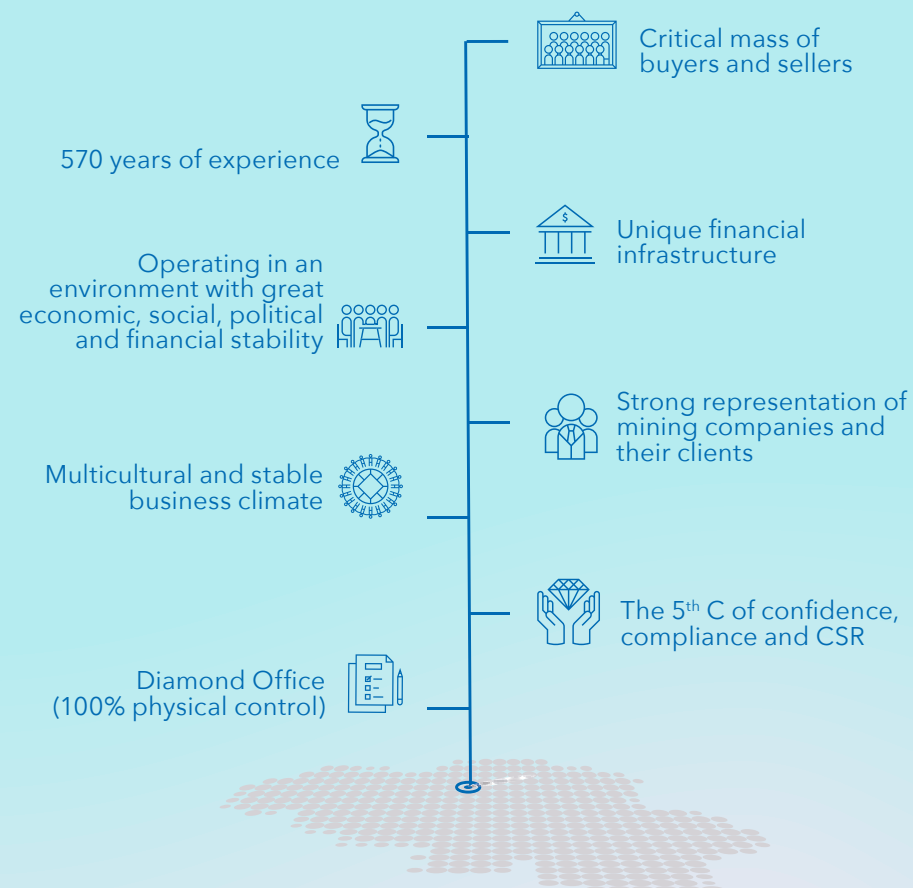
"Reputation is the responsibility of each single industry participant. Individual ethics is the minimum requirement of an industry's reputation."



# ABOUT THE ANTWERP DIAMOND INDUSTRY



## ADVANTAGES OF ANTWERP



## DIAMOND-PRODUCING COUNTRIES



| COUNTRY            | VOLUME (CT)        | VALUE (USD)           |
|--------------------|--------------------|-----------------------|
| Russian Federation | 42,614,780         | 4,112,173,170         |
| Botswana           | 22,961,298         | 3,329,388,246         |
| Canada             | 23,233,988         | 2,059,907,718         |
| South Africa       | 9,682,965          | 1,303,927,051         |
| Angola             | 9,438,802          | 1,104,622,553         |
| Namibia            | 1,948,412          | 1,010,716,179         |
| Lesotho            | 1,126,409          | 342,657,690           |
| Australia          | 17,134,730         | 199,695,128           |
| Zimbabwe           | 2,507,604          | 175,379,664           |
| Congo, RDC         | 18,902,764         | 157,270,993           |
| Others             | 1,374,610          | 328,773,923           |
| <b>TOTALS</b>      | <b>150,926,362</b> | <b>14,124,512,315</b> |

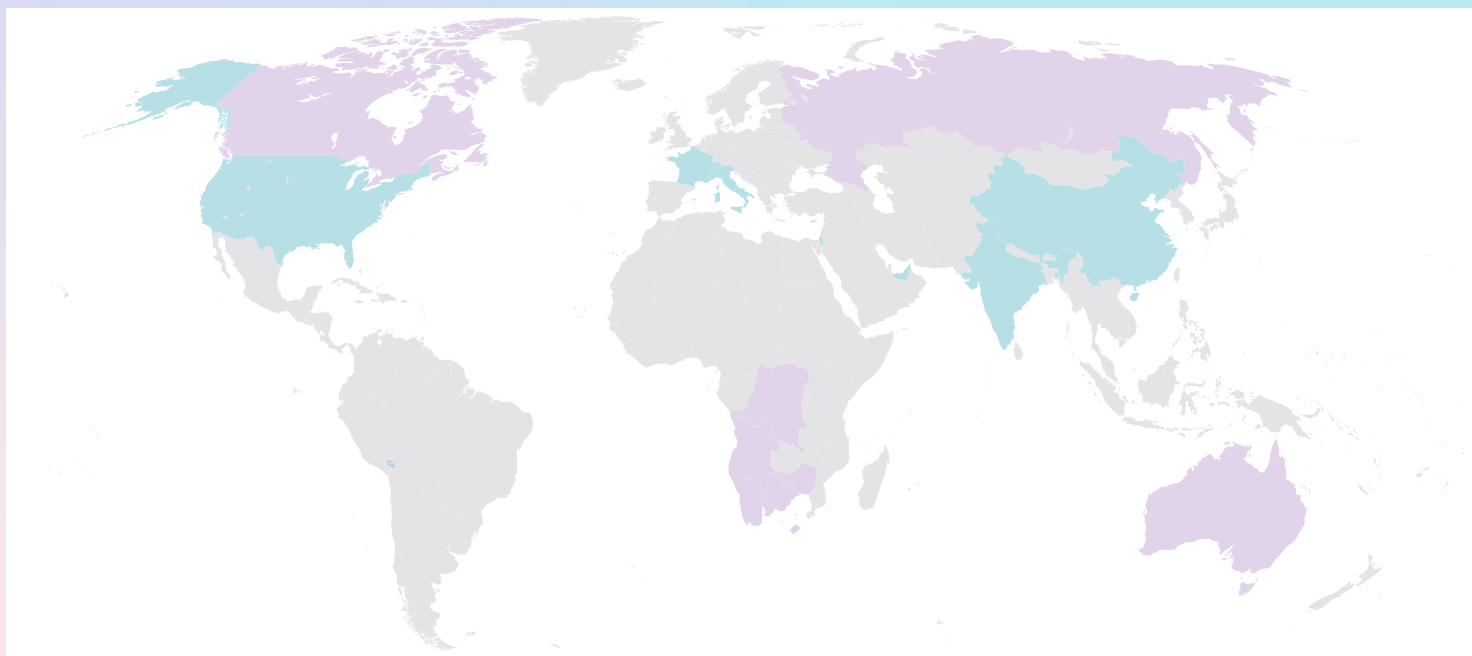
Source: Kimberly Process (2017 figures)

## POLISHED DIAMOND EXPORT MARKETS (ANTWERP)



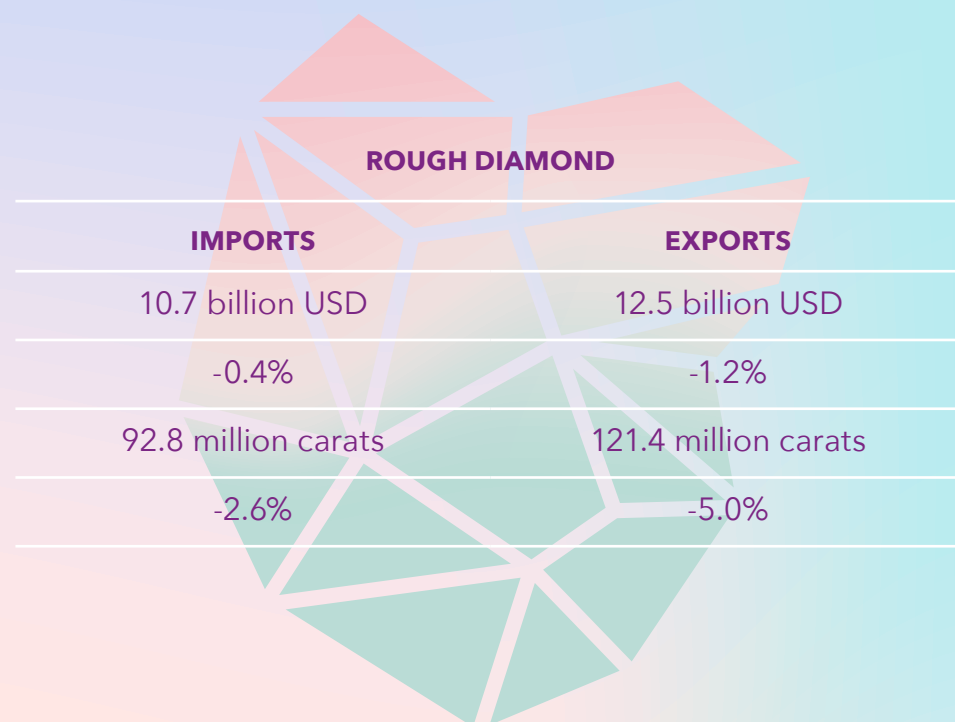
| COUNTRY              | VOLUME (CT)      | VALUE (USD)           |
|----------------------|------------------|-----------------------|
| United States        | 479,230          | 3,365,381,986         |
| Hong Kong            | 1,079,611        | 2,915,164,823         |
| Israel               | 430,129          | 1,225,718,974         |
| Switzerland          | 539,029          | 1,004,197,278         |
| United Arab Emirates | 591,749          | 739,495,669           |
| India                | 399,615          | 402,144,992           |
| Italy                | 376,840          | 285,261,262           |
| China                | 151,585          | 250,947,185           |
| France               | 89,838           | 233,529,490           |
| Thailand             | 131,494          | 162,415,739           |
| Other                | 515,952          | 863,897,665           |
| <b>TOTAL</b>         | <b>4,785,072</b> | <b>11,448,155,063</b> |

Source: Diamond Office (2018 figures)



## ANTWERP DIAMOND TRADE BALANCED IN 2018

The Antwerp diamond trade was nothing if not balanced in 2018. The industry traded a total of \$46 billion in 2018, representing an increase of less than a percentage point over 2017 (\$45.9 billion). The value of the goods flowing in and out of Antwerp was once again divided equally between rough and polished goods, with the polished trade good for \$22.9 billion and the rough trade representing \$23.1 billion.



The most noteworthy news emerging from the figures provided by the Antwerp World Diamond Centre (AWDC) is that Antwerp's polished diamond trade saw four consecutive years of declining value come to an end, as its value grew by just under 2% to \$22.9 billion compared to the \$22.5 billion of total trade in 2017.



## POLISHED MARKET

The increase in value of Antwerp's polished diamond trade came despite a 2% decline in the volume of goods traded, which fell to 10.5 million carats from 10.7 million carats. Polished diamond exports declined by 4.5% in volume to 4.8 million carats, while polished imports increased by nearly 2% to 5.7 million carats. The fact that the value of Antwerp's polished diamond trade rose is attributable to an increase in the average price per carat, with the price of polished exports increasing 5% to \$2,392 per carat from \$2,275 per carat, marking the highest average price for exported goods in at least a decade. The average price of polished imports also rose by 1% to \$1,994 per carat from \$1,970 per carat, marking the highest average price per carat imported since 2014.

The value of polished diamond exports to Antwerp's two leading markets, the US and Hong Kong (supplying China), rose in 2018 by 12% and 7% respectively. The gains in the average price per carat were a global phenomenon, rising strongly in the first half of the year before declining in the second half due to weakening currencies in China and India and uncertainties surrounding the US-China trade discussions. It also seems that despite all the publicity surrounding laboratory-grown diamonds this past year, concerns that their increased presence on the market will have a negative impact on the price of natural diamonds, particularly in the United States, have to this point not come to fruition.



## ROUGH MARKET

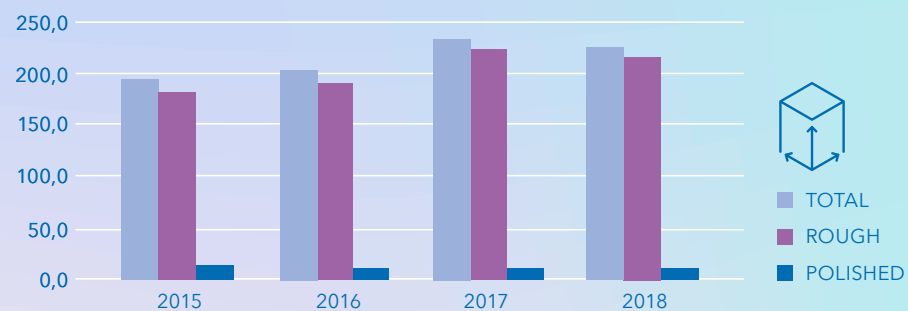
On the rough market, where Antwerp retained its position as the world's leading trade center, the overall value of goods imported and exported remained steady at \$23.1 billion, compared to \$23.3 billion in 2017. Here as well, a slight increase in the average price per carat compensated for a modest decline in the volume of goods traded. Rough diamond imports declined by nearly 3% in volume to 93 million carats while the \$10.7 billion in value represents less than half a percentage point decline from 2017, as the average price of imported rough goods gained 1% at \$115 per carat. Rough diamond exports fell 5% in volume to 121 million carats with a value of \$12.5 billion, representing a 1% decline from 2017 as the average price of those exports rose 4% to \$103 per carat.

The figures from Antwerp's rough trade show clear signs of a global trend in the rough diamond trade over the past two years, with significantly higher volumes of lower-priced goods entering the market. By way of illustration, Antwerp exported 20% more rough goods in 2018 than in 2016, while the average price of those goods declined 18%, leaving the overall value of Antwerp's rough diamond trade steady over the past three years.

The fact that the volume of Antwerp's rough diamond exports consistently exceed its imports by significant volumes is attributable to the European Union serving as a single member of the Kimberley Process, meaning that Antwerp is not necessarily the point of entry of diamonds to the EU, but is almost always the point of exit. Two of the world's largest mining companies (Rio Tinto and Dominion Diamond Mines), with a combined annual production of 25-30 million carats, export their goods to Great Britain, and those goods subsequently travel freely to Antwerp where they are traded. All eyes in Antwerp will therefore be focused on the developments surrounding the Brexit, as it could potentially have a significant impact on Antwerp's diamond trade in 2019.

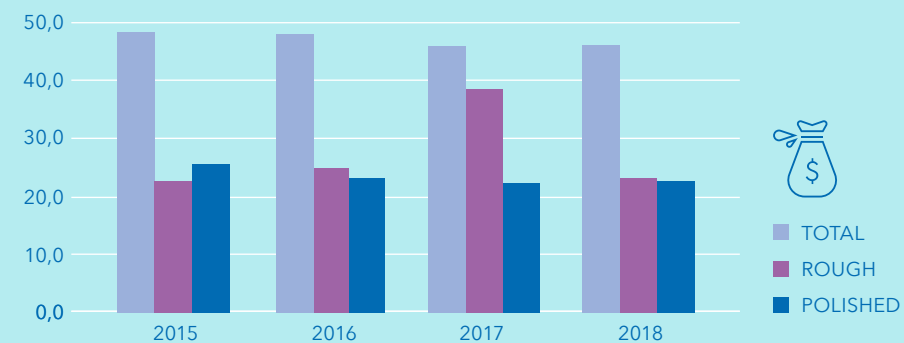


## VOLUME OF TRADED DIAMONDS IN ANTWERP IN MILLION CARATS



Focusing on its strengths while addressing immediate challenges such as financing, amongst others, will be determining factors for Antwerp to maintain its leading position as a rough trading centre for the years to come.

## VALUE OF TRADED DIAMONDS IN ANTWERP IN BILLION USD





### Comparative study of diamond trading centers

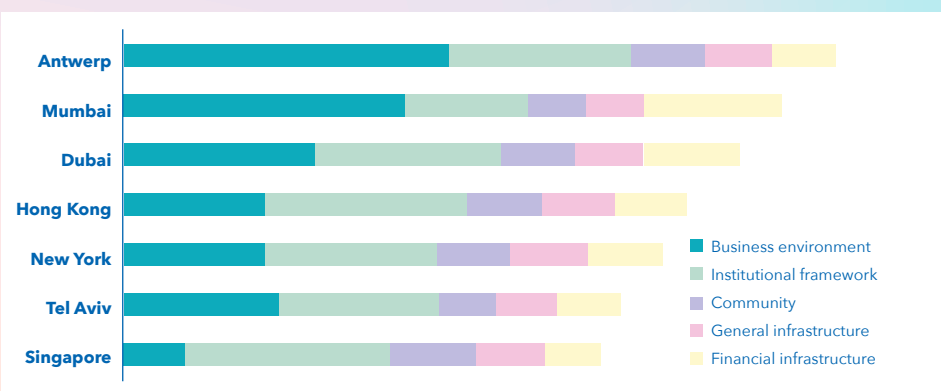
Upon the request of AWDC, PricewaterhouseCoopers made a comparative study of diamond trading centers in 2017 with a focus on rough trading. The report summarizes the results of the comparative assessment of seven global trading centres: Antwerp, New York, Tel Aviv, Dubai, Mumbai, Singapore and Hong Kong.

A group of stakeholders across the diamond value chain was consulted on the key criteria they consider as crucial for a successful rough diamond trading center. Building on the insights obtained from stakeholder interviews and sector experience, location categories and factors were defined and weighted:

- Business Environment (40%),
- Institutional Framework (25%),
- Community (10%),
- General Infrastructure (10%),
- Financial Infrastructure (15%).

The overall results at a glance:

- Antwerp is the leader among the rough diamond trading centers, thanks to its conducive business environment, anchored in a complex interplay of the business context of a location, its players and the wider environment for business and people to create value and flourish.
- Mumbai and Dubai build on a combination of a strong financial infrastructure that provides the availability and accessibility for the diamond business to be financed, and a growing rough trading market. Mumbai's added value in terms of proximity to manufacturers and Dubai's fiscal and institutional advantages create a significant threat to the market share of Antwerp.
- Tel Aviv stands out only in terms of business environment, however scores very low in terms of institutional framework, general as well as financial infrastructure.
- New York, Singapore and Hong Kong stand out in terms of market enablers such as institutional framework and trade infrastructure, however, the rough trading market is yet to fully develop there.



## ABOUT **AWDC**

## MISSION



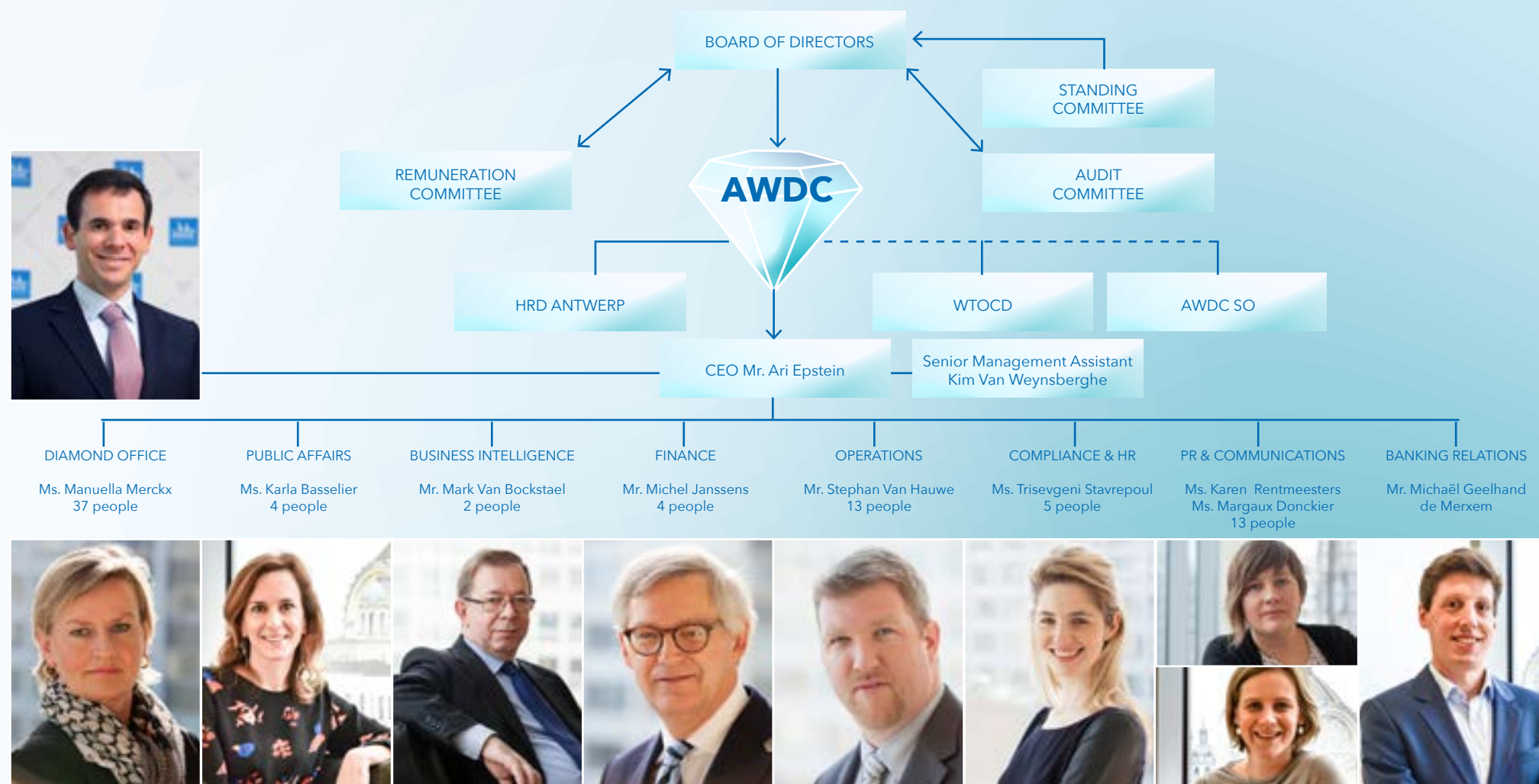
**A**ntwerp World Diamond Centre (AWDC) serves the collective interests of the Belgian diamond industry. The AWDC represents the entire diamond industry as a whole, irrespective of the scale of an actor's activities or the size of the company. The AWDC strives to maintain and strengthen Antwerp's position as the most important and most transparent diamond trading center worldwide and promotes it as such to the public. These activities are paired with a wealth of services for the Antwerp diamond industry: events in Belgium and abroad, advocacy, business intelligence, banking relations, services concerning security, compliance, marketing and communications campaigns, etc. More about all the services AWDC provides is detailed further.

The AWDC is located in the heart of the Antwerp diamond district. While we do not have any offices abroad, our activities are partly carried out on the international diamond scene. The AWDC works together with the Belgian diplomatic network and its partners on a wide range of international initiatives.

# GOVERNANCE AND STRUCTURE

The AWDC is a private foundation founded in 2007 and incorporated under Belgian law, and it is not a membership-based organization.

The Board of Directors is the body that oversees and participates in the activities of the AWDC. To fulfill its tasks and responsibilities efficiently and with a view to good governance, the Board of Directors set up several advisory committees.



**The AWDC's Board** is composed of 12 directors representing all stakeholders of the diamond industry.

- Six representing the diamond trade
- Three representing the diamond bourses
- One representing the diamond industry
- One representing the employees
- One independent director

Diamond traders can directly elect 'their' six board members. The voting procedure guarantees equal representation for small, medium-sized and large diamond companies. Each category is determined by the average annual turnover achieved during the two calendar years prior to the elections:

- two traders with an average turnover > € 100,000,000
- two traders with an average turnover between € 30,000,000 and € 100,000,000
- two traders with an average turnover between € 500,000 and € 30,000,000

The Federal Public Service (FPS) Economy provides these turnover figures, based on the stock declarations which all diamond traders submit to it on an annual basis. The AWDC organizes the Board election under the supervision of the Standing Committee, assisted by the FPS Economy.

The other directors are nominated by their respective associations/bodies.

The independent director is appointed by the Prime Minister of Belgium and must obtain a minimum of nine votes from the other Board of Directors members. The independent director in the AWDC Board of Directors is a person from outside the diamond industry, selected for his/her experience and expertise on the expansion of an internationally oriented commercial organization. The director guarantees objectivity and neutrality regarding the business operations and its approaches.

The AWDC Board of Directors currently has no member representing the employees. No candidate has been nominated by either of the respective associations/bodies.

The Directors have a four-year mandate, however, a rotation system renews half of the Board of Directors on a bi-annual basis to ensure the continuity of its operations.

In principle, the Board of Directors meets every month and at least eight times per year.

**The Board of Directors** (1 January 2019)



- Mr. Nishit Parikh - President - Trade
- Mr. Jean-Louis Van Strydonck - Vice-President - Bourses
- Mr. Samir Mehta - Vice-President - Trade
- Mr. Vimal Lakhani - Board Member - Trade
- Mr. Rajiv Kothari - Board Member - Trade
- Mr. Chetan Shah - Board Member - Trade
- Mr. Jacques Weisz - Board Member - Trade
- Mr. Jacques Claes - Board Member - Industry (no picture)
- Mr. Chaim Pluczenik - Board Member - Bourses
- Mr. Michel Nasielski - Board Member - Bourses
- Ms. Martine Reynaers - Independent Member



**The Standing Committee consists** of 12 members representing leading organizations across the Antwerp diamond landscape. This permanent body monitors the progress of the Board of Directors' election and conformity of the decisions of the Board of Directors with AWDC's statutes and objectives. The Standing Committee also has an advisory role.

The Board of Directors has the legal right to establish special committees. Currently a **Remuneration and Audit Committee** are in place. Both have an advisory role and provide an additional internal check on the operations of the Board. The priority of both committees is to monitor the finances of the AWDC.



→ **HRD Antwerp NV** is a subsidiary of the AWDC. The AWDC holds 99% of the shares of HRD Antwerp. It houses an internationally-renowned laboratory, offers high-level training, carries out research and develops technologically-advanced materials. HRD Antwerp certifies polished diamonds and provides detailed identity cards for diamonds. HRD Antwerp also has offices in China, Hong Kong, Turkey and India.



The → **WTOCD** is the scientific and technical research center for diamonds. Legally, the two entities are completely separated from each other. According to the AWDC by-laws, it must invest in research

and development to benefit the diamond industry. The AWDC invests in the R&D of WTOCD as it supports the Antwerp diamond industry by developing and implementing cutting-edge technologies to improve manufacturing processes, helping it maintain and improve its competitive position as the leading polisher of high-value stones.



## Security Office

The **AWDC Security Office** (AWDC SO) is a private foundation, founded by the AWDC, established with the specific goal of ensuring the safety and security of the people and goods in the Antwerp diamond community. The AWDC SO receives an annual dotation from AWDC to ensure sufficient resources to achieve this goal. Legally, the two entities are completely separate from each other.



## AWDC DEPARTMENTS AND THEIR LINKS WITH SUSTAINABILITY CHALLENGES

In 2019, the AWDC's operational structure consists of eight departments. The 'Business Development' department was split up into 'Business Development Rough' at the Public Affairs department and 'Business Development Polished' at the PR & Communications department.

In June 2017, the AWDC appointed a dedicated person to maintain relations with the financial industry. The position of Banking Relations has been created to develop new business opportunities and solutions to close the gap between the diamond traders and the financial industry.

### DEPARTMENT

**Diamond Office (DO)** is responsible for streamlining all diamond shipments imported to or exported from Belgium. Each shipment is physically checked and verified by sworn experts, under surveillance of the Belgian government.

### WHAT WE HAVE DONE SINCE 2014

*Challenges: Economic impact in diamond-producing countries - Integrity in the diamond value chain*

DO actively participated in the training of (future) valuers from DRC via internships.

DO actively participated in a valuation exercise with another KP participant.

DO regularly gives on-site explanatory tours and presentations to foreign delegations about the internal control procedures to promote transparent control mechanisms and encourage other countries/trading hubs to tighten their internal procedures to create a level playing field.

### CHALLENGES

DO will continue to use its experience to provide technical support to diamond-producing countries.

DO will focus on less paper consumption and reduce this by working and archiving more electronically.

DO still actively participates in a valuation exercise with another KP participant.

DO regularly gives on-site explanatory tours and presentations to foreign delegations about the internal control procedures to promote transparent control mechanisms and encourage other countries/trading hubs to tighten their internal procedures to create a level playing field.



## DEPARTMENT

**Business Intelligence department (BI)** consists of the following aspects: knowledge, collective memory and technical work for the World Diamond Council and the Working Group of Diamond Experts of the Kimberley Process.

## WHAT WE HAVE DONE SINCE 2014

*Challenges: Economic impact in diamond-producing countries - Integrity in the diamond value chain*

BI has continued its contribution to the KP during the reporting period by chairing the Working Group of Diamond Experts and the WDC Technical Committee.

Together with other AWDC departments, particularly PA and DO, time and resources have been allocated to the harmonization of rough diamond valuation methodologies and training of government valuers of mainly African artisanal diamond-producing countries. In 2014 and 2015, an important program to assist Côte d'Ivoire in creating a post-UN sanctions government diamond office has been conducted, co-sponsored by the Belgian Federal Public Service Foreign Affairs.

Diamond specialists appointed by the Côte d'Ivoire Ministry of Mines received intense 2 month-valuation training in Antwerp, and follow-up sessions in Abidjan. In 2017 and 2018, government diamond valuers from 8 KP artisanal diamond-producing countries in collaboration with the Diamond Development Initiative (DDI) have received specialized valuation training to hone their skills.

BI also contributes to the functioning of the KP Monitoring Team on CAR by assisting the WGDE-Diamond Experts Team in the remote evaluation of footprint characteristics of monthly export shipments.

## CHALLENGES

The challenges for Business Intelligence remain the same: many diamond-producing countries with small-scale artisanal mining (about 10%) still need guidance and support to improve internal controls, create more transparency and ensure greater traceability of the stream of goods.

## DEPARTMENT

**Public Affairs (PA)** leads and coordinates the AWDC's advocacy vis-à-vis local, regional, national and supranational government bodies. The department informs policymakers about developments in the Antwerp diamond industry and advocates its interests. In addition, Public Affairs represents AWDC on various platforms and in organizations at the regional, national and international level.

This department also drives the AWDC's sustainability agenda, a key global public policy issue. Lastly, Public Affairs acts as the focal point of the Administrative Support Mechanism (ASM) of the Kimberley Process and carries out the task of "Knowledge Management and Institutional Memory" within the ASM.

## WHAT WE HAVE DONE SINCE 2014

*Challenges: Economic impact in diamond-producing countries - Integrity in the diamond value chain - Sustainability in the office & ecological footprint*

Over the past five years, PA ensured sustainability rose higher on the AWDC agenda and that of the diamond industry.

PA encouraged diamond companies to become members of the RJC, to support sustainability initiatives driven by CIFAL Flanders, to participate in discussion fora and surveys promoting the SDGs. PA supports and educates companies on their role and impact when it comes to sustainability and ethical business practices.

PA set up programs in and with diamond-producing countries to foster socio-economic development and strengthen the positive impact diamonds can have on local communities, especially at mine sites, and in artisanal and small-scale mining ("My Fair Diamond", collaboration with the DDI, valuation trainings for representatives of African diamond-producing countries, etc.).

PA also puts great effort into reinforcing the integrity of the diamond value chain through participation in various working groups within the KP, RJC and the WDC, where we were a driving force in the discussion for change with a focus on the need to set up a chain of responsibility and more transparency along the diamond value chain to protect human rights, labor rights, and other risks linked to (ASM) mining operations. One of the key files on which the PA department worked is the reform of the KP; the reform of the System of Warranties and the inclusion of the OECD due diligence guidance into the RJC Code of Practices.



## CHALLENGES

The successful implementation of the project in Guinea regarding aid for trade will be very important to convince diamond traders that this project has added value for diamond-producing countries, but that it also benefits the reputation of Antwerp as global diamond hub.

Furthermore, it will be important to ensure that CIFAL Flanders continues to deliver company-oriented work and that the organization can generate real value for its partners. CIFAL Flanders has to become the point of contact for the implementation of the SDGs both on a local and company level.

Finally, the AWDC, and PA in particular, will continue to advocate reform in the KP. We will push for the industry to show leadership in conveying a message showing that integrity and reputation are essential for the positive image of the diamond industry. It is only by investing more on our branding that Antwerp will be permanently anchored as a world diamond capital and will be able to make a difference regarding synthetic diamonds that are now undeservedly seen as an ethical substitute for (natural) diamonds.

## DEPARTMENT

**Legal & Compliance** handles the legal dossiers, advises diamond traders and implements legislation in the diamond sector. This department also works actively to foster transparency in the sector.

## WHAT WE HAVE DONE SINCE 2014

### *Challenge: Compliance*

AWDC signed a cooperation agreement with GJKIC, a non-profit daughter company of the Indian equivalent of AWDC (GJEPC) concerning MyKYCBank, a platform where diamond traders can register to upload all their KYC information and connect with other traders to share KYC information among one another.

Belgian traders have free access to the Bureau Van Dijk database, which also contains certain company and KYC information, and helps traders make a risk analysis of the business relationship with their clients.

The AWDC AML & Compliance Helpdesk organizes AML & Compliance seminars which provide a good understanding of the legal and self-regulatory frameworks which apply to diamond traders, as well as of related issues such as sanctions.

## DEPARTMENT

**Human Resources (HR)** provides employees with information concerning HR policy and creates a framework within which all AWDC employees can perform their work in a driven and motivated manner. In addition, this department renders services to the industry.

## WHAT WE HAVE DONE SINCE 2014

### *Challenges: Employment - Training, education & expertise*

AD Jobs, the Antwerp Diamond Jobs website, is successful in helping diamond companies find suitable candidates. The vacancies receive extra attention by publishing them in newspapers and magazines, initiating contacts with schools and participating in several job fairs to promote the diamond sector to young people from diverse backgrounds.

Internally, the AWDC provides an interactive onboarding process to its employees and encourages them to learn and develop their skills.

HR provides a variety of learning opportunities to ensure ongoing development and encourages the managers to promote a learning culture within their teams.

## CHALLENGES

An onboarding process is already in place; HR is planning to create a more complete and interactive onboarding brochure to make new employees feel welcome, adapt easily to the culture, and be rapidly effective.

HR is constantly trying to improve the work environment to maintain a low rate of employee turnover and improve employee engagement and motivation.

## DEPARTMENT

**Operations** provides support within the AWDC in the field of ICT, security, facility and purchasing.

## WHAT WE HAVE DONE SINCE 2014

*Challenges: Sustainability in the office & ecological footprint*

Many initiatives were taken in reference to waste management, energy saving and recycling.

## CHALLENGES

Priority goes to upgrading the air conditioning system in a sustainable way.

## DEPARTMENT

**PR & Communications** department promotes Antwerp as the world's leading diamond hub. This is done through the organization and coordination of numerous activities in Belgium and abroad, such as participation in trade fairs and organizing national and international events, including PR & prospecting missions, B2B network events, conferences and royal and economic missions.

## WHAT WE HAVE DONE SINCE 2014

*Challenges: Responsible advocacy - Transparency and open dialogue - Diversity and multiculturalism - sustainability in the office and ecological footprint*

The department extended its outreach via various initiatives. In 2015, the department launched The Diamond Loupe, an international news medium, designed to provide the most complete information and greater insight into the dynamics that drive the diamond business. The department organizes several initiatives to inform the Antwerp diamond industry on a regular basis. In 2018, the department launched The Sparklr, a collaborative blogging platform designed to inform a new generation of consumers, providing all-around access to the latest trends, rings and other sparkly things.

The registration process for participation in events was fully digitalized. AWDC is working with sustainable caterers and recycles as much as possible in the organization of events.

## CHALLENGES

Communicating about complex themes, especially concerning transparency and compliance in a way that is convincing to people in the industry, is still a challenge.

The still rather traditional nature of the industry also makes it challenging to generate interest for innovative initiatives concerning, for instance, alternative financing or marketing strategies. We recognize that industry-wide change in any global trade occurs incrementally, as many companies hold to the 'tried and true' way of doing business, despite the near-consensus agreement among analysts that the diamond industry should embrace the necessity of change. That is why the PR & Communications department endeavors to lower the bar for acceptance of sustainable innovation.

The department further makes it their mission to raise global consumer awareness about the benefits for diamond-producing countries associated with diamond jewelry purchases. We want to change the negative perception of diamond mining by telling the stories of the people behind the product.

Finally, we want to give Antwerp diamond companies the right tools to implement this strategy in their own marketing materials.

## DEPARTMENT

**Finance** coordinates all financial aspects of the organization.

## WHAT WE HAVE DONE SINCE 2014

*Challenges: transparent data, sustainability in the office and ecological footprint*

The finance department commissioned a new accounting package 'Adfinity', which automated a large part of the finance reporting, making it faster and more transparent. For incoming invoices, the finance department uses e-invoicing as much as possible and by digitizing the approval flow, departments no longer need to print their order and delivery notes.

## CHALLENGES

Finance aspires to become a completely paperless department by including everything in the digital flow. The department aims to offer customers an e-invoicing option to reduce the current extensive administration.

## DEPARTMENT

**Banking Relations** approach is twofold: attracting new financial institutions – both for banking and financing – to the industry and developing solutions to make it more attractive for these institutions to work in the diamond industry.

## WHAT WE HAVE DONE SINCE 2014

Not applicable (was created in 2017)

## CHALLENGES

Guaranteed access to the banking system is one of the main challenges the industry is faced with.

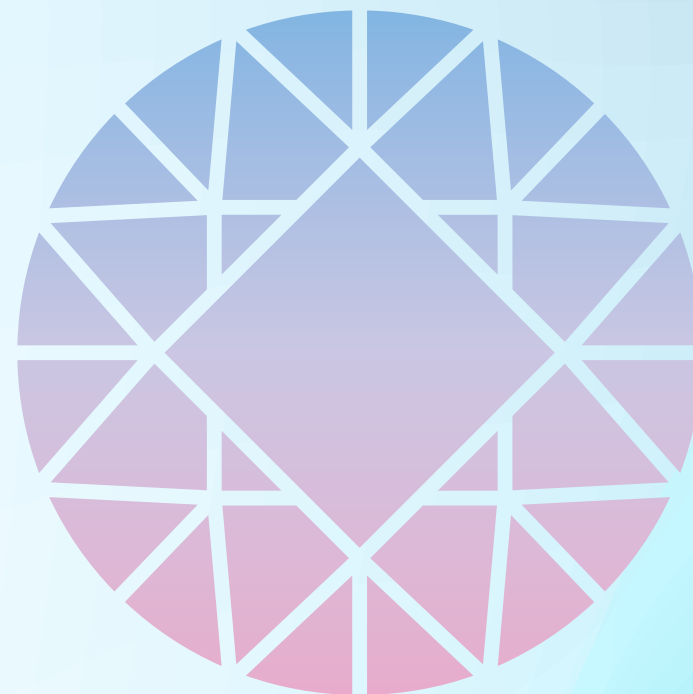
Furthermore, the industry is faced with the uncertainty of funding in the future. In addition, the lack of professionalism and transparency of some of the diamond traders create a risk for sustainable access to financial services for other diamond traders.

The negative attitude of the financial sector toward the diamond industry is extremely detrimental.

Together with the city of Antwerp, AWDC wrote the 'Diamond and Antwerp' charter which includes the values, principles, standards, and best practices the Antwerp diamond industry stands for. You can find the charter here → .

Together with the CEO, the department heads form the Management Team. This team gathers at least three times a week to discuss the general state of affairs within the departments. The CEO also attends the meetings of the Board of Directors.

Ms. Karla Basselier, Head of Public Affairs, is responsible for AWDC's sustainability policy. If you have any questions regarding this report or CSR matters, you can contact the Public Affairs department via [public.affairs@awdc.eu](mailto:public.affairs@awdc.eu).



## FINANCIAL STRUCTURE OF THE AWDC

The AWDC charges administration fees for the declaration of and controls on the import and export of diamonds in Diamond Office. These are the operating funds and only revenues of the AWDC.

The AWDC's equity includes the original contribution of the building, and since then, two capital increases have been implemented. This is unchanged since the previous report. Only the transferred results of the financial years that have been closed since then have been added.

| AWDC ASSETS | 2015         | 2016         | 2017         |
|-------------|--------------|--------------|--------------|
| Revenue     | € 20,484,994 | € 20,190,066 | € 18,512,959 |
| Equity      | € 24,984,756 | € 25,592,021 | € 24,347,098 |
| Liabilities | € 3,559,881  | € 4,332,060  | € 3,367,680  |

### EQUITY 2018

|                 |              |
|-----------------|--------------|
| Share capital   | 31,346,821   |
| Retained result | - 12,294,415 |
| Equity 2018     | 19,052,406   |

### LIABILITIES 2018

|                                     |           |
|-------------------------------------|-----------|
| Loans to be paid over several years | 31,851    |
| Loans to be paid in one year        | 21,836    |
| Accounts payable                    | 1,304,832 |
| Paid taxes and social charges       | 1,284,277 |
| Accounts Receivable                 | 16,825    |
| Other liabilities                   | 14,187    |
| Accruals and deferred income        | 30,751    |
| Total                               | 2,704,557 |

### BREAKDOWN OF AWDC EXPENSES 2018

|                         |           |
|-------------------------|-----------|
| Donations & sponsorship | 307,000   |
| WTOCD                   | 1,026,726 |
| Taxes                   | 96,435    |
| RSZ                     | 1,169,975 |
| Personnel               | 5,413,039 |
| AWDC Security Office    | 360,000   |
| Bank loan repayment     | 0         |

\* These figures are provisional; the final figures still need to be approved by the AWDC Board of Directors.



## EMPLOYMENT






100% of the AWDC employees are covered by collective bargaining agreements. The values, principles, standards and best practices expected from the AWDC staff are stipulated in the AWDC labor regulations.

Because the AWDC switched to a new wage system, we cannot provide the total number of employees by employment contract for the previous years. On 31 December 2018, all employees had a fixed contract; there were no temporary employees at the AWDC.




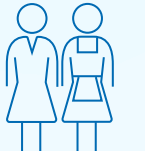

### TOTAL NUMBER OF EMPLOYEES BY AGE

| Age          | 2014      | 2015      | 2016      | 2017      | 2018      |
|--------------|-----------|-----------|-----------|-----------|-----------|
| - 20         | 0         | 0         | 0         | 0         | 0         |
| 20 - 35      | 20        | 17        | 17        | 21        | 17        |
| 35 - 45      | 19        | 17        | 14        | 17        | 15        |
| 45 - 55      | 16        | 17        | 22        | 21        | 20        |
| +55          | 24        | 25        | 24        | 27        | 26        |
| <b>TOTAL</b> | <b>79</b> | <b>76</b> | <b>77</b> | <b>86</b> | <b>78</b> |

### TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT BY GENDER

|                     | 2014  |    | 2015  |    | 2016  |    | 2017   |    | 2018  |    |
|---------------------|---|----|---|----|---|----|--|----|---|----|
|                     |  |    |  |    |  |    |  |    |  |    |
| <b>Office Staff</b> | 36  | 39 | 36  | 36 | 37  | 36 | 42   | 40 | 37  | 37 |
| <b>Laborer</b>      | 2   | 2  | 2   | 2  | 2   | 2  | 2  | 2  | 2   | 2  |

### TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT TYPE BY GENDER

|                  | 2014  |    | 2015  |    | 2016  |    | 2017   |    | 2018  |    |
|------------------|---|----|---|----|---|----|--|----|---|----|
|                  |  |    |  |    |  |    |  |    |  |    |
| <b>Full-time</b> | 31  | 26 | 30  | 23 | 33  | 25 | 37   | 29 | 31  | 26 |
| <b>Part-time</b> | 7   | 15 | 8   | 15 | 6   | 13 | 7  | 13 | 8   | 13 |

## HR POLICY

As AWDC employs less than 100 persons, the Comité voor Preventie en Bescherming van de Werknemer (CPBW - Committee for the Prevention and Protection of the Employee) takes on the function of the Works Council (Ondernemingsraad or OR) by law. However, the AWDC chose to install both organs, which function independently and cover 100% of the staff.

## MEMBERSHIPS

### PUBLIC AFFAIRS PARTNERSHIPS

|   | Member of<br>the Board of Directors? | Active participation<br>in projects? | Financial contributions<br>in addition to membership fee? |
|---|--------------------------------------|--------------------------------------|---|
| NATIONAL ORGANIZATIONS  |                                      |                                      |   |
| The Shift   |                                      | x                                    |   |
| Verbond der Belgische Ondernemingen (VBO)                                 | x                                    | x                                    | x   |
| Unie voor Zelfstandige Ondernemers (Unizo)                                | x                                    | x                                    | x   |
| Voka Kamer van Koophandel Antwerpen-Waasland                              |                                      | x                                    | x   |
| Chamber of Commerce Belgium-Luxembourg-Africa-Caribbean-Pacific (CBL-ACP) |                                      | x                                    |   |
| Flanders Investment & Trade (FIT)   |                                      | x                                    |   |
| Syndicaat der Belgische Diamantnijverheid (SBD)                           |                                      | x                                    |   |
| Fonds voor de Diamantnijverheid   |                                      | x                                    |   |
| Rijksverlofkas (RVK)  |                                      |                                      |   |
| Federatie der Belgische Diamantbeurzen                                    |                                      | x                                    |   |
| BEPACT  | x                                    | x                                    | x   |
| Nationaal forum   |                                      | x                                    |   |
| Koninklijke Kring Officieren Lokale Politie                               |                                      | x                                    |   |
| INTERNATIONAL ORGANIZATIONS   |                                      |                                      |   |
| Responsible Jewellery Council (RJC)                                       | x                                    | x                                    | x   |
| Anti-Money Laundering Europe (AME)  |                                      | x                                    |   |
| UN Global Compact   |                                      | x                                    |   |
| American Society for Industrial Security (ASIS)                           |                                      | x                                    |   |
| World Diamond Council (WDC)   | x                                    | x                                    | x   |
| European Corporate Security Association (ECSA)                            |                                      | x                                    |   |
| World Jewellery Confederation (CIBJO)                                     |                                      | x                                    |   |
| European Federation of Jewellery (EFJ)                                    |                                      | x                                    |   |
| CIFAL Flanders  | x                                    | x                                    | x   |
| Diamond Development Initiative (DDI)                                      |                                      | x                                    | x   |
| African Diamond Producers Association (ADPA)                              |                                      | x                                    |   |
| Diamond Producers Association (DPA)                                       |                                      | x                                    | x   |
| World Federation of Diamond Bourses                                       |                                      | x                                    | x   |



# WHAT MATTERS TO YOU: MATERIAL TOPICS

This report to society has been prepared in accordance with the GRI Standards: Core option. This is AWDC's second report to society and follows up on the first one, published in 2014. This is an integrated publication, combining financial and non-financial data from 2018 (unless stated otherwise) within a single annual report.

The scope of this report is limited to AWDC and its eight departments. The subsidiaries of AWDC fall outside the scope of this report.

This report has not been externally assured, but it has been prepared with and reviewed by CAP conseil, GRI and sustainability experts.

The process for determining report content followed a series of steps, each time discussed and approved by the AWDC Management Team and CEO.

## STEP 1: DETERMINING THE 'MATERIAL ASPECTS'

An internal project group researched the most relevant topics that reflect or impact AWDC's daily activities in the sustainability context of 2018 and beyond. The project group also evaluated the current situation and progress made on the material aspects since the previous sustainability report. They came up with the following 10 material aspects for consideration. A short description highlights the current understanding behind each aspect:

### 1. Economic impact in diamond-producing countries (cf. 2014)

The Antwerp diamond industry trades goods from all over the world. As such, it is de facto linked to issues that diamonds are associated with in many developing countries: unfair prices or practices, low governance, unregulated markets, illegal exploitation, human rights abuses, etc. It is important to support programs that, amongst others, help generate a fairer revenue for developing countries.

### 2. Integrity in the diamond value chain (cf. 2014)

Integrity is about adopting moral values and respectful practices. In the diamond industry, it is often related to the diamond pipeline. On the product side, it entails ensuring there is no mixing of laboratory-grown or conflict diamonds with 'real', natural, ones. On the practices side, it entails respecting ethical and legal business conduct and implementing due diligence guidance to improve traceability within the diamond value chain.

### 3. Compliance (cf. 2014)

National and international regulations put pressure on the diamond industry to reinforce its practices regarding greater transparency in the diamond value chain, the identity of end customers, etc. In Antwerp, as elsewhere, the private sector has to evolve from more discrete commercial practices to increased disclosure, to avoid discrediting the entire industry.

### 4. Fiscal considerations and bankability (new)

The Belgian state receives for its public expenses a legitimate share of any economic activity that takes place on its territory. The diamond industry has a special tax regime. Public opinion expects clear data about the financial results and revenues of the diamond industry and demands a "fair level of taxation". The bankability of the Antwerp diamond industry is an important issue, and diamond traders need to have access to basic banking services.

### 5. Reputation (new)

The opaque and wrongful practices of a few have discredited the entire diamond industry, damaging its reputation. Improving public opinion and regaining trust requires a collective strategic approach to all material issues: listening to new expectations and stakeholders, implementing appropriate actions and communicating transparently will replace the current perception with real facts and figures.



## 6. Innovation and future of the industry in Antwerp (new)

In Antwerp, technological developments - such as the invention of new detection equipment - happen behind closed doors. Considered old-fashioned, the industry suffers from a shortage of skilled young people, while labor costs are comparatively high. Today, there is a great opportunity to modernize the industry and foster talented individuals that can use new technology by providing up-to-date schooling.

## 7. Impact of the AWDC offices on the environment and sustainability (cf. 2014)

AWDC is a continually-evolving organization of 80 people in an ever-changing luxury business. The image related to the standing of diamonds should be combined with sustainable daily activities, like choosing responsible suppliers and encouraging smarter habits. Leading by example, the AWDC should encourage the Antwerp industry to become the most sustainable diamond hub in the world!

## 8. Security and safety (cf. 2014)

Diamonds are very valuable goods. The diamond industry expects highly secure working conditions, even if the quest for protection contributes to the image of a closed sector. Clear information about incidents shows the effectiveness of current endeavors and the reliability of the Antwerp hub.

## 9. Governance of industry (new)

Some diamond industry players suffer from a lack of global governance, and self-regulation often shows its limits. This can result in conflicts of interest and different levels of integrity across the world. The AWDC can contribute to the debate by disclosing its own working system and practicing transparent and accurate lobbying in national and international circles.

## 10. Diversity, local engagement and community integration (cf. 2014)

The Antwerp diamond industry is an exceptional mix of ethnic descent and religions in a very condensed area, whereas elsewhere, communities tend to fall back on themselves and the political context does not entice to integration. The AWDC can act as a warrant of tolerance and openness to counter protectionist reflexes and preserve the trade from political agendas.

### STEP 2: CONSULTING STAKEHOLDERS

The second step involved the assessment of these 10 aspects by internal and external stakeholders of the AWDC, to verify whether the reflection of the project group was appropriate in assessing the importance of these aspects to the stakeholders by

answering the question 'How important should this topic be for AWDC, with a view to sustainability'? This process was led by the Public Affairs and PR & Communication departments, under close supervision of the CEO.

The stakeholders were divided into two categories:

#### External stakeholders

- diamond industry
- governments
- press
- NGO's
- partners

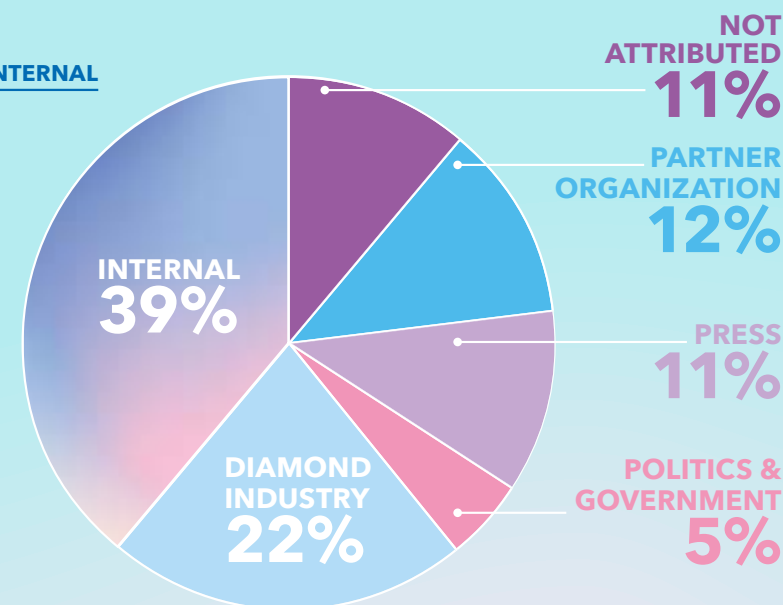
#### Internal stakeholders

- all AWDC employees

We carried out quantitative as well as qualitative research.

The quantitative research necessitated a structured online questionnaire to 200 respondents from the six stakeholder categories (external and internal). 45 external stakeholders and 29 staff members replied. The survey investigated the relevance of AWDC's activities for each respondent and organization and the AWDC's impact on the issues. The respondents were also asked to rank the 10 core themes selected by the AWDC project team, in terms of importance, to help shape this report and orientate future actions.

#### EXTERNAL & INTERNAL



We noticed a light perception gap between the AWDC employees and the external stakeholders regarding the ranking of the 10 topics, even though they share four topics in the top five. External stakeholders focused on all matters related to business and reputation, highlighting the need for perspective and sound market conditions (compliance, bank). Internal stakeholders had a more regulatory approach.



In addition to the online survey, we organized qualitative research with a representative selection of key players from the external stakeholders' categories. The following nine key stakeholders participated in an in-depth interview:

- Peter Karakchiev – *Head of International Industry Relations Department – ALROSA*
- Didier Backaert – *International Business & Marketing Consultant – Bonas-Couzyn*
- Henk Mahieu – *Director International Relations, Economic Policy and Public Enterprises – Cabinet of Deputy Prime Minister Kris Peeters*
- Els Haelterman – *Advisor Development Cooperation at Deputy Prime Minister and Minister for Development Cooperation*
- Stéphane Fischler – *President World Diamond Council and CEO of Fischler Company*
- Pamela Fierst Walsh – *Senior Advisor on Conflict Minerals and U.S. Representative to the Kimberley Process, U.S. Department of State*
- Filip Reyniers – *Director – International Peace Information Service*
- Isabelle Poly – *Head of Corporate Social Responsibility – Piaget*

When asked about their top three concerns, reputation comes first, followed by integrity and economic impact in diamond-producing countries.

Reputation quickly became the guiding thread of this report. It is the result of how well the industry manages itself today and addresses all other material topics on which it is expected. It is at the heart of the matter concerning the sustainability of the industry: the continued existence of the diamond trade in Antwerp depends on maintaining its current reputation, and undertaking multiple efforts regarding all other material topics will only serve this purpose.

The quotes, key remarks and advice of the interviewees are punctuated throughout this report, as they address each material topic. They opened new cross-market, cross-industry and cross-stakeholder perspectives. The striking message from all of them is that the AWDC is burdened with the issues of the industry, even when it has no real power over them. There is a discrepancy between the expectations put on the AWDC, its mission and its actual means to address them. Stakeholders acknowledge the efforts of the AWDC to improve the reputation of and promote Antwerp, and to train and support the industry, but they also recognize its powerlessness when other actors do not assume their share of responsibility properly and ruin these efforts with reckless practices.

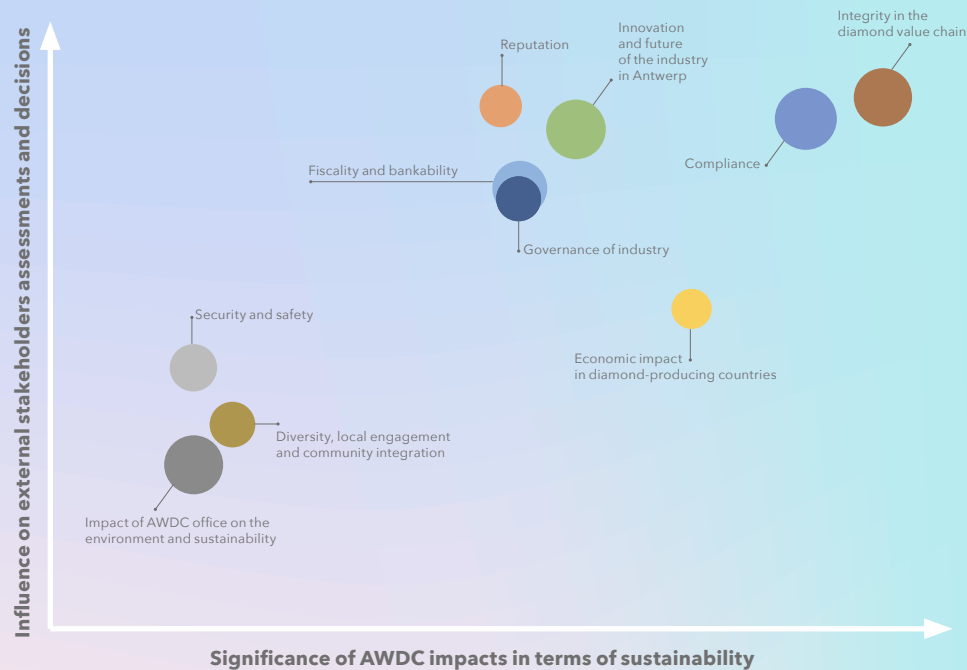
The structure of the AWDC and its positioning in Antwerp is also highlighted as potentially restrictive: with no membership base, and side-by-side with four Bourses, there is a risk of dilution of leverage that can slow its effectiveness.



### STEP 3: CONSOLIDATING THE MATERIALITY MATRIX

Eventually, we asked the opinion of the AWDC's top management on the significance of the impacts AWDC had on the same 10 topics. They provided a rating. This was compared to the ranking of the online survey of the external stakeholders to produce the following materiality matrix.

#### THE MATERIALITY MATRIX OF AWDC



Analyzing this matrix, one can gather a few insights:

- Integrity and compliance are key and have a huge influence on the reputation of the Antwerp diamond industry. Obviously, mistrust is bad for business and ethics remains the most important expectation from the outside world. Issues related to bankability and governance are directly related to this as well.
- Economic impact in the diamond-producing countries scores high and is related to integrity in the diamond pipeline as well as to corruption and abuses of human and labor rights.

- Innovation and the future of the industry is perceived as more important by external stakeholders, which indicates the need to reinvent activities carried out from Antwerp to avoid losing skills and business to other high-tech places and attract new and young talent.
- Matters exclusively related to the day-to-day functioning of the diamond district (community engagement, security, office sustainability) are considered as less crucial by both categories of stakeholders, leaving room to concentrate on broader diamond business matters. All matters on the diagonal indicate an alignment of opinion between the management and its stakeholders.

### STEP 4: EMBEDDING THE SDGs IN THE ANALYSIS







To put this 'inside-out' approach to our social responsibility into perspective, the project team also analyzed its actual and potential impact on the achievement of the UN SDGs – Sustainable Development Goals.

This 'outside-in' analysis was performed by the internal CSR team, with a view to ascertain whether and how some of the 169 targets behind the 17 goals could be reached or impeded by the AWDC's activities. To anchor the analysis in AWDC's reality, the relevant targets have been aligned with the 10 material topics listed above, considering the AWDC's sphere of influence, to identify a positive or negative contribution.

The link between each of our material topics and the relevant SDGs is further detailed throughout the chapters of this report.



The following table allows one to identify, along the diamond value chain, the specific issues and extent to which the AWDC can have a social impact by working on its material issues. It makes the link to the specific SDG targets on which the actions of the AWDC and/or the diamond industry as a whole have an impact.

|   | SPHERE OF INFLUENCE   |       |       |       | ANTWERP - DIRECT IMPACT  |       |      |      |  |      |      |      |   |      | SPHERE OF INFLUENCE |      |  |      |           |     |  |  |  |
|---|---|-------|-------|-------|--|-------|------|------|--|------|------|------|---|------|---------------------|------|--|------|-----------|-----|--|--|--|
|   | <br>ROUGH DIAMOND PRODUCTION |       |       |       | <br>ROUGH DIAMOND TRADE |       |      |      | <br>DIAMOND MANUFACTURING |      |      |      | <br>POLISHED DIAMOND TRADE |      |                     |      | <br>DIAMOND JEWELRY MANUFACTURING |      |           |     | <br>DIAMOND JEWELRY RETAIL - CONSUMER |  |  |
| MATERIAL TOPICS                                       | IMPACT  | SDG   |       |       | RELEVANCE  | SDG   |      |      | RELEVANCE  | SDG  |      |      | RELEVANCE   | SDG  |                     |      | RELEVANCE  | SDG  | RELEVANCE | SDG |  |  |  |
| INTEGRITY IN THE DIAMOND VALUE CHAIN                  | XXX   | 8.5   | 8.7   | 8.8   | XXX  |       |      |      | XXX  | 12.2 |      |      | XXX   |      |                     |      | XX   | 12.2 |           | XXX | 12.2   |  |  |
|   |   | 12.2  | 16.2  |       |  |       |      |      |  |      |      |      |   |      |                     |      |  |      |           |     |  |  |  |
| COMPLIANCE  | XX  | 12.6  | 16.4  |       | XXX  | 12.6  | 16.4 | 16.5 | XXX  | 12.6 |      |      | XXX   | 12.6 | 16.4                | 16.5 |  |      |           |     |  |  |  |
| INNOVATION AND FUTURE OF THE INDUSTRY IN ANTWERP      | X   | 4.4   | 4.7   |       | XX   | 4.7   |      |      | XXX  | 4.3  | 4.4  | 4.7  | XX  | 4.7  |                     |      | X  | 4.7  |           |     |  |  |  |
| ECONOMIC IMPACT IN DIAMOND-PRODUCING COUNTRIES        | XXX   | 1.4   | 4.1   | 8.1   | XXX  | 8.3   | 17.1 | 17.2 | X  | 9.2  |      |      |   |      |                     |      | XX   | 8.3  | 8.10      | X   |  |  |  |
|   |   | 8.3   | 9.1   | 9.2   |  |       |      |      |  |      |      |      |   |      |                     |      |  |      |           |     |  |  |  |
|   |   | 17.1  | 17.7  | 17.9  |  |       |      |      |  |      |      |      |   |      |                     |      |  |      |           |     |  |  |  |
|   |   | 17.11 |       |       |  |       |      |      |  |      |      |      |   |      |                     |      |  |      |           |     |  |  |  |
| GOVERNANCE OF DIAMOND INDUSTRY                        | XXX   | 16.8  | 16.10 | 17.14 | XXX  | 17.14 |      |      | XX   |      |      |      | XXX   |      |                     |      | XX   |      |           | X   |  |  |  |
| BANKING & FISCALITY                                   | X   | 8.3   | 8.10  |       | XX   | 8.3   | 8.10 |      | XX   | 8.3  | 8.10 |      | XX  | 8.3  | 8.10                |      |  |      |           |     |  |  |  |
| DIVERSITY, LOCAL ENGAGEMENT AND COMMUNITY INTEGRATION | X   |       |       |       | X  | 1.2   |      |      | X  | 1.2  |      |      | X   | 1.2  |                     |      |  |      |           |     |  |  |  |
| SECURITY AND SAFETY                                   |   |       |       |       | XX   | 16.1  | 16.3 | 16.a | XX   | 16.1 | 16.3 | 16.a | XX  | 16.1 | 16.3                | 16.a |  |      |           |     |  |  |  |
| OFFICE SUSTAINABILITY                                 |   |       |       |       | X  | 12.7  |      |      | XX   | 12.7 |      |      | X   | 12.7 |                     |      | X  |      |           | X   |  |  |  |

# INTEGRITY IN THE DIAMOND VALUE CHAIN

Integrity is about adopting moral values and sustainable practices throughout the so-called diamond value chain, from the extraction of the rough diamonds to the point they are set in a piece of jewelry.

Integrity encompasses a variety of (inter)national legislation and (self-)regulation, awareness and information campaigns, dedicated tools and knowledge-sharing and capacity building programs, all aimed at creating a more transparent, ethical and sustainable diamond industry.

## KPCS

Preventing trade in conflict diamonds  
Challenges

- Scope
- Effectiveness
- Governance

## REGISTRATION & LEGISLATION

- Registration (FPS Economy)
- AML
- KYC

## DISCLOSURE

- Natural vs Synthetic diamonds
- Product Disclosure Requirements
- Belgian Legislation
- DPA - Terminology Guide

## RJC

- Jewelry Supply Chain
- RJC Code of Practices (CoP)
- Audits

## DDI

Artisanal and Small-Scale Mining  
Formalizing through Maendelo Standards

## WDC

- System of Warranties (SoW)
- 2018 updated declaration
- Conflict Free
- AML
- Human Rights
- Labor conditions
- Anti-corruption

## MyKYC

- KYC information sharing network
- Currently India, Belgium soon also UAE

*"We have become **much too lenient with those breaking their word and commitments** to all involved in the industry"* – Stéphane Fischler

[read more →](#)

# COMPLIANCE

The diamond sector is often viewed as an industry with big bling, shady actors and questionable practices. That may to some extent be true for some diamond centers, but cannot be said to be the case for the Belgian diamond sector.

The AWDC Legal & Compliance department makes it its daily duty to make the Antwerp diamond industry as compliant as possible by raising awareness and providing all companies with adequate resources and instruments to implement all legal and administrative requirements as well and as transparently as possible.



**REGISTRATION**  
- FPS Economy



**RISK ANALYSIS**



**DIAMOND OFFICE**

= AWDC (authorized economic operator AEO)  
+ Govt (FPS Economy & FPS Finance)  
100% physical control of all shipments  
- Documented origin / weight / value / classification



**AML & COMPLIANCE**

- Consultation with and outreach to stakeholders
- Helpdesk & tools
  - Seminars
  - Templates & docs
  - KYC database Bureau Van Dijk
  - Instructional movie
  - MyKYC Bank

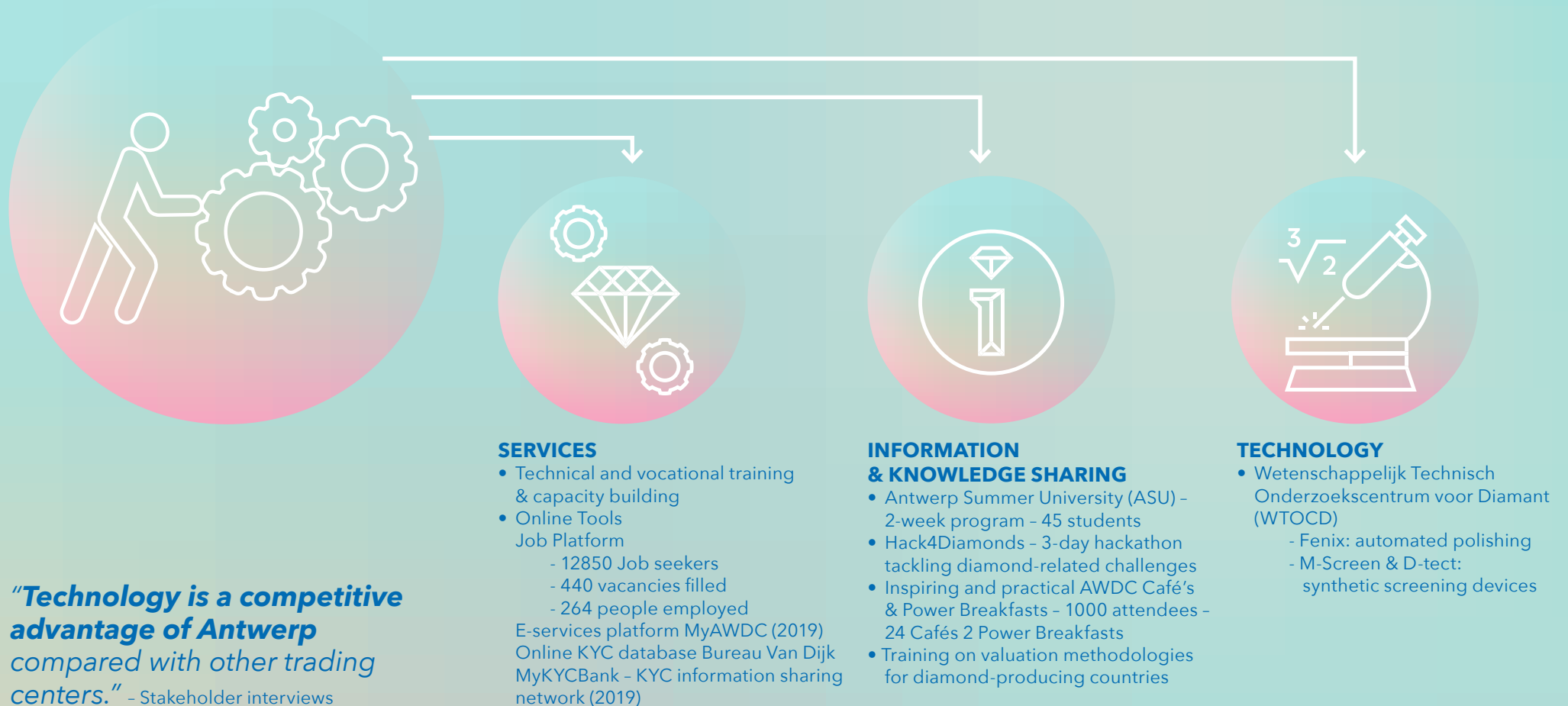
**“Compliance and reputation: those two topics are closely linked.** It is related to the end consumer expectations. We talk about the ability of the whole diamond industry to bring back trust on the market. Transparency is a key aspect to gain back the trust. We need to showcase our responsibility in the supply of diamond, also on the mining side: tackle human right issues, increase anti-corruption and AML.” - Stakeholder interviews

[read more →](#)



# INNOVATION AND FUTURE OF THE INDUSTRY IN ANTWERP


The diamond industry historically has not been a hotbed of innovation by any stretch of the imagination. Diamonds have essentially been mined, sold and polished in much the same way for a hundred years, while its trading methods have been borderline anachronistic. Change, however, is on the way, albeit mostly fragmented, scattered across isolated initiatives and various commercial devices. The future growth and sustainability of the Antwerp industry, as in any industry, depends on innovation, including the transmission of skills. Those that initiate change will have a better opportunity to manage the change that is inevitable.



# ECONOMIC IMPACT IN DIAMOND-PRODUCING COUNTRIES

The nature of our business implies we trade goods from all around the world. Whether these rough and polished diamonds originate from large-scale, stock-listed mining conglomerates or (in)formal artisanal and small-scale mining, the trade in Antwerp is de facto linked to the impact in and challenges of these operations, especially in developing, producing countries.

Ensuring our industry provides a positive impact on socio-economic and environmental levels is at the core of our actions.

**85%**   
OF WORLD PRODUCTION

LARGE SCALE  
MULTINATIONALS  
Publicly listed

Russian Fed.  
Botswana  
Canada  
South Africa  
Angola

Socio-economic & environmental contract with society  
Reclamation "Clean up as you go"  
Beneficiation • Employment  
• Training  
• Locally-sourced supplies  
Diversification

**15%**   
OF WORLD PRODUCTION

DIRECTLY  
**13MN**  
PEOPLE



INDIRECTLY  
**80-100MN**  
PEOPLE

ARTISANAL  
SMALL-SCALE  
MINING (ASM)

Informal  
Unregulated  
Undervalued  
Unsafe

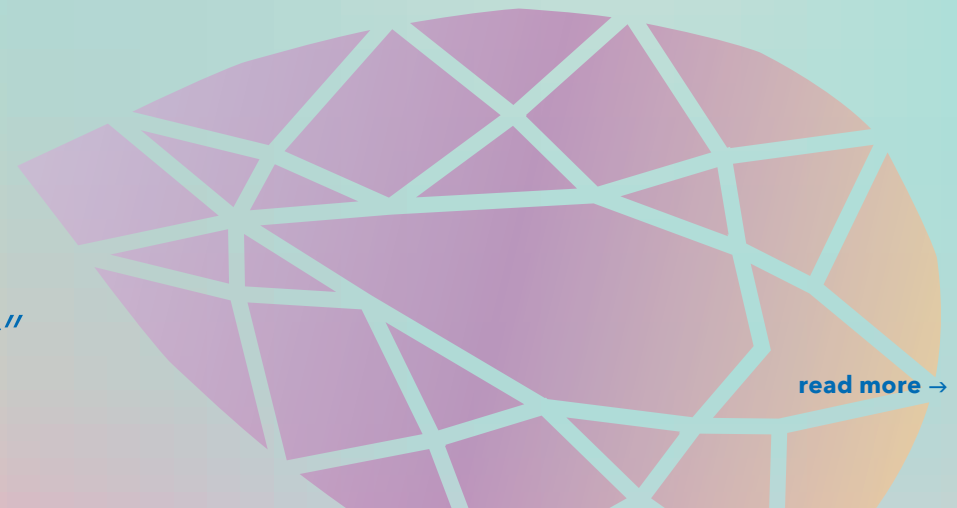
Sierra-Leone  
Guinée  
DRC  
Angola  
...

Formalizing  
• DDI Maendeleo Standards  
My Fair Diamond  
• Fully Traceable, Fair Prices,  
Health & Environment  
Education  
• Diamond Valuation Training

*"There is **no reason for mining**  
if there is **no return for producing countries**"*

- Peter Karakchiev

[read more →](#)



# GOVERNANCE OF INDUSTRY

Good governance in the diamond industry is something that is situated on different levels; it can be company directed, or steered through a wide variety of organizations. These, often scattered initiatives, could benefit from a more coordinated approach and collaboration amongst each other. AWDC can contribute to this dialogue by disclosing its own working systems, both internally and with external stakeholders.

*"Promoting good governance is one of the main roles for AWDC if it wants to maintain leadership. **Governance and leadership go hand in hand**"*

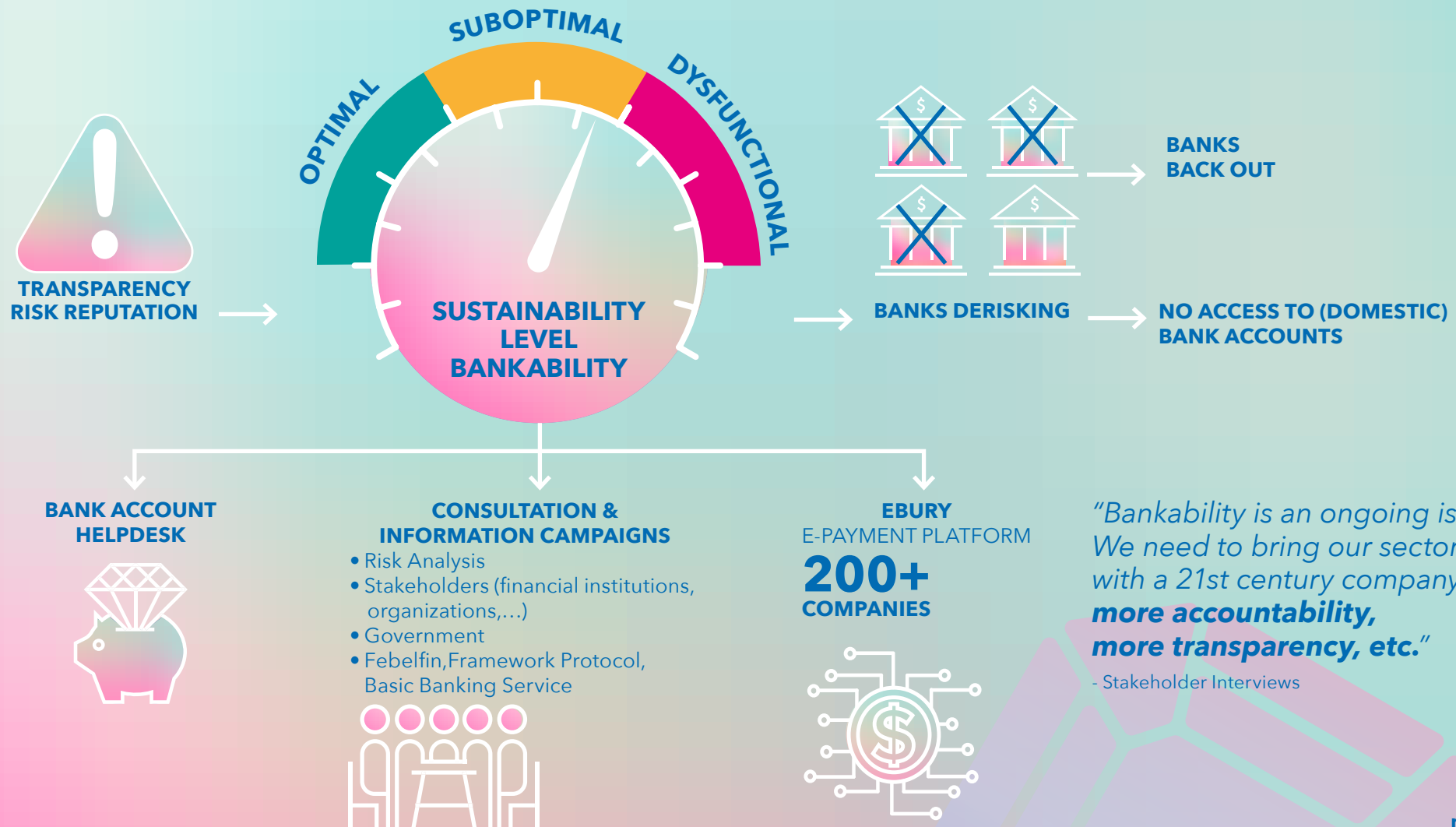
– Didier Backaert



[read more →](#)

# BANKING & FISCALITY

Having access to a bank account and bank financing are two of the most valuable tools of the diamond trader. Banks' derisking policies, resulting in the absence of sustainable access to basic banking services, such as bank accounts and payments are reaching a critical point that puts the sustainability and viability of the Antwerp diamond industry in peril.



# DIVERSITY, LOCAL ENGAGEMENT AND COMMUNITY INTEGRATION

In spite of the perception of being a closed and unwelcoming community, the diamond industry is one of the most international and multi-cultural industries in Belgium: a mini-United Nations one could say. People of over 70 different nationalities live and work together on a daily basis within 1 square mile, maintaining a deep respect for each other's cultures and religions. This open atmosphere is often referred to as an important competitive advantage over other centers. Building bridges is therefore a key element in AWDC's approach.



**PUBLIC**  
Perceived  
as closed industry

**INDUSTRY**  
Multinational & Cultural Diversity  
perceived as competitive strength

- 2000 visits behind the scenes
- Community Celebrations (Diwali, Purim)
- Diamond Year "In Antwerp We Speak Diamond, Diamond Capital since 1447"
- Food festival Brilliant Foodies - #4000 visitors
- City quest Expedition Diamond - #100 participants
- Primary School Syllabus - #3000 kids

*"Diversity must remain the great asset of Antwerp. Each group brings its own networks and experience. Having said that, each community should ensure each of its members stay in good standing and contribute positively to the industry but also to our city and country. Unfortunately, most have remained insular, without feeling the need to reach out and understand the trade-off: a license to operate against a contribution to the benefit of all. **It is necessary to change the mentality, to encourage people to step out instead of remaining in enclosed in their communities. They have to feel and behave like contributing citizens of their city and country**",*

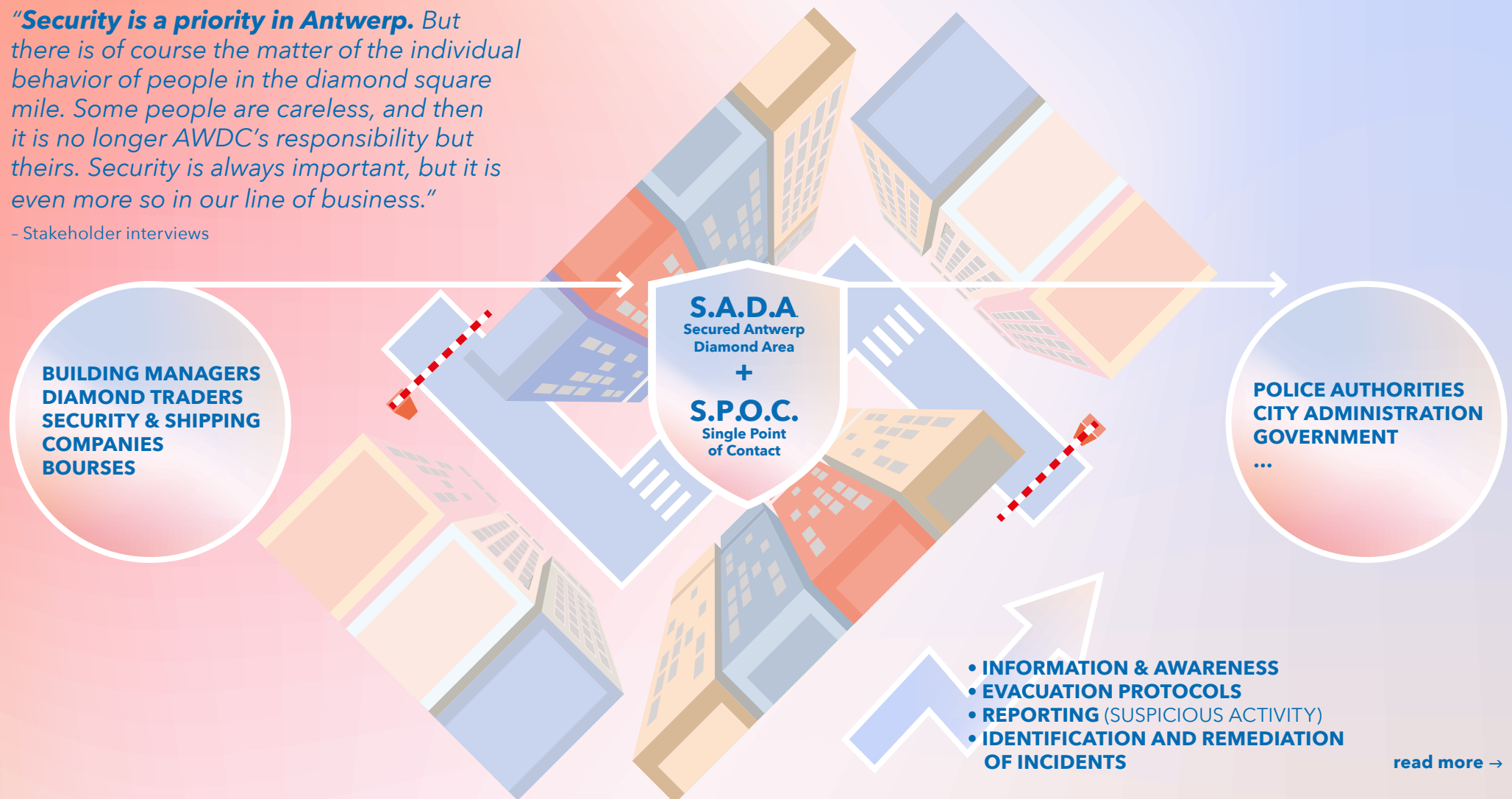
- Stéphane Fischler

# SECURITY AND SAFETY

As with any high-stake and high-value industry, tight and proactive security is of critical importance for the Antwerp diamond industry. In 2013, the AWDC set up the AWDC Security Office (AWDC SO). The mission of AWDC SO is to safeguard the personnel, products, assets, visitors, reputation and information of the Secure Antwerp Diamond Area (S-ADA) against all internal and external threats, and to support, enable and facilitate its business. The AWDC SO also acts as Single Point of Contact (SPOC) for the S-ADA building managers, the bourses, private security companies active within the area, the insurance industry, the City of Antwerp, government services, state security and Local as well as Federal Police, with whom we cooperate closely.

***"Security is a priority in Antwerp. But there is of course the matter of the individual behavior of people in the diamond square mile. Some people are careless, and then it is no longer AWDC's responsibility but theirs. Security is always important, but it is even more so in our line of business."***

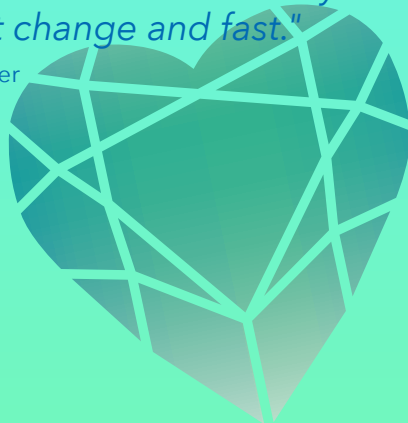
- Stakeholder interviews



# AWDC OFFICE SUSTAINABILITY

***"The streets could be more attractive but it's up to the city of Antwerp to make that happen. Diamond dealers wrongly disregard this current state as they are primarily focused on security. But when you take a look at what other trading centers, like India and Dubai, have done for their diamond sector, you see quite a difference. Antwerp is not only recognized the world around as THE historic diamond trading center but a also leading one. But it fails to deliver on appearance. And perception becomes reality. Things must change and fast."***

- Stéphane Fischler



As the umbrella organization of the Antwerp diamond industry, it's AWDC's responsibility to lead by example, also concerning office sustainability. With about 80 employees, the sustainable impact of our daily practices has to be managed properly and we try to inspire the Antwerp diamond companies to adopt sound social and environmental habits.

## ENERGY

- Improved roof insulation
- A.C. reduced Global Warming Potential
- Reduced Energy Consumption
  - 80% LED implementation
  - Renewed Server
  - New high voltage cabin
  - Standby mode & lights off policy

## QUALITY OF LIFE

- Upgrade Diamond Square Mile
- Pop-up park (tbd 2019)

## MOBILITY

- Extra facilities for cyclists
- Economy Class Flights
- Car Policy <135gr CO<sub>2</sub> emis.

## WASTE

- Paper reduction
- Confidential paper containers
- Extended (paperless) e-services platform MyAWDC (2019)



[read more →](#)



# INTEGRITY IN THE DIAMOND VALUE CHAIN

Integrity is about adopting moral values and respectful practices. In the diamond industry, the notion of integrity is often related to the diamond pipeline and practices: On the product side, ensuring that there is no mixing of lab-grown or conflict diamonds into the (natural) diamond value chain. On the practical side, respecting ethical and legal business conduct and implementing due diligence guidance to improve traceability within the diamond value chain.

Integrity in all its components is closely linked to issues of Compliance and Governance, which are treated at length in later chapters of this report. Fair business practices also touch on the topic of the economic impact generated by and for diamond-producing countries, also discussed in another chapter of this report. In this chapter, we decided to state at length the various institutions and instruments that regulate the diamond industry. The AWDC is involved in all of them. They are probably not perfect, but they show that the diamond and jewelry industries do care about the value chain and are committed to more integrity from mine to finger.

In light of this, the AWDC wants to contribute to SDG 8 “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”, especially via:

- **Target 8.5:** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.
- **Target 8.7:** Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms.
- **Target 8.8:** Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.



To SDG 12 “Ensure sustainable consumption and production patterns”, especially via

- **Target 12.2:** By 2030, achieve the sustainable management and efficient use of natural resources

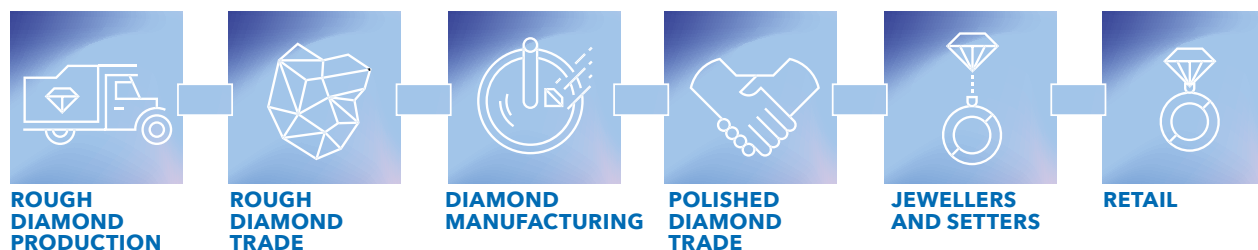
To SDG 16 “Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels”, via

- **Target 16.2:** End abuse, exploitation, trafficking and all forms of violence against and torture of children

*“We have become much too lenient with those breaking their word and commitments to all involved in the industry. We must seriously increase the cost to those who break our trust” – S. Fischler*

In recent years, the diamond industry has been rocked quite a few times with scandals that have impacted the reputation of the industry. Conscious that it is not only unacceptable, but also very detrimental to the reputation of the diamond industry, Antwerp has been putting great effort into creating a more transparent, ethical and fair diamond business environment.

We believe that having a meaningful impact, focusing on integrity, in every step of the diamond value chain, will be key to protect our natural diamond product.



## THE GLOBAL DIAMOND VALUE CHAIN

Around the world, rough diamond production, including industrial, artisanal and small-scale mining as well as laboratory-grown diamonds, are sent to the main rough diamond trading hubs: Antwerp, Dubai, Mumbai, New York, Singapore and Hong Kong.

The diamond mining sector employs directly and indirectly 10 million people worldwide, of which 1.5 million are artisanal workers, mainly located in Africa. The working conditions in artisanal and small-scale mining, often informal, are still problematic today.

86% of all rough diamonds pass through the hands of 1,600 traders in Antwerp, where they are sorted and traded on the largest diamond trading market in the world. Rough diamonds are then cut and polished in manufacturing hubs like Antwerp, India, China, and Thailand. The most difficult and important stones are still polished in Antwerp, in state-of-the-art polishing facilities employing about 300 people. Most diamonds (→ almost 90%) are manufactured in India today. Very little data exists about the working conditions at these Asian manufacturers. It is reasonable to be concerned about the wages and ages of these workers who cut and polish diamonds for less than a 10th of the price of Antwerp.

Polished diamonds are traded in the polished trading hubs, often the same as the rough markets. 50% of the polished stones will return to Antwerp to be traded again, before they leave the loose diamond market to enter the jewelry market and end in the consumers hands. At each of these steps, the integrity of the product and business practices is essential, and the best guarantee to ensure transparency is to track their movement from mine to finger.

What role can AWDC, as a representative body of the Antwerp industry, play to enhance the integrity of the diamond trade? It is active at various levels, targeting the stages that are most at stake.

- **Mining stage:** Although the AWDC is not directly implied in mining itself, it is involved in advocacy, capacity building and ensuring that risks linked to ASM, such as human rights violations, unfair working conditions, corruption... are tackled at the 'mining level'. We also support programs and NGOs in protecting the miners and local communities (see chapter economic impact in diamond-producing countries).

- **Entering the rough diamond trade in Antwerp:** The Kimberley Process (KP), as explained below, combats the trade in so-called 'conflict diamonds'. Antwerp's Diamond Office controls physically every shipment of rough diamond that enters the country to make sure that it is in accordance with all international obligations (see chapter compliance).

- **The KP minimum requirements** state that every rough diamond shipment from one KP Participant to another KP Participant should be accompanied by a KP certificate, stating the provenance of the shipment and the conflict-free nature of the shipment. The first shipment by definition states the country of mining. Statistical analysis based on this information shows that in Antwerp, almost three times as many rough diamond shipments are exported out of the EU in comparison to the number of shipments imported into the EU. This proves that nowhere in the world is there as much sorting and trading activity, and consequently distributive capacity, as there is in Antwerp. Nowhere in the world is this distributive capacity as high as in the EU, as even in absolute terms the EU has been the biggest exporter of KP certificates worldwide.

- **Trading practices:** International as well as national legislation regulates all business aspects of Antwerp-based diamond traders. Comprehensive anti-money laundering regulations, strict registration requirements and ample Know Your Customer (KYC) obligations are employed to enhance the transparency and ethical conduct of the diamond trading business (see chapter compliance). The AWDC helps all diamond companies free of charge and facilitates their compliance duties through training sessions, a help-desk and templates.

• **Downstream:** The AWDC sits on the Board of the RJC - Responsible Jewellery Council - and has actively backed the RJC Code of Practices, which set high standards in the field of human rights, labor rights and environmental impact, promoting good, fair and sustainable practices to all affiliated jewelers. The AWDC is part of the expert group that currently helps the RJC transpose the OECD due diligence guidance for responsible supply chains of Minerals from Conflict Affected and High-Risk Areas into the RJC Code of Practices (*see below*).

## THE KIMBERLEY PROCESS: A TOOL TO FIGHT CONFLICT DIAMONDS, NOT A GUARANTEE OF ETHICAL PRODUCTION

The Kimberley Process (KP) is an international certification scheme established by 82 countries in 2003 to prevent conflict diamonds from entering the mainstream rough diamond trade. It is an international partnership between countries, NGOs and the diamond industry, supported by the UN. The core of the regime is the Kimberley Process Certification Scheme (KPCS) under which States implement safeguards on shipments of rough diamonds and certify them as 'conflict free'. Over the last 15 years, the percentage of conflict diamonds in the global diamond trade has declined significantly from 15% to less than 1%, proving its effectiveness in this area.

Besides member countries, the diamond industry, through the WDC and civil society groups is also an integral part of the KP. These organizations contribute to its effective implementation and monitoring. It is through the WDC that the AWDC is involved in the steering of the KP. It does so in various ways:

- The AWDC has been leading the technical Working Group of Diamond Experts (WGDE) since the creation of the KPCS in 2003. This group is mainly concerned with eliminating trade barriers, improving the techniques of origin recognition, the classification of diamond powder or the harmonization of valuation methodologies.
- The AWDC Diamond Office (DO) issues around 30,000 KP Certificates per year, almost half of all KP Certificates issued worldwide.
- The AWDC co-hosts the Administrative Support Mechanism (ASM), which ensures that KP communications and logistics run smoothly. The AWDC is the central 'focal point' responsible for the knowledge management and the institutional memory of the KP.
- On behalf of the WDC, the AWDC frequently joins the triennial KPCS review visits to check the system of mining, accounting, implementation and control of operations

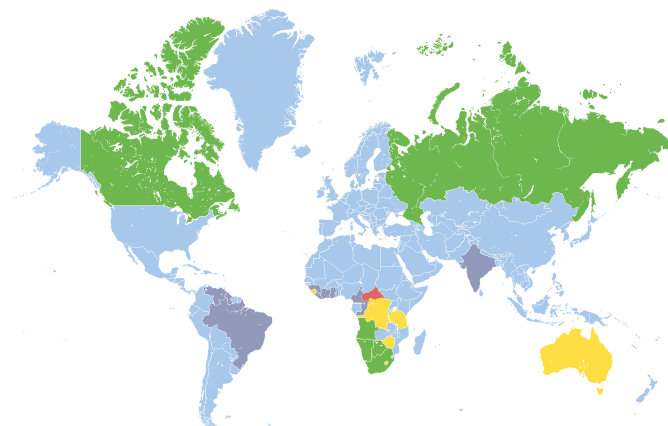
concerning rough diamonds and to assess their compliance with the requirements of the KPCS.

**LARGE PRODUCER**  
(> 500 million USD/year)

**MEDIUM-SIZED PRODUCER**  
(500 to 50 million USD/year)

**SMALL PRODUCER**  
(< 50 million USD/year)

**TRADE SUBJECT  
TO CONDITIONS**



## AWDC'S POSITION REGARDING THE KIMBERLEY PROCESS TODAY

The AWDC believes a number of things need to change:

- **Scope of the KP:** there is an urgent need to address the social and environmental challenges affecting diamond mining communities, and the ASM-communities in particular, due to the informality of the industry, the risk of exploitation of diamond workers and their exposure to poverty (see also the chapter "Economic impact in diamond-producing countries"). Accordingly, the AWDC has long been an advocate of broadening the mandate of the KP and the definition of conflict diamonds.

As such, the KP should be recognized as a mechanism that contributes to the broad 2030 Agenda, and more specifically to the Sustainable Development Goals (SDGs). It is essential that the KP is anchored in more political (bilateral) fora where governments discuss policies on natural resource management. The EU, for instance, is currently discussing the new negotiation mandate for the post-Cotonou agreements. This is a unique opportunity to bring KP-related matters into the discussions and discuss the KP at a more political level. Furthermore, the AWDC advocates for the incorporation of the World Diamond Council (WDC) System of Warranties (SoW) into the KPCS. The new SoW offers a guarantee to consumers that their purchased diamonds are not only conflict-

free, but are also free of human rights abuses, corruption or money laundering across the entire diamond supply chain (see also *“What is the System of Warranties”*).

- **Effectiveness of the KP:** the KP lacks a proper management and implementation of its decisions, leading to the lack of a level playing field. Increased effectiveness can be acquired by creating a Permanent Secretariat and establishing an Assistance Fund to develop assistance programs in diamond-producing countries.

- **Governance of the KP:** the current System of Peer Review to evaluate the state of implementation of the KPCS has a number of shortcomings which weaken confidence in the KP. The above-mentioned Assistance Fund should support vulnerable countries in the visits. Independent experts should also be part of the Peer Review Teams to professionalize the reviews and their follow-up, while a standardized follow-up and reporting mechanism will provide continuous oversight on the implementation and follow-up of the Peer Review Visit findings and recommendations.



Being a large contributor to the KP, both in terms of financial contribution and labor force, the AWDC remains a fierce supporter of the KP but wants to have a KP that is capable of responding to new risks involved in the rough diamond supply chain. A strong, credible and functioning KP is not only a lifeline for Antwerp, but for the whole global diamond industry.

## Conflict Diamonds – Central African Republic

Conflict diamonds are defined as “rough diamonds used by rebel movements or their allies to finance conflict aimed at undermining legitimate governments.”

For the moment, only rough diamonds from the Central African Republic (CAR) are subject to enhanced vigilance. In May 2013, the Central African Republic was temporarily suspended by the KP. In July 2015, the KP adopted a supervised phased re-entry program for the CAR, including resumption of diamond exports from production zones deemed compliant. Since November 2016, diamond exports from CAR have under strict KP monitoring been gradually permitted from compliant areas in the western production zone. Diamonds from the eastern production zone centered around Bria are still embargoed due to a lack of adequate governmental presence and control, active involvement of ex-Seleka militias in the diamond mining areas and continued systemic violence in this area.

This means that KP participants are called upon to contain this using vigilance measures, such as providing detailed information regarding exports, digital pictures and statistical data. The World Diamond Council, an industry group focused on preventing conflict diamonds from entering the global supply chain, is directly involved in the operation of the KP Monitoring Team through its representatives, to ensure that rough diamonds coming from the CAR are legally traded and that no smuggled goods end up in the legitimate diamond trade. To that effect, WDC-industry diamond specialists, including from AWDC, collaborate with other government diamond specialists within the KP Working Group of Diamond Experts in comparing the production footprint from the compliant zones with the footprint of all proposed rough diamond exports from CAR.

This control is only possible as long as good collaboration exists between the KP, MINUSCA and other UN groups, intergovernmental organizations, civil society groups, industry and the CAR government to monitor the situation on the ground.





## THE WORLD DIAMOND COUNCIL

The WDC consists of businesses and organizations around the globe engaged in every sector of the diamond trade, from production to retail. The WDC acts as the voice of the industry in the KP to:

- Promote industry alignment and responsibility;
- Preserve the integrity of the entire diamond supply chain;
- Contribute to the KPCS System of Warranties;
- Provide industry education and training.

As a non-government body, the WDC is an observer to the KP, but has always played a critical role in its activities and deliberations.

In 2002, the World Federation of Diamond Bourses (WFDB) and the International Diamond Manufacturers Association (IDMA) agreed to implement the System of Warranties (SoW) created by the WDC to comply with, support and strengthen the KPCS. The SoW is voluntary and is applicable to all buyers and sellers of rough diamonds, polished diamonds and jewelry from mine to retail. A warranty provides assurance that diamonds sold or purchased originally derive from a shipment certified as 'conflict free' under the KPCS at the first export point.

In 2018, following repeated efforts by the AWDC, the WDC updated its System of Warranties to encompass the additional promotion of human rights, labor rights, anti-money laundering and anti-corruption practices. This reform aligns the SoW with the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the UN Convention Against Corruption, AML Guidelines as per National Laws in line with the FATF's 40 Recommendations on Money Laundering for Dealers in Precious Metals and Stones.

Although it is still too early to assess the impact of the revision, it is clear that the broadened scope of the SoW raises awareness for risks linked to the diamond supply chain, and hence can reduce these risks by understanding and mitigating them. AWDC will lead an educational campaign to encourage diamond traders to apply this improved system. Currently, a toolkit is being developed by the WDC to support worldwide implementation.



The AWDC is in many ways involved in the WDC:

- it participates in the WDC KP Task Force, a specialized committee within the WDC.
- it is also a driving force of the strategic plan ad hoc steering committee, which is mandated to draft WDC strategy and action plans, like the recent adaptation of the SoW to encompass human rights, labor rights, AML and anti-corruption practices.
- it chairs the WDC Technical Committee, which is tasked with advising about the application of the System of Warranties and other technical topics.
- it is a member of the Board of Directors of the WDC.

The AWDC strongly believes in a more robust WDC that commits itself to tackling all risks related to the diamond industry, and not only to the prevention of conflict diamonds entering the legitimate diamond trade. The AWDC pleads for a consistent approach when consulting and cooperating with important stakeholders such as NGOs, the bourses, the RJC, CIBJO and the DPA, when dealing with critical topics such as the reputation of the diamond industry, the integrity of the international diamond value chain or other themes linked to the KP.

## THE RESPONSIBLE JEWELLERY COUNCIL (RJC)

→ The RJC is an industry-driven organization established in 2005 by a group of 14 organizations from a cross-section of the diamond and gold jewelry business. It addresses the entire diamond, gold and platinum group metals jewelry supply chain to commit to responsible supply chains and the implementation of accountable business practices. Today, the RJC consists of more than 1,100 organizations, of which about 100 members are located in Antwerp. The RJC has developed a unique set of standards that companies can use to mitigate the risks associated with their diamond operations. As such, RJC contributes to the integrity and reputation of the diamond trade.

RJC Members commit to and are independently audited against the RJC Code of Practices (CoP), an international standard on responsible business practices. The CoP addresses human rights, labor rights, environmental impact, mining practices, product disclosure... in the jewelry supply chain. Third-party certification is compulsory for all RJC members and needs to be renewed every three years. Some companies require their customers or suppliers to be RJC CoP certified, which creates a critical mass of 'compliant companies'.

The AWDC is actively involved in the RJC in various ways:

- It represents the trade association segment, both in the Board of Directors and the Standards Committee, that drafts the CoP and other industry standards. The AWDC provides assistance in difficult dossiers, such as the proper disclosure of synthetic diamonds.
- The AWDC actively advocates the CoP in the Antwerp diamond industry and encourages Antwerp diamond companies to consider a membership. Antwerp should increase its participation far above 100 participants, as part of its ambition to promote ethical business standards in Antwerp and throughout the diamond value chain.
- The AWDC supports the RJC's efforts to integrate the OECD Due Diligence Guidance for Responsible Supply Chains or Minerals from Conflict-Affected and High-Risk Areas into the CoP by 2019.

For the AWDC, the RJC plays an essential role in becoming the reference organization for standards development and implementation for companies that operate in the global diamond and jewelry value chain. The AWDC believes the RJC still has much potential to assume greater responsibility to further protect the integrity of the diamond value chain. It could increase its credibility and impact if it would better demonstrate its value addition for its members, especially for smaller companies. The AWDC is an advocate of enhancing the implementation of the SDGs to position RJC beyond its current mandate and scope.



## THE DIAMOND DEVELOPMENT INITIATIVE (DDI)

→ The DDI was founded in 2005, in parallel with and complementary to the regulatory instruments of the KPCS. The DDI seeks to fill the gaps the KP does not address, such as poverty, exploitation... with a clear focus on the artisanal diamond mining sector. It does so by registering local miners and giving them a legal status, bringing them into the formal economy and providing them with protection, legitimacy and access to government support; organizing artisanal miner cooperatives and the use of certification.

This certification system, known as the Maendeleo Diamond Standards (MDS), addresses the mode of production and the socio-economic context of the artisanal and small-scale diamond mining sector. As artisanal-mined diamonds become part of the formal economy, they become traceable and taxable by the local government and can respond to the rising consumer demand for ethical jewelry and the industry's need for responsibly-mined ASM diamonds.

This is not a small achievement, since the sector was often marginalized and excluded from diamond sourcing policies, especially by large mining companies or rough diamond buyers. The MDS are currently reviewed to be in line with OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. AWDC supports the DDI financially and has partnered with the DDI for the pilot project in Sierra Leone, My Fair Diamond.



## OECD DUE DILIGENCE GUIDELINES

We have seen the emergence of initiatives focusing on physically tracing diamonds throughout the value chain. These technologies are still in an infancy stage and it will be an immense challenge to apply this to the millions of small stones that are unearthed and traded.

Pending the availability of these technologies, the AWDC believes that a proper due diligence done by diamond companies on their suppliers and other partners, is an adequate way to stem and remediate adverse impacts. The OECD has developed a → [guidance](#) to assist companies that want to perform such a due diligence on their supply chain, in particular in relation to sourcing from high-risk and conflict-affected areas. This guidance can be applied by companies active in any industry, including ours.

The AWDC has supported the inclusion of a due diligence provision in the new RJC Code of Practices. The RJC CoP is the perfect framework to introduce these principles in our industry. However, despite the existence of a Guidance, performing due diligence remains a very complex, time-consuming and cumbersome process for many diamond companies. This is why the AWDC has invested much time and efforts in adjusting the due diligence requirements and the guiding document that helps companies in applying the RJC CoP, to ensure that they are able to duly implement the principle, enabling them to have a positive impact on their value chain and business.

In the coming years, the AWDC will continue to invest in this issue by guiding a number of pilot projects in which companies will start applying due diligence to their value chain. The objective of the pilot projects is to ensure the applicability and feasibility of the due diligence provision of the new RJC CoP, but at the same time to make sure that this provision generates a positive impact.

## PROPER DISCLOSURE OF SYNTHETIC AND NATURAL DIAMONDS



Synthetic diamonds are diamonds made in a laboratory or factory. They are made of pure carbon, like natural diamonds extracted from the earth. It is impossible for an untrained person to distinguish natural diamonds from laboratory-grown diamonds. The AWDC has put great effort into establishing correct product disclosure requirements and informing governments of the need for a clearer legislative framework that differentiates natural diamonds from synthetic diamonds.

In Belgium, this has resulted in the legal requirement for every diamond trader to clearly and unambiguously describe the nature of the diamond (natural or synthetic). On a European level, AWDC co-operates with the Diamond Producers Association to implement correct product disclosure requirements for diamonds in EU legislation. Our legal efforts on a European and Belgian scale will have an impact on the illegal selling of synthetic diamonds as natural diamonds and will benefit the end consumer.

### Laboratory-grown diamonds

Laboratory-grown diamonds (synthetic, laboratory-created, [manufacturer-name]-created) are grown in a laboratory or factory. Nine of the leading diamond industry organizations developed a Diamond Terminology Guideline to serve as a reference document for the diamond and jewelry trade when referring to diamonds and synthetic diamonds. It is built on two internationally-accepted standards: the ISO 18323 Standard ("Jewellery - Consumer Confidence in the Diamond Industry") and the CIBJO Diamond Blue Book.

Most importantly, it states: a diamond is a mineral created by nature, and the word "diamond" always means a natural diamond, to be referred to without a qualifier; a synthetic diamond is an artificial product that has essentially the same physical

characteristics as a diamond. Synthetic diamonds should be referred to using the following qualifiers: "synthetic", "laboratory-grown" or "laboratory-created", without abbreviations ("lab-grown").

In 2018, the U.S. Federal Trade Commission (FTC), on the contrary, expanded its definition of "diamond" to include those grown in a laboratory or factory and eliminated the word "natural" from the definition. It also dropped "synthetic" as an appropriate descriptor. However, the FTC still states that synthetic diamonds must be clearly disclosed as such through the use of a qualifier such as "laboratory-created". In our view, this creates confusion: the FTC says the word 'diamond' includes synthetic diamonds, but still says they must be qualified as such, while only natural diamonds can be called 'diamond' without a qualifier.

Since natural and man-made diamonds have some of the same physical and other properties, even a skilled jeweler or trained gemologist cannot distinguish them by sight alone. Many varieties of detection equipment have been developed to identify synthetic stones.

Synthetic diamonds have been produced for industrial purposes since the 1950s and are used in a wide variety of applications: telecommunications, laser optics, healthcare and more. In 1970, researchers at General Electric created the first, small, gem-quality synthetic diamonds that could be faceted as gems.

It typically takes a few weeks to make a synthetic diamond and they are produced in two ways: High Pressure, High Temperature (HPHT) and Chemical Vapor Deposition (CVD). Synthetic goods represent about 3-5% of the natural diamond production, but this share is growing.

The AWDC recognizes synthetic diamonds as an alternative product, but not as a lower-priced equivalent to natural diamonds. The AWDC backs efforts to distinguish between natural and lab-grown stones as separate product categories altogether. It is up to the preference of the consumer whether they purchase a natural or synthetic diamond, however, proper disclosure about the nature of the stone is paramount.

Therefore, the AWDC joins other industry representatives in fighting the fraudulent practice known as 'undisclosed mixing', where synthetic diamonds are mixed into parcels of natural diamonds. It is not known how extensive this practice is, but it is potentially extremely damaging to consumer confidence in the diamond industry as a whole.

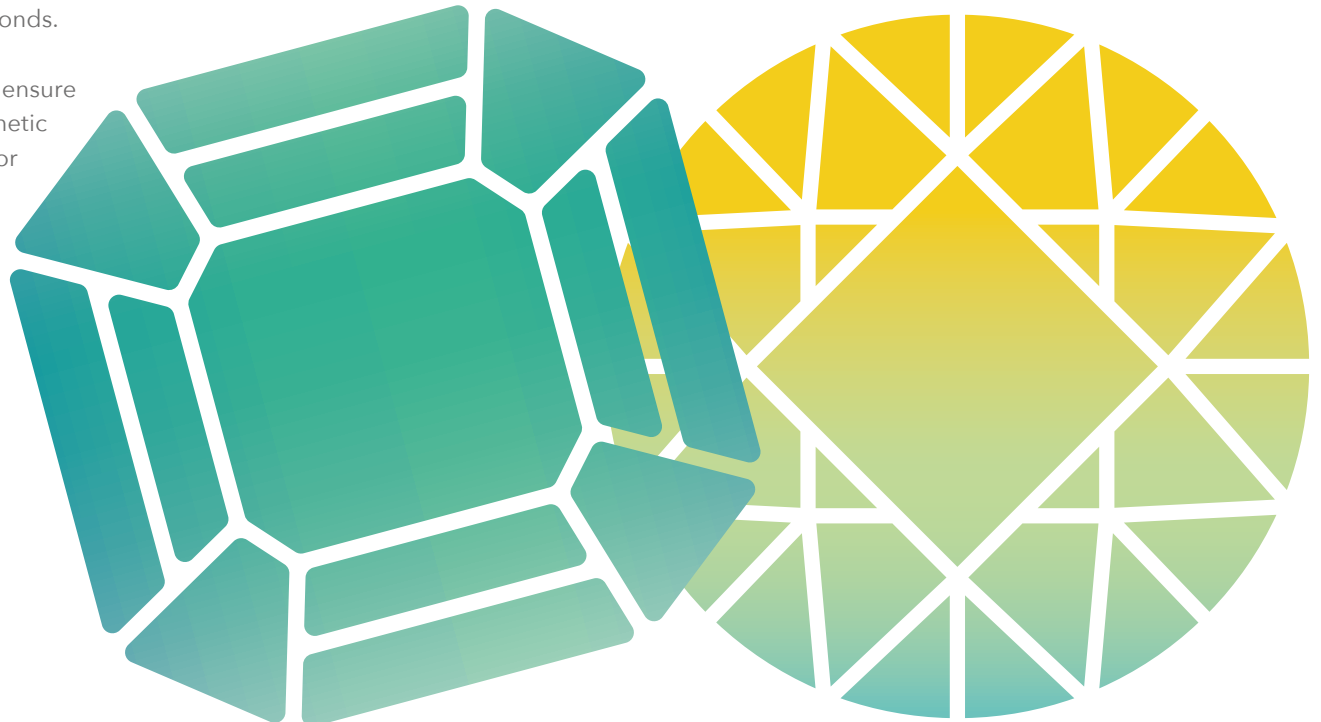
## DPA

Formed by eight of the world's leading diamond-producing companies\* in 2015, the Diamond Producer's Association (DPA) exists to maintain and enhance consumer demand for, and confidence in diamonds. By promoting the integrity and reputation of diamonds and the diamond industry, the DPA plays a central and, to our mind, the most important role in ensuring that consumers continue to see diamonds as the ultimate symbol of love.

The DPA puts much effort into protecting the diamond value chain and providing category marketing for diamonds. For instance, it underlines the importance diamond mining has for diamond-producing countries, creating 16 billion USD of social and environmental benefits globally.

The DPA also debunks some common 'myths' regarding synthetic diamonds. Synthetic diamonds are, for example, often marketed as the 'eco-friendly' counterpart of natural diamonds, but this claim is not always justified. For some types of synthetic diamonds, the CO2 output per carat is up to 40% more than for natural diamonds.

The AWDC started a project in collaboration with the DPA to ensure that consumers realize the difference between natural and synthetic diamonds in some key EU markets. Both organizations argue for a clear legislative framework and implementation of correct product disclosure requirements.



\* The original seven members were: Alrosa, De Beers, Dominion Diamond, Gem Diamonds, Lucara Diamond, Petra Diamonds and Rio Tinto. Murowa Diamonds joined in 2018.

# COMPLIANCE

The diamond sector is often viewed as an industry with big bling, shady actors and questionable practices in terms of money-laundering, corruption or tax evasion. Because of past scandals, media investigations or lawsuits, public opinion still believes our industry gets away with particularly lenient regulation and easily eludes control. That may to some extent be true for some diamond centers, but cannot be said for the Belgian diamond industry. As outlined below, registration, control and assistance make the Belgian diamond trade the most highly-monitored in the industry.

This is confirmed by the comparative study of diamond trading centers conducted by PwC and commissioned by AWDC in 2017, which claims the 'legal & regulatory framework' to be an important factor. Antwerp comes in third place, after Hong Kong and Singapore, due to its top position regarding transparency in the Kimberley Process and AML as well as cross-border trade, and in second place for both immigration laws and resolving insolvency.

Through its various actions related to compliance, AWDC wishes to contribute to the achievement of SDG 12: "Ensure sustainable consumption and production patterns" via:

- **Target 12.6:** Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

To SDG 16: "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels" via:

- **Target 16.4:** By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime.
- **Target 16.5:** Substantially reduce corruption and bribery in all their forms.



## STRINGENT REGISTRATION PROCEDURE

Registration as a diamond trader is mandatory in Belgium, for the independent traders as well as for trade companies. There are detailed formalities to comply with before one can operate as a trader. On top of the procedures that are customary in the diamond business, Antwerp is subject to an additional compliance layer as a result of EU legislation and regulations.

The managers and executives are always known by name at the FPS (ministry) Economy, Diamond Office and the Diamond Bourses. This ensures that certain people who wish to exploit a legal entity will find access to the Belgian diamond industry more difficult.

Since 2012, the FPS Economy conducts targeted controls of diamond traders by using predefined risk criteria and has the authority to issue an official complaint. One risk can be suspicion of wrongful business practices. The results of these inspections are not publicly released.

## TRIPLE CONTROL AT DIAMOND OFFICE

Diamond Office (DO) is the in-house customs office that streamlines the vast flow of all types of loose diamonds: polished and rough, industrial diamonds, diamond powder, natural as well as synthetic. The control system inside the DO is a collaborative effort between AWDC, the FPS Economy (Licensing Department) and the FPS Finance (Customs). It is the only customs office in Belgium where 100% of the diamonds can and must be checked and declared for import and export outside the EU. This is how the control works:

- 17 Sworn experts working under the supervision of the FPS Economy conduct physical checks of 100% of the parcels according to a number of parameters: documented origin or provenance, weight, value and classification of diamonds, compared with the information on their trade documents. This procedure does not exist anywhere else in the world. Most other countries work with targeted checks on the basis of a risk analysis.
- Customs conducts a control of all import and export declarations prepared by AWDC personnel in the DO. Since 2011, AWDC has the status of a full Authorized Economic Operator (AEO). This confirms that the FPS Finance (Customs) recognizes AWDC as a reliable partner in the field of customs procedures as well as security. AWDC also offers assistance in all import and export formalities to increase compliance.

## RISK ANALYSES OF THE DIAMOND INDUSTRY

At the request of the CTIF - CFI (Financial Intelligence Processing Unit) and with the support of FPS Economy, AWDC performed a risk analysis of the Antwerp diamond industry which was finalized in 2017. This analysis determines the risks with respect to money laundering and terrorism financing. It contains a summary of factors reducing the risk of money laundering and financing of terrorism in the Belgian diamond industry, but also factors that increase it.

It contains a mapping of prevalent risks, such as trade with high-risk third countries, value fluctuations in diamonds in trade transactions and transactions with companies not connected to the diamond industry. It identified measures and factors that are already in place, mitigating those risks, e.g., Diamond Office, the Bureau Van Dijk database, AML seminars. Several recommendations have been made to further mitigate the risks of money laundering and financing of terrorism in the Belgian diamond industry, such as raising awareness about the risks in the sector and drafting practical guides to reduce the risks in companies' day-to-day business, in which AWDC continues to invest its time and energy.

Whereas AWDC has booked positive results in terms of anti-money laundering (AML) awareness and compliance (see below), it is impossible to warrant that every diamond trading company complies with the legislation. AWDC condemns these cases and distances itself from them. The reputation and license to operate of the industry are key, as the quote below illustrates. Even if only one company appears to be non-compliant,

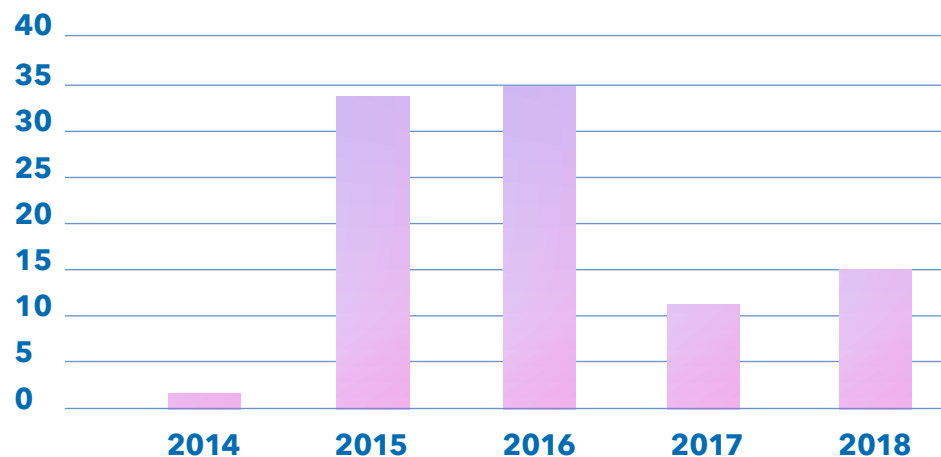
this has a negative impact on the perception of the Antwerp diamond industry as a whole. Past cases are still a burden today. It takes one day to lose your reputation, but twenty years to build it up again.

*"Reputation risk is a big problem. As an industry, you cannot work by yourself, you need other industries (banks, insurance, transport, lawyers, bookkeepers, etc.) and their support. With a bad reputation, they will no longer want to provide services to the diamond industry because legal negligence is a risk for all of them with a high cost", - H. Mahieu*

One of the obligations of diamond traders is to make notifications of suspicious transactions to the CTIF - CFI. To lower the threshold, AWDC has established a SPOC where diamond traders can signal any suspicion, which the AWDC can pass on to the CTIF - CFI.

The success of AWDC's awareness raising is reflected in the number of notifications since the launch of the SPOC in 2014. In 2014, 2 notifications coming from the diamond sector were made; in 2015 there were 34 (of which 2 were transferred to the public prosecutor); in 2016 there were 35 (of which 5 were transferred to the public prosecutor); in 2017 there were 11 (of which 8 were transferred to the public prosecutor); in 2018 there were 15 (we have not been provided with the number of referrals to the public prosecutor yet). The high number of referrals to the public prosecutor indicates that the notifications which come from the diamond sector are qualitative and effectively contribute to the combatting of money laundering and financing of terrorism in the sector.

### NOTIFICATIONS TO THE CFI






## AWDC COMPLIANCE HELPDESK & TOOLS

The AWDC compliance mission is two-fold. Firstly, we make efforts to ensure a clean and compliant industry which is aware of potential risks and knows how to respond to them. AWDC has set up an AML & Compliance Helpdesk which assists traders with all their compliance questions and issues, ranging from the practical implications of their AML obligation, to the measures that need to be in place to be compliant with, for example, the General Data Protection Regulation (GDPR).

**SEMINARS:** basic and advanced AML & Compliance seminars, organized by the Helpdesk, provide a good understanding of the legal and self-regulatory frameworks which apply to diamond traders, as well as of related issues such as sanctions. They give practical guidance on how to carry out the legal requirements in the company's organization, business relationships, etc. The seminars are endorsed by the FPS Economy. The seminars are attended by traders and other interested parties such as the FPS Economy and banks. In 2018, 30 seminars reached 458 persons, 257 of which were diamond traders. Since 2013, 1,200 persons have attended over 70 seminars.

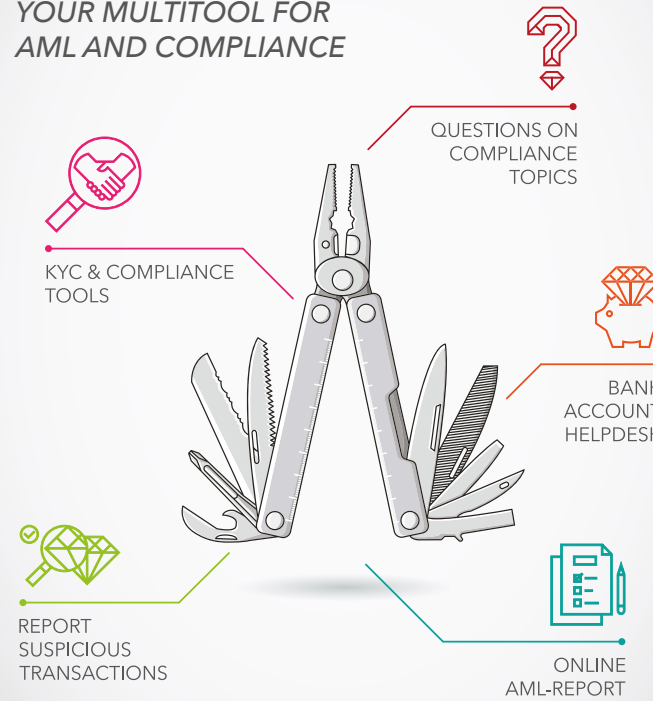
**COMPLIANCE TOOLS & DOCUMENTS:** The AWDC provides diamond companies with the right tools to implement measures ensuring compliance within the company. For example, in collaboration with Bureau Van Dijk, AWDC created a **customized software tool** for the diamond industry, through which traders can screen their clients and assess the potential risks related to the client before entering into a business relationship. This not only strengthens traders' quality of KYC work and risk assessments, but also transparency and vigilant practices in the industry.

Another tool is the new **MyKYCBANK**, a platform where diamond traders can register to upload all their KYC information and connect with other traders to share KYC information among one another (see more information under chapter "Integrity"). Safeguards built in the platform ensure that the information is correct, up-to-date and checked against PEP (Politically Exposed Person) and sanction lists. At the end of 2018, DMCC also joined.



# AML & COMPLIANCE HELPDESK

*YOUR MULTITOOL FOR AML AND COMPLIANCE*



**WWW.AWDC.BE/AML**

03 222 05 03 | TRISEVGENI.STAVROPOULOS@AWDC.BE  
03 222 05 06 | IRIS.LEERDAM@AWDC.BE

We have shared ready-to-use templates with the industry to ensure compliance with different legal frameworks.

- The AWDC Compliance department has developed a best-practices guide specifically for the diamond trade, which gives traders practical guidance in matters of contract law, trade law, accounting legislation, and so forth.
- We have drafted an AML policy document that traders can use as a template to make a customized document explaining the measures they have undertaken and continue to implement in practice, to comply with the AML requirements and remain vigilant for risks during business relationships.
- Hands-on GDPR guidelines and templates have been drafted specifically for the business of traders, to help them implement all requirements in practice.

**Movie:** The AWDC Compliance department made an educational movie: "What is compliance in the Antwerp diamond industry and how does it work?"  
[You can watch it here →](#).

**Newsletter:** The helpdesk sends out an AML & Compliance newsletter on a regular basis to over 1,000 registered members of the diamond community.

#### AWDC COMPLIANCE TEAM WINS "WOMEN IN COMPLIANCE" AWARD

More than 400 compliance professionals from around the world gathered in London on 28 March 2019 for the presentation of the international "Women in Compliance" awards, an honor that shines a spotlight on female compliance professionals. The AWDC Compliance team took home the award for "In-house Compliance Team of the Year".

The AWDC Compliance Team was competing with internationally renowned companies such as AB InBev, BBC Studios, Bayer Plc and Pearson, among others. They went home with the top award in the category 'In-house Compliance Team of the Year', a great honor. This award serves as recognition of the tremendous efforts the entire diamond industry has made in recent years.



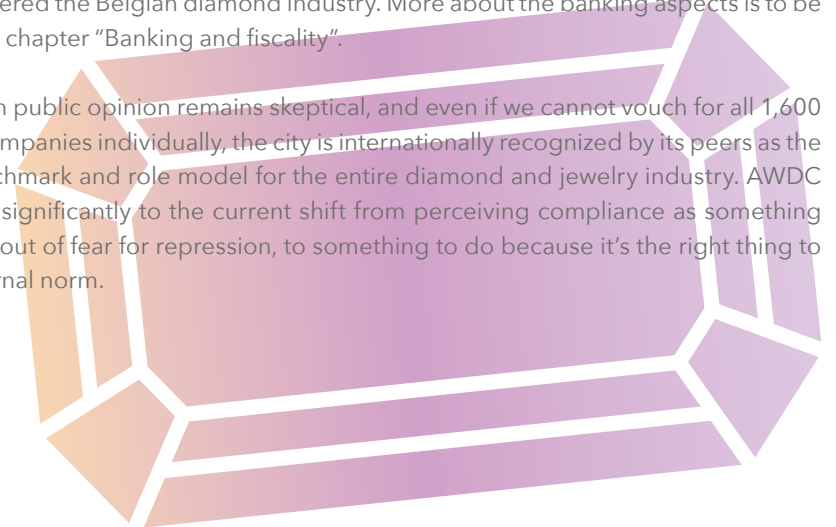
## CONSULTATION AND OUTREACH TO STAKEHOLDERS

Secondly, to back-up these efforts in compliance, AWDC performs outreach to and maintains dialogues with different actors (including governmental authorities, FATF, banks, foreign governments...) to increase their comprehension of the industry, and has implemented several measures to reduce risk levels and increase compliance. AWDC's compliance team takes an active approach and regularly speaks at conferences with various stakeholders, writes articles, holds meetings involving different parties, and so forth.

This combination of an internal focus on the market and an external focus on how it is perceived by entities outside the industry is needed. Both pillars are intrinsically related – the more compliant the sector is, the better its perception outside. And the better the sector is perceived, the more traders are encouraged to take compliance to the next level, as they notice it really does pay off.

One demonstration that it pays off, from a diamond trader's perspective, is that banks – many of which stepped out of the sector as they took a 'better safe than sorry' approach regarding the diamond industry being labeled as high-risk – are slowly opening up to the industry again, as they have regained trust on compliance and transparency in the industry. Barclays Bank, for instance, backs Ebury, a payment institution which has since this year entered the Belgian diamond industry. More about the banking aspects is to be found in the chapter "Banking and fiscalty".

Even though public opinion remains skeptical, and even if we cannot vouch for all 1,600 diamond companies individually, the city is internationally recognized by its peers as the ethical benchmark and role model for the entire diamond and jewelry industry. AWDC contributes significantly to the current shift from perceiving compliance as something to abide by out of fear for repression, to something to do because it's the right thing to do – an internal norm.



# INNOVATION AND FUTURE OF THE INDUSTRY IN ANTWERP



The diamond industry historically has not been what one might consider a hotbed of innovation by any stretch of the imagination. Diamonds have essentially been mined, sold and polished in much the same way for a hundred years, while its trading methods have been borderline anachronistic. Change, however, is on the way. Note, for instance, that innovation was not even a theme in our 2014 Sustainability Report, receiving hardly a mention. The situation is different these days. Innovation typically fits into the context of other, more pressing issues, but has grown in importance, and deserves our attention. Indeed, the future growth and sustainability of the Antwerp industry, as in any industry, depends on innovation, including the transmission of skills. Those that initiate change will have a better opportunity to manage the change that is inevitable.

Well-managed, innovation in the diamond industry in Antwerp can offer a contribution to SDG 4: "Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all" especially via

- **Targets 4.3:** By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university
- **Target 4.4:** By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship
- **Target 4.7:** By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development



To SDG 8: “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all” via:

- **Target 8.2:** Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors
- **Target 8.3:** Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

To SDG 9: “Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation” via

- **Target 9.4:** By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
- **Target 9.5:** Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending

To SDG 17: “Strengthen the means of implementation and revitalize the global partnership for sustainable development” via

- **Target 17.6:** Enhance North-South, South-South and triangular regional and international cooperation on and access to science, technology and innovation and enhance knowledge sharing on mutually agreed terms, including through improved coordination among existing mechanisms, in particular at the United Nations level, and through a global technology facilitation mechanism
- **Target 17.7:** Promote the development, transfer, dissemination and diffusion of environmentally sound technologies to developing countries on favourable terms, including on concessional and preferential terms, as mutually agreed
- **Target 17.16:** Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries
- **Target 17.17:** Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships

Why do we need innovation? In which aspects of the industry can it be most useful? The most likely areas that would benefit from innovation include screening and tracking stones, and tools for optimizing cutting. It can offer certainty, efficiency, safety, and so on. But does it lead to new or less employment?

A persistent challenge Antwerp and the wider industry faces is that the diamond trade is considered old-fashioned, and thus suffers from a shortage of skilled young people, while labor costs are comparatively high. Today, there is a great opportunity to modernize the industry and foster the development of talented individuals that can use new technology by providing up-to-date schooling.

Innovation in the industry is currently fragmented, scattered across isolated initiatives and various commercial devices. Some initiatives however, such as track and trace technology, are gaining more widespread participation. In Antwerp, technological developments often happen behind closed doors. Given that AWDC is not a technology company with a vested interest in highlighting its tech advances, this is understandable, but communication about its achievements could be more effective. As one stakeholder stated in his interview, “Technology is a competitive advantage of Antwerp compared with other trading centers.”

The AWDC’s efforts to safeguard the future of the diamond industry in Antwerp by means of innovative solutions can be categorized into three themes: services, information and knowledge-sharing, and technology.

## SERVICES

### TRAINING ON THE LOCAL AS WELL AS INTERNATIONAL LEVELS

The AWDC supports and promotes technical and vocational training for municipal school students (Target 4.3, 4.4) and their placement in internships in the Antwerp diamond community, designed to maintain the level of knowledge and skill in Antwerp as well as contribute to local employment by ensuring those skills are relevant. We make available training in diamond polishing, sorting and planning so those students obtain hands-on experience. The impact AWDC has with regard to student training depends on the number of students following technical courses that would lead them toward a career in the diamond industry. Over the last years (2012-2018), 61 sixth and seventh-year students registered to take courses, after which 51 internships were arranged and 25 participants followed training for experienced polishers.

AWDC's training services also extend to capacity building for ASM (artisanal and small-scale) miners (Target 4.7), in partnership with the Diamond Development Initiative (see, Economic Impact in diamond-producing countries). These programs have a direct impact on the ability of participants to acquire the knowledge and skills needed to develop a sustainable activity in their home country.

### ONLINE JOB PLACEMENT (AD JOBS)

The AWDC HR Department has for several years provided a job placement service dedicated to the diamond industry, to assist its companies in finding talent and talent in finding jobs. This service has grown steadily over the past four years. The total number of registered job-seekers has nearly doubled in that time frame, from 6,500 to 12,850, as has the number of job-seekers that have filled out applications, from 3,600 to 7,900. The job site has now helped 246 people find employment, and has enabled the industry to fill 440 vacancies. This is one way AWDC helps those that wish to join the industry to find gainful employment in the industry.

## INFORMATION AND KNOWLEDGE-SHARING

One of the main tools directly at the disposal of AWDC for spurring innovation is to raise awareness of relevant developments and disseminate knowledge to those inside as well as outside the Antwerp diamond community.

The programs we organize may not lead to immediate results but are part of our efforts to foster a mentality of openness to change. They foster a 'soft' form of influence to encourage members of the Antwerp trade to embrace innovations that contribute to, for example, Antwerp's reputation, integrity in the diamond value chain, compliance and bankability, among others. Blockchain technology is an example thereof. As one of our stakeholders suggested,

*"Thanks to innovation, one can increase traceability in the diamond pipeline ... AWDC should play an awareness-raising role concerning traceability."*  
- I. Poly.

### ANTWERP SUMMER UNIVERSITY

In 2017, the Antwerp World Diamond Centre and the University of Antwerp hosted the inaugural edition of the "Innovation and Diamonds" conference, featuring specialists from across the spectrum of the diamond trade, from mining to blockchain tech. The conference, taking place in the framework of the Antwerp Summer University program dedicated to the diamond industry, featured eight keynote speakers and five dedicated workshops addressing the latest trends and emerging innovations in the trade, including trade finance instruments. The first edition included 18 participants - mainly Masters and Ph.D. candidates, researchers and young professionals from four continents. The second edition in 2018 increased its participants to 27 and introduced practice-oriented workshops, where the students received hands-on guidance in rough diamond sorting, polished grading and polishing. At the conclusion of the two weeks, the students successfully presented their thesis projects to a jury of U. of Antwerp professors and diamond industry specialists.



Antwerp Summer University



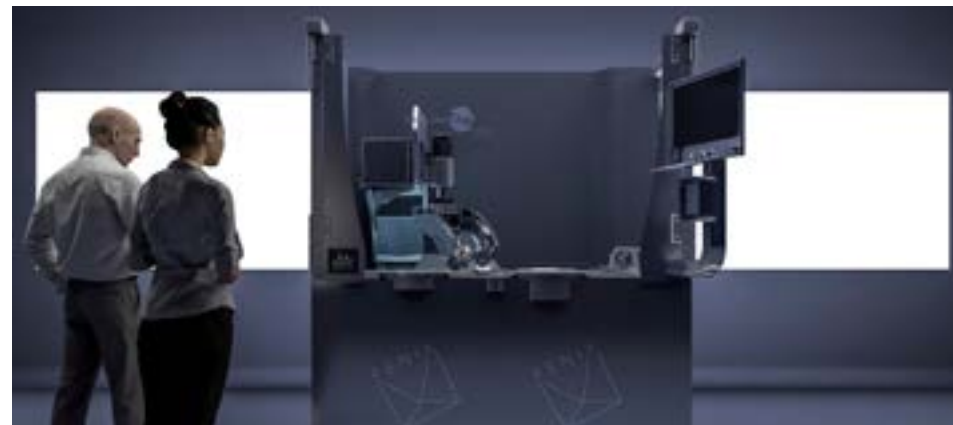
## HACK4DIAMONDS

In 2017, AWDC launched the inaugural edition of Hack4Diamonds, the first ever 'hackathon' in the diamond industry. The aim of this innovation-oriented hackathon event was to address contemporary challenges facing the diamond industry by bringing together young innovators, students and start-ups with expertise in computer science, marketing, business management expertise, blockchain, artificial intelligence and more. Together they 'hacked' specific pre-defined issues, including: How to turn the challenge of laboratory-made diamonds into an opportunity? What would be the implications and applications of a blockchain system that can trace the provenance (traceability) of a stone as well as diamond transactions?

An implementable model to address the latter question was developed during the hackathon, consisting of a blockchain solution for tracing a diamond from mine to finger (traceability) as well as for monitoring transactions and financing invoices. The project ultimately did not get off the ground, but certainly opened people's eyes as to what is possible when the industry welcomes young, innovative talent into its realm - a phenomenon that has been sorely missing from the industry. A second concept emerging from the event was a co-working space to bring together different communities and professions - diamond traders, jewellers and designers, marketing experts, etc. - into a single arena to facilitate cross-pollination and open the - traditionally closed - industry to the wider community. This concept is still being pursued and could come to fruition in 2019.



Hackathon



Fenix

## TECHNOLOGY

The AWDC subsidizes the Scientific and Technical Research Center for Diamond (WTOCD), an independent local company that provides technological solutions to the Antwerp diamond industry, as well as to AWDC's independent commercial subsidiary, HRD Antwerp. Founded in 1977 to give scientific and technological assistance to the diamond gemstone industry in Belgium, it has developed laboratory-grown diamond detection machines, microscopes and this year unveiled a world premier: FENIX, the first device that enables fully automated polishing of diamonds.

### FENIX, THE FUTURE OF POLISHING

In 2018, WTOCD introduced a revolutionary technology that could have a profound impact on the diamond manufacturing industry. Called Fenix, it is the first fully automated diamond polishing machine of its kind. Using Computer Numerical Control (CNC), FENIX polishes a diamond in a cold, stable and controlled environment that significantly limits the amount of force applied and delivers precisely the planned outcome of your diamond. The technique enables grain independent polishing, greatly increasing the speed of turning a rough diamond into a polished gem, approximately 10 to 20 times faster than traditional hand polishing.

The machine is nearly ready to be rolled out into commercial production and could very well bring more diamond polishing back to Antwerp. It is too early to say what impact this may have on the wider industry and employment, but it could make a major difference for the future of the industry in Antwerp.



**DETECTION EQUIPMENT, THE ALLY OF INTEGRITY IN THE SUPPLY CHAIN**

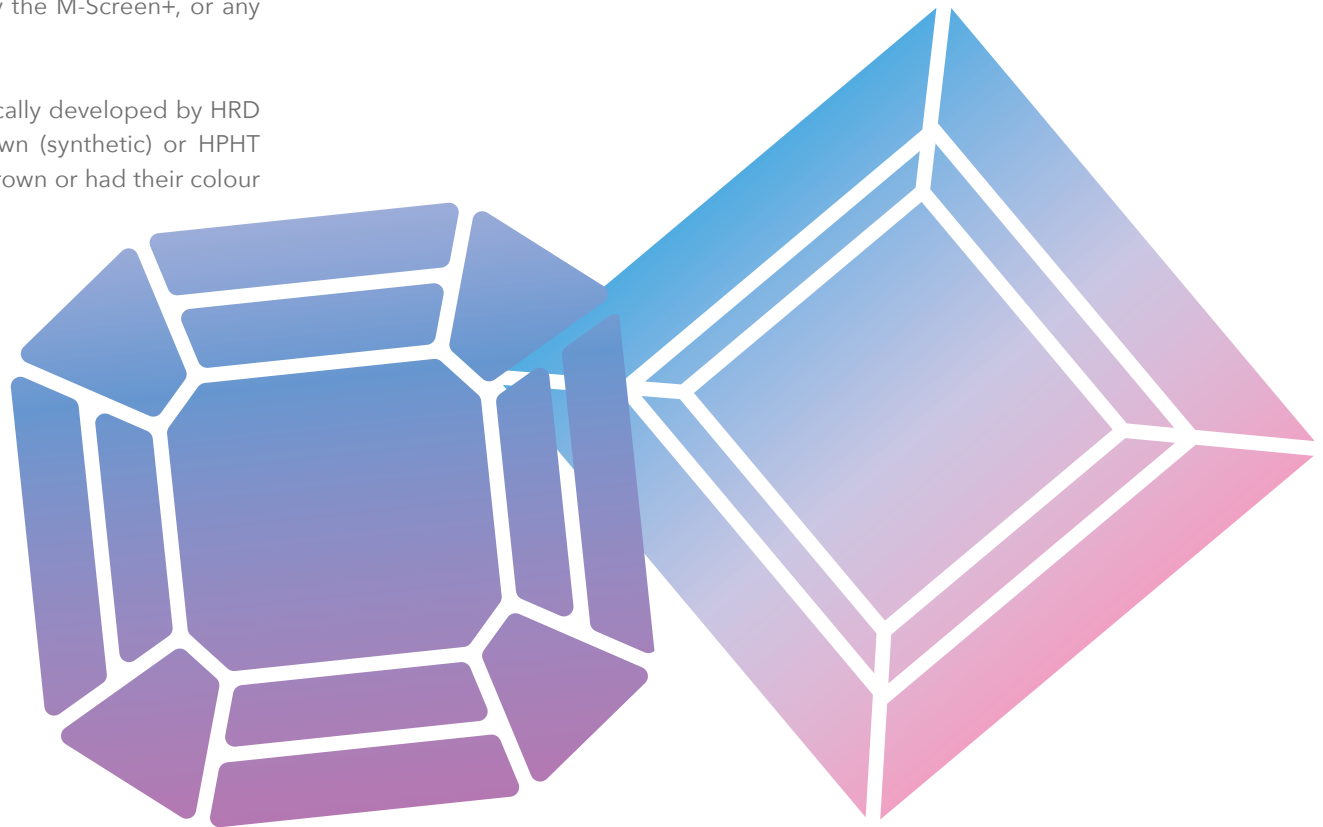
Given the fraudulent practice of undisclosed mixing of natural and synthetic diamonds, which is particularly an issue for parcels of melee diamonds, tools that help promote best practices and transparency are most welcome.

The **M-Screen+** is a sophisticated, high-tech screening device developed especially for large amounts of melee diamonds. It is the advanced version of the M-screen, a superfast, automated melee screening device that screens round brilliant diamonds from 0.005 – 0.20 carats for potential lab-grown diamonds, potential HPHT color-enhanced diamonds and simulants. This machine was placed in the diamond bourses as a free service to diamond traders, giving them easy access to a tool that is nowadays essential for any diamond trader.

The **D-Tect** is another first of its kind in the world. It offers a decisive analysis for diamonds that require further testing after being screened by the M-Screen+, or any other screening device.

The **D-Screen** is a portable diamond screening device specifically developed by HRD Antwerp. It distinguishes stones that are not laboratory grown (synthetic) or HPHT colour enhanced, from stones that are potentially laboratory grown or had their colour improved by means of HPHT.

These detection machines are Antwerp's contribution to the growing repertoire of devices used to keep natural and synthetic diamonds distinguished and maintain consumer confidence in diamonds.



# ECONOMIC IMPACT IN DIAMOND-PRODUCING COUNTRIES



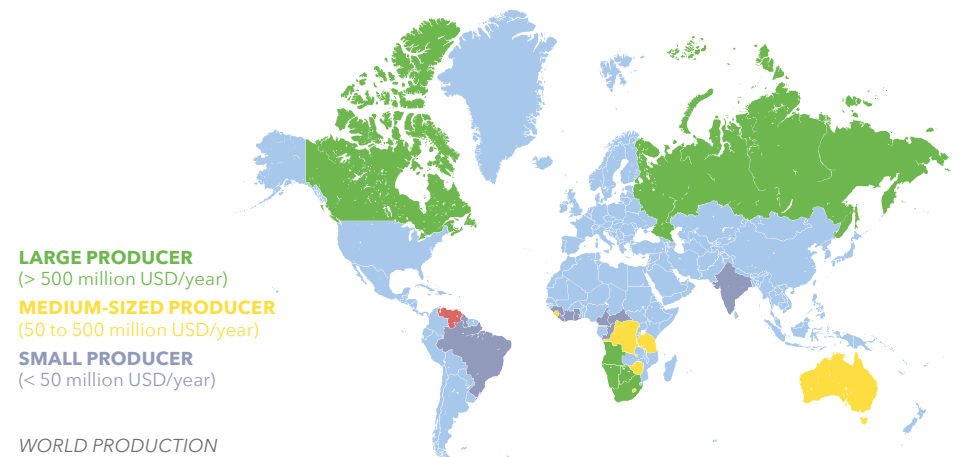
The Antwerp diamond industry trades goods from all over the world. The main areas of extraction are Canada, Russia, Australia and Africa. The vast majority of diamonds, about 82% of the overall production of 150 million carats, are produced in 5 countries: the Russian Federation, Botswana, Canada, Australia and DRC. About 17% of the rough diamonds traded in the world originate directly from developing countries, of which 34% arrive directly in Antwerp.

Additionally, many diamonds are traded by major multinational companies who often combine production from their various mines in different continents in closed boxes with mixed origins. This business model makes it difficult to trace diamonds and to allocate a precise percentage of diamonds to its country of origin.

Yet, this conclusion leaves the question open as to what share of the revenues generated by the extraction of diamonds actually benefits the local economy. In a general context of increasing inequalities, this concern is legitimate, as it is for any supply chain sourcing mineral resources from developing countries to insert them in luxury goods.

What the AWDC can do from its position, is to share knowledge and expertise and support programs that help generate a fairer revenue for developing countries whilst enhancing the overall integrity and transparency in the diamond value chain.

*"There is no reason for mining if there is no return for producing countries"*  
– P. Karakchiev



## BENEFICIATION, VERTICAL INTEGRATION & FORMALIZATION

It is important to distinguish the economic impact generated by large companies in industrial mines from the impact generated by artisanal or small-scale mining operations.

### INDUSTRIAL MINING

Mining operations occur for 86% in large (open-pit) mines, exploited by (stock listed) multinationals that employ highly skilled staff. In many cases, (social) infrastructure is provided to accommodate and educate the local miners. In those exploitations, care is being taken to limit the environmental impact and extensive beneficiation programs exist for the mining communities, via local trading or processing of diamonds.

Diamond-producing countries want to strengthen the local economic impact of this industry and focus increasingly on a greater vertical integration of diamond processing and sales in the country of mining. This re-integration of a part of the diamond value chain into the local economy is called beneficiation. Some countries solely focus on the development of one single (diamond) industry instead of investing the diamond revenues in infrastructure, health care, safety and security and in diversifying the country.



Industrial mining

### ARTISANAL AND SMALL-SCALE MINING (ASM)

ASM plays a fundamental role in the national and local economies of resource-rich countries in Africa. For many communities, artisanal and small-scale diamond mining is often the only way to create a reliable source of income. According to the World Bank, artisanal mining assists rural households in building more dynamic and resilient livelihood strategies. ASM operations are often a stimulus for trade and subsidiary business development around mine sites.

Diamond mines are mainly operated by the local communities, where miners dig for diamond in a primitive and basic fashion. Most of the time, health and safety regulations are non-existent, the impact on the environment and the biodiversity is unregulated and harmful, the lack of product knowledge sometimes contributes to unfair diamond valuation and, due to the informality of the industry, the government misses out on essential revenue.

The biggest issue with artisanal and small-scale mining – representing 15% of the world diamond production, 5% of total value and employing 1.5 million people – is that it operates in an informal economy. This activity happens outside any legal framework, which is detrimental both for the State and the miners, who find themselves in a very precarious employment without any official license to operate.



Artisanal and small-scale mining

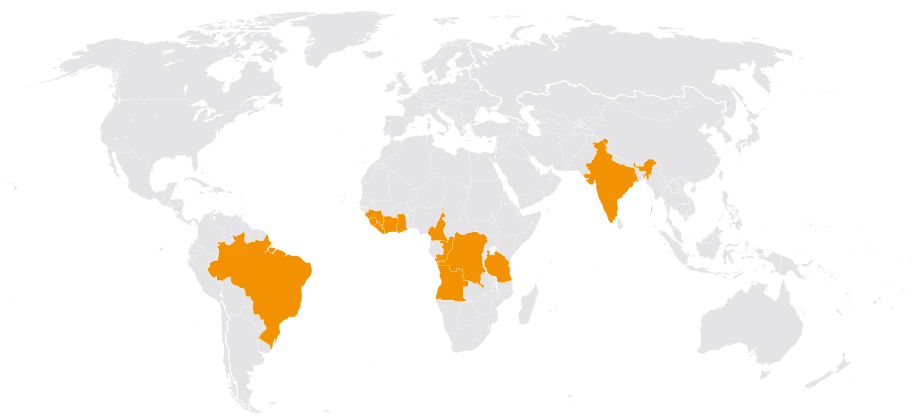
Informal mining operations are often unproductive and can pose many challenges to the government, like the inability to raise tax revenue, collect data and impose rules and regulations. A formalized diamond industry constitutes a direct positive benefit to the budget of the state and strengthens the government's control over the mine sites. Legalizing and formalizing artisanal and small-scale mining remains a challenge for many developing countries, but it would also unlock many issues like the transparency of diamonds and money flows and ensuring decent working conditions.

### HUMAN RIGHTS, WORKING CONDITIONS AND ENVIRONMENTAL IMPACT

If diamonds represent an important source of revenues in many developing countries, they are often linked to unfair prices or practices, poor governance, unregulated markets, illegal exploitation, human rights abuses and similar. It is important that the diamond industry as well as governments acknowledge this situation and rebalance the trade toward a more positive impact of the industry in diamond-producing countries. Any effort in this respect contributes de facto to more integrity in the supply chain too, as is further explained under the chapter "Integrity".

When looking at issues of human rights, labor rights and the impact on the environment, one should make a difference between large scale mining and artisanal and Small-Scale Mining (ASM).

Globally, 14% of the world's diamonds are mined via ASM operations. This form of mining is mostly informal and unregulated, hence issues linked to human rights, labor rights and the impact on the environment are mostly located here.



ASM

Across Africa, efforts to operationalize ASM based on a sustainable development framework have been quite tedious and often ineffective. Nevertheless, in 2015, the AWDC actively backed a project from CAP Source, in collaboration with the Diamond Development Initiative (DDI), an NGO focusing on enhancing the working and living conditions of artisanal and small-scale miners. The project set out to establish a fully ethical and traceable diamond supply chain from artisanal mines in Koidu, Sierra Leone, directly to the Antwerp diamond and jewelry market (see detail in the textbox below).

Throughout this project, the focus has been set on creating, through a sustainable economic model, a positive contribution to UN SDGs 1, 4, 8, 9 and 17 as appears from the figure below. It is clear that the main beneficiaries of this project are located at the mining stage in the country of origin of the diamonds, especially via:

- **Target 1.4:** By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance
- **Target 4.1:** By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes
- **Target 8.1:** Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries
- **Target 8.3:** Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
- **Target 9.1:** Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
- **Target 9.2:** Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries
- **Target 17.1:** Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection



- **Target 17.2:** Developed countries to implement fully their official development assistance commitments, including the commitment by many developed countries to achieve the target of 0.7 per cent of ODA/GNI to developing countries and 0.15 to 0.20 per cent of ODA/GNI to least developed countries; ODA providers are encouraged to consider setting a target to provide at least 0.20 per cent of ODA/GNI to least developed countries
- **Target 17.3:** Mobilize additional financial resources for developing countries from multiple sources
- **Target 17.7:** Promote the development, transfer, dissemination and diffusion of environmentally sound technologies to developing countries on favorable terms, including on concessional and preferential terms, as mutually agreed
- **Target 17.9:** Enhance international support for implementing effective and targeted capacity-building in developing countries to support national plans to implement all the sustainable development goals, including through North-South, South-South and triangular cooperation
- **Target 17.11:** Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020.

## My Fair Diamond

In our previous sustainability report of 2014, the AWDC put great emphasis on the indirect economic impact in diamond-producing countries and integrity along the supply chain. We discussed the importance and the growing need of beneficiation programs and the vertical integration of the diamond value chain in diamond-producing countries. Even though we always strive to maximize returns to the governments and local mining communities, we found out that there is no such thing as a ready-made, all-applicable formula.

That is why in 2015, CAP Conseil, a sustainable development consulting company, and the AWDC started their cooperation to realize a jewelry project with entirely ethical and traceable diamonds. The AWDC not only supported the project financially, but also provided contact information with relevant stakeholders in every phase of the project, expertise, intelligence of the (local) diamond market and overall support.

In 2017, the first collection of "My Fair Diamond" jewels became a reality. The diamonds meet demanding criteria of ethics, transparency and third-party verification.



Coming from artisanal mines in the Koidu region of eastern Sierra Leone, the diamonds originate from the first mines certified according to the Maendeleo Diamond Standards of the DDI. The standard effectively ensures respect for human rights, decent work, health, safety and protection of the environment. They contribute to the preservation and development of the local mining communities and truly benefit them, making sure that fair and equitable prices are being offered for their diamonds.

All selected rough stones have been cut and laser engraved in Antwerp, which is also where each unique piece of jewelry was designed and produced, all according to the highest standards of Antwerp craftsmanship.



## GUINEA PROJECT

The positive results from this project convinced AWDC to start an even more ambitious project in Guinea in 2018. Guinea is one of the partner countries of Belgian governmental cooperation and an important diamond-producing country.

According to the latest KP statistics (2017), Guinea was the world's 16th largest producer in terms of volume (181,450 carats) and the 15th largest in terms of value (\$20.5 million), both of which account for less than 0.2 percent of production globally. However, the country has potential for the further development of the diamond industry, with a potential production capacity of up to 500,000 carats valued at anywhere between 15-75 million USD annually. Rough diamonds currently comprise 1 - 1.5% of the country's total exports.

The objective of this public-private-civil society partnership is to open an official channel to the international trade for ethical diamonds originating from certified artisanal mines. As a consequence, it will bring adequate development aid to the benefit of isolated mining communities and provide them with technical expertise and knowledge of the international diamond trade. Both from an ethical and a commercial point of view, there is an expectation to bring to the market diamonds that are traceable and socially responsible. AWDC is the pilot of this multi-stakeholder initiative.

## KP VALUATION TRAINING



*"Give a man a fish and you feed him for a day. Teach a man to fish and you will feed him for a lifetime". - Stakeholder interviews*

The same is true when it comes to the diamond value chain. The valuation of rough diamonds is a very difficult process. There are no spot prices that identify what a 'normal' rough diamond would be worth. Learning how to value diamonds is an essential prerequisite to understand the value of a diamond. Particularly in artisanal and small-scale mining areas, diamonds are often undervalued because of the lack of knowledge of the persons who are selling the diamonds, of those responsible for diamond valuation, or because of incentives to use diamonds for money laundering or corruption purposes. As chairman of a KP subgroup on valuation (see *"What is AWDC's involvement in the KP?"*), the AWDC ordered a study to map the different valuation methodologies that are used in KP countries to better harmonize the different methodologies.

To teach officials and miners how to sort and value diamonds and better understand the value of a diamond (also for taxation purposes), the AWDC offers courses by diamond experts to representatives from African diamond-producing countries. Many of the training courses are organized free of charge for African diamond-producing countries so that these countries can obtain more knowledge and revenues from their precious stones. The level of knowledge and expertise in Antwerp is amongst the highest in the world.

## THE DIAMOND DEVELOPMENT INITIATIVE (DDI)

→ The DDI was founded in 2005. It parallels and complements the regulatory instruments of the KPCS. The DDI seeks to fill in the gaps not addressed by the KP, such as poverty and exploitation in artisanal diamond areas. It does so through registering local miners and giving them a legal status, bringing them into the formal economy and providing them with protection, legitimacy and access to government support. It also organizes artisanal miner cooperatives and fosters the use of certification.

*(For more information about DDI, see "Integrity in the diamond value chain")*

## Antwerp Tender Facility

In 2012, the Antwerp Diamond Tender Facility (ATF) was inaugurated in the AWDC building. The ATF is a neutral business space, fully equipped with all facilities required to sell diamonds by tender. This selling method can be compared with an auction, with the difference that the bids are sealed. AWDC makes the ATF available and acts as facilitator, but has no commercial involvement with the tenders themselves.

**2018 > 12 tenders**

**2017 > 14 tenders**

**2016 > 6 tenders**

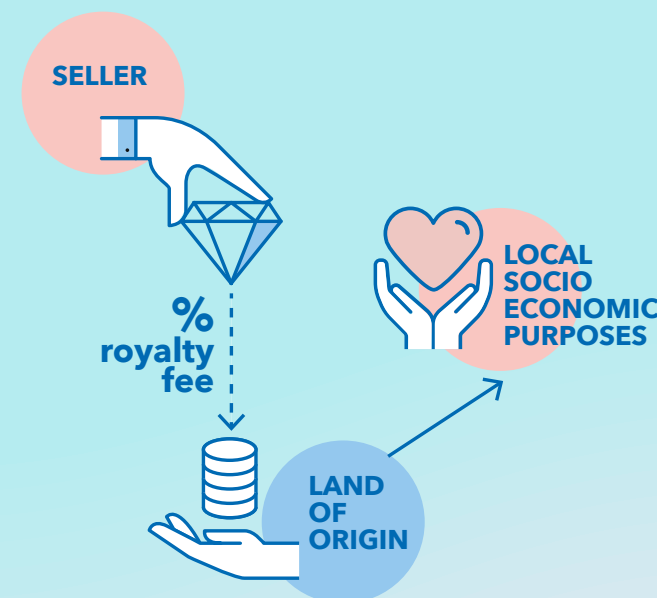
**2015 > 7 tenders**

**2014 > 10 tenders**

**2013 > 15 tenders**

The tender facility is first and foremost useful for small mining companies, particularly those operating in African countries. Whereas the large mining companies often work with fixed clients, guaranteeing them constant demand, the small mining companies generally sell their production via one-off transactions. It is important for the seller to get the best price for his or her goods. For sales, which take place at the ATF, all registered diamond traders in Antwerp can register to view the goods and bid on them. It is thanks to the critical mass of potential buyers and the professional context of the ATF that the mining companies can obtain the best price for their goods.

In most cases, a portion of the revenue the seller has earned goes to the government in the country of origin, in the form of a royalty fee. A higher sales price therefore also means a larger income for the government of the diamond-producing country, which can subsequently use these means for local socioeconomic purposes.



In addition to the effect on the price, sales via the ATF also contribute to transparency. All goods are extensively documented so that the buyers are perfectly kept up to date with the offer on hand. Potential buyers must be registered as an official diamond trader. An independent and professional service provider registers all bids. At the end, a report is made of the sale of the different parcels, and a comparison is made between the result and the reference prices. The service subsequently provides this information to the seller, who can gain insight from this for the future sale of his production.



# GOVERNANCE OF INDUSTRY



The diamond trade is clearly multinational. It happens between a few international hubs: Antwerp, Dubai, Mumbai, Singapore, Hong Kong and New York, to name a few. Some diamond industry players suffer from a lack of global governance, and self-regulation often shows its limits. This can result in conflicts of interest and varying levels of integrity across the world. The AWDC contributes to the international debate by disclosing its own working system and exerting transparent and accurate lobbying in national and international circles.

Governance is closely linked to the issues of integrity in the diamond value chain and compliance, treated at length in those chapters of this report. Our stakeholders also find it an important responsibility for the AWDC.

*"Promoting good governance is one of the main roles for AWDC if it wants to maintain leadership. Governance and leadership go hand in hand."*

- D. Backaert

Through good governance, the AWDC wants to contribute to SDG 16: "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels", and especially to:

- **Target 16.8:** Broaden and strengthen the participation of developing countries in the institutions of global governance
- **Target 16.10:** Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements.

It also wants to contribute to SDG 17: "Strengthen the means of implementation and revitalize the global partnership for sustainable development" via:

- **Target 17.14:** Enhance policy coherence for sustainable development

## MANY DISPARATE INITIATIVES

There are many national and international organizations within the diamond and jewelry industry (see the list of memberships of AWDC) which all offer great work in their own domain. Many different forms of 'company-directed' governance have been developed, like De Beers' 'Best Practice Principles' or the 'Responsible Sourcing Protocols' from Signet. The Responsible Jewellery Council (RJC) has also set up strong and robust standards, but the interaction between all the different standards is sometimes difficult.

Today, there is a need for a more coordinated and less political collaboration between these organizations. In the end, we all share the same vision of a transparent, compliant and honest diamond industry.

More women should hold top positions within those organizations. At the AWDC, half of our departments are led by women, but the general lack of women within the diamond industry remains an issue and a missed opportunity for a stronger governance.

## SYSTEMS OF SELF-REGULATION IN BELGIUM

### *In the diamond industry*

Belgium has a specific national legal framework for the supervision and monitoring of the overall diamond trade, reinforcing the International Regulation set by the Kimberley Process. This is explained in the chapter on Compliance.

Alongside this elaborate set of national legislation, Antwerp also focuses heavily on industry self-regulation, as organized by the World Diamond Council's System of Warranties (SoW) (see chapter "Integrity in the value chain"). The SoW in Belgium is underpinned through verification of individual companies by independent auditors, and supported by internal penalties set up by the industry. This voluntary system of self-regulation helps to facilitate the traceability of rough diamond transactions by government authorities.

The Belgian system of self-regulation has been labelled as the most efficient among EU trading centers by an independent KP peer review visit.

### **Focus on the role of the bourses**

The Belgian Federation of Diamond Bourses (BFDB) comprises the four Antwerp diamond bourses: Antwerpsche Diamantkring, Beurs voor Diamanthatel, Diamantclub van Antwerpen and the Vrije Diamanthatel.

Unlike the AWDC, they are member-based organizations, thanks to which they have a direct grip on the behavior of their members. Their role is fundamental to ensure good governance on a local, Antwerp, level. The BFDB adopted rules and regulations obliging the bourses and their members to respect specific principles and provisions, laid down in a "Code of Conduct". This Code of Conduct encompasses, among others, the compliance requirements of the KP Authorities.

A protocol signed between the BFDB and the Belgian FPS Economy sets the framework for the practical aspects of government monitoring, exchange of information, audits and annual reports and evaluations. The bourses' system of self-regulation functions as follows:

- Each year, the bourses send the EU KP Authority a complete list of all their members that trade in rough diamonds, including all contact information details.
- The bourses monitor compliance with the Code of Conduct by their members. They oblige their members to assign an independent auditor with the task of making sure that copies of invoices are carefully preserved and that all transactions are in conformity with all relevant rules and regulations.
- If requested by the EU KP Authority, the bourses initiate an investigation of a member. They bind themselves to informing the EU KP Authority on findings of irregularities, and to immediately notifying the EU KP Authority if a member has been suspended or excluded. They also notify the secretariat of the World Federation of Diamond Bourses.
- Each year, the bourses report on the results of the functioning of this system of industry self-regulation. Once a year, a meeting between the EU KP Authority and the bourses is organized to evaluate the results of the compliance with the "Code of Conduct" and the functioning of the system of self-regulation.

The Code of Conduct also includes disciplinary measures, in particular the obligation for the bourses to expel any member found to have seriously violated the rules and regulations. Furthermore, diamond traders have the opportunity to submit their

disputes with other diamond traders to the reconciliation commission and/or arbitration commission of the bourse at which one of the diamond traders is a member. The reconciliation commission and the arbitration commission are departments of the Diamond Bourse that settle disputes arising between diamond traders who are members of one of the diamond bourses.

Each bourse provides to its members the laws, regulations and guidelines regarding conflict diamonds and the names of any natural or legal person found guilty of violating these laws and regulations.

Is this system effective? In 2015, a KP Peer Review visit stated that the BFDB annual report to the Belgian EU KP Authority should include the activities implemented by the industry over the reporting period and any irregularities detected in terms of implementation of self-regulation in accordance with the KPCS.

The bourses should reinforce their responsibility by enhancing the follow up of their Code of Conduct and internal rules, and by establishing more stringent enforcement measures to ensure that their members comply with the rules and regulations.

It is also the AWDC's view that to have a greater impact on their members, the bourses and the FPS Economy could enhance the implementation of the abovementioned protocol. In the future, enhanced cooperation between the AWDC and the BFDB could ensure higher compliance levels by the bourses and their members.





### ***Self-regulation through the Public Affairs department's activities***

As the representative of the interests of the Antwerp diamond industry, the AWDC has an advocacy responsibility, managed by its Public Affairs department and amplified by the members of the Board in their various functions and spheres of influence. When it comes to raising awareness on various issues, the PA department maintains regular contacts at the local, regional, federal and international level.

The AWDC is aware that to generate trust in its governance system, these activities must respond to the best practices of lobbying. This is why it stands behind BEPACT. BEPACT represents the Belgian Public Affairs Community and was founded to organize, promote, represent and provide support to Public Affairs professionals in Belgium and abroad. AWDC is a board member of BEPACT and has provided active support in drafting an ethical charter for all public affairs professionals within BEPACT. This Charter of Ethical Conduct is an important step for companies, organizations and associations which are involved in lobbying activities, to get rid of the backroom politics and provide full transparency on how they approach politicians and decision makers. It is founded on three core values: transparency, integrity and respect. The Charter also provides Public Affairs professionals with a clear ethical framework within which they must operate. It clarifies the nature of the profession of Public Affairs professionals and as such is a clear signal to the outside world. For AWDC, the Charter is a guiding document for all lobbying activities.

The AWDC is also registered on the EU Transparency Register, which has been set up to answer core questions such as what interests are being pursued, by whom and with what budgets. The ultimate goal is to provide EU citizens with transparent information about the EU decision making process and to ensure balanced representation. Recently, the AWDC also became a member to the lobby register at the Belgian Parliament.

On an international level, most fora interact and there remains confusion as to how to best organize the industry and who should take the lead. So far, the Kimberley Process seems the most legitimate due to its multi-stakeholder approach, but not so for its ambition or scope. It is essential that at the international level, real leadership is shown to focus on the integrity of the diamond value chain and the added value diamonds contribute to communities and society. Real engagement needs to be provided to protect the diamond product. Whilst this goes beyond any form of category marketing, the DPA has a comprehensive strategy to take up this coordinating and leadership role. More about all these instances can be found under the chapter "Integrity".

As an example of reinforcing the industry's governance where it is most needed, the AWDC has put great effort into cooperation with African diamond-producing countries.

In November 2017, the AWDC and the FPS Foreign Affairs jointly organized the first African Diamond Conference (ADC). This was a high-level dialogue gathering African mining ministers, the diplomatic corps, the global diamond industry, civil society and academia, where current and future challenges and opportunities for African diamond-producing countries were discussed. The aim of this event was to promote direct and mutually beneficial relations between African diamond-producing countries and the (Belgian) diamond industry, linking capacity-building with higher revenues for diamond-producing countries, as well as promoting good governance in the diamond industry. Topics included the potential impact of synthetic diamonds, generic diamond marketing to bolster consumer demand, responsible supply chains and leveraging the diamond industry for economic development. This event was a big success: more than 330 participants attended the conference, including HE Didier Reynders, Belgian Deputy Prime Minister and Minister of Foreign Affairs and European Affairs, nine African Ministers and former South African President Thabo Mbeki. To build on the momentum



of the previous ADC, AWDC has the ambition to organise a new edition of the ADC in 2020, in cooperation with an African host country. Potential topics are generic diamond marketing (and the socio-economic benefits diamonds bring to local communities and the people that depend on diamond mining), the future of artisanal diamond mining, the role of technology and innovation in the diamond industry and the importance of diamond trading centres in the global value chain.

By raising the level of governance at its source, and by practicing what we preach, we hope to make a visible impact throughout the entire diamond value chain. The African Diamond Producer's Association ("ADPA") is an intergovernmental organization whose members are African diamond-producing countries. Its main mission is to constitute a permanent framework for consultation, cooperation and technical assistance for the member states. The ADPA also acts on behalf of the member countries to boost and develop their diamond industry, it promotes sustainable development from the revenues generated by diamond exploitation and it will assist its member countries to comply with all KP requirements.

In 2018, the AWDC and the ADPA signed a cooperation agreement to provide logistical and financial support to the ADPA, relevant advice, to assist in obtaining necessary equipment and provide technical assistance in the design and development of training and education policies. In return, the ADPA will help the AWDC with the organization of the ADC and will address useful contacts to make sure we can reach as many stakeholders as possible.





# BANKING AND FISCALITY

It is no secret that diamond trading involves vast amounts of monetary transactions. In an industry trading high-value goods, the financial needs are enormous. Having a steady supply of banking services, and a clear regulatory framework regarding banking and fiscality are of crucial importance to the industry.



## BANKING

Aside from a loupe, a bank account is the most valuable tool of the diamond trader, allowing him to purchase and sell diamonds on a daily basis in a transparent, compliant way. Diamonds are a very high-value product, which makes it challenging for traders to operate entirely on their own equity. Many companies use external (bank) financing to optimize cash flow, especially when they purchase from large mining companies that demand an upfront pre-payment before shipping the goods to the buyer.

The banking framework has always been one of the main pillars underpinning the leading position of the Antwerp diamond industry globally. Institutions such as the Antwerp Diamond Bank and ABN AMRO Diamond & Jewellery Clients have provided specialist services tailor made to the needs of the diamond companies. The availability of banking services and financing has been a fertile soil to cultivate and grow the vibrant market that we have now.

This framework has been under severe stress in the past decade, to the point that it puts the sustainability and viability of the Antwerp diamond industry in peril. The biggest issue is the absence of sustainable access to basic banking services, such as bank accounts and payments.

The comparative study of diamond trading centres by PWC confirms this risk, stating that financing is one of the biggest challenges Antwerp is being faced with to maintain its position. Antwerp scores very low on ease of opening a bank account as well as financing potential. According to a stakeholder in this study, "the diamond industry has been extremely slow to respond to financing issues in the local market."

Our stakeholders also acknowledge the problem:

*"Bankability is an ongoing issue. It is not being solved so far. Banks are leaving the sector. Why? Because there is not enough transparency in the sector and a lot of bankruptcy still happens. So, we need to bring our sector in line with a 21st century company profile: more accountability, more transparency."* - Stakeholder interviews

The stance of the financial sector is definitely influenced by negative media coverage on the diamond industry and a persistent negative perception about the industry as a whole. It is a two-sided story. Many diamond companies have been lagging behind in transforming their business practices. They still run their business in an old-fashioned way and are unable to provide the level of transparency regarding their business, customers, financials, inventory and so on, that banks often expect. The negative perception about the industry is also regularly fueled by fraud cases. Most of them are old or unrelated to the Antwerp diamond industry – such as the recent Nirav Modi fraud case – but nevertheless affect the perception that financial institutions have about our industry.

There is no doubt that the diamond industry as such bears a high inherent risk, given the high value and the ease of transporting these small goods. But the controlled risk – after application of legislation, regulation and compliance measures – in the Belgian diamond industry is much lower and should fall within the boundaries of most banks' risk appetite. This has been acknowledged by the government and the banks, which have – in collaboration with the AWDC – developed a comprehensive risk-analysis of the diamond industry (see "Compliance").

The attitude of the banks is part of a bigger picture. Confronted with rather vague government regulation and sky-high penalties, banks themselves have chosen an overly prudent approach. Instead of adopting a case-by-case approach, assessing every individual client on its merits, banks have chosen to completely disengage from a number of activities or jurisdictions seen to be high-risk regarding money laundering and terrorism financing. This happened despite the clear rejection and disapproval of such "blanket de-risking" approach by the Financial Action Task Force, the leading intergovernmental body on anti-money laundering and terrorism financing.

Hence, bankability is a concern for the global diamond industry. It is related to rebuilding trust and proving honesty.

The departure of the Antwerp Diamond Bank in 2015 – as a consequence of a European Commission state-aid agreement required to support its mother bank KBC – was a major blow to the Antwerp diamond industry. Within a year, about 500 diamond traders lost their bank account at ADB. Many of them didn't have a second bank account and needed to find an alternative to continue their business. ADB was also financing the diamond industry for an amount that exceeded 1 billion USD. This source of funding will be completely drained away by the end of 2019, when the last remaining credit agreements with the former ADB customers will be terminated.

Despite the efforts of the AWDC, only one new bank has entered the Antwerp diamond industry since our last Sustainability Report – the National Bank of Fujairah (NBF) from UAE, which opened a representative office in Antwerp. As a result of intense collaboration with the AWDC, however, a payment institution called Ebury has managed to successfully deploy activities in the diamond industry, now providing payment services to more than 200 companies.

What is more, Antwerp is the only relevant diamond trading center that is entirely isolated from access to its domestic banks. There is not a single Belgian bank that currently provides services to diamond companies. All Belgian banks have adopted the "blanket de-risking" approach as mentioned above, and have completely withdrawn from the diamond industry. The industry fully relies on a handful of banks that have their decision centre abroad – ABN AMRO, State Bank of India, Bank of India, the NBF and Société Générale. The fragility of this situation was recently demonstrated by the closure of the Union Bank of India (UBI) and ICICI offices in Antwerp, which happened in the past 12 months. The closures were not directly linked to the exposure of these banks in the diamond industry, but nevertheless, it again forced many diamond traders (37 UBI; 50-60 ICICI) to look for another provider for basic banking services.

As a consequence, no new companies can set up shop in our industry, which leads inevitably to a decline in the number of active companies and threatens the sustainability of our industry. This also puts pressure on the future sustainability of diamond financing. The fact that overall profit margins in the diamond midstream have been low in the past decade and are not likely to increase in the near future (1%-3%, Bain 2018) does not make the diamond industry an attractive target for financial institutions. A shortage in financing would primarily affect the medium-sized companies, as the larger corporations often have their own structured financing and the smaller ones often operate on their own equity.

These are a few examples of AWDC's endeavors to increase bankability:

- The risk-analysis of the diamond industry has been developed by all government actors involved in the diamond business (e.g., Ministry of Economy, Customs, Police, etc.), the Federation of Belgian Banks (Febelfin) and the AWDC. It contains a comprehensive overview of all risks related to money laundering and terrorism financing in our industry, the existing mitigating measures and all additional measures that could be taken to further lower these risks.
- Setting up a Bank Account Helpdesk that, by means of active intervention by the AWDC, guides diamond traders through the process of finding a new bank (account).
- Creating new solutions by working together with FinTech companies. For instance, in 2018, the AWDC guided the activities in the diamond industry of a company called Ebury. Together we created a compliance and business framework in which Ebury - including their stakeholders such as the banks backing their services - as well as the diamond industry, feel comfortable. After a year of working in the diamond industry, Ebury now provides bank accounts and payment services for more than 200 diamond traders. The compliance framework applied is stronger than what most banks - even outside of the industry - apply. Every diamond payment, for example, needs to be supported by documents such as the invoice, the customs document or a certified copy of the KP Certificate if applicable.
- Diamonds are traded in US dollars. Large American banks that process international payments in USD play a significant role in these transactions. Over the course of the last few years, the AWDC has directed targeted information campaigns and briefings toward these banks so they perform their compliance check in an objective, thorough and effective way.
- Developing an intensive collaboration with Febelfin - the umbrella organization for Belgian banks -, the National Bank of Belgium and the federal government to establish a framework protocol in which Belgian banks should once again feel comfortable offering basic banking services to diamond traders. To this point, it is still not clear whether and when Belgian banks would be ready to apply this protocol. However, it could be the first step to rebuild the essential trust between the banking sector and the diamond sector.
- Financing is always a key to the successful implementation of sustainable sourcing projects. The AWDC will use its knowledge, network and experience related to financial services to find the right partners that can provide sustainable services supporting these projects - like the new initiative in Guinea explained in the Chapter on economic impacts.

By means of the above-mentioned initiatives, the AWDC tries to contribute to SDG 8: "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all", and especially to:

- **Target 8.3:** Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services and
- **Target 8.10:** Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

## FISCALITY

Belgium claims a legitimate share from any economic activity on its territory for its public expenses. The diamond industry makes substantial contributions to the Belgian GDP, estimated at about 5%. While specific figures are not available, the AWDC has initiated a study to determine the added value the diamond industry generates for the Belgian economy. Knowing that the industry benefits from a special tax regime, the general public expects clear data about the financial results and revenues coming from luxury goods and demands a "fair level of taxation".

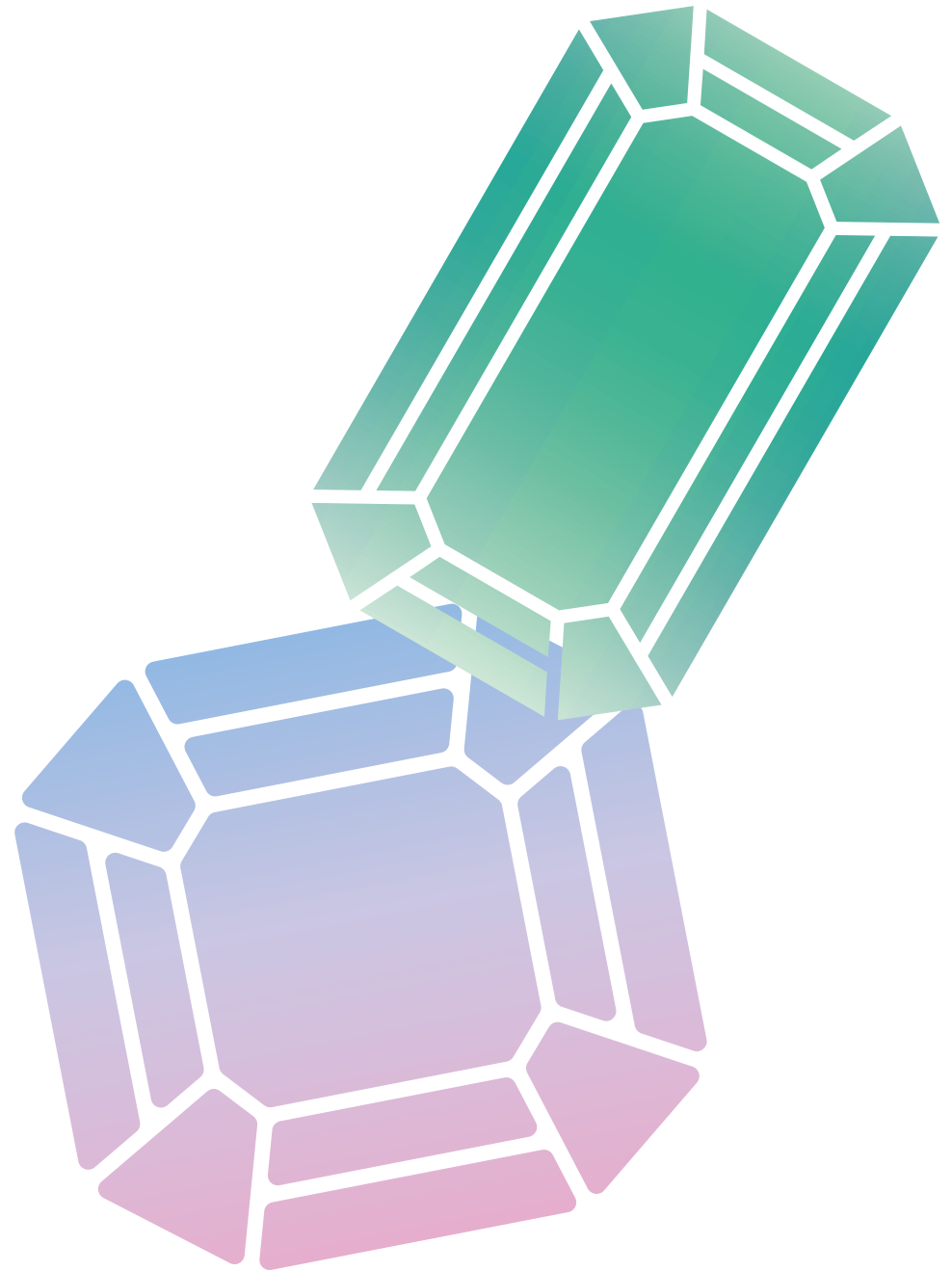
As a trading center in an international context, the Antwerp diamond industry is highly susceptible to tax competition. The high value per weight unit of diamond and the fact that this product is so easy to transport makes it possible for a diamond company to easily relocate its business activities to a competitive trading centre such as Dubai, Mumbai, Tel Aviv or New York. This is why it is extremely important to strike the right balance between fair taxation and maintaining enough competitiveness to reap the benefits, enabling the diamond industry to generate sufficient economic added value for the government. The introduction of the Diamond Regime, also called "Carat Tax", must be seen in the light of achieving this precarious balance.

Since 2016, this tax system introduces a lump sum taxation for registered diamond traders in Belgium selling from their own diamond stock. The Diamond Regime replaces the actual cost price of sold goods with a fixed calculated amount of 97.9% of turnover from diamond trading. This substitution occurs irrespectively of the actual gross margin reflected in the financial statements of the traders. As a secondary rule, the diamond dealers' minimal taxable basis can, in principle, never be less than 0.55% on turnover. This secondary rule functions as a so-called 'de minimis' clause to determine the minimal taxable basis for registered diamond traders.

This tax system, approved by the European Commission and considered as non-state aid, provides diamond dealers with the competitiveness, stability and predictability they require. In the past, lengthy and robust discussions were frequently held with the Belgian tax authorities regarding the valuation and monitoring of diamond stocks. In exchange for this legal security, diamond dealers are currently paying more tax than before. For the AWDC, the Diamond Regime constitutes a clear example of good governance and creates a win-win situation between the authorities and the private sector.



The Diamond Regime was applicable as of tax year 2017 and it is already clear that the system is extremely successful. Based on a high-level statistical study of publicly available information, the total tax contribution of the diamond industry during 2016 was estimated at €58 million, which means an additional yield of €34 million compared to the year before. The AWDC is convinced that the current system will provide the best possible tax regulation for our diamond industry in the coming years and advocates the continued application of the Diamond Regime.





# DIVERSITY, LOCAL ENGAGEMENT AND COMMUNITY INTEGRATION



In today's world, where communities tend to fall back on themselves and political context does not entice to integration, the Antwerp diamond industry represents an exceptional mix of ethnic descents and religions in a tiny area who not only work but also live together with great respect for one another. The efforts of the AWDC in this matter contribute to this harmony. This cultural and religious diversity is one of the greatest strengths of the Antwerp diamond industry.

The diamond industry is one of the most international and multi-cultural industries in Belgium: a mini-United Nations one could say. People representing over 70 different nationalities live and work together on a daily basis within a single square mile, maintaining deep respect for each other's cultures and religions. This is truly unique and precious to maintain in times of political and cultural tension at the national and international levels. Obviously, this is not always easy. That is why the AWDC finds it very important to maintain a good relationship with all the different communities, share information and knowledge and make sure the different communities are brought together during various events.

In a comparative study of diamond trading centers (see chapter Antwerp context), conducted by PWC and commissioned by the AWDC in 2017, cultural diversity and acceptance was considered as a very important location factor. Stakeholders highlighted that Antwerp is a fair market where no community or ethnic group has particular leverage. Diversity and acceptance for all people, irrespective of their background, culture, religion and personal situation was noted as one of Antwerp's most important strengths whereas centers like Dubai, Tel Aviv and Mumbai score significantly lower in this category.

Even though our stakeholders agree with this, they also appreciate the challenges it entails.



*"Diversity must remain the great asset of Antwerp. Each group brings its own networks and experience. Having said that, each community should ensure each of its members stay in good standing and contribute positively to the industry but also to our city and country.*

*Unfortunately, most have remained insular, without feeling the need to reach out and understand the trade-off: a license to operate against a contribution to the benefit of all. It is necessary to change the mentality, to encourage people to step out instead of remaining enclosed in their communities. They have to feel and behave like contributing citizens of their city and country", S. Fischler*

Because it is very important to maintain this unique bond between the different communities and religions, the AWDC made it one of its priorities, organizing events during their traditional days of celebration such as Purim, Diwali or New Year. Via its → **social media** channels, the AWDC also emphasizes the multicultural nature of the Antwerp diamond industry by telling the stories of different people and communities. The AWDC unites people during events like the International Day of Yoga or the Antwerp Ten Miles. In the framework of these events, the AWDC cooperates with the Jewish community through partnerships with the → **Forum der Joodse organisaties** and collaborates with the Indian community via the → **Antwerp Indian Association** on a regular basis.

The Antwerp diamond industry itself is often considered to be a community unto itself and relatively hermetic to outsiders. This is, among others, linked to the strong security measures in the district (cameras, closed traffic, presence of the police) and the fact that people tend to stay private for security reasons, which creates a haze of secrecy around the Antwerp diamond industry. However, the veil is easily lifted for the, on average, 2,000 visitors receiving a guided tour behind the scenes of the diamond industry each year. Making the industry open and accessible and changing this perception so as to build a reputation of transparency and openness is one of the challenges the AWDC addresses.

From September 2017 until June 2018, the AWDC organized the Antwerp Diamond Year – Antwerp Diamond Capital since 1447 – celebrating 570 years of unbroken diamond trading in the city. Together with the City of Antwerp, the AWDC organized several events and initiatives to bring the diamond trade into closer contact with the local population.

A few examples:

- **Brilliant Foodies:** a festival that celebrated the culture, food and music of the fascinating melting pot of nationalities and ethnic backgrounds of the people working in our industry. A family day for everyone, featuring a wide variety of activities and workshops. The turnout was great with more than 4,000 visitors.



- **School project:** AWDC developed a syllabus for primary schools- 5th and 6th grade – in the framework of the Diamond Year. This enables teachers to introduce the fascinating aspects of the Antwerp diamond industry into the school curriculum, including field trips and projects. A new generation of Antwerpians can get to know the diamond industry via this project. Over 75 schools downloaded the syllabus and about 15 of them took a behind the scenes tour in the Antwerp diamond industry. So, it's safe to say over 3,000 kids were immersed in the sparkling world of Antwerp diamonds.



- **Expedition Diamond:** a one-day event in which groups of young people (millennials) went on a diamond adventure throughout the city. The treasure-hunt style expedition involved the teams gathering all sorts of 'diamond' facts and figures, activities and fun. About 100 millennials participated in this diamond adventure.



Even though the diamond industry is often linked to luxury and wealth, the diamond community is aware of the imbalances in the world. The last few years, AWDC decided not to send out Christmas cards and gifts, but organized Christmas campaigns instead. The collected money went to charities like 'Moeders voor Moeders' and 'SOS Children's Villages'.



Throughout the years, AWDC has supported various charities. This is one of the numerous ways the AWDC and the Antwerp diamond community try to contribute to SDG 1: "End poverty in all its forms everywhere", and more specifically via:

- **Target 1.2:** By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.

# SECURITY AND SAFETY



As with any high-stake industry, tight and proactive security is of critical importance. The Antwerp diamond industry is no exception to this rule. Given its physical location, the nature of the activities and the international profile of the people and companies in the diamond industry, the Antwerp diamond square mile has a high-risk profile. It is located in the heart of the Jewish quarter, next to the Central Station of Antwerp and is surrounded by shopping centers, hotels and houses. Since Antwerp is known to be the largest diamond trading center worldwide, the diamond square mile can be considered an interesting target for people with bad intentions. It is therefore not surprising that security receives very high priority, also in the opinion of our external stakeholders.

*"Security and safety has to be the number one priority. The AWDC Security Office has done a good job but the risks remain high: the volume and economic value of the goods being traded are paramount and the Antwerp diamond community is very multicultural. The diversity in Antwerp is unique and a selling point but also a threat."* - Stakeholder interviews

## AWDC SECURITY OFFICE (AWDC SO)

In 2013, the AWDC set up the AWDC Security Office (AWDC SO). The mission of AWDC SO is to safeguard the personnel, products, assets, visitors, reputation and information of the Secure Antwerp Diamond Area (S-ADA) against all internal and external threats, to support, enable and facilitate its business. Together with the City of Antwerp and the Local Police Antwerp, they set up an area called "Secure Antwerp Diamond Area" (S-ADA) as a perimeter that is under very close supervision day and night. The perimeter encloses the three traffic-free streets: Rijnstraat, Schupstraat and Hovenerstraat. Pedestrians and cyclists may enter the area but there is a restriction for vehicles. Access to the S-ADA for vehicles is limited via safety barriers. Vehicles may only enter the area if they are registered and if drivers have been screened by the police. Companies inside the S-ADA do not pay extra for this protection.

The cooperation between the parties and their responsibilities have been set out in two official documents: the 'Security Protocol Antwerp Diamond Sector' and the 'Cooperation Agreement 2016-2019' between the City of Antwerp, the AWDC and the Province of Antwerp. The AWDC SO acts as a single point of contact (SPOC) to the S-ADA building managers, the bourses, private security companies active within the area, the insurance industry, the City of Antwerp, government services, state security and Local as well as Federal Police, with whom we cooperate closely.

The AWDC SO contributes via various activities to SDG 16: "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels." More specifically, they aim to work toward:

- **Target 16.1:** significantly reduce all forms of violence and related death rates everywhere
- **Target 16.3:** promote the rule of law at the national and international levels and ensure equal access to justice for all,
- **Target 16.a:** strengthen relevant national institutions, including through international cooperation, for building capacities at all levels, in particular in developing countries, for preventing violence and combating terrorism and crime

## INFORMATION AND AWARENESS

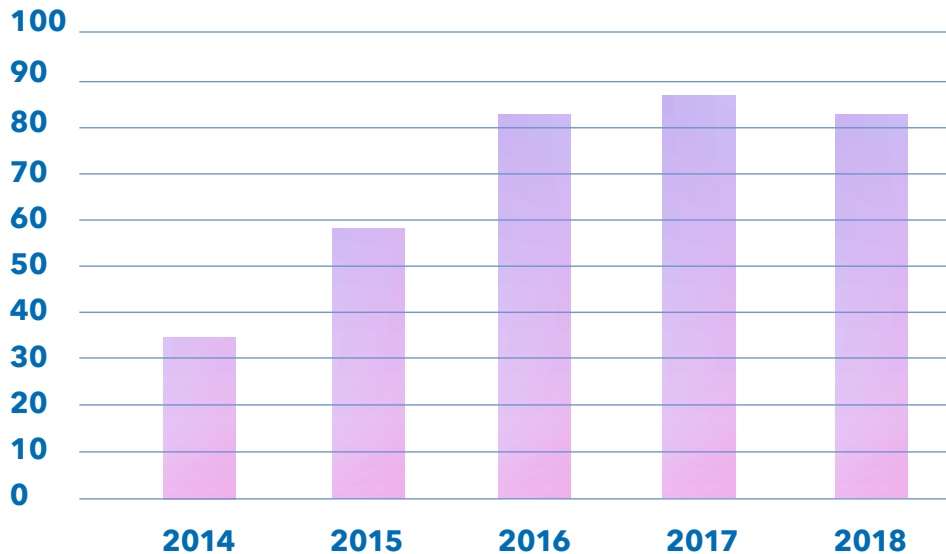
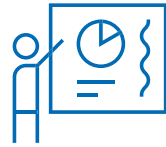
The AWDC SO sets out to be the principle and trusted advisor of the Secure Antwerp Diamond Area (S-ADA) in all security-related matters. Its role is based on cooperation via a two-way information exchange, disseminating information among the respective communities and constituencies of the S-ADA. AWDC SO wants to create greater awareness and emphasizes the importance of reporting any suspicious behavior to the local police, and to make diamond traders vigilant for any kind of activity that might indicate crime.



The AWDC SO operates a reporting desk, where people can report all forms of crime, suspicious matters and security-related issues. Through a single point of contact, the AWDC compiles all the information and passes it through to the respective government agencies.

The AWDC SO provides a wide array of awareness programs, registers and analyses; it reports and communicates on incidents to its stakeholders. They also organize various briefings for the Antwerp diamond community: S-ADA Security Briefing, Anti-tiger kidnapping seminar, Cyber Crime Awareness Briefing, Active Killer Briefing. The number of briefings increases each year: 34 in 2014, 56 in 2015, 84 in 2016, 87 in 2017 and 84 in 2018. Each seminar has approximately 3 to 10 participants, which means nearly 2,500 persons have already participated.

#### SEMINARS ORGANIZED BY AWDC SO



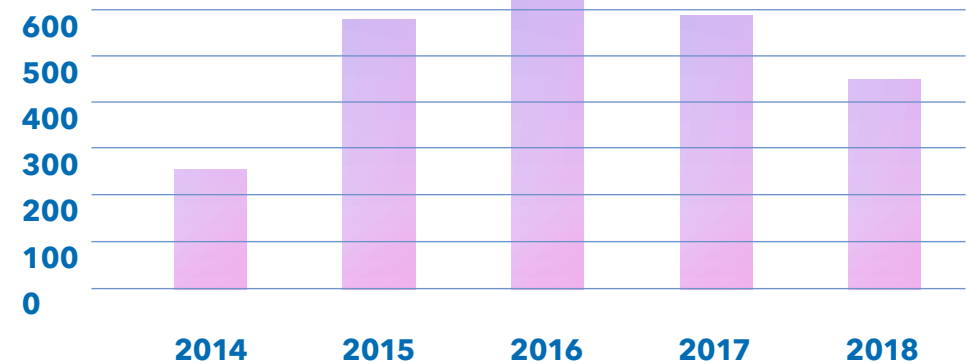
To exchange information and/or increase awareness, the AWDC SO has the following tools in place: the AWDC (SO) newsletter, emails and memos, structural meetings, awareness posters, SMS Alert Message and security-related diamond industry visits.

#### INCIDENTS

When we look at the number of incidents, we see it is increasing with 257 incidents in 2014, 490 in 2015, 547 in 2016, 398 in 2017 and 361 in 2018. Even though it seems as if more incidents occurred between 2014 and 2016, it actually means we were able to map them better as a result of better identification, registration and communication.



#### NUMBER OF REGISTERED INCIDENTS IN THE S-ADA



So, even though the reporting desk gets more reports and AWDC SO identifies more incidents, this does not mean security and safety in the Antwerp diamond square mile is less successful than in previous years. On the contrary, thanks to the efficient cooperation between AWDC SO, the City of Antwerp and the local police, we have more knowledge and resources with which to identify, prevent and fight crime and other potential threats.

#### EVACUATION

To comply with Belgian legislation, the organization of an annual evacuation exercise is legally required for every building and employer in Belgium. AWDC SO organizes this on a yearly basis, with the cooperation of LPA, the city's fire department and Antwerp's Disaster Coordinator. In addition to legal compliance, the other primary objectives of the evacuation exercise are to test and train the S-ADA building managers, LPA and the Emergency services, and familiarize the S-ADA population with the overall evacuation of the diamond square mile, to increase awareness and limit casualties should a real incident occur. During the exercise, AWDC SO and the aforementioned organizing

partners consider every opportunity to minimize the impact and burden on the diamond trade and emergency service availability.

Thanks to the efficient cooperation between the AWDC SO, the City of Antwerp and the local police, we have more knowledge and resources to identify, prevent and fight crime and other potential threats. The success of this cooperation is a result of the will to work together and a shared urgency to avoid any problems. Everyone agrees there is a diffuse (terrorist) threat in the Antwerp Diamond District and is prepared to jointly take measures that contribute to the monitoring and security of the neighborhoods.

Even though this cooperation is successful, there is always room for improvement. The current legislation, for example, restricts public and private parties to sharing the necessary information with each other and is ambiguous in some respects. There is a need to broaden the legal possibilities for information sharing.

These high-security measures might contribute to the image of a closed sector. However, the high level of security in the Antwerp diamond square mile is also one of the competitive strengths of the Antwerp diamond industry, making it a secure environment to trade diamonds. The combination of security and attractiveness is a delicate balance.





# AWDC OFFICE SUSTAINABILITY



As the umbrella organization of the Antwerp diamond industry, it is the AWDC's responsibility to lead by example, also concerning sustainability in the office. With about 80 employees, the environmental and social impact of our daily practices has to be managed properly. And even though external stakeholders express few expectations regarding the AWDC as a responsible organization itself, we intend to behave like any good citizen company and be a role model to inspire Antwerp diamond companies to adopt sound social and environmental habits.

In doing so, we aspire to contribute to SDG 12: "Ensure sustainable consumption and production patterns", and more specifically to:

• **Target 12.7:** Promote public procurement practices that are sustainable, in accordance with national policies and priorities.

Most of the AWDC's actions regarding office sustainability target energy saving and the reduction of carbon emissions, beneficial for the planet as well as our finances.

## ENERGY:

- Replacement of half of the back roof in 2017 with improved insulation.
- Systematic renewal of the servers in 2016, 2017 and 2018 from 60 to about 25 led to a significant decrease of about 10kW of the consumption by the server room. As a result, the cooling capacity also decreased from 27 Kw to 16 Kw, so this was a double win.
- In 2015, the old high-voltage cabin was replaced (1960), making it possible to remove the transformer with polychlorinated biphenyl.
- For safety reasons, we use halogen-free cables for all new cabling, which also contributes to the environment as it consumes less energy.
- A study has been completed in 2015 by Factor 4 and in 2018 by Magnet Group on the renewal of our air conditioning, which is based on the latest environmental standards; the sustainable upgrade of our air conditioning system is a priority for 2019.

- The smaller air conditioning units have been replaced. They use the cooling gas R32, which has a global warming potential of 677, instead of the previously-used gas R410A, which has a global warming potential of 2088.
- By February 2019, 80% of our lighting will be converted to LED, which will lead to a diminution of our electricity consumption.
- In 2017, we submitted and obtained the dossier for our environmental permit Class 2. The division into classes is based on the nature and importance of the environmental impact, with Class 2 being less polluting activity.

## WASTE:

- The use of containers for confidential paper has improved the selective retrieval of paper.
- Computers are replaced every 6 years, portable phones every 3 years, phones every 8 years, multifunctional machines like copy machines and printers every 4 years. The replaced ones go to 'Out of use' who recycle as much parts as possible.
- Food surplus after events go to the 'food bank' or are made available to AWDC employees.

## MOBILITY:

- We provide 35 guarded bicycle racks for cyclists inside the AWDC building. Cyclists have access to a shower.
- According to the AWDC's travel policy, everyone travels in economy class.
- According to the AWDC car policy, the maximum permitted CO<sub>2</sub> emission for a car is 135gr. The AWDC has a fleet of 15 cars.

The AWDC participates in → **'Samen Klimaattactief'**, a project established at the initiative of the City of Antwerp to reduce CO<sub>2</sub> emissions at offices. Companies can post their projects to reduce CO<sub>2</sub> on this platform (e.g., solar panels, new lighting, double glazing, etc.) and then suppliers/contractors who supply these products can join. At the

AWDC for example, we are converting all lighting to LED. AWDC hosted the launch event of the platform in 2017, with 17 companies attending.

We have no knowledge regarding office sustainability at the 1,600 Antwerp diamond companies, but we try to lead by example. Many diamond companies have a rather old-fashioned mentality and still use a lot of paper, so we strive to make the Antwerp diamond industry a more paperless environment. For example, we encourage diamond companies to digitalize their businesses by digitalizing ourselves, softly coercing them to adjust their own way of doing business. We are currently working on a digital platform to enable diamond companies to consult documents, invoices, floor plans for trade fairs, etc., via our website.

In 2019, we plan to place the sustainability of operations in the Diamond district high on the agenda of our activities, like we did for “Samen Klimaatactief” in 2017. This fits with our endeavor to encourage companies to act for the SDGs.

## SUSTAINABILITY AND ATTRACTIVENESS OF THE DIAMOND SQUARE MILE

Our external stakeholders have an outspoken opinion regarding the Diamond Square Mile and its lack of attractiveness.

*“Perception is reality: the three streets of the diamond district are horrible. You feel more in a disreputable low-district area than in a luxury fashion centre like you find in Paris, New York or London. Should we move away?”*  
- Stakeholder interviews

*“The streets could be more attractive but it’s up to the city of Antwerp to make that happen. Diamond dealers wrongly disregard this current state as they are primarily focused on security. But when you take a look at what other trading centers, like India and Dubai, have done for their diamond sector, you see quite a difference. Antwerp is not only recognized the world around as THE historic diamond trading center but also as the leading one. But it fails to deliver on appearance. And perception becomes reality. Things must change and fast.”* S.Fischler

So, the AWDC is well aware that the Diamond Square Mile has lost its attractiveness over the years. This is mainly due to security reasons and to ensure easy passage for the transport of valuables. The district needs to become a modern, sustainable and livable hub without compromising on security. The City of Antwerp administrative agreement

2013-2018 stated that the city would improve the quality of life in the diamond district by introducing qualitative infrastructure projects and refinement interventions. Unfortunately, they never materialized. In its new vision note, AWDC therefore requests the execution of a new Spatial Implementation Plan. At the moment, the new spatial implementation plan is still in the concept phase and it is important that the city conducts an impact study on safety and security before approving it.

Except for some weeds here and there, there is no nature anywhere, nor any benches, etc., in the diamond district. The AWDC wants to change this. At the heart of the diamond district lies a long-vacant lot where the AWDC, in collaboration with the City of Antwerp and in consultation with the diamond community and the owner of the lot, wants to build a pop-up park to bring a touch of greenery between the grey office buildings. The pop-up park would be a step in the right direction toward improving the quality of life and attractiveness of the Antwerp diamond district.



We are in continuous dialogue with the city authorities regarding assistance in restoring the image of the district. We nourish the ambition to turn Antwerp’s diamond district into a vibrant and sustainable diamond center.

## GLOSSARY

- ADC: African Diamond Conference
- ADPA: African Diamond Producer's Association
- AML: Anti-money laundering
- ASM: Administrative Support Mechanism (ASM) of the Kimberley Process
- ASM: Artisanal and Small-scale Mining
- BFDB: Belgian Federation of Diamond Bourses
- CoC: Chain of custody
- CoP: Code of Practices
- CTIF - CFI: Financial Intelligence Processing Unit (FPS Finance)
- DDI: Diamond Development Initiative
- DMCC: Dubai Multi Commodity Centre
- GJEPC: Gem & Jewellery Export Promotion Council, Indian equivalent of AWDC
- GJKIC: Gem and Jewellery KYC Information Centre,  
Indian non-profit daughter company of GJEPC
- IDMA: International Diamond Manufacturers Association
- KP: Kimberley Process
- KYC: Know Your Client
- LPA: Local police service of Antwerp (lokale politie Antwerpen)
- NGO: Non-governmental organization
- OECD: Organization for Economic Co-operation and Development  
(37 member countries)
- PEP: Politically exposed person
- RJC: Responsible Jewellery Council
- S-ADA: Secure Antwerp Diamond Area
- SDG: 17 Sustainable Development Goals of the United Nations
- SoW: System of Warranties of the WDC
- SPOC: Single point of contact
- WDC: World Diamond Council
- WFDB: World Federation of Diamond Bourses
- WTOCD: Scientific and Technical Research Center for Diamond
- 4C: 4 criteria to evaluate the value of a polished diamond: clarity, carat, color, cut

| GRI STANDARD NUMBER   | DISCLOSURE NUMBER & TITLE                                    | PAGE NUMBER(S), CHAPTER, URL(S) OR DISCLOSURE  |
|---|--|--|
| <b>General Disclosures : GRI 102 : General Disclosures 2016</b> |  |  |
| ORGANIZATIONAL PROFILE  |  |  |
| <b>102-1</b>  | Name of the organization                                     | Page 13  |
| <b>102-2</b>  | Activities, brands, products, and services                   | Pages 8, 13  |
| <b>102-3</b>  | Location of headquarters                                     | Page 13  |
| <b>102-4</b>  | Location of operations                                       | Page 13  |
| <b>102-5</b>  | Ownership and legal form                                     | Page 14  |
| <b>102-6</b>  | Markets served   | Pages 7, 8, 13   |
| <b>102-7</b>  | Scale of the organization                                    | Pages 22,23  |
| <b>102-8</b>  | Information on employees and other workers                   | Page 23  |
| <b>102-9</b>  | Supply chain   | Page 31  |
| <b>102-10</b>   | Significant changes to the organization and its supply chain | none   |
| <b>102-11</b>   | Precautionary Principle or approach                          | <i>Not relevant as AWDC has very little direct or indirect environmental impact.</i> |
| <b>102-12</b>   | External initiatives   | Page 24  |
| <b>102-13</b>   | Membership of associations                                   | Page 24  |

|               |                                       |                    |
|---------------|---------------------------------------|--------------------|
| STRATEGY      |                                       |                    |
| <b>102-14</b> | Statement from senior decision-maker  | Pages 3,4          |
| <b>102-15</b> | Key impacts, risks, and opportunities | Pages 3, 4, 12, 67 |

|                      |  |                 |
|----------------------|--|-----------------|
| ETHICS AND INTEGRITY |  |                 |
| <b>102-16</b>        | Values, principles, standards, and norms of behavior | Pages 3, 21, 23 |

|               |   |                      |
|---------------|---|----------------------|
| GOVERNANCE    |   |                      |
| <b>102-18</b> | Governance structure  | Pages 14, 15, 16     |
| <b>102-20</b> | Executive-level responsibility for economic, environmental, and social topics | Pages 18, 21         |
| <b>102-21</b> | Consulting stakeholders on economic, environmental, and social topics         | Pages 26, 27, 28, 32 |
| <b>102-22</b> | Composition of the highest governance body and its committees                 | Pages 14,15          |
| <b>102-23</b> | Chair of the highest governance body  | Page 15              |

| GRI STANDARD NUMBER | DISCLOSURE NUMBER & TITLE  | PAGE NUMBER(S), CHAPTER, URL(S) OR DISCLOSURE |
|---------------------|--|---|
| <b>102-24</b>       | Nominating and selecting the highest governance body                 | Page 15                                       |
| <b>102-29</b>       | Identifying and managing economic, environmental, and social impacts | Page 25, 29                                   |
| <b>102-30</b>       | Effectiveness of risk management processes                           | Page 29                                       |
| <b>102-31</b>       | Review of economic, environmental, and social topics                 | Page 15, 21                                   |
| <b>102-32</b>       | Highest governance body's role in sustainability reporting           | Page 25                                       |

|                        |  |         |
|------------------------|--|---------|
| STAKEHOLDER ENGAGEMENT |  |         |
| <b>102-40</b>          | List of stakeholder groups             | Page 26 |
| <b>102-41</b>          | Collective bargaining agreements       | Page 24 |
| <b>102-42</b>          | Identifying and selecting stakeholders | Page 26 |
| <b>102-43</b>          | Approach to stakeholder engagement     | Page 26 |
| <b>102-44</b>          | Key topics and concerns raised         | Page 28 |

|                    |  |                  |
|--------------------|--|------------------|
| REPORTING PRACTICE |  |                  |
| <b>102-45</b>      | Entities included in the consolidated financial statements | Page 25          |
| <b>102-46</b>      | Defining report content and topic Boundaries               | Page 25          |
| <b>102-47</b>      | List of material topics                                    | Pages 25, 26, 29 |
| <b>102-48</b>      | Restatements of information                                | Page 25          |
| <b>102-49</b>      | Changes in reporting                                       | Page 25          |
| <b>102-50</b>      | Reporting period   | Page 25          |
| <b>102-51</b>      | Date of most recent report                                 | Page 25          |
| <b>102-52</b>      | Reporting cycle  | Page 25          |
| <b>102-53</b>      | Contact point for questions regarding the report           | Page 21          |
| <b>102-54</b>      | Claims of reporting in accordance with the GRI Standards   | Page 25          |
| <b>102-55</b>      | GRI content index  | Page 81          |
| <b>102-56</b>      | External assurance   | Page 25          |

| MATERIAL TOPICS                      |                        |       |   |                  |
|--------------------------------------|------------------------|-------|---|------------------|
| INTEGRITY IN THE DIAMOND VALUE CHAIN |                        |       |   |                  |
| GRI 103                              | Management Approach    | 103-1 | Explanation of the material topic and its Boundary                                  | Page 31          |
|                                      | Management Approach    | 103-2 | The management approach and its components  | Pages 40-48      |
|                                      | Management Approach    | 103-3 | Evaluation of the management approach   | Pages 40, 43, 45 |
| GRI 417                              | Marketing and Labeling | 417-2 | Incidents of non-compliance concerning product and service information and labeling | Page 47          |

| COMPLIANCE |                     |       |  |              |
|------------|---------------------|-------|--|--------------|
| GRI 103    | Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 32      |
|            | Management Approach | 103-2 | The management approach and its components         | Pages 49-52  |
|            | Management Approach | 103-3 | Evaluation of the management approach              | Pages 49, 50 |

| INNOVATION AND FUTURE OF THE INDUSTRY IN ANTWERP |                     |       |  |              |
|--|---------------------|-------|--|--------------|
| GRI 103  | Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 33      |
|  | Management Approach | 103-2 | The management approach and its components         | Pages 53-57  |
|  | Management Approach | 103-3 | Evaluation of the management approach              | Pages 53, 54 |

| ECONOMIC IMPACT IN DIAMOND-PRODUCING COUNTRIES |                           |       |  |                  |
|--|---------------------------|-------|--|------------------|
| GRI 103  | Management Approach       | 103-1 | Explanation of the material topic and its Boundary | Page 34          |
|  | Management Approach       | 103-2 | The management approach and its components         | Pages 58-63      |
|  | Management Approach       | 103-3 | Evaluation of the management approach              | Pages 58, 60, 61 |
| GRI 203  | Indirect Economic Impacts | 203-1 | Infrastructure investments and services supported  | Page 59          |
|  | Indirect Economic Impacts | 203-2 | Significant indirect economic impacts              | Pages 60-62      |

| GOVERNANCE AND DIAMOND INDUSTRY |                     |       |  |                  |
|---------------------------------|---------------------|-------|--|------------------|
| GRI 103                         | Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 35          |
|                                 | Management Approach | 103-2 | The management approach and its components         | Pages 64-67      |
|                                 | Management Approach | 103-3 | Evaluation of the management approach              | Pages 64, 66, 67 |

| BANKING & FISCALITY |                     |       |  |             |
|---------------------|---------------------|-------|--|-------------|
| GRI 103             | Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 36     |
|                     | Management Approach | 103-2 | The management approach and its components         | Pages 68-71 |
|                     | Management Approach | 103-3 | Evaluation of the management approach              | Pages 68-70 |

| DIVERSITY, LOCAL ENGAGEMENT AND COMMUNITY INTEGRATION |                     |       |  |             |
|---|---------------------|-------|--|-------------|
| GRI 103   | Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 37     |
|   | Management Approach | 103-2 | The management approach and its components         | Pages 72-74 |
|   | Management Approach | 103-3 | Evaluation of the management approach              | Page 72     |

| SECURITY AND SAFETY |                     |       |  |             |
|---------------------|---------------------|-------|--|-------------|
| GRI 103             | Management Approach | 103-1 | Explanation of the material topic and its Boundary | Page 38     |
|                     | Management Approach | 103-2 | The management approach and its components         | Pages 75-77 |
|                     | Management Approach | 103-3 | Evaluation of the management approach              | Pages 75-77 |

| OFFICE SUSTAINABILITY |                                 |       |   |                 |
|-----------------------|---------------------------------|-------|---|-----------------|
| GRI 103               | Management Approach             | 103-1 | Explanation of the material topic and its Boundary                                    | Page 39         |
|                       | Management Approach             | 103-2 | The management approach and its components  | Pages 78-79     |
|                       | Management Approach             | 103-3 | Evaluation of the management approach   | Pages 78-79     |
| GRI 403               | Occupational Health and Safety  | 403-1 | Workers representation in formal joint management-worker health and safety committees | Page 24         |
| GRI 405               | Diversity and Equal Opportunity | 405-1 | Diversity of governance bodies and employees  | Pages 14,15, 23 |