

ROSY BLUE

GLOBAL COMPACT
COMMUNICATION
ON PROGRESS
2013




ROSY BLUE
MORE THAN DIAMONDS

GOOD CORPORATE CITIZENSHIP

Plays a vital role in our mission
to serve all our customers worldwide.

We're inspired every day by
our employees' passion for craftsmanship.

That is our inspiration behind
our commitment to corporate responsibility.

1 Scope of the report

2 Content



Reporting scope

The scope of this report is focused on entities that form part of the Rosy Blue Business Alliance prior to 31/03/2014.

We believe it is important to only focus on relevant changes as this allows us to focus on the core matters of the Alliance.

The Rosy Blue Business Alliance is composed of:

- > Rosy Blue (India) Pvt Ltd and its subsidiaries in 5 countries, covering 19 entities, hereafter called Rosy Blue (I) (Rosy Blue India)
- > Rosy Blue Investments Sàrl and its subsidiaries in 12 countries, covering 23 entities, hereafter called Rosy Blue (NI) (Rosy Blue Non-India)

Rosy Blue (I) and Rosy Blue (NI) are legally independent from one another and constitute the Rosy Blue Business Alliance that adheres to the principles as set by the Rosy Blue Brand Council. Rosy Blue is a common trade name used by a network of Business Alliance entities, which are distinct, privately owned and independently managed.

Reporting period

This report has been compiled to include the results and new publication date of the Best Practice Principles External Audit SGS reports, and as these reports constitute the bulk of our own audit results we have revised the date of this particular annual publication accordingly.

Exceptionally therefore, the scope of this report covers the period from 01/01/2013 until 31/03/2014, except where specifically indicated.

Future publications will be from April to March covering a 12 month reporting cycle.

In preparation of this report, a task force team was organised consisting of staff from all pertinent departments and an external consultant to analyse our sustainability roadmap including stakeholder opinions on the Business Alliance. Based on the analysis results, material priorities were identified for this report in the following areas:

- > Respect for human rights and working conditions
- > Product integrity
- > Environment
- > Community development

This report is inspired by the Global Reporting Initiative G4. To ensure the credibility of the report content on social audit results, this report has received third party assurance. The assurance statement is on page 82.

For further details on this report, please visit www.rosyblue.com

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3 Statement of continued support to the UN Global Compact

UN Global Compact principles

In 2008, Rosy Blue committed itself to the United Nations Global Compact. This commitment includes supporting the ten principles of the UN Global Compact as well as reporting and communicating annually with its stakeholders on progress made to implement the principles. In 2011 we became a LEAD Member.

Principle 1

Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2

Make sure that they are not complicit in human rights abuses.

Principle 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4

The elimination of all forms of forced and compulsory labour;

Principle 5

The effective abolition of child labour;

Principle 6

The elimination of discrimination in respect of employment and occupation.

Principle 7

Businesses should support a precautionary approach to environmental challenges;

Principle 8

Undertake initiatives to promote greater environmental responsibility; and

Principle 9

Encourage the development and diffusion of environmentally friendly technologies.

Principle 10

Businesses should work against corruption in all its forms, including extortion and bribery.



4 Foreword

As one of the world's leading global diamond companies, Rosy Blue has always strived to operate in a sustainable manner. Whether we are taking steps to improve labour standards, enhance safety, understand our environmental impact or expand our community engagement, we continuously work to create economic value and make a positive, lasting impact in every market we serve.

In 2008 we committed to the 10 principles of the United Nations Global Compact, and for the past two years we have worked hard on the topic of children's rights. Rosy Blue is also a proud founding and certified member of the Responsible Jewellery Council.

To further enhance our CSR programme, we established 'Roadmap 2016', based on what is material for our company. Our progress is on track in some areas but can be improved in others, and so during the last year we took both large and small steps to create further efficiencies and build reporting capacity. We believe it is critical to harmonise with other standards and initiatives wherever possible.

As you can see from our report, considerable effort has been placed on creating a sustainable gold supply chain as product integrity becomes ever more important.

Looking at our business, the last two years have been challenging in the diamond industry as diamond prices experienced considerable turbulence after their peak in mid-2011. Rosy Blue continues to be a strong player throughout the entire diamond pipeline, both in terms of the goods that we manufacture and trade, as well as maintaining a balanced portfolio of businesses. And it is this balance, coupled with our focus on value addition, which has enabled us to respond to these challenges positively and effectively. As a result, in 2013 our continued transparent and open relationship with our stakeholders enabled us to retain their confidence in our business.

We strongly believe that partnerships among people and organisations with a shared vision are the key to a sustainable business model. No single company, organisation or government can do everything – partnership is the key. We look forward to working alongside our employees, industry associations, mining houses, our customers and government to leave a positive, measurable and lasting contribution to our planet and our society.

We are proud of what we have achieved together this year and excited about opportunities to improve this even further in the future.

We welcome your feedback on our performance.

Amit Bhansali
Managing Director Rosy Blue NV



Amit Bhansali

“We look forward to working with all our stakeholders to leave a positive, measurable and lasting contribution to our planet and our society.”

Amit Bhansali

Foreword

Rosy Blue India has a rich heritage of more than 50 years, spanning three generations. This success has been driven by the confidence of not only our customers and suppliers, but also our stakeholders, including our employees, their families and the communities in which we operate.

Diamonds, the product that we deal in, demand the highest level of ethical integrity to meet and then exceed the confidence our consumers require from our product. We have always adhered to the exacting standards demanded by our suppliers and have been at the forefront of setting the bar for the industry, be it the implementation of Best Practice Principles of De Beers or standards set by the Responsible Jewellery Council.

With changing times, we have continually stepped up our efforts, whether it is the ability to meet Dodd Frank related regulations or the Signet Responsible Sourcing Protocol.

Whilst we remain passionate about our commitments to our customers, suppliers, employees and stakeholders, we have always believed that there is much more to being an integral part of society than just meeting their expectations. While our efforts in this direction, though vast, had been focused more at a personal level, we have now started to channel our efforts more fruitfully through the formation of the Rosy Blue Foundation.

The Rosy Blue Foundation is a charitable organisation founded in 2010 with the noble cause of providing relief and aid to the weaker and under-privileged sections of our society. Its main area of activity is educational and medical, to support needy people and organisations. The Foundation provides direct financial help for medical treatment for poorer patients, as well as gives direct financial help to needy students by paying their school, college or coaching classes fees. It has given a sizeable donation to SUPPORT (Society Undertaking Poor People's Onus for Rehabilitation) Foundation that is working to improve the life of street children.

The Foundation's future plans are to open schools and colleges especially for students in rural and deprived areas.

We are confident that the only way we will continue to grow sustainably our business over the next 50 years is if we continue to remain relevant to society by helping to improve the lives of the communities where we live, work and serve.

We welcome your feedback.

Russell Mehta
Managing Director Rosy Blue India Pvt. Ltd.



Russell Mehta

“We are confident that the only way we will continue to grow sustainably our business over the next 50 years is if we continue to remain relevant to society by helping to improve the lives of the communities where we live, work and serve.”

Russell Mehta

CSR experts of the Rosy Blue Business Alliance



Message CSR committee

Welcome to Rosy Blue's Report to Society.

This report is organized around the four pillars underpinning our priorities (1) Respect for human rights and children's rights, (2) Product integrity, (3) Environment, (4) Community development. Every one of them is absolutely essential to build consumer confidence and trust in our relationship with society.

We recognize the great responsibility in connecting our 5000 people with our customers, handling and protecting the diamond and jewellery chain. Today, we serve approximately 3000 customers, ranging from small, to large, multinational companies with thousands of employees spanning the globe. From our humble beginnings as a local business in 1963, we have expanded through our network of business alliance entities to become one of the world's largest diamond, manufacturing and jewellery players.

As a whole, the corporate responsibility work of business alliance partners covers the entire value chain of Rosy Blue and focusses on the areas where we have the biggest impact.

The first priority is to empower our people and their families to achieve economic independence and to build sustainable communities wherever we have operations.

When it comes to our second pillar, product integrity, we continuously have worked hard internally and externally in partnership to enhance monitoring and building additional capacity as trust in our product is the brand promise that we embrace. Product integrity has been one of our main themes during the past year.

The third element of Rosy Blue's Corporate Responsibility is Environment where we are targeting absolute reduction in greenhouse gas emissions by 2016.

And our fourth pillar community development, giving back to the world around us has always been a part of who we are, and for over 50 years we have been passionately transforming the communities we serve. We believe this could be the most important investment in a peaceful and prosperous future not only for our children, but those of coming generations.

We are pleased with the progress made, but many challenges remain before us. We welcome your feedback on our efforts to date via CSR@rosyblue.com.

Your input will help us meet the expectations of our stakeholders and address the topics that matter most in an open and transparent manner.

Iris Van der Veken
Manager Corporate Affairs



5 Our business at a glance

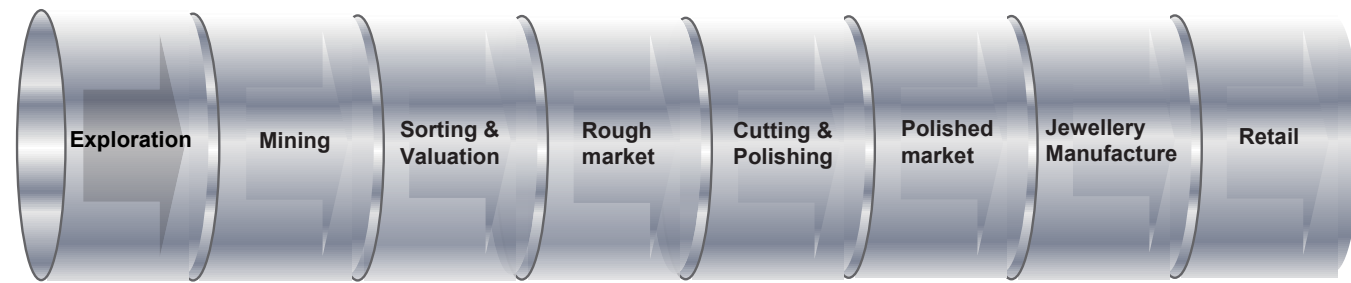


The diamond jewellery supply chain, known as the diamond pipeline, is the process that brings diamonds from the earth's core to the consumer. The stages in the pipeline include exploration, mining, sorting, polishing, dealing, jewellery manufacturing and, ultimately, retail. The entire process from mined rough to polished stone generally takes from 18 to 30 months, with larger stones moving faster through the value chain.

In this section:

- A. The diamond pipeline from mine to consumer
- B. Positioning Rosy Blue in the diamond pipeline
- C. The dynamics in the diamond industry

5.A The diamond pipeline from mine to consumer*



Exploration

Diamonds are found all over the world with companies investing in exploration, always looking for a new, substantial source.

Formation

Diamonds are beautiful, mysterious and rare. They survive an incredible journey to reach us, a journey that may have begun as long as 3.3 billion years ago. They are created when carbon is put under immense pressure and temperature deep within the earth, at distances of 250 miles or more.

One of nature's most unique and dazzling gifts, diamonds come from two types of deposits. Primary deposits generally consist of diamond-bearing 'pipes' of a volcanic rock called 'kimberlite'. From deep in the earth these deposits were carried to the surface in molten rock, known as magma. Secondary deposits, also referred to as alluvial, were formed as a result of erosion of material from primary deposits and contain diamonds that have travelled some distance from their original source.

Even though world diamond production has tripled since 1980, diamonds remain a scarce resource. More than 12,000 kimberlite deposits have been found worldwide in the last 25 years, yet fewer than 1% have contained enough diamonds to make them economically viable. Geologists utilise many methods in diamond exploration, including satellite surveys, reconnaissance sampling and drilling in the ground. Some diamond producing countries include Botswana, Canada, Namibia, Russia, South Africa, Australia, and Tanzania.

Mining

Diamonds come from two types of deposits; each type requires special mining techniques. Primary deposits, in which diamonds are contained in kimberlite pipes, require open pit or underground mining operations. Secondary deposits are defined as diamonds that have travelled from their original location due to erosion. These require alluvial mining, which uncovers diamonds in riverbed, coastal and marine/undersea locations.

Regardless of the way diamonds are mined, enormous investment and technical skills are necessary to construct, maintain and operate a mine. In open pit and underground mines, the ore is crushed to uncover the diamonds. Coastal mining involves the excavation of sand to find diamonds. Undersea mining entails drilling into the seabed to recover diamond-bearing gravels. Riverbed mining is often on an informal, smaller scale, and is also known as artisanal digging, and involves the most basic of equipment, such as sieves and pans, to find diamonds.

Over the years there have been many amazing diamond discoveries. Some of the most famous include:

The Cullinan - found in South Africa in 1905, it remains the world's largest gem-quality diamond, weighing 3,106 carats uncut.

The Tiffany - discovered in the Kimberley Mine around 1877, this 287.42-carat diamond was turned into a 128.54-carat yellow cushion cut with 90 facets. It is the icon for Tiffany and Co.

The Golden Jubilee - unearthed at the Cullinan mine in South Africa in 1986, this 755.50-carat fancy yellow-brown diamond is now the largest cut diamond in the world, weighing 545.67 carats.

The Jonker Diamond - at the time of its discovery in 1934, this 726-carat diamond was the fourth largest gem-quality diamond ever found. In 1977, it was sold for a reported \$2,259,400.

Sorting

Once mined, rough diamonds are delivered to sorting experts who categorise and assign a value to them. It is here that industrial quality diamonds, which are small, lower quality stones, are identified. These industrial diamonds are then used in equipment such as drill bits and lathes.

Those diamonds that are of gem quality are classified into thousands of categories based on size, shape, quality and colour. The majority of diamonds fall within a range of standard colours from colourless to faint yellow or brown tints. Almost all rough diamonds have some distinguishing marks, known as inclusions, which make each one unique.

Manufacturing

After being cut, polished and categorised, diamonds are then sold via one of the 24 registered diamond exchanges (also known as 'bourses') located around the world or, direct to wholesalers or diamond jewellery manufacturers.

Manufacturers craft diamond jewellery commissioned by a retailer or other jewellery designers. They may also create jewellery – designed by in-house teams – and sell it direct to retailers. Transforming loose diamonds into jewellery takes great skill, creatively and technically.

Diamond manufacturers create pieces with all kinds of precious stones and metals. The most popular setting is the solitaire, for rings, earrings or pendants. But there are countless exciting designs that can be found in retailers around the world.

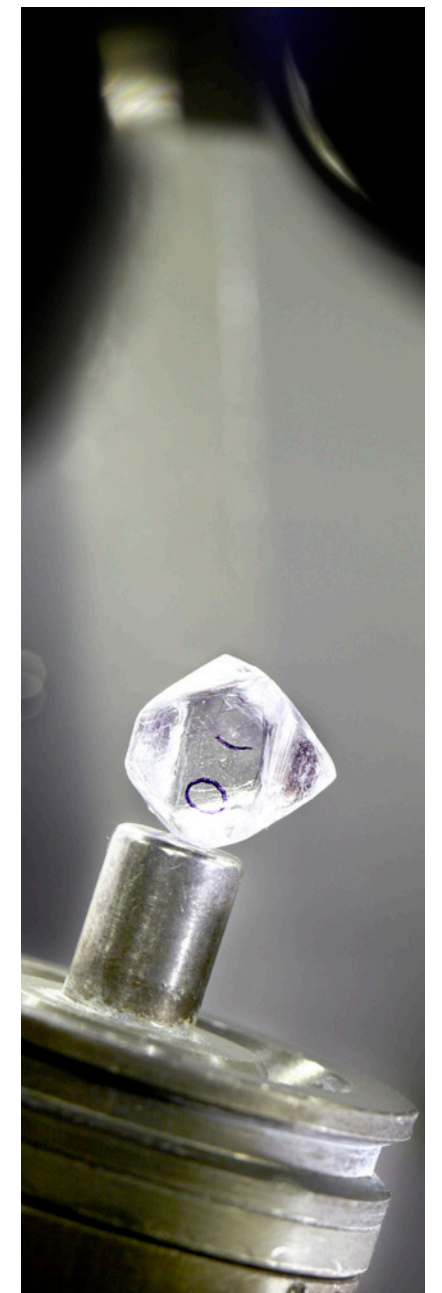
Retail

No gemstone expresses human emotions more powerfully than a diamond. It may be because of their rarity, may be because they have been around for billions of years, or it may simply be because of their unique beauty and universal appeal.

For hundreds of years, diamonds have been given to celebrate important moments in people's lives such as engagements, weddings, anniversaries and the birth of a child. Today, more and more diamonds are being bought as symbols of independence and success.

Whatever the occasion, there are thousands of jewellery retailers around the world providing many styles from which customers can choose the perfect diamond design.

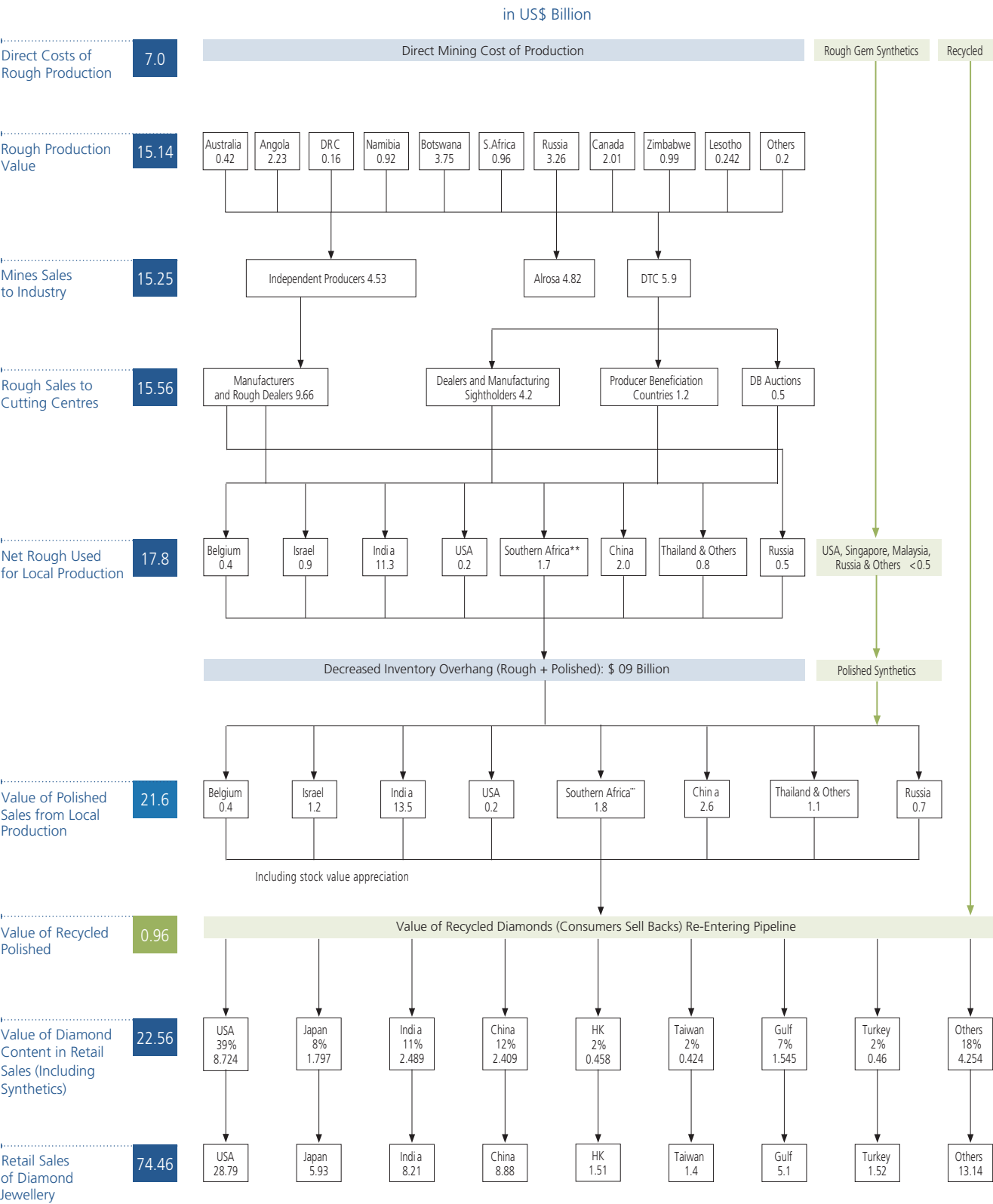
“Diamonds obtain their unique and beautiful structure deep inside the earth from extreme heat and pressure, from as long as 3.3 billion years ago.”



* Source: <http://www.diamondfacts.org>

Tacy's 2013 Diamond Pipeline (Provisional)*

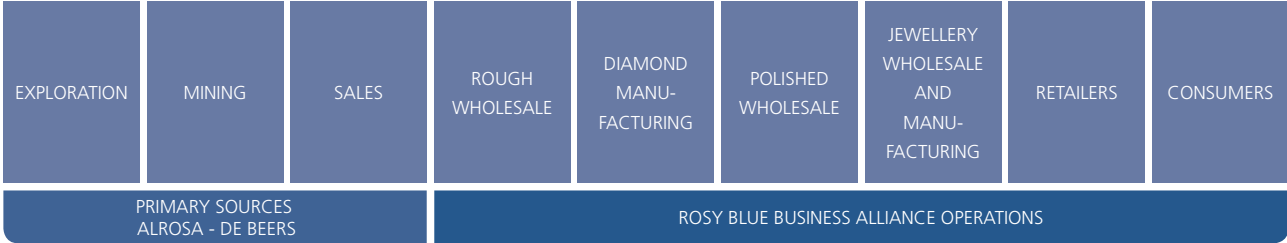
The diamond trade is many layered and diamond parcels change ownership many times during their journey from a mined rough diamond to the finished jewellery piece. At each stage as they are sorted and re-sorted as per buyer requirements and made in larger marketable lots. This can unduly increase turnovers. The pipeline view of the industry takes away all this double counting of transactions and each stone is accounted for only once, as it passes through the pipeline. This analysis has been done by Tacy for over 15 years and it provides a clearer picture on the actual state of the industry.



* Source: Tacy's 2013 Diamond Pipeline - Chaim Evan Zohar



5.B Positioning Rosy Blue in the diamond supply chain

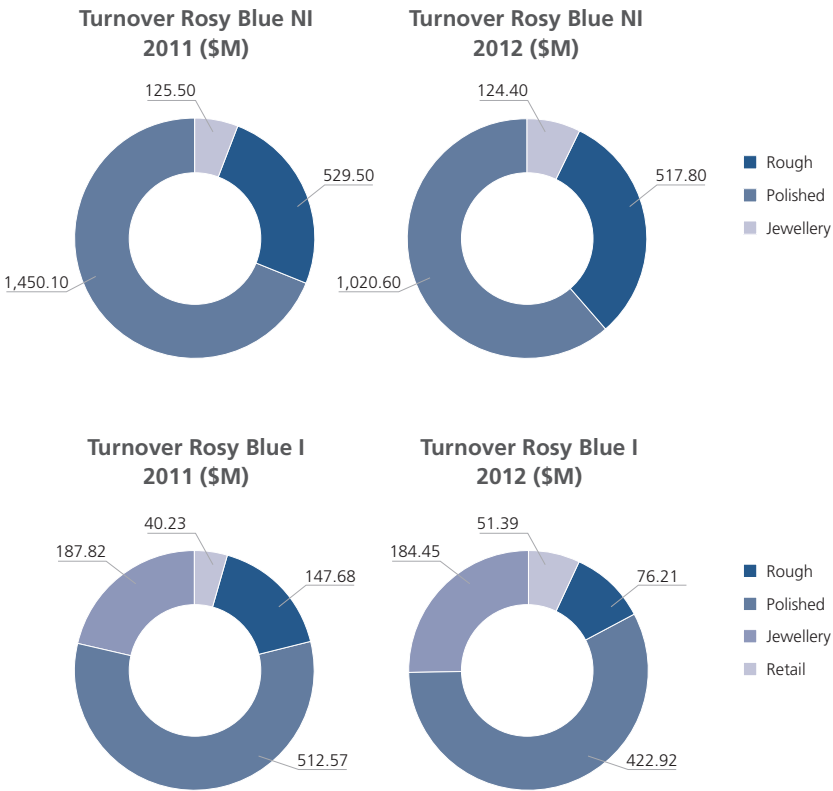


The Rosy Blue Business Alliance is one of the world’s foremost diamantaires, with a long and distinguished history of excellence in the diamond industry. One of the business alliance entities began trading as B Arunkumar more than 50 years ago and continues to be a leading, trusted and successful player in the Indian diamond industry. Thanks to a global marketing arrangement, several entities now operate in 14 countries around the world under the Rosy Blue Alliance umbrella. Each company within the business alliance seeks to build the Rosy Blue brand.

Rough diamond procurement

Our close relationship with the world’s premier diamond mining companies, including De Beers Global Sightholder Sales (DBGSS) and Alrosa, means we can depend on an unrivalled supply of rough diamonds. This means we can assure our clients of a consistent, regular supply of stones well into the future.

The rough procurement and polished diamond divisions off the respected alliance entities are in continuous, open communication. This enables us to tailor our procurement as tightly as possible to the real-time demands of our customers.



Diamond manufacturing

Our reputation is built on our manufacturing capabilities. We have key production centres around the world, combining the traditions of diamond craftsmanship with the world’s most advanced cutting and polishing technology. We manage our production with an advanced series of internal control mechanisms to drive quality and maintain the integrity of the pipeline. Our state-of-the-art factories are both efficient and innovative, benefitting from constant upgrades to improve our production and ensure it continues to meet the highest technical standards. Our production ranges from rounds (from 0.005pts to 10cts+) to calibrated princess diamonds (from 0.03pts to 10cts+) as well as a wide variety of fancy shapes.

We continually innovate, developing and investing in our manufacturing technology and processes to maintain our leadership position in the global diamond industry.

Today, the Rosy Blue Business Alliance has evolved a value-driven approach to manufacturing, aiming at every stage to maximise the value of the rough stone through superior makes and special cuts, from speedier delivery and from ever more accurate projections of demand. From large programmes of fine makes to distinctive special cuts, our aim is always to deliver what the customer needs.

Polished diamonds and distribution

The Rosy Blue Business Alliance is known worldwide as a market-maker in polished diamonds. By combining our own manufactured diamonds with polished stones sourced from the open market, we ensure a consistent depth of inventory to meet the needs of our many different clients.

Our clients are a diverse group, ranging from the world’s most prestigious international brands to large chain retailers catering to every price point, as well as small, speciality jewellers. As one of the world’s largest diamantaires, we are one of the few companies that can consistently meet the diverse needs of our client base.

What we stand for:

- Financial strength and stability
- Stable rough supplies
- Understanding of market dynamics
- Pipeline integrity guarantee
- Strategic downstream partnerships
- Extensive quality and size range from in-house production
- Global track record in branded and ‘special cut’ programmes
- Strong commitment to ethical business practices

“The Rosy Blue brand acts as a promise to suppliers, customers and partners they can expect when dealing with any member of the business alliance.”

Dipu Mehta

The scale of our international manufacturing and procurement operations means we can offer a comprehensive range of high-quality polished diamonds. We are able to meet orders swiftly, efficiently and to exceptionally high standards.

We have teams of key account managers across the world buying and selling specific weights and qualities of polished stones. These experienced specialists are also in close touch with our rough diamond procurement operations, allowing them to quickly pass on details of a customer's requirements. This means our rough procurement experts can focus on sourcing the stones to meet those needs, creating an unusually responsive and client-centred pipeline.

Jewellery manufacturing and distribution

At every stage of the manufacturing process, product quality is the essential first step towards our ultimate goal, which is to bring outstanding service and added value to all our clients. Inter Gold is the jewellery manufacturing arm of Rosy Blue (I) and is itself one of the largest diamond jewellery companies in the world. Our marketing and distribution network spreads across the globe, with special expertise in the United States, Europe, Japan and Asia Pacific, each zone backed by a local service desk.

Retail

Orra, Rosy Blue I's retail chain in India, has 35 shops selling a full range of diamond jewellery and offering a one-stop-shop experience for the customer.

Our people

We foster an inclusive culture that encourages leadership, excellence and innovation in our employees.

The Rosy Blue Business Alliance is known for its exceptional diamond manufacturing expertise and customer service and it is the dedication, knowledge and excellent performance of our staff that continue to make our alliance great. We view diversity in the broadest sense and have drawn our workforce from 27 countries, across cultures, genders, religions, languages and social backgrounds. This mixture of talents and innovative ways of thinking helps us reach customers and communities around the world.



“We need the diverse talents and full potential of every individual employee in order for Rosy Blue to excel as a leader in the global marketplace. Our diverse workforce is critical to exploring new ideas and creating innovation.”

Ravi Bhansali,
Member of the Rosy Blue Brand Council



Global Presence of the Rosy Blue Business Alliance

“We want to be a truly global leader in the diamond and jewellery industry by adding value to the supply chain from manufacturing to retail, while caring for our employees and customers, seeking to enrich the quality of life for the communities in which we do business and by serving as good stewards of society and the environment.”

Harshad Mehta



Rosy Blue Non-India (NI)

Country	Diamond cutting or polishing	Diamond grading	Diamond polished sales/buying office	Diamond rough sales/buying office	Diamond sorting	Holding Co.	Jewellery manufacturing with gold	Jewellery retail	Jewellery trading	Administration
Armenia	•	•	•	•	•					•
Belgium	•	•	•	•	•					•
China	•	•	•		•		•			•
Hong Kong			•	•	•	•	•		•	•
Israel			•	•	•					•
Japan			•		•				•	•
Luxembourg						•				•
South Africa			•	•	•	•				•
Sri Lanka	•	•			•					•
Thailand	•	•			•					•
UAE			•	•	•				•	•
USA			•		•				•	•

Rosy Blue India (I)

Belgium									•	
Hong Kong			•	•			•			•
India	•	•	•	•	•	•	•	•	•	•
UAE			•	•						•
USA									•	•



5.C The Dynamics of the Diamond Industry

The last 24 to 30 months have been a difficult period for the diamond industry in general. The excellent results of 2011 were followed by a diamond price decline of nearly 25–30% over the next two-and-a-half years. Diamond inventory is the largest asset for companies and the entire sector has struggled to digest these inventory write-downs.

2011 – Balancing demand

The demand for jewellery increased by more than 10% overall in 2011, an unprecedented rise in recent times. Consequently, there was increased demand for polished and rough, spurred by both restocking and replenishment sales. However, these increases were unbalanced. The first half of 2011 saw the industry achieve price increases of nearly 40–45% driven by lower supplies. As the market realised in Q3, that it had overshot the actual demand, it saw an abrupt correction during which prices dropped by nearly 15–20%. This drop was also accompanied by a sudden fall in turnover as the industry had overstocked the pipeline.

In Q2 2011, the focus for the industry and retailers was on managing stock levels and bank lines. The cushion provided by the price increases in the first half provided the industry with the balance sheet strength to withstand the drop and ride out the slowdown in demand. Despite the seesawing in prices, the overall price increase of more than 20% meant that the year was a very good one for the diamond industry.

2012 – Managing the fallout

2012 began on a stable note on the back of the 2011 season. The global growth in diamonds at retail was about 2%, as a result of the price surge in 2011. Retailers usually focus on price points and have little leeway in changing prices midway through a season. The price rise in 2011 squeezed retailers' margins. In 2012, retailers changed their designs to meet their margin expectations by reducing the diamond content in their jewellery, which affected the demand for diamonds. The demand was also affected by consumer reaction to prices. Consumers, especially in China, which was the largest growth market, started accepting lower colours and lower qualities of diamonds, thereby depressing demand for better quality diamonds compared to that for lower quality goods.

The effect was that the anaemic demand on the retail side was insufficient to offset the lack of stocking demand and overall the demand for polished fell by more than 7%. Rough demand dropped even further.

While polished prices started softening in the second quarter, the primary rough producers, who typically sell on long-term contracts, maintained the rough prices well above secondary rough market levels. The polishing industry was able to absorb these losses to a point, as they were coming off a strong year in 2011. Matters came to a head in Q3, however, and producers had to reduce their prices by 15–20%, bringing prices nearly in line with secondary rough prices.

In 2012, the industry also witnessed a divergence in demand as smaller and higher quality diamonds underperformed in the overall market, driven by the changes in retailers' designs and consumer demand. The watch sector, which was another large consumer, also showed low or no growth due to slowing demand in China.

2013 – Stability now and in the future

2013 again started slowly, but the end of the 2012 season resulted in an upturn in demand in the first quarter. Overall demand for diamonds at the retail level increased by more than 3%, while polished growth was at about 5%.

The demand from the developed markets remained healthy and while Chinese demand was stable, growth was slow as the Chinese government moved to limit gift giving, which affected the luxury and jewellery markets. Demand for diamonds was also affected by the unprecedented increase in demand for gold as prices fell.

The big underperformer was the Indian market, which was affected by the Indian Rupee dropping nearly 25% in value before the central bank took action to restore confidence and stabilise the fall at about 15%. This affected the demand in dollar terms. The policies announced by the government also reduced the funding for gold in the local market, where India was the largest importer. This affected retailers who used available resources to fund their gold stocks. These measures also affected smaller and better quality goods, of which India is a large consumer.

The bigger impact of the Rupee movement was on liquidity in the industry. The industry, which was already coping with higher rough prices, found that bank lines that were sanctioned in Rupees were insufficient to buy dollar denominated roughs as the Rupee value dropped. This liquidity squeeze, along with the drop in Indian demand, put the industry through a difficult time in Q3 2013, especially in smaller sizes. The situation eased in Q4 as rough prices dropped slightly and the Rupee stabilised and even strengthened coupled with strong Chinese demand.

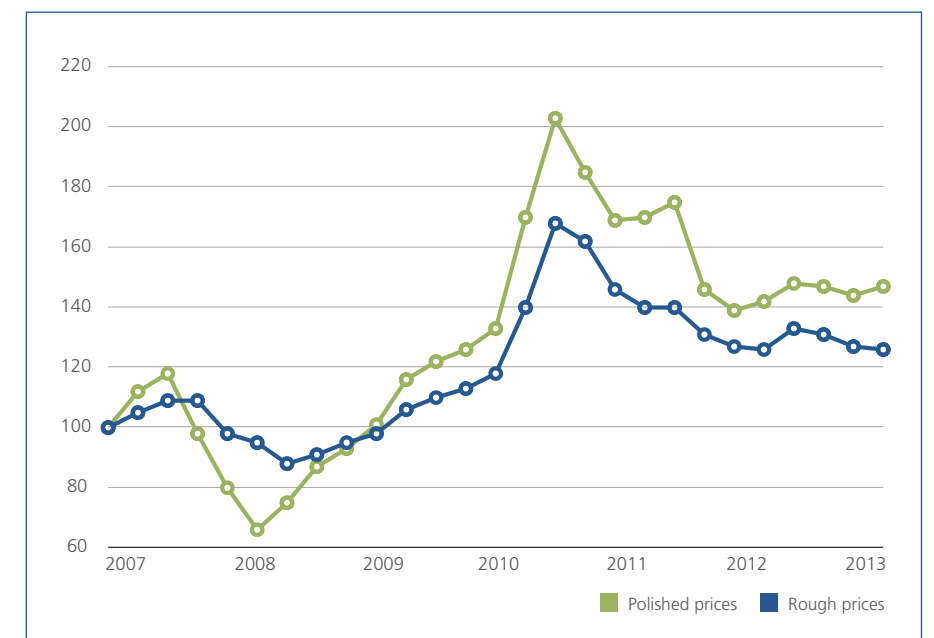
Overall, the year was one of stabilisation where prices were flat. Lower price volatility allowed the industry to start focusing more on its core manufacturing strengths. In 2013, the industry was able to find its feet after the slide in 2012 and was able to establish the basis for future growth in 2014.

The Impact on Prices

The Rosy Blue price index clearly illustrates the price fluctuations of the past three years. The index is comprised of 16 different diamond categories and is compiled quarterly with input from all Rosy Blue's global locations. The index displays the various price fluctuations discussed.

The index shows the overall dollar price movement of rough and polished diamonds. The same index, when converted into Indian Rupees, shows a totally different scenario. When considered in Indian Rupees, the index is near an all-time high, with the drop in the Rupee offsetting the drop in diamond prices. This softened the impact of dropping diamond prices on the balance sheets of Indian companies, compared to those of their global peers.

Rosy Blue price indices



The Impact on Diamond Polishing Companies

In general, diamond polishing companies, especially those dealing in smaller sizes, were wrong-footed over the last two years. Coming out of 2011, when demand had increased, most companies began to increase capacity. During the next couple of years, as rough prices broadly remained above that of polished diamonds, polishing facilities struggled to keep the factories fully occupied at their increased capacities. Polishers were also surprised by changes in demand pattern over the last few years. Companies whose production was geared towards smaller and better goods faced a greater drop in demand, while producers of cheaper goods were less affected.

Many established factories used this period to begin to upgrade their manufacturing processes and look for efficiencies across operations to meet the margin challenges that they faced.

The slim margins allowed by the primary producers pushed some of companies to reduce their production in Q4 2013. This allowed the market to manage inventories and enter 2014 on a very positive note.

Diamond Trading Companies

The major development in the polished trading markets was the increasing depth of the Indian market. India had always been the major polisher of rough but the Bharat Diamond Bourse provided the necessary infrastructure for Indian companies to expand trading activities. There was an increase in direct buying from India by global retailers compared with other centres.

These activities were also supported by Indian banks that focused on Rupee balance sheets. Balance sheet impact on Indian companies was softened due to the weakening of the Indian Rupee. This enabled companies to increase their stock to support their trading activities.

Globally, traders were affected by the overall reduction in liquidity, caused both by stock losses as well as by banks looking to reduce their exposure to the diamond sector, though only a few of their measures were implemented in 2013.

The threat from lab-cultivated diamonds

The industry also faced a few instances in which lab-cultivated diamonds were found to have been mixed up with and were being sold as natural diamonds. Initial concerns have been answered by a better understanding of the extent of the mixing as well as more testing. In the longer term, the industry will need to adopt regular testing as lab-cultivated diamond production increases.

Rough producers

The period from 2011 to 2013 saw a gradual increase in production. Diamond production eased up in 2012 and also in 2013 as miners started increasing production from existing mines. Most producers increased production, including De Beers and Alrosa. In the latter part of 2013, the Argyle mine also started its underground operations. It is expected to produce significant quantities of rough from 2014, but its production is of much lower value.

There were significant structural and ownership changes among the major rough producers. Anglo American completed its takeover of De Beers from the Oppenheimer family. Alrosa also became a publicly listed company when it sold some of its shares to investors in late 2013. BHP divested its diamond business, which was purchased by Harry Winston, and later renamed its entire business Dominion. Rio had also indicated that it would sell its diamond division, but finally decided against it. At one point, in early 2012, nearly 75% of the global diamond production capacity was either up for sale or was being negotiated.

However, from a market perspective, the most significant action by producers was on the rough pricing front, especially by primary producers who sell on longer term contracts. While rough market prices were followed upwards during a rising market, the reduction was much slower when secondary rough prices fell. This meant losses for diamond producers and traders who purchased directly under long-term contracts.

These actions affected banks’ confidence in the diamond industry. Bankers viewed the



lowered profitability as affecting the ability of companies to repay their borrowing. As a result, a few large international banks are in the process of reducing their exposure to the diamond industry as a whole.

Banks

Banks have been partners to the industry for a long time and the support of the banks, especially Indian banks, during the 2008 to 2009 crisis helped the industry to stabilise quickly and come out much stronger. Currently we have the opposite scenario. From a legislative standpoint, banks are grappling with Basel 3 and Anti Money Laundering norms. With these compliances in mind, some smaller banks decided to move out of the industry.

Banks in the industry, including Indian banks, were also affected by a few cases of delayed payments and non-payments over 2012 to 2013, which have shaken confidence in the diamond industry. What is being questioned is not just the ability, but also the will of some of the promoters to repay loans. A few larger banks have started to fine-tune their lending and the effects of this will be felt in 2014.

Banks have also reacted to the pricing policies of rough producers, with a few banks now keeping margins in the case of rough purchases. While the transparent, larger and better-managed companies are still able to access finance, the smaller companies in the industry are struggling.

2014 has started out on an upbeat note, buoyed by the positive Christmas season and stable Indian Rupee and overall better world financial markets. The industry will be expected to work down its debts as banks reduce the funding available. The industry needs to strengthen its relationships with both rough producers and the banks by bringing in greater transparency to ensure an all-round uplift for the industry.

Our response to the crisis

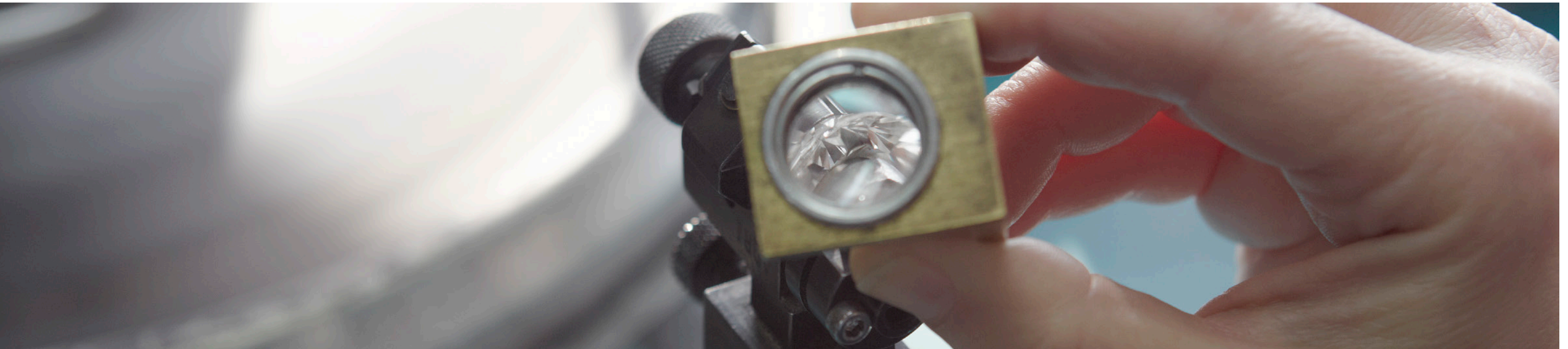
The Rosy Blue Alliance manufactures and trades in a wide variety of goods, across all sizes, qualities and shapes. This breadth enabled the business alliance partners some flexibility in focusing manufacturing in areas where there was still a demand for goods.

The Alliance also has strength in all aspects of the supply chain, be it rough sourcing, rough trading, polishing, polished trading, jewellery or retail. This gave Rosy Blue a balanced platform and meant it could take advantage of opportunities in all areas of the supply chain. It also provided first-hand and real-time information, enabling the overall business to manage risks proactively, thereby reducing the impact of the crisis.

The broadly based business structure, management focus on business sustainability and conservative positioning helped the businesses weather the upheaval within the industry with limited damage to the balance sheets. The ongoing and transparent dialogue with its respective bankers enabled the Alliance to retain their trust and continued access to finance.

This balanced structuring coupled with timely action helped the Alliance to minimise the impact of the industry downturn on the underlying business and its employees.

6 How sustainability supports our business strategy



At the Rosy Blue Business Alliance, we are more than diamonds. We aim to meet the many sustainability challenges of the rapidly changing world we live in. That's our brand promise. We strongly believe that our suppliers and our customers want a trusted partner who understands and integrates sustainability challenges in their business approach.

In this section:

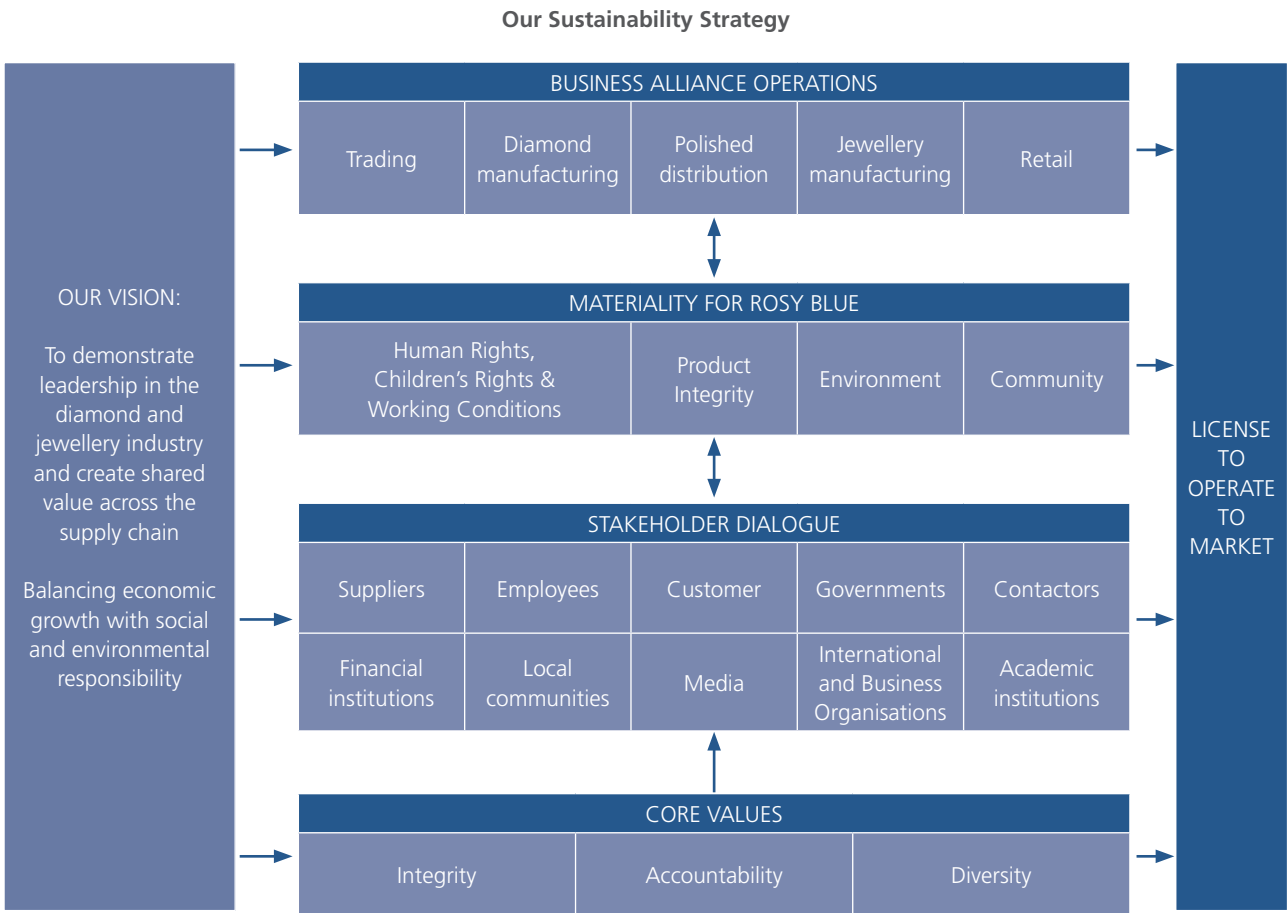
- A. Our vision of sustainability
- B. Our commitments
- C. Our roadmap 2016

6.A Our vision of sustainability

We strive to be the global leader in the diamond and jewellery industry and this demands that we return strong financial results. But leadership is not only about results, it is about balancing interests. We are convinced that Rosy Blue can only be commercially successful over the long term if we balance economic growth with social and environmental responsibilities.

- To help achieve our vision, we have adopted a growth strategy that prioritises 4 areas of greatest relevance in sustainability for our operations:
- > Respect for Human Rights, Children’s Rights and Working Conditions
 - > Product integrity
 - > Community empowerment
 - > Environment

Around the world, we will continue to build knowledge and strengthening our capabilities in the above areas with our customers and suppliers to address their business needs and support their strategic objectives.



Core values

- Our sustainability strategy is rooted in our core values: integrity, accountability and diversity. It is built on more than 50 years of heritage, achievements, and lessons learned.
- > **Integrity:** we strive to do what is right and what we say we will do.
 - > **Accountability:** we are keen to deliver the same promise of trust and craftsmanship to all our customers around the world.
 - > **Diversity:** we embrace the diverse characteristics of all people who work with us and respect their dignity.



Drivers of our CSR strategy

Our strategy is to integrate CSR in a systematic way, into all parts of our operation. Integrating CSR into our operations will help us reduce costs, manage risks, minimize our impacts, attract and retain talent and strengthen our brand and business overall. CSR is the compass that ensures we grow in a responsible way.

How we are organised - global yet local

The Rosy Blue Business Alliance operates in 13 countries. As such, each alliance entity is confronted with different challenges based on the local context in which they operate. All across The Rosy Blue Business Alliance we take a global yet local approach: we work together on a global level to develop our strategic approach while we acknowledge the local diversity within our operations. A CSR liaison meeting is periodically held between all alliance entities to collaborate on promoting CSR activities and to share knowledge and best practices across the operating companies. In general, we have enhanced collaboration with the alliance entities as well as through the regular exchange of the updated information on mutual CSR-related activities.

As a strategic measure with long-term consequences, sustainability management is a task for all the alliance entities around the world. Accordingly, a Corporate Affairs department is at the core of the leadership structure. It holds responsibility for the alignment and steering of our global sustainability strategy. It defines objectives and initiatives, adopts new regulations and adjusts policies and monitors their implementation. At a local level a high degree of individual autonomy and responsibility is given to the local compliance officers to tailor global, all-encompassing directives to local national and cultural needs.

Local experts in each entity receive instructions concerning compliance to their respective entity. Random checks are made regularly and reports from such checks are filed and kept locally accordingly. Strict monthly reporting on well-defined indicators is required all over the alliance entities. Whenever internal standards are not met, these issues are directly reported to the Directors and to the local Management Board, where a corrective plan is agreed upon. In close coordination with the Corporate Affairs Department, the relevant CSR-AML compliance team will manage the necessary corrective actions accordingly. Progress reports are sent back to the local Management Board until the required level of compliance is reached.

Through strong cooperation between the local teams and the Corporate Affairs department and with our local CSR-AML experts throughout the alliance entities, everybody is continuously working to establish and maintain a comprehensive compliance structure. This dual partnership motivates local innovation on CSR initiatives while maintaining and benefiting from Alliance Entities synergies.

“Integrating CSR into our operations will help us reduce costs, manage risks, minimise our impacts, attract and retain employees and strengthen our business overall.”

Rihen Mehta

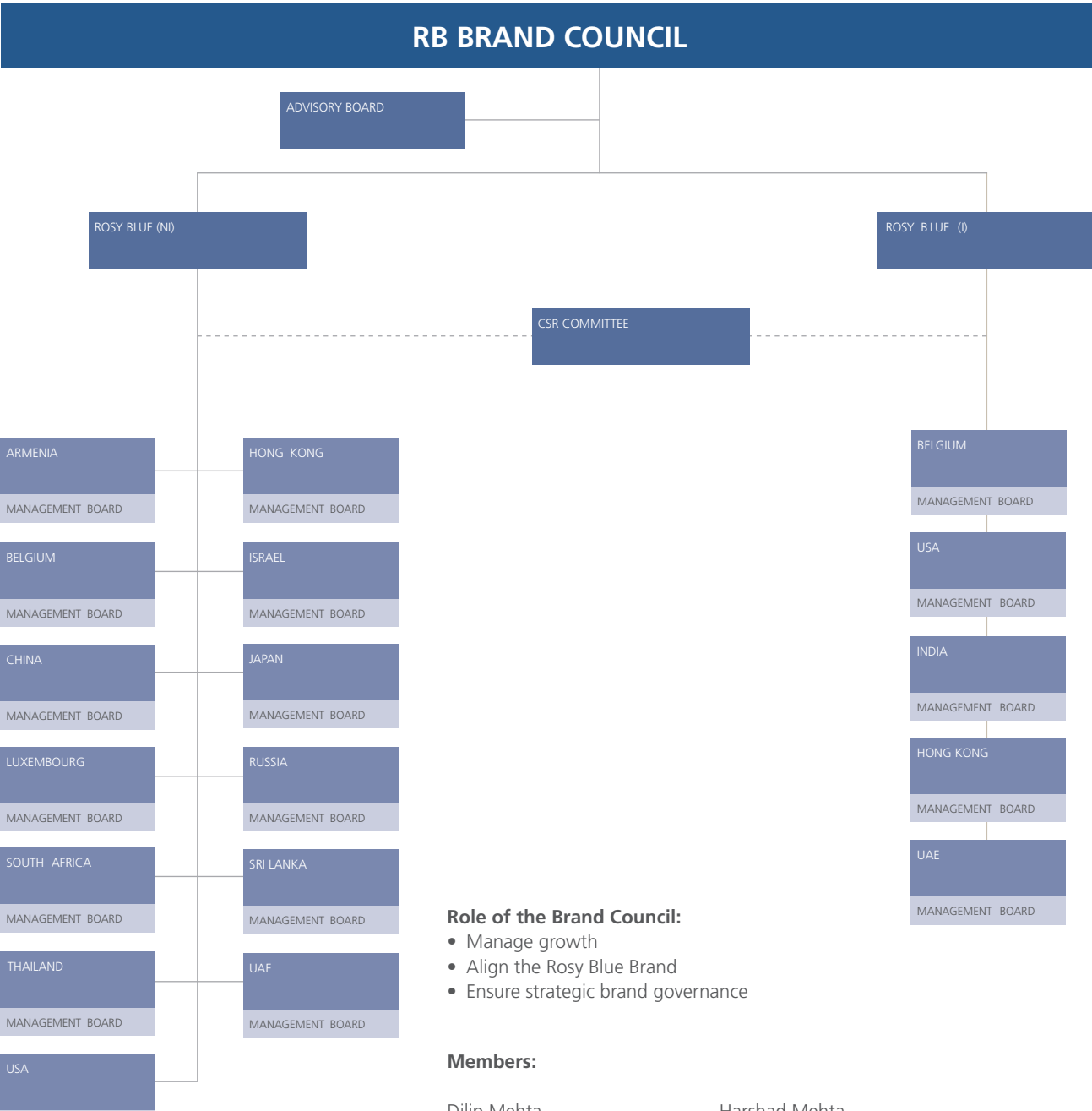
Corporate governance

Our business model is built on trust and mutual respect.

Our task is to maintain the same ethics across our operations

Even though Rosy Blue (NI) and Rosy Blue (I) are two independent legal entities, a Rosy Blue Brand Council has been established to oversee and protect the Rosy Blue brand.

Rosy Blue Brand Council



- Role of the Brand Council:**
- Manage growth
 - Align the Rosy Blue Brand
 - Ensure strategic brand governance

Members:

Dilip Mehta	Harshad Mehta
Dipu Mehta	Rihen Mehta
Vishal Mehta	
Amit Bhansali	Russell Mehta
Ravi Bhansali	Viraj Mehta

Management Board

Role

Each Rosy Blue business alliance entity is governed by a Management Board and covers a certain geographical region with its own profit and loss responsibility within the wider framework of the Rosy Blue brand.

The Management Boards interact regularly with the Rosy Blue Brand Council on its strategic alignment with the Rosy Blue brand.

Each Management Board defines its long-term goals and strategies, and sets forth the principles and directives for the resulting corporate policies. It coordinates and monitors the most important activities, defines the portfolio, develops and deploys managerial staff, allocates resources and decides on its financial steering and reporting.

Each Management Board performs its tasks according to the law, the articles of incorporation and the Board's rules of procedure and works with the company's other governance bodies (AML Committee and Audit Committee) in a spirit of trust. Each Management Board is committed to high standards of corporate governance not only in the areas of accountability and risk management but also as a positive contribution to the Rosy Blue brand. They believe in conducting their affairs in a fair and transparent manner and in maintaining the highest ethical standards in their business dealings.

The Chairman of each Management Board coordinates its work and presides over the meetings. Through regular discussions with its board members, the Management Board is kept constantly informed of developments in business policy, corporate planning and strategy. It also approves the financial statements taking into account the reports by the auditor.



Rosy Blue (NI)

Dilip Mehta
Amit Bhansali
Raj Mehta
Rajesh Mehta
Rihen Mehta
Dipu Mehta
E. Hovhannisyan
Mihir Chodhari
Kunal Mehta
Siddarth Kothari
Romil Kothari
Sanjay Mehta
Liu Yuzeng
David Maier
Tonny He
Denny Ou
Mayank Mehta
Jimit Kapadia
Sumeen Mehta
Anish Parikh
Atul Jhaveri
Sameer Jhaveri
Somen Das
Marius Fernando
Palitha Jayasekera
Sangam Kothari
Birain Parikh
Aashish Jhaveri
Shyam Jagirdar
Tarun Patwa
Nirav Dalal
Sanjay Shah

Rosy Blue (I)

Arunkumar R Mehta
Russell A Mehta
Vishal Mehta
Rajiv Jhaveri
Manali Parekh
Amar Kothari
Swaminatha Sundaram
Murli Mehta
Vijay Jain
Dhruv Shah
Phillip Trott
Subhash Mathur
Hitesh Mehta
Parag Parikh
M. V Chandrashekar

CSR Committee

Role

The CSR Committee is responsible for reviewing and making appropriate recommendations to the different Management Boards regarding Rosy Blue’s CSR management and the conduct of business in accordance with the 10 principles of the Global Compact, the RJC Code of Practices and the internal Rosy Blue standard. Chaired by Iris Van der Veken, Manager Corporate Affairs, its members come from different operational departments and complement each other in terms of their diverse professional experience, expertise and excellent knowledge of the complex supply chain we work in. These are all assets for ensuring the quality of the committee’s work and the preparation of its strategic decisions. The responsibilities of the CSR Committee include the following to:

- Review, discuss and monitor the Corporate Social Responsibility work, including all compliance standards
- Monitor the progress of each entity on compliance against strategic objectives and Key Performance Indicators targets
- Review and discuss the CSR initiatives and goals in light of the overall Rosy Blue brand strategy, including the impact of the initiatives on business objectives
- Review and discuss the CSR strategy, including discussion of applicable social, economic and environmental trends
- Ensure alignment between the implementation of the CSR strategy of the different Management Boards

Members

Iris Van der Veken
Francis Lappen
Palitha Jayasekera
M. V. Chandrashekar
Mohit Gupta (external consultant)

CSR Advisory Board

Role

Rosy Blue has established the CSR Advisory Board in 2008 as a mechanism to provide advice and recommendations regarding Rosy Blue’s CSR activities. When it comes to issues related to CSR, we believe that in addition to the discussions conducted within the business alliance entities, the promotion of opinions from outside experts is extremely important for Rosy Blue as it expands its business activities worldwide with due regard for the concerns of our stakeholders. The CSR Advisory Board consists of a diverse group of external industry leaders with a shared commitment to our mission of building a sustainable corporate environment. We thank our CSR Advisory Board members for their steadfast support in giving their feedback, constructive thoughts and continued guidance, strength and encouragement to further develop our standards within the diamond industry. In 2014 new Board members are being appointed under the chairmanship of Baron Luc Bertrand, Chief Executive Officer, Ackermans & van Haaren.



6.B Our commitments

Rosy Blue is committed to consistently improve its business and operating practices across the value chain and the markets it serves. This is why we engage explicitly in a series of international initiatives which we believe help us progress towards a meaningful social responsibility, tackling the issues most material to our business operations.

The following table highlights the link between the Global Compact Principles and the Responsible Jewellery Council’s Code of Practices and the connection with the Best Practice Principles developed by De Beers diamond mining company.

Topic	GLOBAL COMPACT PRINCIPLES	BEST PRACTICE PRINCIPLES	RJC CODE OF PRACTICES
Legal compliance		•	•
Human rights	Principle 1, 2	•	•
Business partners		•	•
Kimberley process and system of warranties		•	•
Bribery, anti-corruption, facilitation payments and gifts	Principle 10	•	•
Product integrity		•	•
Labour rights and working conditions	Principle 3, 4, 5, 6	•	•
General employment terms		•	•
Working hours		•	•
Remuneration		•	•
Non-discrimination, discipline and grievance practices	Principle 6	•	•
Child labour	Principle 5	•	•
Forced labour	Principle 4	•	•
Freedom of association and collective bargaining	Principle 3	•	•
Health & safety		•	•
Environmental management	Principle 7, 8, 9	•	•
Hazardous substances		•	•
Waste and emissions		•	•
Community engagement		•	•
COMMITMENTS BY ROSY BLUE	Signatory since 2008	Participant and audited annually since 2007	RB NI is certified since 2011 RB I is certified since 2013

Best Practice Principles*

BEST PRACTICE PRINCIPLES

The Assurance Programme

Rosy Blue is a client of De Beers Global Sightholder Sales (formally known as Diamond Trading Company), contractually obliged to abide by the De Beers Best Practice Principles. We are audited annually since 2006 and we have been found to be

compliant to this proprietary programme. Further details of the results are given in this report on page 70.

The BPP Assurance Programme is a systematic means of monitoring the compliance of the De Beers Group of Companies, Sightholders, substantial contractors and, where relevant, their business partners in the diamond industry with the BPPs. It has been developed to provide evidence to supply chain partners, consumers and other

* Source <http://www.debeersgroup.com/sustainability/ethics/best-practice-principles>

interested stakeholders that the exploration, extraction, sorting, cutting and polishing owned or controlled by the De Beers Group of Companies or by Sightholders, are undertaken in a professional, ethical and environmentally friendly and accountable way.

The BPP Assurance Programme * comprises a management system and set of assessment tools, a key element of which is self-assessment using the BPP Workbook. The information provided by completing the BPP Workbook measures compliance with the BPPs systematically, in accordance with the BPP Requirements.

The BPP Requirements incorporate best practice measuring and reporting standards, such as the standard of Social Accountability International (SA8000) and the Global Reporting Initiative (GRI).

For example, the requirements of the BPPs to provide proper working conditions and to ensure the fair treatment of individuals means in practice that the BPPs require freedom of association, adherence to standards relating to health, hygiene, overcrowding, working hours and safety hazards, and the elimination of the use of child labour, discrimination, and forced or bonded labour. This guidance is rooted in the labour standards of many countries and the International Labour Group/Entity/Facility (ILO). The reporting guidelines and performance indicators of the GRI are used to produce BPP Workbooks, which help to provide assurance to a range of different stakeholder groups.

Critically, the BPP Assurance Programme provides a means of checking compliance with requirements relating to anti-money laundering and terrorism financing activities, as well as independent monitoring to ensure that the obligations of the Kimberley Process are satisfied.

Responsible Jewellery Council*



The Responsible Jewellery Council is an international not-for-profit standards setting organisation, co-founded by Rosy Blue (NI) and 13 other organisations in 2005 (ABN AMRO, BHP Billiton/ Dominion Diamonds, Cartier, World Jewellery Confederation, Diamond Trading Company, Diarough, Jewelers of America, National Association of Goldsmiths (UK), Newmont Mining, Rio Tinto, Signet Group, Tiffany & Co and Zale Corporation. RJC Members are committed to promoting responsible ethical, human rights, social and environmental practices in a transparent and accountable manner throughout the industry. Their commitment aims to reinforce consumer and stakeholder confidence in diamond, gold and platinum metals and jewellery products.

Over 450 companies and trade associations have joined the initiative, representing the whole supply chain, from mine to retail. Rosy Blue NI has held the position of Vice-Chair since 2013 and has been actively involved from the start at Board and Committee levels.

The Council has developed the RJC Member Certification system. All Commercial Members of the RJC are required to be audited by accredited, third party auditors to verify their conformity with the RJC’s Code of Practices and become certified under the RJC Member Certification system within two years from joining. Rosy Blue NI was certified in November 2011 and Rosy Blue I was certified in July 2013, both for 3 years. The RJC Code of Practices underwent its first review during 2012-2013.

The RJC strongly supports the Global Compact initiative and has embedded its ten principles in the RJC Code of Practices for Member Certification.

* Source <http://www.responsiblejewellery.com/code-of-practices-2013-english>

“We engage in a series of international initiatives which help us progress towards a meaningful social responsibility, tackling the issues most material to our business operations.”

Mohit Gupta,
Member of the CSR Committee

The United Nations Global Compact



In 2008, Rosy Blue joined the United Nations Global Compact (UNGC), a voluntary framework for businesses committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, the environment and anti-corruption.

From 2010 to 2013, our Manager Corporate Affairs chaired the local network Belgium. In 2011 Rosy Blue became member of Global Compact LEAD. This platform does not represent a “seal of approval” or endorsement by the United Nations. is designed to challenge highly engaged companies in the UNGC to reach further than the 10 principles, to experiment, and to share learnings – both successes and failures.



Mr. Amit Bhansali, Director Rosy Blue NV was one of the key panelists at the launch of the Children’s rights and business principles in Belgium in December 2012. He also participated at the side event Children’s are everyone’s business at the UN Global Compact Leaders’ Summit, ‘Architects of a Better World’ in September 2013.

As a LEAD member, we have concentrated our efforts on the following topics:

- **Children’s rights and business principles in Belgium** – together with Telenet, RB (NI) initiated and took leadership of a multi-stakeholder Children’s Rights and Business Principles forum. It was launched in December 2012 in Belgium.

Two main objectives of this forum:

1. To invite companies, government, academics and civil society to reflect on the important role that they can play in promoting children’s rights and applying them in their policy in Belgium and abroad.
2. To work together with the business world to create structural solutions and bring existing mechanisms in line at all policy levels. The fight against child poverty is, in this context, an important theme for Belgium.



As a result of the work of this forum, a side event was organised in September 2013 alongside the UN Global Compact Leaders’ Summit, ‘Architects of a Better World’. It highlighted children’s rights as key components and drivers for sustainable development, challenging the private sector to contribute to advancing children’s rights in the workplace, marketplace and community.

- **Awareness and education on CSR in India** - In November 2013 Rosy Blue (I) supported the organisation of a high level seminar in cooperation with the GC India and GC Belgium in Mumbai. Indian, Belgian and International high level experts, academics and business leaders discussed the opportunities and challenges of the sustainability agenda in India, including the mandatory policy for CSR spends under the new Companies Act.

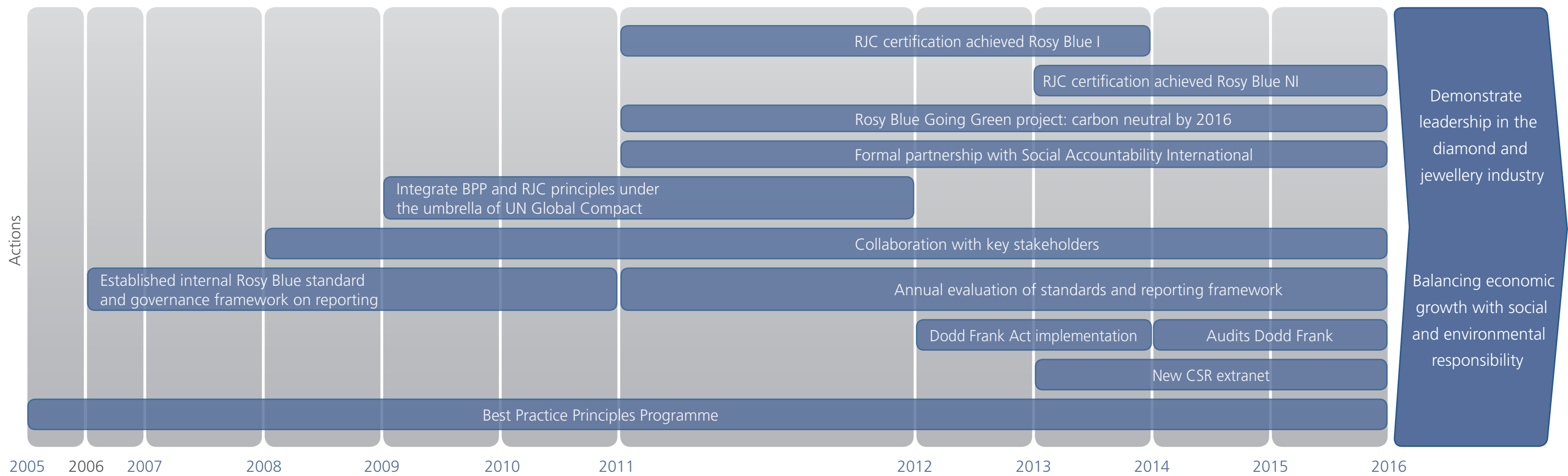


CSR event Mumbai November 2013
Mr. Pooran Pande - Chair Global Compact Network India

6.C Evolving in our sustainability roadmap

Growing our business brings additional challenges

In our Report to Society 2011, we introduced our CSR roadmap 2016. It sets out our exciting journey for the sustainable growth path of the Rosy Blue Business Alliance. While our approach has matured considerably, we must continue to strengthen our systems and processes. 2013 was a challenging year of redefining our priorities and focusing on internal efficiency optimisation and reporting. The launch of the new CSR extranet was an important milestone.



2005 <ul style="list-style-type: none">> Start De Beers Best Practice Principles Programme> Founding membership of Rosy Blue (NI) in the Responsible Jewellery Council	2006-2007 <ul style="list-style-type: none">> CSR Strategy decision> Appointment internal CSR Committee> Establishment of internal Rosy Blue Standard> First global training seminar	2008 <ul style="list-style-type: none">> Launch CSR information management system> On-site internal pre-audit visits> Membership of the UN Global Compact> Establishment external CSR Advisory Committee
2009 <ul style="list-style-type: none">> RJC pilot project> First CSR Report> Second global training seminar	2010 <ul style="list-style-type: none">> SAI case study at the Global Compact Leaders Summit> Active member of the Global Compact Human Rights Working Group> Second CSR Report	2011 <ul style="list-style-type: none">> Membership of Global Compact LEAD> Partnership with Social Accountability International> Rosy Blue (NI) RJC Certified full scope> Launch of Rosy Blue Going Green> Membership of Rosy Blue (I) to the RJC> Third CSR Report

2012 <ul style="list-style-type: none">> Start certification process RJC full scope Rosy Blue (I)> Preparation of factory in China for SA8000 certification> Dodd Frank Implementation pilot project with Signet> Formal commitment on Children's Rights at LEAD meeting in Davos> Risk analysis on Children's Rights and Business Principles in key operations> Launch Children's Rights and Business Principles Forum in Brussels/ public private partnership> Awareness campaign on environmental impact local sustainability officers> Environmental impact analysis of two factories> New reporting format developed on environmental indicators> Development of advanced online sustainability reporting interface and business partners platform> Communication on Progress Report 2012	2013 <ul style="list-style-type: none">> RJC certification Rosy Blue (I)> Dodd Frank implementation (18 months of cooperation with Signet)> Pilot project on enhancing integrity measures on protecting the natural diamonds supply chain> Launch new CSR extranet> Training and capacity building with SAI in China – SA 8000 audit decision revised> Redefined scope on environment> Active engagement on Children's Rights and Business Principles
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7 How Rosy Blue defines materiality



We work with various organisations to learn and advocate policies that help advance the sustainability agenda and standardisation within the industry. We do this through the networks and organisations we participate in, or are a member of, and as a structured part of our outreach strategy.

In this section:
A. Stakeholder dialogue
B. Our priorities

7.A Stakeholder dialogue

We engage on an ongoing basis with industry associations, civil society, government, customers and the academic world. We meet them in multi-stakeholder initiatives, the most important ones being the Responsible Jewellery Council and the Organisation for Economic Co-operation and Development – Forum on Responsible Mineral Supply Chains.

- Through constructive engagement, we
- Prioritise key issues and develop our corporate responsibility policies.
 - Deepen our understanding of stakeholder expectations and interests: they bring about the best insight to the challenges we all have an interest in addressing.

In 2013, the topic of human rights in the supply chain and product disclosure were high on the agenda.

The table below summarises our diverse stakeholder groups and some examples of our way to engage with them:

	Key issues for our stakeholders	Some examples of the way we engage
Suppliers	<ul style="list-style-type: none">- Market capacity- Operational excellence- Ethical business practices- Liquidity assurance- Supplier standards	<ul style="list-style-type: none">- Direct dialogue on top and management level- Social and financial internal and external audits- Terms of business with strategic suppliers
Employees	<ul style="list-style-type: none">- Safe working environment- Inclusive and supportive company culture- Work-life balance- Rewarding remuneration- Career development	<ul style="list-style-type: none">- Implementation of strong ethical corporate culture- Plant-based intranet sites- Newsletters and publications- Training toolkits on business ethics and code of conduct, and awareness programmes- Trade union relations- Social internal and external audits
Contractors	<ul style="list-style-type: none">- Business capacity- Business ethics- Chain of custody	<ul style="list-style-type: none">- Formal undertaking- Business partner code of conduct- On-site visits- Face to face meetings- External audits
Customers	<ul style="list-style-type: none">- Products with the highest standard of quality and integrity- Adequate product disclosure- Competitive pricing- Secured supply- Ethical business practices- Product and info security	<ul style="list-style-type: none">- Fairs and marketing events- Individual account management- Updates on market dynamics- Impact assessments such as working with clients on the risks of mixing synthetic diamonds with natural diamonds and their impact on our business
Governments & International Organisations	<ul style="list-style-type: none">- Social and economic development- Employment opportunities- Attracting investments- Kimberley Process- Legal compliance- Ethical business practices	<ul style="list-style-type: none">- Formal dialogues- Conferences and speaking engagements- Lead Member United Nations Global Compact
Local Communities	<ul style="list-style-type: none">- Employment opportunities- Environmental concerns- Community empowerment- Ethical business practices	<ul style="list-style-type: none">- Corporate social investment projects

	Key issues for our stakeholders	Ways of engaging with our stakeholders
Financial Institutions	<ul style="list-style-type: none">- Legal compliance- Return on investment- Stable liquidity- Corporate governance- Risk management and due diligence- Transparency and liability — AML- Corporate responsibility management	<ul style="list-style-type: none">- Regular face to face meetings- Risk assessments and risk management- Site visits- Sharing results of social and financial internal and external audits
NGOs	<ul style="list-style-type: none">- Human rights- Health and safety, working conditions- Environmental concerns- Social and economic development- Ethical business practices throughout our value chain	<ul style="list-style-type: none">- Dialogue through representative organisations such as the Responsible Jewellery Council- Partnership Social Accountability International
Media	<ul style="list-style-type: none">- Industry challenges and developments- Social and economic development- Ethical business practices- Transparency and dialogue	<ul style="list-style-type: none">- Press releases- Interviews
Business and Representative Organisations	<ul style="list-style-type: none">- Long-term industry vision- Developing and maintaining sector standards- Responsible business practices- Industry reputation management- Product innovations- Product integrity	<ul style="list-style-type: none">- Active involvement in the Responsible Jewellery Council
Academic Institutions	<ul style="list-style-type: none">- Knowledge sharing- Data market dynamics- Building talent	<ul style="list-style-type: none">- Several speaking engagements: Antwerp Management School and University of Geneva

Some examples of outreach in 2013

- > The London Bullion Market Association/London Platinum and Palladium Market Precious Metals Conference – Rome
 - Side event LBMA & RJC Responsible Gold Forum – OECD Due Diligence Implementation
- > RJC Outreach Seminar – Mumbai
- > Sustainable Luxury Forum – Geneva
- > World Child & Youth Forum – Stockholm
- > Global Compact Leaders’ Summit – Architects of a better World – New York
 - Side event – Children’s Rights are everyone’s business
- > Global Compact Network Belgium and Global Compact Network India – Mumbai Business Case of Corporate Social Responsibility

7.B Our priorities

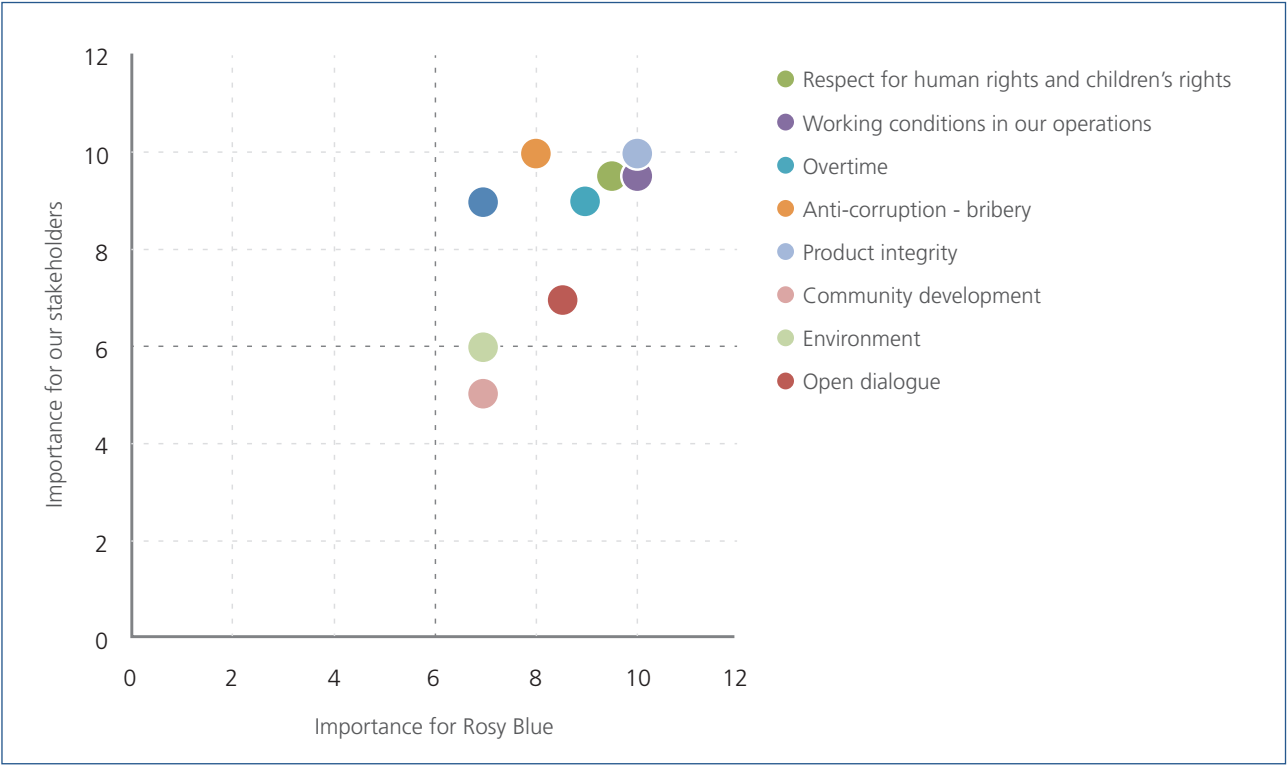
We assume responsibility for the impacts of our decisions and operations. Here is an overview of where our core activities take place, and where the issues are most critical. Through our active engagement with other players along the entire chain, we exert influence to encourage them to take their share of responsibility. Together, we can make the diamond and jewellery industry more sustainable.

●●●: Level of importance	Impact of Rosy Blue									
	SPHERE OF INFLUENCE			DIRECT CONTROL						SPHERE OF INFLUENCE
	FORMATION AND EXPLORATION	MINING	SALES	ROUGH WHOLESALE	DIAMOND MANUFACTURING	POLISHED WHOLESALE	JEWELLERY WHOLESALE AND MANUFACTURING	JEWELLERY TRADING	RETAIL NETWORK*	
Human rights and working conditions	●●●	●●●	●	●	●●●	●	●●●	●	●	●
Product integrity	●●●	●●●	●●●	●●●	●●●	●●●	●●●	●●●	●●●	●●●
Community development	●●●	●●●	●	●	●●	●	●●●	●	●	●
Environment	●●●	●●●	●	●	●●	●	●●●	●	●	●

Our sustainability priorities are determined by the importance of the issues that surround our core operations, cross-checked for their relevance and priority level with our stakeholders. These stakeholders, whose list is mentioned on page 44, have been involved in various instances to give us their opinion on these topics on what we do and where to act.

* Retail network Orra in India

Stakeholder priorities



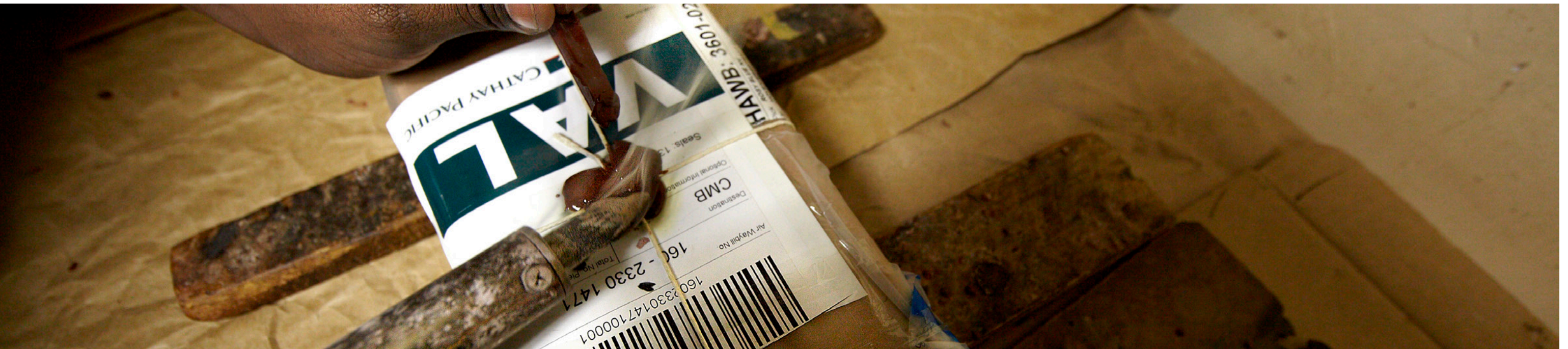
Our priorities

Based on the materiality process of 2014, eight issues have been found relevant to address. They are all treated in this report, in the most appropriate chapters. The highest priorities are described and explained at length.

These issues can be grouped under four categories. They are the focus of this year's report.

	Topic	Why is it material?	Challenges ahead
	Respect for human rights, childrens' rights and working conditions	<p>We employ over 5000 people, mostly in manufacturing operations in countries where legal frameworks might fall short to ensure a decent living standard. Providing decent working conditions contributes to community development, and protects human and childrens' rights.</p> <p>With more than 29 nationalities working together, we build a multi-cultural, profitable and sustainable business.</p> <p>Open dialogue across cultures and functions contributes to a healthy work environment.</p>	<ul style="list-style-type: none">• Remaining a competitive leader while continuously adopting higher standards• To manage overtime by sound planning of our operations with our customers
	Product integrity	<p>Responsible sourcing is the basis of our licence to operate and building consumer confidence.</p> <p>We must continue to train on our code of conduct that includes anti-bribery and corruption.</p>	<ul style="list-style-type: none">• To convince all the industry players to take their responsibility in ensuring a transparent supply chain• To make sure that synthetic diamonds are not mixed with natural diamonds• To pursue our efforts in the implementation of the Dodd Frank Act Section 1502 to build good practices in the value chain• To develop audit programmes that do not duplicate efforts
	Environment	<p>Our factories require energy and water to transform rough diamonds into polished stones.</p> <p>The daily shipments of diamonds by air and the travels of our people around the planet contribute considerably to carbon emissions.</p>	<ul style="list-style-type: none">• To improve our monitoring and reporting system to finetune the analysis of our impacts, where they matter
	Community development	<p>We operate in regions where often the state cannot offer the needed social protection.</p> <p>Rosy Blue can bring a positive contribution to the wellbeing of communities, especially in educational needs.</p>	<ul style="list-style-type: none">• To find the appropriate partners to leverage our efforts• To measure the impact of our contributions

8 How we are moving forward



Embedding CSR in our business provides us a competitive edge: it contributes to customer and employee satisfaction, builds consumer confidence and broadens our community relationships. Most importantly, we believe it's the right thing to do.

Every year we add to our foundation of CSR by further developing locally based initiatives and bringing them to life through the efforts and enthusiasm of our 5000+ employees. By working together we will continue to make a difference in the lives of our employees, customers, shareholders, and communities.

In this section:

- A. Respect for human rights and working conditions
- B. Product integrity
- C. Community involvement
- D. Environment

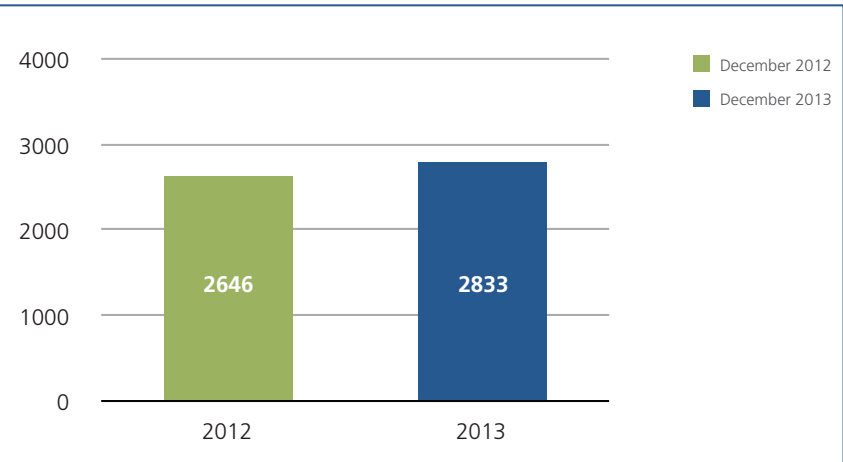
8.A Respect for human rights and working conditions

Our global workforce

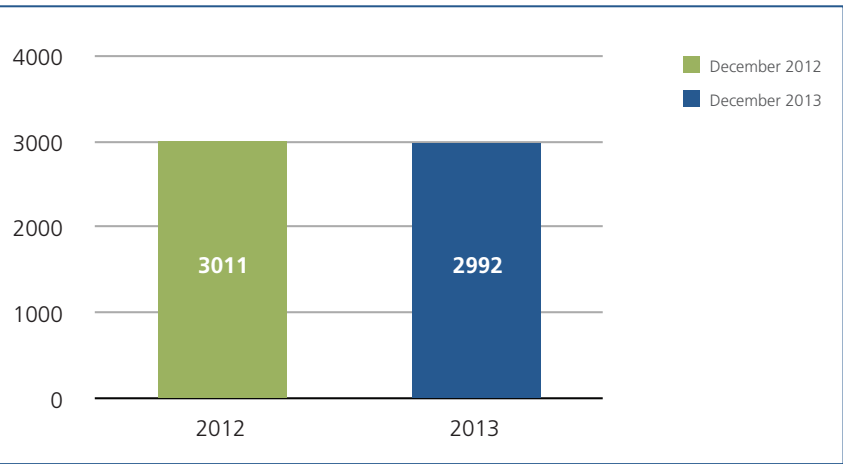
Economic development is the engine for change in our society. It starts at the individual level, where people improve their livelihoods and increase their own standards of living. At a societal level, these improvements create more productive economies. This is why employment and productivity are cornerstones of the first United Nations Millennium Development Goal to eradicate poverty and hunger.

In Dec 2013, Rosy Blue (NI) employed 2833 people, a growth of 7.06% since 2012. Rosy Blue (I) employed 2992 people, fall of 0.6% since 2012. The Rosy Blue Business Alliance helps to support thousands more people by our impact on our employees’ families and on the communities we work in. Furthermore, the indirect impact of Rosy Blue is also significantly increased through our supply chain, as we work with approximately 155 of contractors (RB (I) and RB (NI)).

Total workforce Rosy Blue (NI)



Total workforce Rosy Blue (I)



Upholding human rights Our position and commitment

For Rosy Blue the term human rights refers to internationally recognised human rights, as expressed in the United Nation’s (UN’s) International Bill of Human Rights, the International Labour Organisation (ILO’s) core conventions and the Declaration on Fundamental Principles and Rights at Work. We also adhere to the OECD Guidelines for Multinational Enterprises, re-issued in May 2011 with a chapter on human rights. We also believe strongly in the role that voluntary initiatives can have in advancing progress on human rights. We have been a founding member of the Responsible Jewellery Council, which provides an excellent opportunity for discussions and information sharing among companies in the gold, diamond and jewellery industry. We are a member of the UN Global Compact and we are an active participant in the UN Global Compact Human Rights Working Group. These platforms give us the opportunity to learn and share with other industries.

Human rights are universal and play a fundamental role in development. Even if they are first and foremost a matter for which states are responsible, they are also of direct concern to companies, who are expected to respect human rights wherever they operate. The Rosy Blue Business Alliance entities are committed to ensuring that human rights are upheld in our sphere of operations in all countries where we do business. Respecting human rights is a very challenging journey. As we operate in some of the world’s most complex economic, political and social environments, due diligence and continuous monitoring, (and where appropriate remediation) is key to implementing our commitment. As a major economic player in the diamond manufacturing industry, our conduct must be exemplary.

Which human rights are relevant for the Rosy Blue Alliance entities?

Everyone is entitled to human rights and basic freedoms. This is the foundation of civilised society, and the reason why promoting human rights is a United Nations Millennium Development goal.

It is every citizen’s responsibility to increase access to, and protect these freedoms. We accept the importance for our entities advancing this goal, but we also recognise our own limitations and ability to influence change. We therefore focus our efforts on those areas that are within our sphere of influence and our working environment.

“All human beings are born free and equal in dignity and rights.”

UN Declaration of Human Rights, 1948

Overview of human rights Rosy Blue is focusing on	Actions
Freedom from discrimination based on race, creed, colour, nationality, ethnic origin, age, religion, gender, sexual orientation, marital status, connections with national minorities, disability, or other status	<ul style="list-style-type: none">• Code of conduct• Human rights policy• Rigorous recruitment procedures• Training employees• Open communication policy• Workers committee• Procedure for raising grievances• Internal & external audits• Local community projects
Non-tolerance for child labour	
Non-tolerance for forced labour	
The right to healthy and safe working conditions	
The right to rest and leisure, preventing workers from excessive overtime work	
The right to freedom of assembly, association and collective bargaining, the right to form and join trade unions	
The right to just and favourable working conditions, the right to fair wages, the right to equal pay for equal work	
Workers right to information related to their employment	
Access to grievance channels and right to remedies	

Ensuring good working conditions

Building a great workplace for our people

The potential, dedication, knowledge and excellent performance of our people behind the diamonds are what makes our company great.

To maintain these assets, we focus on three aspects in the work place that are integrated in our policies, management practices and audit schemes:

- 1. Ethics in human resources management
- 2. Respect for labour rights
- 3. Health and safety

1. Ethics in human resources management	2. Labour rights	3. Health and safety
Management accountability and responsibility	No child labour	Injury prevention
Training and communication	No forced labour	Prevention of chemical exposure
Worker feedback and participation	Fair working hours	Emergency prevention, preparedness and response
Whistle blower protection	Adequate compensation	Occupational safety procedures and systems
	Freedom of association	Ergonomics
	Fair disciplinary practices	
	Equal opportunities	
	Employee well-being	
	Adequate grievance mechanism	



1. Ethics in human resources management

Rosy Blue’s global reputation depends on each employee acting consistently with the law, our policies and our values. Rosy Blue employees receive a Code of Conduct that outlines our ethical expectations and provides practical tips and examples on how to act with integrity in every decision, every action, and every day. To ensure that we live up to our commitments we have a broad-based training programme.

At every Rosy Blue business alliance entity, we promote best practices and compliance with all applicable laws. Attentiveness and dialogue must always be the preferred options. Employees are encouraged to seek help when trying to determine the right course of action, either through their line manager or through the HR Department, which provides anonymous reporting. If needed, the matter can be directly referred to the CSR Committee.

Training: building confidence and capabilities by investing in the talent of our people

Training and development, both personally and professionally, play a key role in our human resources strategy. Our goal is to align vocational skills and knowledge to the changing demands of our business. We offer an integrated package of individual coaching and mentoring, classroom training and on-the-job learning. We provide a variety of mandatory and voluntary, internal and external training opportunities for our employees to help them develop a broad range of skills for the workplace, as well as the competencies specific to their roles.

We communicate our ethical expectations through annual training sessions covering the subjects of compliance and Code of Conduct and educational modules on our company extranet. Today, our training toolkits exist in four languages: English, Hebrew, Mandarin and Sinhala. The toolkits provide a teaching opportunity for our employees to see the application of our Code of Conduct and compliance requirements in everyday business.

The second half of 2012 and during 2013, we reinforced a company-wide training programme with the aim of raising occupational health & safety awareness programme to eliminate work related injuries. The training covers topics like safety class for supervisor level, safety committee class, ISO18000 for safety officers, fire drill, first aid class, cholesterol awareness, traffic rule class, AIDS & TB awareness and eye test camp.

2. Respect for labour rights

We are a people business – applying the fundamental rights at work

Most of our operations take place in the manufacturing industry, and are carried out in developing countries that are seeing rapid industrialisation. Environmental and social standards for labour vary tremendously — for example, the national minimum wage, or working hours in a certain country may exceed or fall short of actual decent living standards. Because of this, we are committed to going beyond the minimum regulations as stipulated by local law.

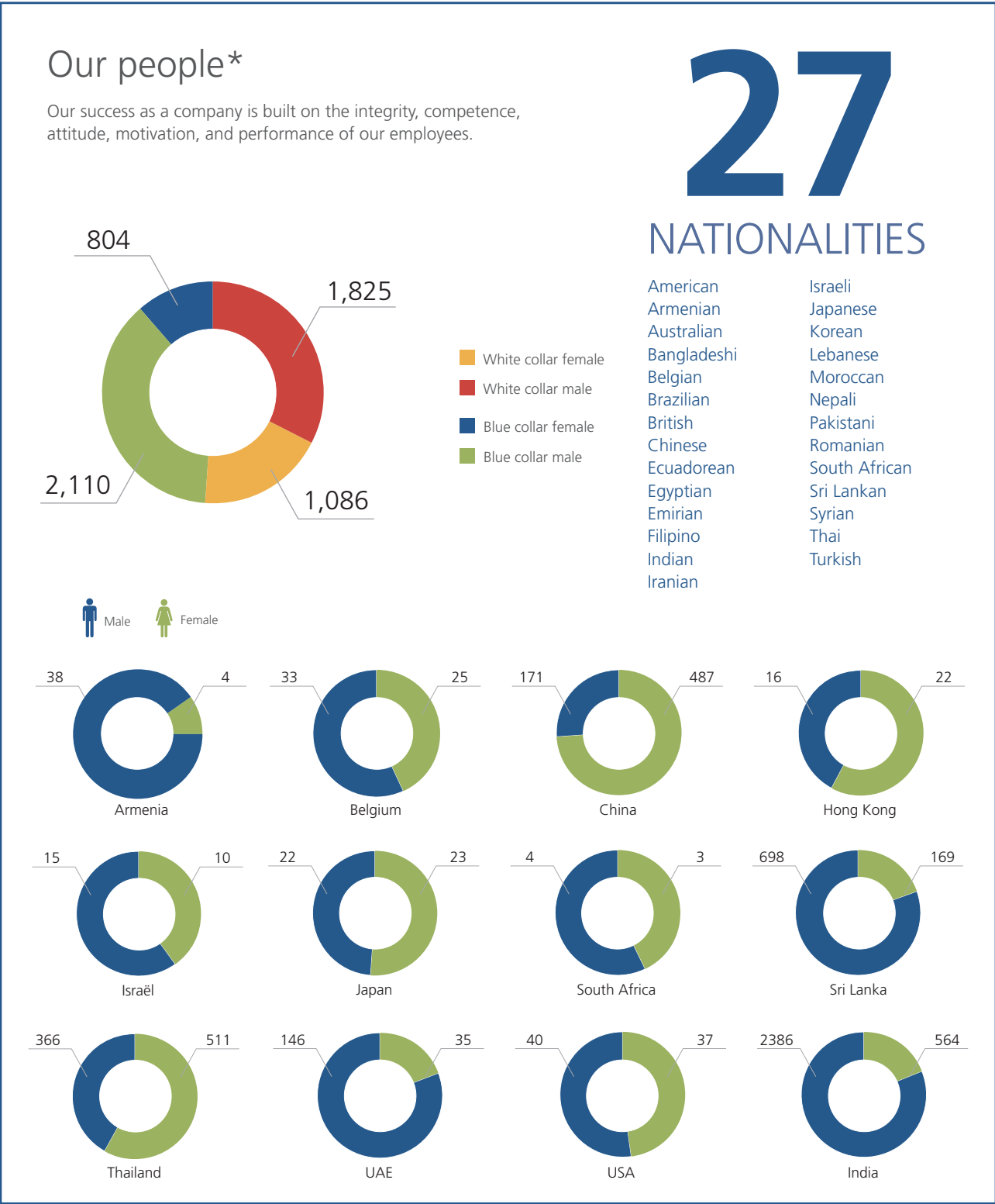
It is extremely important that labour conditions at all our manufacturing sites and offices meet recognised standards, and that each of our sites complies with the Rosy Blue employment guidelines. Since 2007 the Rosy Blue Business Alliance has carried out in-depth audits of labour conditions at all major production facilities in Armenia, China, India, Sri Lanka and Thailand every year. We assess our performance on a monthly basis on the CSR extranet. Our HR Management guidelines determine how we handle employment issues at each site.

Since we began to strengthen our compliance system with the Social Accountability International Social Fingerprint Programme, we have worked in stages through two different levels — at the alliance level, through our Corporate Affairs Department, and at the factory level, through the Local CSR-AML experts.

Embracing diversity

We believe that our workforce should reflect the diversity of society, and that employees throughout the operations should be able to contribute their abilities without discrimination or prejudice based on gender, race, religion or sexual orientation. Our diverse workforce comes from 27 countries and brings together different cultures, languages, backgrounds, talents, career experiences and ways of thinking that help us reach customers and communities around the globe.

We have a well-balanced and diverse workforce. Most of our jobs are in diamond and jewellery manufacturing in Asia. Rosy Blue employs 5825 employees across the globe.



* Holding company in Luxembourg

3. Health and safety

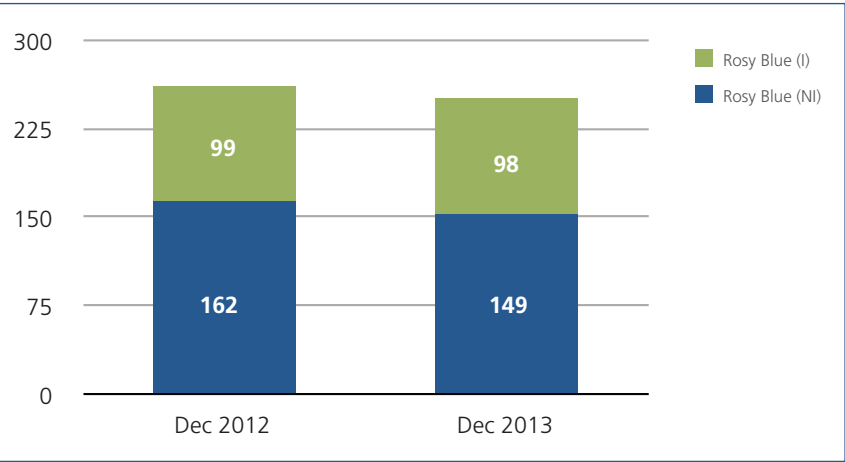
Worldwide, we focus on making working at Rosy Blue even safer

Health and Safety policy implementation is managed by the global corporate affairs department. They are responsible for developing the health and safety strategy and the annual action plans. They develop standard operating procedures for risk assessment, hazard identification and incident reporting across the operations. This team coordinates and facilitates health and safety arrangements in each individual entity, each of which have their own health and safety committees. In line with this, we have a strong health and safety standard and reporting framework that all alliance entities are required to follow.

In 2013, 247 people were involved in preserving health and safety. This number comprises the health and safety managers, officers and employees trained in first aid and fire evacuation.

This represents 4.2% of the total workforce in all the alliance entities, and is 5.4% decrease in the total workforce since 2012. This is due to the integration of 5 regional offices into 2 in UAE. We will continue to train and engage people to address the importance of delivering excellent results in our safety performance.

Health & Safety Team - RB (I) & (NI)



HEALTH AND SAFETY COMMITMENT		
CONTRACTOR SAFETY		HAZARDOUS MATERIALS
CANTEEN		HAZARDOUS WASTE
AIR EMISSIONS		MACHINE GUARDING
WASTE WATER		PERSONAL PROTECTIVE EQUIPMENT
OCCUPATIONAL EXPOSURE LIMITS		ERGONOMICS
CONTROL OF HAZARDOUS SUBSTANCES		MAINTENANCE SAFETY
OCCUPATIONAL NOISE		ELECTRICAL SAFETY
SANITATION		FIRE SAFETY MANAGEMENT
DRINKING WATER		MEDICAL SERVICES AND FIRST AID
GENERAL WORK ENVIRONMENT		EMERGENCY ACTION

We have excellent records

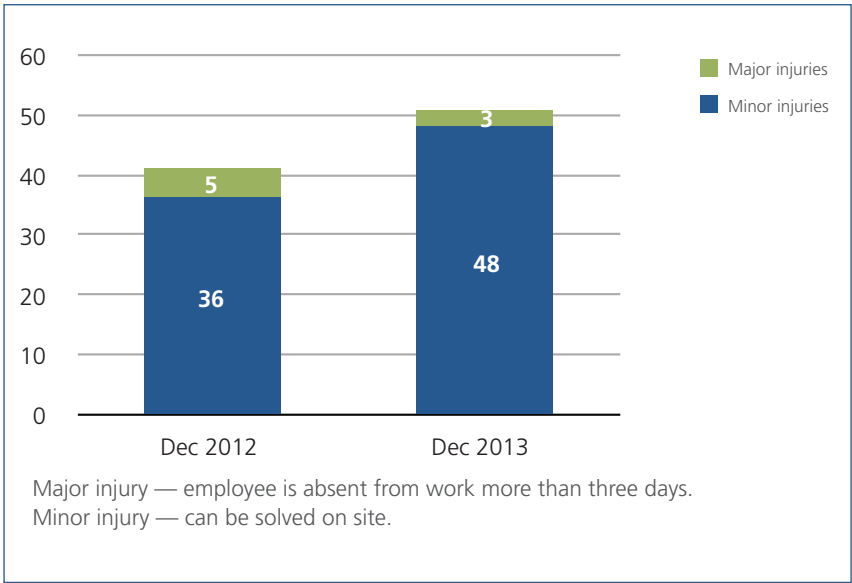
In general, the manufacturing process of diamonds does not pose any material safety risks in itself. Risks arise more from the behaviour and habits of employees such as storing chemicals without proper labelling, stacking material in front of an exit door, posing inadequate evacuation signs and not providing clearer warning signs on machinery. If we want to continue improving our performance, all our people need to take action when they observe a co-worker in a risk situation.

In 2013 major injuries decreased by 40% and minor injuries increased to 33.33%. The main cause of minor accidents is mainly due to unskilled manpower (trainees in Thailand and Sri Lanka) who in the first months of their employment are still learning about the risks. The most common issues arise from employees who are polishing diamonds, typically by cutting their fingers and from dust in the eye. We thoroughly investigate the cause and contributing factor associated with each incident to learn from and prevent similar events in the future.

For the fifth consecutive year, 2013 saw a reduction in Rosy Blue's number of major injuries. The awareness campaign on wearing personal protective equipment (PPE) made a considerable impact and clearly contributed to this good performance.

The table below shows the number of injuries in the past two years in terms of minor and major injuries.

Number of injuries - RB (I) & (NI)



We run a range of campaigns and training programmes to raise awareness about health and safety issues. In one of our factories in India we launched a quit tobacco campaign and by the end of 2013, the unit was 100% tobacco free for which the unit received a certificate from the government as a tobacco free zone. This initiative impacted 30% of our global workforce.



8.B Product integrity

Buying a diamond or a piece of jewellery is all about trust. End consumers have generally limited technical knowledge of the products they are buying and rely on the advice and honesty of sellers throughout the value chain.

Product integrity has two facets: one that guarantees the authenticity of the diamond and /or gold jewellery in all its physical characteristics, and one that ensures that all the steps to bring the finished product to the end consumer have been undertaken with transparent and respectable practices. It is about building consumer confidence across the value chain from mining to retail. Product disclosure is critical and rests on the quality and veracity of the information that is disclosed to the consumer about the diamonds and/or golds he purchases.

Today new technologies, such as for the treatment of stones, creation of synthetic and simulant stones and development of new alloys and new regulations such as the Dodd Frank Act-section 1502 are making the supply chain and consumer market even more complex.

Zoom on synthetics

The detection of a fairly large parcel of undisclosed synthetics, which had been sold as natural diamonds in mid-2012, brought this issue to the focus of the entire industry. It was the first large discovery of a sizeable parcel of synthetic diamonds and the incident took most people in the industry, including trade bodies by surprise. The incident was reported by trade press and is still under investigation. While the handling of the issue raised some pertinent questions, it has set in motion a great deal of awareness and policy discussions by various industry bodies and a unified response is expected in 2014.

Synthetic diamonds have been produced for nearly 60 years, since they were produced in the early 1950s. Most of the synthetics are generally not suitable for gem purposes, but recent technological developments have enabled synthetic producers to create gem quality synthetics. While the costs of production are lower, they remain in the order of magnitude of that of natural diamonds. The absence of a gem quality synthetic diamond market sufficiently large to absorb the production has led a small number of unscrupulous entities to mix synthetic diamonds with natural diamonds.

Gem quality synthetic diamonds are a genuine product in their own right. If sold with the proper disclosures, it offers consumers an alternative option to buying natural diamonds. The industry is not opposed to selling these diamonds with the adequate disclosures. What affects the natural diamond industry and the consumers is the mixing of natural and synthetic diamonds and to sell these as natural diamonds. This is clearly a fraudulent practice, which is not acceptable to both customers and consumers.

Rosy Blue has taken strong steps to protect its customer interests. We have acquired the latest technology to ensure that the customers’ expectations can be met at all times.

“In fulfilling the business needs of some of the most prestigious jewellery houses in the world, we take our responsibility for managing our supply chain integrity very seriously. We look after our clients by offering tailored, value adding services, but product integrity represents the foundation of how we serve all our clients.”

Raj Mehta
Member of the Management Board

We are equipped with:

- DiamondSure machines produced by the IIDGR, a DeBeers company
- Automated Mellee Sorter (AMS) machines produced by the IIDGR
- Other equipment is being evaluated

Before these machines were available on the market, Rosy Blue took already some pro-active steps.

- **Testing by reputed external laboratories**
 - Polished parcels on a random basis
 - Small samples taken from the selected parcels
 - Outside polished purchases and returns from customers tested
- **Testing in basic internal facilities (above mentioned machines)**
 - Purchases and returns
 - Sample testing of internal polished deliveries from factories
 - Regular testing of stocks
 - Samples from all parcels selected for testing
 - Any referrals are sent to reputed external laboratories for testing
- **Testing with a fully fledged setup**
 - 100% of all polished purchases and returns
 - Manufacturing received from own factories
 - Regular and random testing of internal stocks
 - Stringent testing and high degree of sampling

In diamonds, each stone is unique. As the size of the diamonds reduces, the number of stones for the same amount of carats multiplies. The challenge is that for smaller stones, the cost of testing becomes significant. Some of the new testing machines might reduce those costs, but they are still expensive, given the number of transactions which take place on a regular basis. Keeping this in mind, the ultimate aim of the testing programme to achieve a ‘contaminant free’ stock is to ensure.-

- **Stones > 0.30 carats**
 - 100% testing of all stones
 - All PRIM* points tested
- **Stones < 0.30 carats**
 - Stringent sampling procedures based on size
 - Defined criteria for testing of ‘referral’ stones
 - All PRIM* points tested

These procedures are being rolled out across locations. It is expected that all procedures will be fully implemented in 2014.

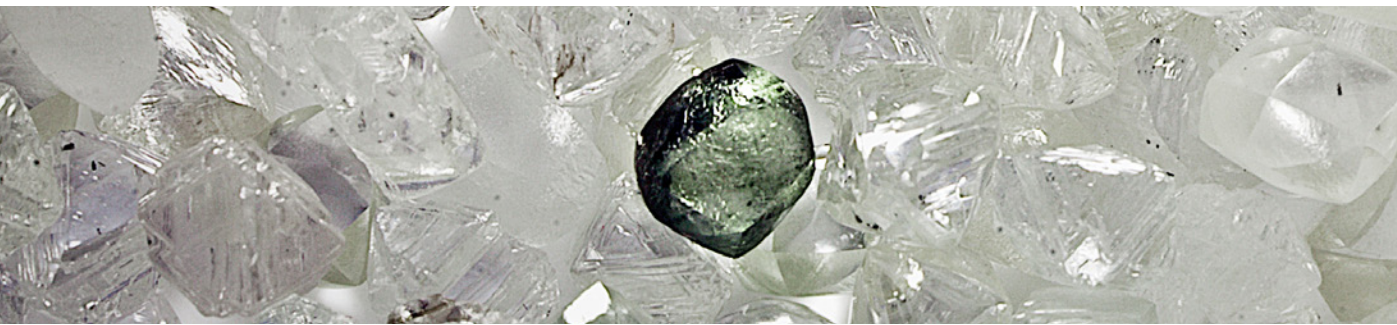
While the challenge might be higher in the smaller diamonds, research indicates that for smaller size diamonds, the cost of producing synthetic diamonds might be similar or even higher than that of current natural diamonds. Hence the synthetic diamond risk in the very small sizes is lower (mainly it is reject pieces of synthetic diamond rough which are polished in these ranges).

Apart from the diamond side, similar processes are being designed on the jewellery side. While purchase of diamonds from the Alliance offices reduces the burden on testing, other processes are being considered including.

- Regular audit of facilities
- Random sample testing of finished jewellery pieces at PRIM* points, based on risk assessment

“In today’s competitive and dynamic marketplace, customer satisfaction is crucial to securing a leading edge. Rosy Blue is committed to innovation and to delivering the best products and services, thereby improving people’s quality of life and contributing to a better global society.”

Mayank Mehta
Member of the Management Board



* Purchase of Polished Diamonds, Rejections & Returns, Internal Stocks, Manufacturing Input

The advantages of implementing this system is to ensure pipeline integrity and keeping out undeclared synthetics are straight forward:

- Retaining the trust of our customers
- Retaining the trust of our bankers
- Enjoying the confidence of the industry

Rosy Blue cannot do business without any of these assets.

Zoom on Gold

Background*

Section 1502 of the Wall Street Reform and Consumer Protection Act, known as the Dodd Frank Act, was passed by the U.S. Securities and Exchange Commission in July 2010. According to the section, conflict minerals are defined as ‘(a) gold, wolframite, cassiterite, columbite-tantlite (coltan) or their derivates; or (b) ‘any other mineral or its derivatives determined by the Secretary of State to be financing conflict in the Democratic Republic of Congo (DRC) or an adjoining country.’ The section also has very specific requirements for companies to file annual reports with the U.S. Securities and Exchange Commission (SEC) beginning 31st May 2014, indicating if they are using 3TG originating from the DRC or adjoining countries. If they did, the company must provide the SEC with a report detailing the measures to exercise due diligence.

Section 1502 affects many industries including: jewellery, electronics, automotive, energy, food, medical devices and aerospace among others. Two of the conflict minerals, gold and tungsten, are, of course, very important to the jewellery industry. A third mineral, tin, while less common, is increasingly used in jewellery products.

The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-affected and High-risk Areas (OECD Guidance) defines “Due Diligence” as “an on-going, proactive and reactive process through which companies can ensure that they respect human rights and do not contribute to conflict.

Impact on Rosy Blue



As noted above, only SEC-listed companies are directly covered by Dodd Frank. The number of such companies in the jewellery industry is not large, but those few that are registered with the SEC do a sizeable portion of the business in the jewellery industry. These companies, which include manufacturers and retailers, deal with hundreds of suppliers that sell products containing gold, tungsten or tin, or use those minerals in the products they provide. SEC-listed companies will not be able to fulfill their obligations under Dodd Frank without the cooperation of each of the businesses in their entire gold, tungsten and tin supply chains*.

As certain entities within the Rosy Blue Business Alliance directly supply jewellery to a few SEC-listed companies, we need to provide information about the source of gold, tungsten or tin. To comply, Rosy Blue also needed to make similar requests of our own suppliers, and so on up the supply chain.

* Source: The Essential Guide to Conflict Minerals and the Dodd Frank Act - Jewellers Vigilance Committee

Our response: working in partnership with our key customers

As a jewellery manufacturer to Signet, we joined the Signet pilot project on the implementation of the Dodd Frank Act section 1502. Through our participation, we ourselves better understand the challenges of establishing a clear process to trace the minerals back to their source.

The purpose of the Signet Responsible Sourcing Protocol (‘SRSP’)* is to outline practical procedures that will reasonably ensure any gold, tin, tantalum, or tungsten, in products from Signet’s suppliers are recognized as conflict-free. The SRSP was established as company policy effective 1/1/2013 and requires their suppliers to certify and independently verify that supplies to Signet are compliant with the SRSP.

Building capacity

In November 2011 Rosy Blue appointed an internal group (representing Production, Procurement, Supply Chain, Internal Audit and Accounting) to manage and address the implementation of the Dodd Frank Act. Face to face meetings and conference calls were organised on a regular basis to discuss the due diligence process and follow up actions required. These sessions were important to keeping the conflict minerals project on track while making sure all departments had a voice in the development of the corporate policy. Additionally, the Corporate Affairs Department had monthly updates with Rosy Blue Senior Management to keep them updated as to the developments of the project.

The five key guidelines of the OECD Guidance on which Rosy Blue managed this process internally:

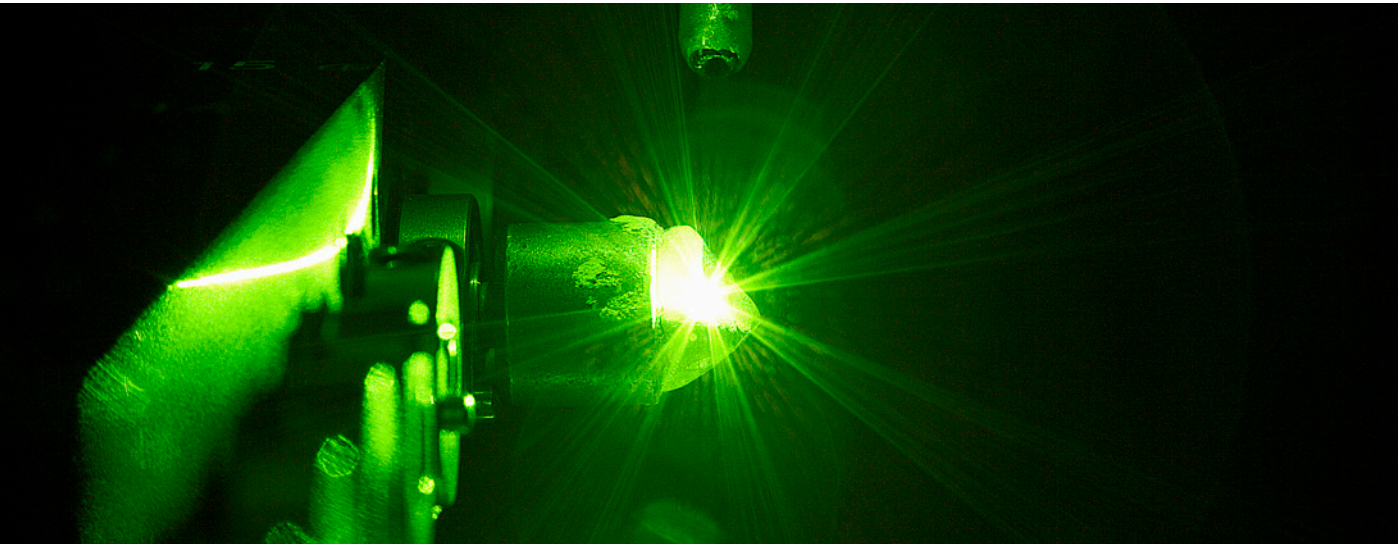
1. Establish strong company management systems.
2. Identify and assess risk in the supply chain
3. Design and implement a strategy to respond to identified risks.
4. Carry out independent third-party audit of supply chain due diligence at identified points in the supply chain.
5. Report on supply chain due diligence

* The conflict minerals due diligence measures in Signet’s SRSP have been designed to conform with and exceed the Organisation for Economic Co-operation and Development Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Second Edition (the ‘OECD Guidance’), as applicable for tin, tantalum, tungsten, and for gold for downstream companies (as the term is defined in the OECD Guidance), in all material respects.

Rosy Blue understands this journey is far from complete. This problem cannot be solved by one company alone, and we encourage others to join our efforts to tackle this important global issue. By making faster and deeper strides toward conflict-free supply chains and fostering greater understanding about what’s inside the products we buy, we can move more quickly toward improving the situation in the DRC and the surrounding region.

“We create lifetime customers based on integrity and respect in everything we do.”

Atul Jhaveri
Member of the Management Board



Moving ahead in partnership

The timeline table provides a chronology of the steps Rosy Blue took in the Signet Responsible Sourcing Protocols Pilot Project * from May 2011 to December 2013. It is important to recognise that Signet has been at the forefront and proactive regarding developing corporate policies for responsible sourcing, conflict minerals and the pending SEC Dodd Frank, Conflict Minerals Rules. At the time the SRSP Project started, the SEC had not issued its ‘Final Rules’.

2011

- Signet survey to provide details of Rosy Blue’s gold supply chain
- Meeting top management and internal dedicated team appointed
- Mapping of gold supply chain and identify our bottleneck points
 - Refiners and smelters
 - Banks
 - Customers- returns of jewellery
 - Purchase of findings and components
 - Alloys

2012

- Signet webinar presentations to our compliance officers to review survey results
- Training webinars organised on introduction of Dodd Frank
- Action plan prepared on the basis of the OECD guidance with top management and local compliance officers
- Start development of RB’s Conflict Minerals Policy
- First letters sent to all our suppliers and contractors to inform them
- Internal face to face meeting with the banks and key contractors
- Multi stakeholder meeting with Signet and our key suppliers and contractors
- Follow up communication sent to all our gold suppliers
- SEC issues D-F, 1502 Final Rules issued on August 22 2012
- Compliance team attends presentation at India IJIS trade fair; adoption of SRSP as policy by GJEPC in India for the special export manufacturing zones (SEEPZ) and by Reserve Bank of India
- Attended OECD 3TG meeting in Paris and participated in the panel discussion
- Start pilot reporting
- December 2012 - Corporate policy finalised

2013

- CSR extranet launched including section developed for Dodd Frank implementation
- Follow up meeting senior management Signet and Rosy Blue
- Training webinars on further audit guidance implementation
- Online compliance reporting for Signet
- Attendance at EICC/GESI conflict-free smelter conference, Brussels
- Participation panel discussion LBMA & RJC Responsible Gold Forum - OECD Due Diligence Implementation - Jewellery – Downstream Implementation
- Webinars regarding ‘SRSP’ Guidelines for Compliance Reporting to give feedback to us and help us for Q2 and Q3 reporting
- Statement on SRSP compliance on all invoices
- Follow up on documentation and records review supply chain
- Attended webinars regarding Supplier ‘SRSP’ Audit Guidelines held to ensure our compliance officers understand audit procedures and requirements

“We believe an ethical, diverse supply chain is a vital part of our business. We want to partner with companies that share our vision on doing business the right way.”

Amar Kothari
Member of the Management Board

2014

- First external audits managed successfully

A practical challenge in India

Most jewellery manufacturing in India for export markets such as the USA is conducted in special economic zones (e.g. SEEPZ in Mumbai), which are exempt from paying import duty on gold. Sometimes, the gold product has to be sent out of the special economic zones for additional work by subcontractors, such as for specialist hand working or repair. The customs authorities in India require that the amount and weight of gold sent out of the special zone must be the same when it is returned back to the zone, and do not recognise that some gold may be removed from the product in the process. Therefore, if the work means that some gold is removed, the subcontractor has to add an additional small amount of gold as a separate tiny bead of gold, so the weight matches. In our due diligence process and with the support of Signet’s project team, it became clear to us that we had to be able to validate the provenance of even these tiny small beads of gold coming back to our manufacturing facilities, which we were able to do.

8.C Community Empowerment

We are touched by the communities who surround us.
We aim to share a more promising tomorrow together.

Giving back to the world around us has always been a part of who we are, and for over 50 years we have been passionately transforming the communities we serve. Over and above our commitment to the 10 principles of the Global Compact, Rosy Blue is committed to contribute to the achievement of the Millennium Development Goals. We believe this is the most important investment in a peaceful and prosperous future for the coming generations.

In 2012, we mapped our global social projects in detail to understand our impact and strengthen our commitment. In 2013 a dedicated officer has been appointed to the team to further analyse and monitor the impact in the communities where we are present.

Our partnerships are focused primarily within three areas:

The fight against poverty and access to health services	We support programmes working to address hunger, improve nutrition and increase healthcare quality, capacity and access.
Education	We support programmes and projects that improve access to primary and secondary education for children; build skills in confidence; and partnerships with higher education institutions to foster educational opportunities for youngsters.
Community partnerships	We proudly work together with many organisations to help tackle important societal challenges. These partnerships are typically multi-year commitments where we contribute financial and business expertise.

“Giving something back to the communities we work in, and where our customers and employees live, is part of who we are.”



We view community engagement as an opportunity to drive positive change in society.

Some examples of our outreach

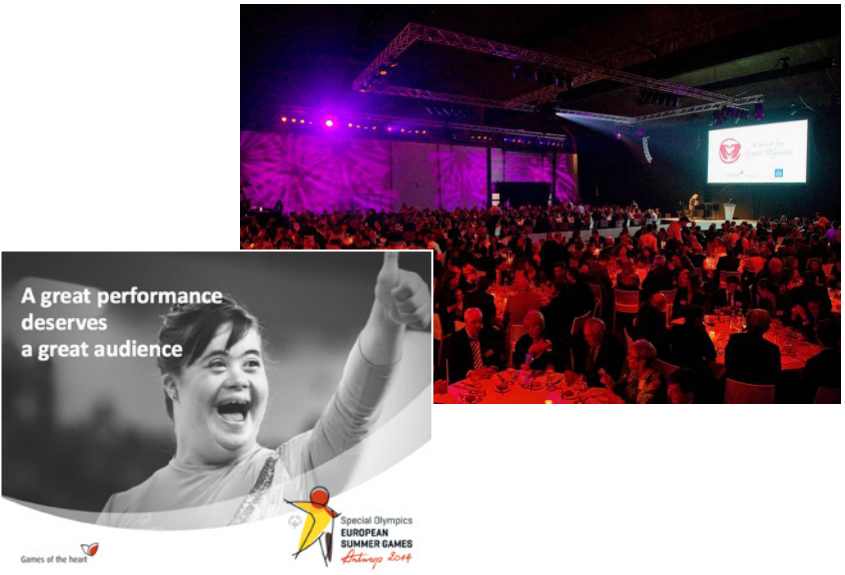
Special Olympics, Belgium

A path to empowerment, competence, acceptance, joy and friendship

The Special Olympics is a non-profit organisation established in 1968 by the Joseph P. Kennedy Jr. Foundation organising summer and winter games internationally every four years. It incorporates 180 participative countries and 200 million people with disabilities worldwide, of whom approximately three million are active athletes within the Special Olympics.

The Special Olympics is a movement which gives the opportunity to people with intellectual disabilities to train and participate at special organised games according to their specific abilities. By doing this they give these people a chance to develop themselves both socially and physically, but also stimulate their integration into the community. Intellectual disability is the most common - in Belgium alone there are approximately 160,000 people with this disability. The Special Olympics Belgium organises national Special Olympics Games that take place annually alternately in Wallonia, Brussels and Flanders.

The Special Olympics aim is to give every athlete the chance to participate at a physical activity adapted to their abilities. That's why the disciplines are divided into four different parts; general sports (such as swimming, athletics, bowling, football, horse-riding), pre-competitive activities, group activities in teams and a special programme for athletes who can't participate in any of the activities previously mentioned, with or without team members. Though the ability level varies, everyone is welcome, and all grow, building athletic skills and character traits that help both on and off the field of competition. Confidence, self-esteem and teamwork are just some of the benefits of involvement in sports. For many athletes, the Special Olympics is a path to empowerment, competence, acceptance, joy and friendship. Since 2004 Rosy Blue has been actively involved in supporting this venture, and in 2008 Mr. Amit Bhansali was appointed as Ambassador of Special Olympics in Belgium. Rosy Blue is truly a fan of Special Olympics. In 2012 Rosy Blue (NI) co-hosted a Gala to collect funding for the national games, with over 500 guests across different industries present to support the Special Olympic athletes. Rosy Blue (NI) has also agreed on a structural partnership to support the Special Olympics Europe-Eurasia Summer Games 2014. In September 2014 the Special Olympics Summer Games will come to Belgium. Antwerp, one of the 22 Olympic cities, will host the event for 2,000 athletes and their delegations from 57 countries. More than 4,000 volunteers will help to make the multi-sport event unique and unseen.



“Special Olympics is a testament to the indestructibility of the human spirit..... you, the athletes, are the ambassadors of the greatest of humankind. You inspire us to know that all obstacles to human achievement and progress are surmountable”

Nelson Mandela, Former president, The Republic of South Africa

Be ready for the Games of the Heart, September 13 to 20, 2014

- > 58 European and Eurasian countries
- > 2000 athletes and 1000 coaches
- > 4000 volunteers, 300 officials, 300 medical staff
- > 2500 parents and family members
- > 10 sports, 8 competition days, 6 venues



School uniform distribution, Banaskantha District, Gujarat, India

A smart outfit to feel confident

Having the right attitude to learning is a crucial factor in a pupil's success at school and having a smart uniform like all the other children means that no child feels excluded or second best.

Understanding the importance of having a school uniform and shoes was at the heart of the school uniform distribution scheme in Banaskantha District, which was launched in 1980 by the late Shri Ramaniklal R Mehta and the late Smt Sushilaben R Mehta. Their philanthropic focus fell on the deprived area of Banaskantha, whose large tribal population could not afford to buy school uniforms. Even with free education being provided by the government, many students were reluctant to attend school without proper uniform.

In the first years of the scheme, 500–1000 children received uniforms and footwear. Between 2005 and 2008, 75,000 pupils had been helped to fit in and feel part of their school community with the provision of the correct uniform. Today the scheme, which is sponsored by the Rajmal Rikhavchand Mehta Charitable Trust, provides uniforms and footwear for between 40,000 and 50,000 students, with equal distribution between girls and boys.

The Learn and Earn programme, Dhar District, Madhya Pradesh, India

Women are not only pillars of our business but also pillars of their communities

Women are the most powerful force for change. When we include girls in education, health and economic investments, we give them a voice, a choice and opportunity to realise their full economic and social potential. Women are not only pillars of our business but also pillars of their communities. Women invest a substantial portion of the money they earn in the health and education of their children and in their local economies, creating a tremendous economic ripple.

Empowering women in the home, in the workforce and in their communities has been a priority for Rosy Blue for more than 20 years. Rosy Blue has always encouraged women to join its workforce, recognising that they would add value to their lives and their family's prosperity in doing so. Today they represent 32,44% of our workforce.

The Women's Empowerment Principles set out in the collaboration between the United Nations Development Fund for Women (UNIFEM) and the United Nations Global Compact (UNGC) has helped define Rosy Blue's goals in empowering women both in the workforce and at home and as valued members of their communities.

Our approach to changing women's lives has been hands-on, practical and sensitive. An initial problem for women wishing to work was the lack of transport to the factory and the problem of what to do with their children during the day. Rosy Blue provided both regular transport and free day care for employee's children under six years old. A doctor visits the day-care centre daily, so that the children also benefit from regular health checks. Rosy Blue is the only employer in the Pithampur industrial area to offer a fully equipped day-care centre.

Within its workforce, Rosy Blue ensures that its female employees are treated with respect and that they receive equal pay for equal work compared to their male colleagues. Women are present on every committee and sub-committee and play a vital role in the company.

Outside our work premises, Rosy Blue established a Welfare Centre at Vishwas Nagar, Pithampur in 1998. It provides craft training programmes for women, offers health checks, family planning education, information on managing a household, nutrition and vaccinations. Huge support is given to the wellbeing of women, who are then

more able and confident when it comes to looking after their family and, especially, their children.

The Learn and Earn programme at the Welfare Centre, helps women who want to work from home or in small groups. It teaches them needlework, knitting, toy making and embroidery, among other crafts, giving them skills that can translate into earnings. The programme backs this up with English language classes, courses on financial management and marketing. To date, around 400 women have trained in the Learn and Earn scheme and of those, some 15–20% have successfully set up their own businesses. Rosy Blue has been able to offer interest-free finance to some women, allowing them, for example, to buy a sewing machine and material with which to establish their business.

Empowering women at work goes far beyond financial gain. The extra money earned gives women a sense of achievement and a stronger voice in the family and in the community as a whole. Working women can contribute to better food for their family and ensure their children are able to stay longer in education. Rosy Blue's commitment to each aspect of women's empowerment is testament to the company's belief in an equal opportunities future for all.

Sarvodaya Ashram, Sanali, Banaskantha District, Gujarat State, India

Lifting the rural poor out of deprivation and building a better future through education

Located on the banks of the twin rivers of Kidi and Mankodi in the Aravali Mountains, Sanali is a village to the east of Danta Taluka in the district of Banaskantha, What sets it apart from many such villages is its outstanding educational facility, the Sarvodaya Ashram, whose students benefit from decades of investment in educational facilities.

The story began in May 1949 when the original Sarvodaya Ashram was founded by the renowned social worker Arkbarbhai Chavda. Chavda was acutely conscious of the disadvantages of the poor and illiterate tribal people then living in Banaskantha. Before independence, they were ruled by superstition and witchcraft, believing in the power of animal sacrifice. Drunkenness and theft were rife and child marriages were commonplace.

In 1952, Chavda started a boys' hostel, followed by one for girls in 1956, with backing from the Government of Gujarat, which supported the scheme to help educate children who had never, until then, had the chance to attend school. The Ashram inaugurated 10 primary schools, 20 night schools to help educate those who needed to work during the day, 30 cow sheds, 10 mobile schools to reach remote areas and 20 kindergartens and nurseries.

By 1967, this wide-reaching approach to tackling illiteracy had resulted in the establishment of a high school, whose first intake comprised of 42 students. An affiliated centre was set up 12km away in Dalpura to provide research and experiments into agriculture and poultry for the benefit of the local rural population.

When Shri Ramnikbhai Mehta and Smt. Sushilaben Mehta, trustees of the Rajmal Rikhavchand Mehta Charitable Trust happened to spend a night at the Ashram, they were struck by the importance of the work being undertaken there. That was in 1984, and since then the generous support of the Charitable Trust has been intensified, as has been the trust's involvement in the Ashram's activities. The Rajmal Rikhavchand Mehta Charitable Trust, with support from the trustee's friends and family, have added new school and hostel buildings, along with staff quarters. There is also a running track, an auditorium and a special education centre for handicapped children.

DIAMOND EMPOWERMENT FUND[®] DIAMONDS DO GOOD[™]

Supporting initiatives that provide youth in diamond producing nations with access to high-quality education, skill-building, and vocational training.

The Diamond Empowerment Fund (DEF) was established in 2007 by

entrepreneur Russell Simmons, De Beers, and other global leaders in the diamond industry. Their founding mission is to support higher education initiatives for youth in African nations where diamonds are a natural resource and to communicate this message to consumers. Upon graduation, these young leaders return to these nations to contribute to their growth, diversification, and stability. To date, they have helped over 2,000 students across Africa through scholarships and other financial assistance. This is what we refer to as a 'diamonds do good' impact.

They have recently expanded the scope of our mission to be inclusive of all areas of the world where diamonds are a natural resource and where the diamond and jewellery industry does business. This broadened mission will enhance how consumers are informed of all the good that the global industry is doing. Whether through the industry's embrace of sustainable business practices, support of healthcare initiatives in the mining communities, infrastructure improvements or access to education, DEF will highlight the collective good works to consumers, NGOs, the media and governments alike. Rosy Blue gives financial support and is represented on the board.



Graduation from the Diamond Empowerment Fund beneficiary, African Leadership Academy, which is based in Johannesburg, South Africa. Their students are representative of all 54 countries in Africa.



8.D Environment

Our vision is to protect our planet while creating business value for all our customers. From sorting diamonds to jewellery manufacturing, we are working to systematically transform our operations worldwide by implementing environmental management systems with the aim of promoting environmental preservation and making our operations leaner and more energy efficient. We do acknowledge that we need more time to build environmental management systems into our operations. 2013 was a year of tackling challenges and creating environmentally sensitive practices.



Our strategy

In the year 2010 we defined the Rosy Blue Going Green strategy through the lens of the 4C's: Color, Clarity, Cut and Carat. We embarked on an ambitious journey with a goal to go 'beyond carbon neutral by the year 2016'. The learning curve has been steep and our experiences in the field required us to reflect and recast our timeline.

Redefining scope

Our journey to go beyond carbon neutral has been challenging but our enthusiasm and commitment remains unchanged. Our stated approach was to add one activity every year up till the year 2016. Since 2013 we track data on Energy, Water, Waste, Material, and Travel. A lot of additional efforts were placed in the data collection and validation

Creating a baseline

Ensuring data accuracy is of paramount importance. We have adopted the year 2012 as our baseline year. We will use this data to compare and continue to measure changes throughout the subsequent years.

Capacity building

Rosy Blue launched a web-based course on environmental impact with focus areas of energy conservation, water usage and waste management. This training has been completed by all our CSR officers and travel desk officers. In addition, to further embed environmental practices as part of our standard business operations, Rosy Blue is building a special section on the CSR extranet, which includes an explanation of our environmental impact and environmental policy and how it applies to each employee with practical examples. To fulfil our vision, "beyond carbon neutral by 2016" the first step is tracking of environment-metrics data on a regular basis. We partnered with an external agency and implemented strong management processes on data management. Now our operations are ready to manage reporting.

Reducing our impact

We have set targets to improve energy efficiency in our offices and manufacturing sites. We have conducted two pilot audits of two of our largest manufacturing facilities in India in order to assess and quantify the potential of reduction in the context of energy, material, water, waste and travel.

Technology

Consistent monitoring and analysis of environmental data is key to understand our impact and set out our roadmap. We have started the integration of software technology to enhance our environmental management systems.

Timeline

YEAR 2012

We increased the scope of the carbon foot printing project to include all materials used in our offices. We included direct and indirect energy consumption (including electricity), business travel, waste generated and specialized chemicals. The data collected in the year 2012 will be used as the baseline to which subsequent years will be compared.

YEAR 2013

We conducted an in-depth pilot study of two of our largest manufacturing facilities resulting in creation of the data collection framework for our factories. Carbon footprint reduction potential was also examined during the pilot study. We tightened our validation process and streamlined the data collection process to enable us to present analysis of the previous year's data within the first quarter of the next year.

YEAR 2014

Companywide awareness building programs will continue. We will extend the audits to the remaining factories and simultaneously model the resource reduction potential. We will also focus on the specialized chemicals by conducting LCA (Life Cycle Analysis).



2013 - Rosy Blue carbon footprint was 8.956,09 Tonnes of CO₂e

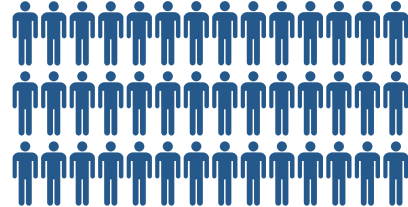
19 entities



10 countries



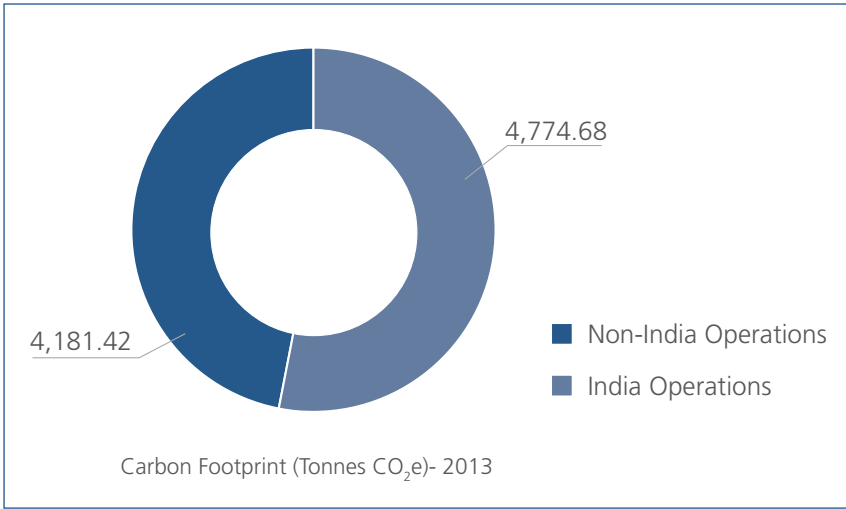
4.742 employees



Rosy Blue is not in the business of mining and all processes related to mining are out of the scope* of Rosy Blue Going Green. We track all our Scope 1** and Scope 2** data. In Scope 3**, we include the GHG emissions (Green House Gas) due to business travel, and due to materials like paper and specialized chemicals. We also include GHG emissions due to distribution losses (referred to as AT&C*** losses) in the grid-electricity that we use. As far as other activities under scope 3 are concerned, we are in the process of streamlining our data collections and validation processes. We realize that water by itself is a scarce resource and we are committed to reducing our usage of water. Even as we track our water usage, it is currently out of scope of the carbon footprint study due to lack of reliable GHG emission factors.

The total emissions from the entities analysed is 8.956,09 Tonnes CO₂e of which 47% contribution comes from India operations and the rest of 53% from Non-India operations. A total of 19 entities were analysed of which 17 entities belong to Non-India operations (2.739 employees) and 2 main entities of the India operations (2.003 employees).

Total Greenhouse Gas emissions due to the operations of Rosy Blue

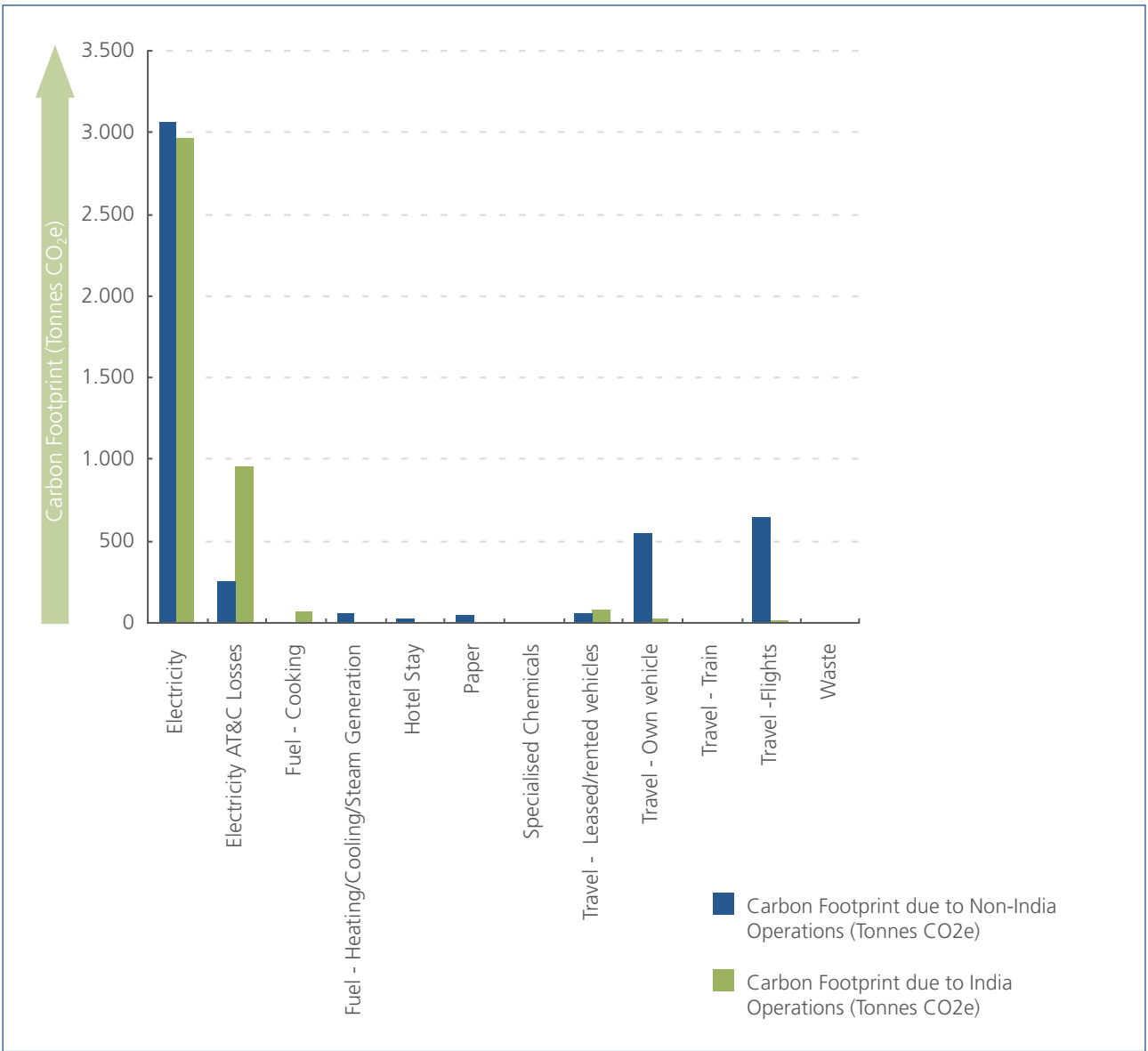


* Scope: The boundaries for calculating our carbon footprint have been established based on the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) and the WBSCD/ WRI Greenhouse Gas Protocol - Corporate Accounting and Reporting Standard.

** Source: www.ghgprotocol.org

***AT&C (Aggregate Technical and Commercial losses) - loss captures technical as well as commercial losses in the network and is a true indicator of total losses in the system.

Emission details



- The largest component to the carbon footprint is electricity which is due to manufacturing of jewellery and polishing.
- The electricity AT&C losses are high in India operations because of the inefficiency in distribution of electricity. RosyBlue reports AT&C losses as part of its carbon footprint even though they are not within our control. AT&C losses are country specific and depend on many factors including state of technology, efficiency of transmission and metering. AT&C varies from 4.5% in Belgium to 24.5% in India.
- The Non-India travel related emissions are high because most of the top management and sales functions are based in countries other than India.

ClimateMiles and the RosyBlue sustainability team have put its best efforts to collect data for the year 2012 and 2013, Climate Miles has taken extreme care and diligence in validating the data collected. Climate Miles has analysed the data collected using best of class databases that are available in the public domain, licensed database products and by coefficients created by CM.

If any, ClimateMiles takes responsibility for discrepancies and will update the same in the analysis of subsequent years.

For more info: ClimateMiles at mo.polarar@climatemiles.com

9 How we measure and improve our performance



Ethical business conduct and compliance with applicable laws and regulations are fundamental aspects of Rosy Blue's corporate culture. To this end, we have established a Global Compliance Network comprised of a global corporate affairs department and regional compliance offices around the world.

We structure a solid audit system to keep our commitments on track and improve year by year.

In this section:

- A. Audit systems and capacity building
- B. Audit performance

9.A Audit systems and capacity building

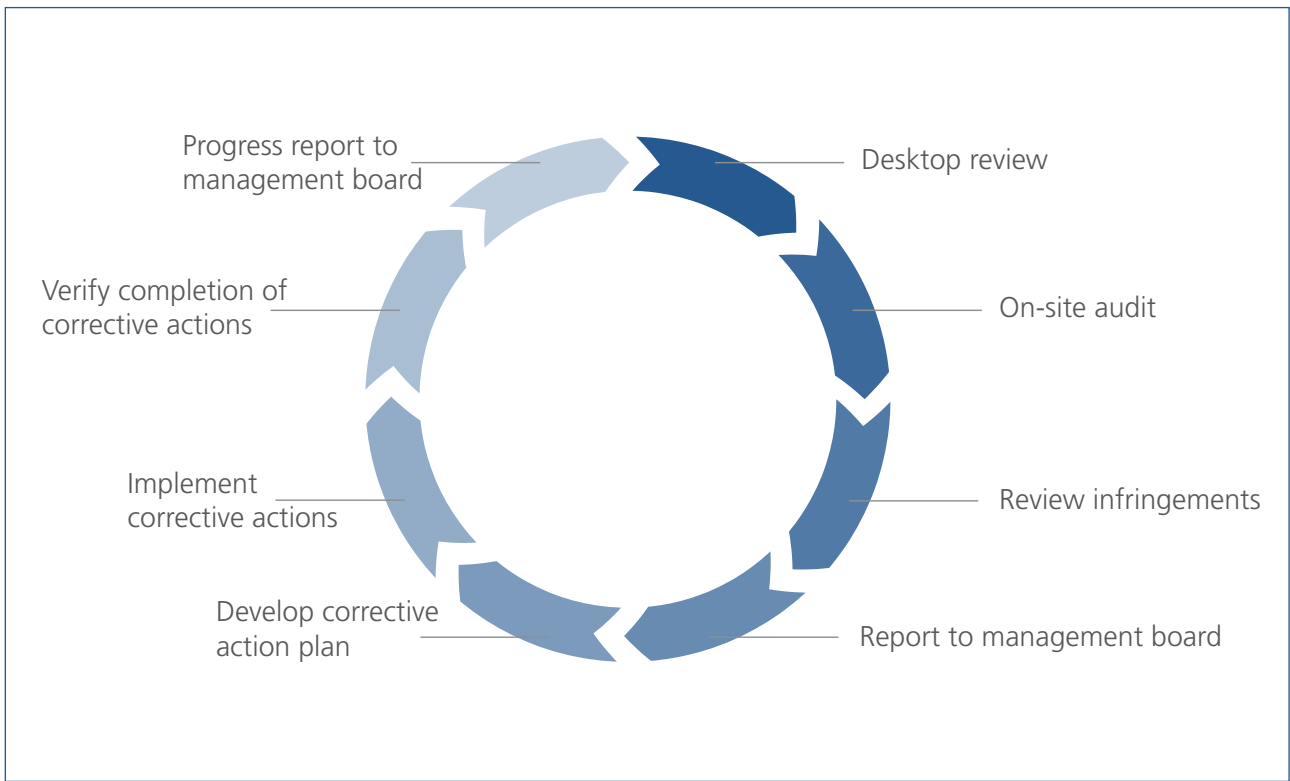
Rosy Blue has established an integrated audit system that combines two kinds of audits - internal and external. External verification is critical as it monitors where we stand on an independent basis. In 2013 a new CSR extranet was launched to improve the reporting and local capacity building in all our operations.

INTERNAL

Desktop review

Our documentation and supporting evidence review concentrates on determining how well an entity is managing the different areas of compliance (business, social and environmental) and what systems are in place to monitor the implementation of the policies and procedures. This review allows us to pick up early indications of the areas on which the entity needs to focus. From this data, we can determine the possible risks that may affect the level of compliance and how best we can manage it through the use of internal controls. In 2013, 25 operations had a desktop review.

Our internal CSR and monitoring process



Comprehensive onsite audit on a risk based approach

On site audits

Each year, the Global Corporate Affairs Department, in close coordination with the local CSR officers, audits a number of entities across the world. We select facilities based on risk factors so that we focus our efforts where they can have the greatest impact. These experts are thoroughly trained to assess the different requirements specified in our internal compliance programme. It integrates all the requirements from the Best Practice Principles and the code of practices from the Responsible Jewellery Council under the umbrella of the Global Compact. In 2013 internal audits took place in Belgium, China, Thailand, Sri-Lanka, UAE and India.



Corrective actions

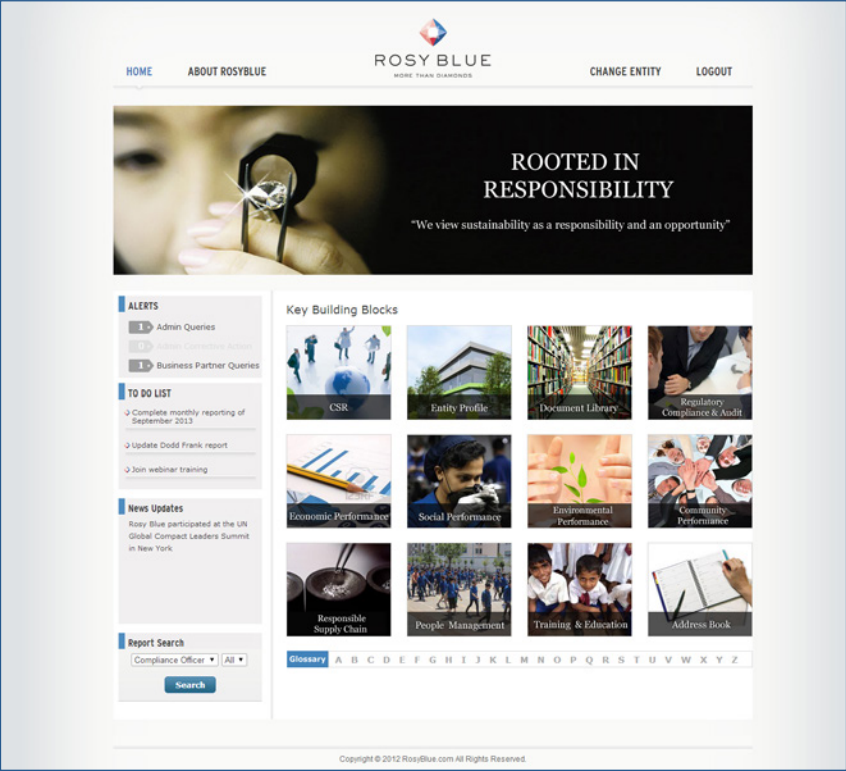
All audit findings are reviewed with the entity's senior management. When a violation is found, we require the entity to implement a corrective action plan that addresses not only the specific violation but also the underlying management system improvements needed to prevent its recurrence. The information we have gathered from our desktop review and on site audit is posted on our CSR extranet. This data is used to prepare an internal audit report with all the significant findings for the Management Boards. We track completion of all corrective and preventive action plans, with an expectation that they will be closed within 60 days of the audit. If we find issues that have been inadequately addressed, we continue to collaborate with the local management team toward further improvement.



CSR extranet to enhance local capacity

During 2012 and Q1 2013, a new CSR extranet was built. The new system is updated on a daily basis by a dedicated data CSR officer. It provides easy access to a summary of the most significant programmes and indicators with easy to use guidance on how to implement the systems and procedures.

It's not just about providing the local officers with information in the best way possible, but also about creating a more effective dialogue and reporting in the field. All the compliance officers tested the system and were trained in 2013.



Independent evaluations to build further capacity

We believe that the implementation of sustainability must be high impact while also pragmatic, scalable, and cost effective. The focus areas are policies and procedures for sensible and sensitive management systems with decent conflict and complaint resolution, and worker involvement and communication.

Since 2011 Rosy Blue became a member of Social Accountability International's Corporate Programme to help measure and improve the social performance of its operations in China. In our roadmap 2016 we committed ourselves to get SA 8000 certification. In the meantime, we have worked with SAI also in the RJC's code development and have decided that our operations should instead be audited against the new RJC code of practices (harmonised with SA 8000) in 2014, since this code is based on the same international standards but addresses the jewellery sector specifically. We will continue to work with SAI to build and upgrade management capacity, because we believe this is an essential component of a realistic strategy to deal with the issues responsibly. Our partnership with SAI is critical, the training and awareness-raising it provides will help management establish structured and systemised channels of communication with our pool of workers, in order to ensure their understanding of the newly established policies, as well as facilitate the effective implementation of all procedures.

Like many others, Rosy Blue has found that multiplication of social audits is burdensome for all concerned, with limited effectiveness when it relies on just 'ticking boxes'. And even at best it cannot by itself guarantee more than a series of snapshots of the situation, when in fact it is sustained high standards which are our aim.



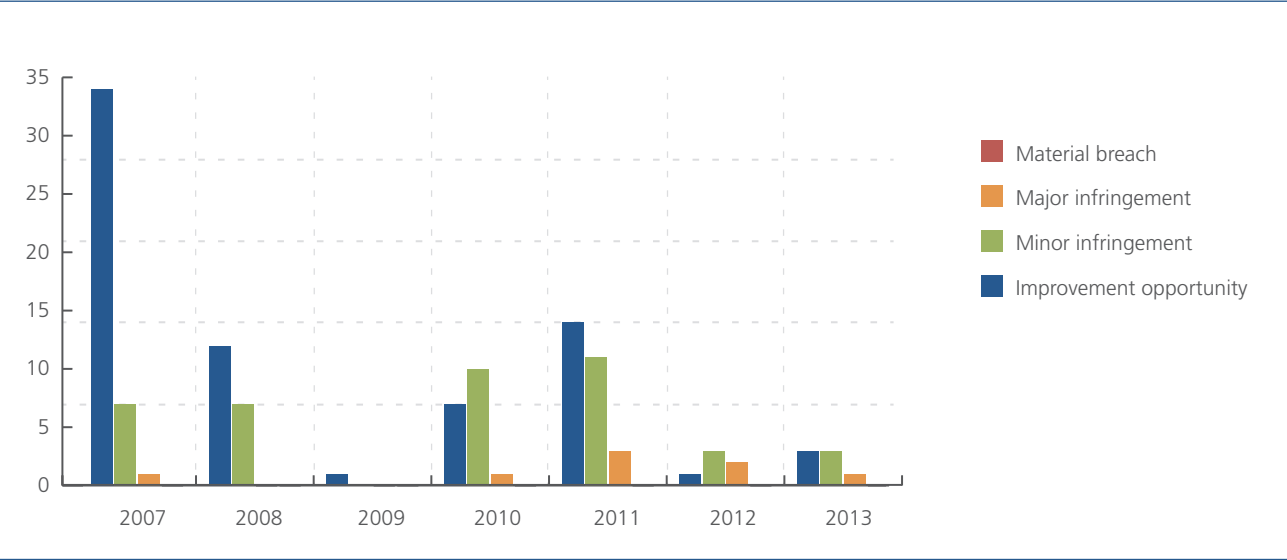
9.B Audit performance

EXTERNAL

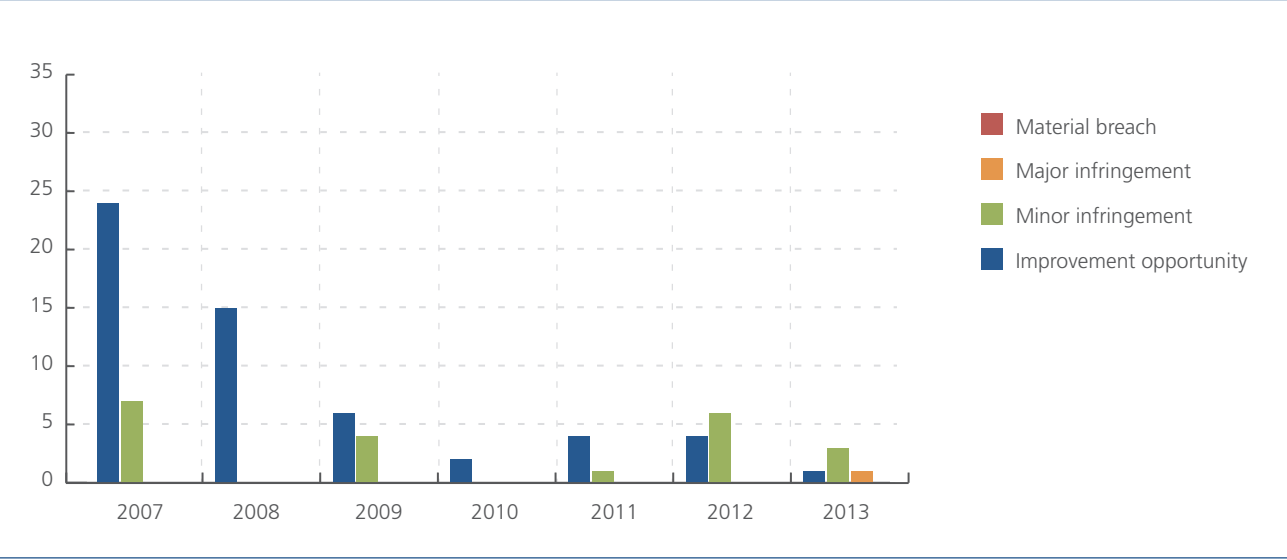
As explained in the scope of the report, we have decided to focus on the results of the Best Practice Principles. RB I and RB NI have adhered to the Best Practice Principles since 2005. Rosy Blue NI has been a founding member to the RJC since 2005 and was certified against the code of practices in 2011 for three years. RB I became RJC member in 2011 and was certified against the code of practices in 2013. Since 2006 our factory in Phitsanulok Thailand has been SA 8000 certified till May 2012. During 2013 and 2014 our operations in Thailand are moving to a new state of the art factory. Once the new factory set up has been completed, we will reapply for SA 8000 certification. Additionally, different operations are being audited against proprietary customer programmes.

The external audits are selected annually by the third party independent auditor SGS, based on certain risk criteria including location and geographic sensitivities, past audit performance and the nature of the facility's work. This implies that different sites are audited each year. Since 2007, our performance overall has continuously improved.

Rosy Blue NI infringements found as a result of Workbook reviews & on-site visits



Rosy Blue I infringements found as a result of Workbook reviews & on-site visits



Results of BPP external audits per country							
	2007	2008	2009	2010	2011	2012	2013
Belgium					•		
USA				•1INF			
Armenia	•			•3INF			
China		•4INF			•8INF	•5INF	
Hong Kong							•
Thailand	•	•2INF		•			•4INF
Sri Lanka		•		•7INF	•5INF		
South Africa							
Israel					•		
Japan						•	
UAE			•		•		•
India	•3INF	•	•4INF	•		•6INF	•4INF

INF - infringement. This table includes, minor & major infringements and does not include improvement opportunities.

Examples of common audit findings and responses

We highlight some specific examples of findings from our audits in the year 2013 in the following table and explain how we have responded by strengthening our management systems and capability.

Category	Finding	Response	Status
Labour	Periodic overtime and consecutive working days without a break exceed legal requirements.	Management system has been enhanced to monitor working hours and have implemented additional mechanisms to alert managers to overtime exceeding the maximum working hours set by the RJC and to increase management accountability.	Closed
	A deposit was asked to some workers when joining the company.	Deposits were returned immediately and a new management procedure was established, clearly indicating that no documents or deposits can be held at any time.	Closed
	Discrepancy between calculation methodology on bonus payments.	New calculation method was implemented and bonus payments were rectified.	Closed
	Lack of documentation on daily working hours.	New procedure on recording daily working hours implemented.	Closed
	Follow up on contractors, this includes attendance, leave records, minimum wages, employment terms & condition, legal working days, overtime compensation.	New procedures and contracts have been implemented for contractors such as security firms.	Closed
Health and Safety	No regular health examination for workers engaged in work with occupational hazards.	New procedure has been established to organize health checks for workers on an annual basis.	Closed
	No adequate evidence for disposal of chemicals and waste; No secondary containment provided to prevent chemical spillage; No emergency eye wash station at boiling room.	New procedure has been established for disposal of chemicals and waste and an emergency eye wash station has been set up.	Closed
	No first aid trainer was available at the facility.	First aid training given by external agency. All workers received Health and Safety training.	Closed
Environment	No implemented procedures on waste minimization	Implementation of the procedure on waste has been established and regular follow-ups are conducted.	Closed

9.C Assurance statements



Statement of Sightholder Best Practice Principles for Rosy Blue (India) Pvt. Ltd. and its Affiliates Compliance Status

Date: 27th May 2014

Rosy Blue (India) Pvt. Ltd. and its Affiliates have been actively involved in the De Beers Best Practice Principles through the Rosy Blue NV and Rosy Blue India Sightholders since the initial cycle in 2005.

As part of each annual cycle the Sightholders have been required to submit self-assessment workbooks for all owned facilities. For the last few years they have also been required to submit for contractors with whom they represent 75% or more of their output.

These workbooks are reviewed by SGS for completeness and evidence is tested in relation to the compliance status declared. Further, a sample of facilities is visited to conduct a full on-site verification.

For the 2013 cycle, this resulted in 04 workbook reviews and 02 visits.

No material breaches were found as part of this verification and they are compliant with the requirements of this programme, having taken prompt action to close out all issues found during our sample assessments.

SGS has reviewed the summary of findings and statuses on Pages 76 and 77 of the Rosy Blue COP Report 2013 and can confirm that the information provided is aligned to the outcomes of the third party verification activities undertaken as part of the Best Practice principles programme.

Signed:

Effie Marinos
Sustainability Manager



Statement of Sightholder Best Practice Principles for Rosy Blue NV and its Affiliates Compliance Status

Date: 27th May 2014

Rosy Blue NV and its Affiliates have been actively involved in the De Beers Best Practice Principles through the Rosy Blue NV and Rosy Blue India Sightholders since the initial cycle in 2005.

As part of each annual cycle the Sightholders have been required to submit self-assessment workbooks for all owned facilities. For the last few years they have also been required to submit for contractors with whom they represent 75% or more of their output.

These workbooks are reviewed by SGS for completeness and evidence is tested in relation to the compliance status declared. Further, a sample of facilities is visited to conduct a full on-site verification.

In addition, Rosy Blue NV is part of the De Beers Forevermark programme which requires all facilities used in the production of diamonds that are to be inscribed to be audited on an annual basis both for pipeline integrity and for compliance with the Best Practice Principles.

For the 2013 cycle, this resulted in 04 workbook reviews and 03 visits.

No material breaches were found as part of this verification and they are compliant with the requirements of this programme, having taken prompt action to close out all issues found during our verification activities.

SGS has reviewed the summary of findings and statuses on Pages 76 and 77 of the Rosy Blue COP Report 2013 and can confirm that the information provided is aligned to the outcomes of the third party verification activities undertaken as part of the Best Practice principles programme.

Signed:

Effie Marinos
Sustainability Manager

9.D Global Reporting Initiative Content Index

This report contains elements of information for following Standard Disclosures of the GRI Sustainability Guidelines G4:

GENERAL STANDARD DISCLOSURES			
General Standard Disclosures	page number	identified restrictions and omission	external assurance
STRATEGY AND ANALYSIS			
G4-1	8-9; 24-27	targets	
ORGANIZATIONAL PROFILE			
G4-3	4		
G4-4	20		
G4-5	22		
G4-6	22-23		
G4-7	18-20		
G4-8	22-23		
G4-9	19; 22-23; 50	sales, capitalization, quantities	
G4-10	19; 51; 54		
G4-11		not available	
G4-12	18		
G4-13		confidential	
G4-14	76		
G4-15	6; 36-39; 80		
G4-16	38-39; 64-68		
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	4; 19	financial statement is confidential	
G4-18	42		
G4-19	46-47		
G4-20	46-47		
G4-21	46-47	no geographical spread	
G4-22	40-41		
G4-23	none		
STAKEHOLDER ENGAGEMENT			
G4-24	44-45		
G4-25	44		
G4-26	44-45		
G4-27	44-46		
REPORT PROFILE			
G4-28	4		
G4-29	year 2013		
G4-30	4		
G4-31	82		
G4-32	84		
G4-33	4; 82	only for social aspects	
GOVERNANCE			
G4-34	10-11; 30-35		
ETHICS AND INTEGRITY			
G4-56	36; 40		

SPECIFIC STANDARD DISCLOSURES			
Disclosures on Management Approach and Indicators	page number	identified omission(s)	external assurance
CATEGORY: ECONOMIC			
MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS			
G4-EC8	50; 66	no benchmark	
CATEGORY: ENVIRONMENTAL			
MATERIAL ASPECT: EMISSIONS			
G4-EN15	72-73	partially	82
G4-EN16	72-73	partially	82
G4-EN17	72-73	partially	82
CATEGORY: SOCIAL			
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK			
MATERIAL ASPECT: EMPLOYMENT			
G4-LA1	54	no age	82
MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY			
G4-LA6	55-56; 81		82
MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR LABOR PRACTICES			
G4-DMA	46		82
SUB-CATEGORY: HUMAN RIGHTS			
MATERIAL ASPECT: INVESTMENT			
G4-HR1	36-37	no figures	82
MATERIAL ASPECT: CHILD LABOR			
G4-HR5	51		82
MATERIAL ASPECT: FORCED OR COMPULSORY LABOR			
G4-HR6	81		82
MATERIAL ASPECT: ASSESSMENT			
G4-HR9	81		82
SUB-CATEGORY: SOCIETY			
MATERIAL ASPECT: LOCAL COMMUNITIES			
G4-SO1	64-65		
MATERIAL ASPECT: ANTI-CORRUPTION			
G4-SO4	36; 47		82
SUB-CATEGORY: PRODUCT RESPONSIBILITY			
MATERIAL ASPECT: PRODUCT AND SERVICE LABELING			
G4-PR3	58-63	adapted to integrity in diamonds	
MATERIAL ASPECT: MARKETING COMMUNICATIONS			
G4-DMA	58-63	adapted to integrity in diamonds	
G4-PR6	26-27; 58-63	adapted to integrity in diamonds	

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MORE THAN DIAMONDS