

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.

