

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

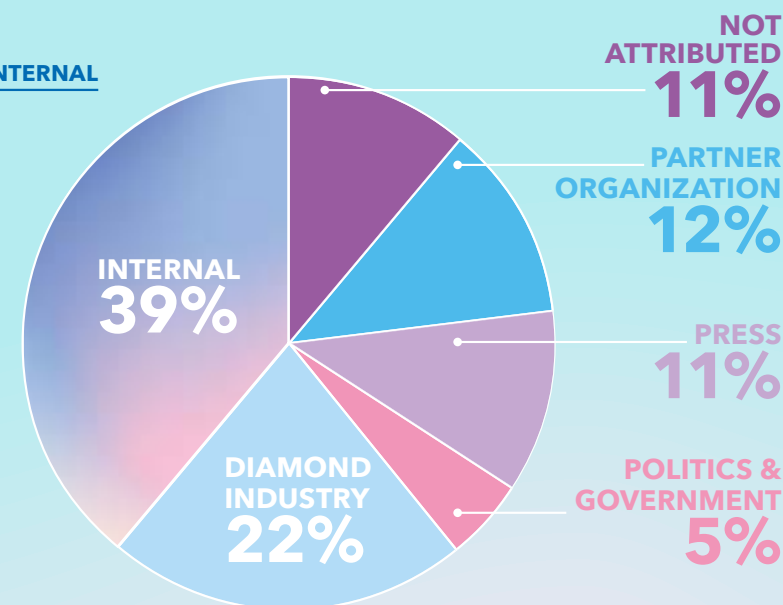
Internal stakeholders

- 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.

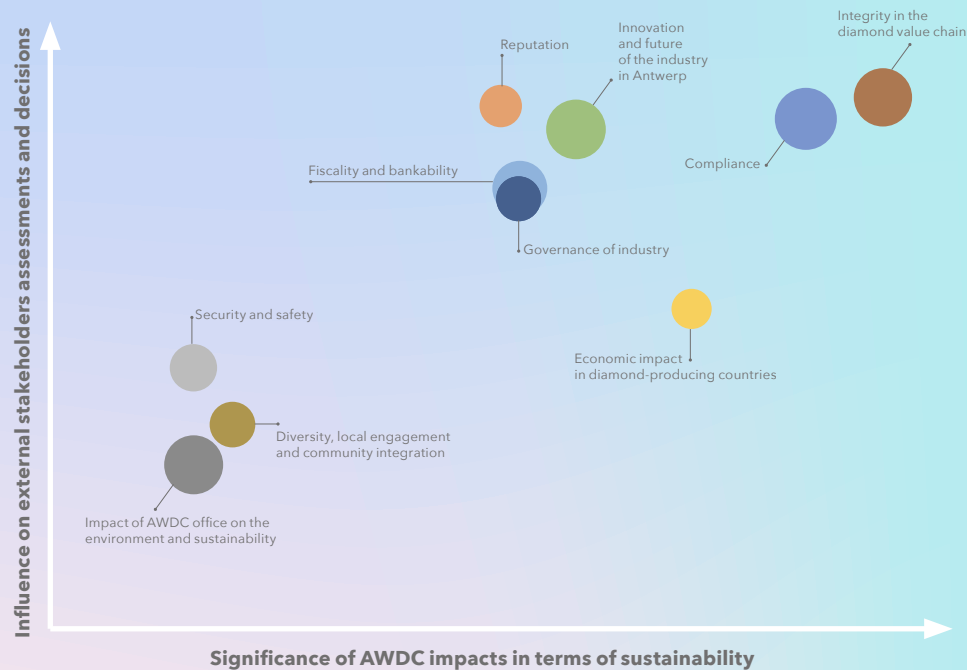
The structure of the AWDC and its positioning in Antwerp is also highlighted as potentially restrictive: with no membership base, and side-by-side with four Bourses, there is a risk of dilution of leverage that can slow its effectiveness.



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								
	 ROUGH DIAMOND PRODUCTION				 ROUGH DIAMOND TRADE				 DIAMOND MANUFACTURING				 POLISHED DIAMOND TRADE				 DIAMOND JEWELRY MANUFACTURING				 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		17.3	17.11																
		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			