



AWDC
SUSTAINABILITY
REPORT 2014

INTRODUCTION FROM THE PRESIDENT AND CEO

Dear readers,

The diamond trade is a global and geographically expansive business that touches upon various issues and interests, among which sustainability ranks highly. The Antwerp World Diamond Centre (AWDC), as the representative of the diamond sector in the world's largest diamond hub, takes its responsibilities in this domain seriously.

With 84% of rough diamonds and about 50% of the world's polished diamonds passing through this wholesale centre, internal and external expectations of the AWDC are high. Our role is to answer to the needs of the Belgium diamond sector, both at home and abroad, while adhering to strict principles of good business practices.

Promoting a sustainable and transparent diamond sector is one of AWDC's key strategic priorities. We are of the opinion that a healthy diamond industry entails taking responsibility for itself and its broader effects.

Antwerp's diamond sector is known for its 5th C. In addition to the classic 4 Cs, which determine the value of a diamond - carat, colour, cut and clarity - our 5th C is the commitment to Compliance, Confidence and CSR. This is the core of our business model and a

strong focus in our medium and long-term strategy, not only for the Antwerp diamond sector but also for the global diamond industry. For this reason, AWDC embarked on its first sustainability report, to evaluate the accomplishments of 2013 and previous years and to determine where progress needs to be made.

We believe that the business model of the future must have sustainability at its core. It is our intention to demonstrate that sustainability and growth are not mutually exclusive. So in the last few years, sustainability has become a priority.

Extensive dialogue with stakeholders ranks high on AWDC's agenda and was an integral part in producing this report. We took active steps to involve our employees, diamond companies in the sector, NGOs and the broader community in Antwerp. The consulted stakeholders ranked the following issues as the top five, on which AWDC should focus its activities and report back, on to affected stakeholders: responsibility and integrity in the diamond supply chain; transparency; compliance; indirect economic impact in Antwerp; indirect economic impact in diamond producing countries. These topics therefore form the basis of our sustainability report.

The goal of this report is to illustrate in a transparent

manner how we drive sustainability in our business as well as across all tiers in the diamond value chain. Our external stakeholders expect AWDC's contribution and leadership. Internally, sustainability and communication surrounding this topic have risen on AWDC's agenda.

We invite you to take a look at the challenges the AWDC and the diamond industry are facing and how we are tackling them, keeping in mind that there are still improvements to be made.

As this report is the first of its kind for AWDC, we do not have many references against which we can measure our success and progress. An open dialogue with you, our stakeholders, will be key to succeed in this process ahead. With your input, AWDC will soon draft a roadmap setting out clear goals, creating benchmarks for the years to come.

We look forward to receiving your feedback,



Stephane Fischler
AWDC President



Ari Epstein
AWDC CEO

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CHAPTER 1

ABOUT AWDC

Mission

Antwerp World Diamond Centre (AWDC) is a private foundation, which serves and represents the collective interests of the Belgian diamond sector, from the heart of the industry itself. AWDC is not a member-based organization but rather represents the diamond sector as a whole, irrespective of the scale of an actor's activities or the size of the company. AWDC strives to further develop Antwerp's position as the leading global diamond hub and to strengthen the image of

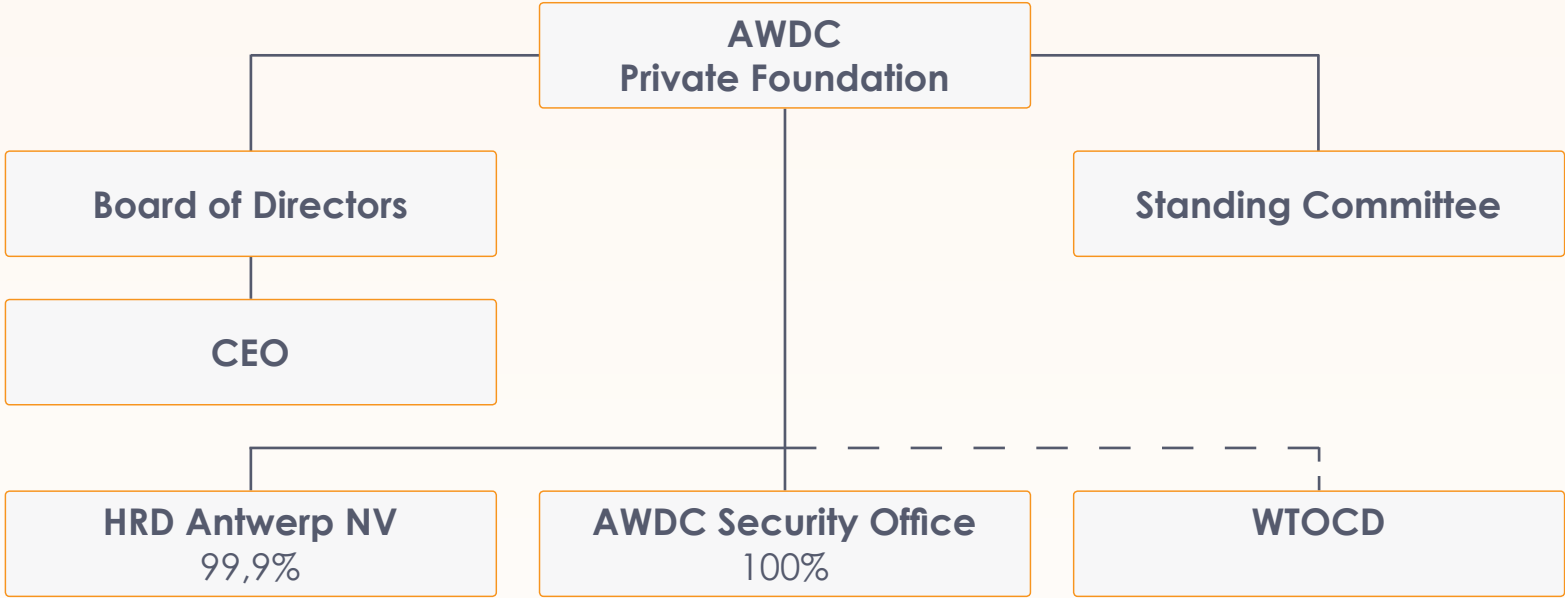
the sector to the general public. These activities are paired with a wealth of services for the sector, namely: marketing and communications campaigns, events in Belgium and abroad, advocacy, services concerning security, compliance and the like.

AWDC is located at Hoveniersstraat 22, 2018 in Antwerp, Belgium; in the heart of the Antwerp diamond district. While we do not have any offices abroad and

we cannot measure our activities in terms of products we deliver and consumer markets, our activities are nevertheless, for a large part, carried out on the international diamond scene.

Governance and management structure

As already mentioned, AWDC is a private foundation and does not have any members. The Board of Directors is the body that oversees and participates in the activities of AWDC.



STANDING COMMITTEE

The Standing Committee consists of 12 legal member entities, which represent the entire diamond sector.

This permanent body monitors the progress of the Board of Directors' election and conformity of the decisions of the Board of Directors with AWDC's

statutes. The Standing Committee determines whether or not the decisions reflect the objectives of AWDC.

The Standing Committee also has an advisory role, which entails taking unanimous decisions about the proposed changes to the regulations, and provides an

opinion on matters, which the Board of Management submits for review.

BOARD OF DIRECTORS

AWDC's by-laws provide for 12 Board of Directors members:

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

According to AWDC's by-laws, diamond traders can directly elect 'their' six board members. The voting

procedure guarantees an equal representation for small, medium-sized and large diamond companies. Each category is determined by the average annual turnover achieved during the two calendar years prior to the elections.

The other directors are nominated by their respective associations/bodies. The independent director is appointed by the Prime Minister and must obtain a minimum of nine votes from the other Board of Directors members.

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

AWDC organises the Board election under the supervision of the Standing Committee, assisted by the Federal Public Service(FPS) Economy.

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



REMUNERATION COMMITTEE AND AUDIT COMMITTEE

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

HRD ANTWERP

HRD Antwerp NV is a subsidiary of AWDC. It houses a laboratory, which enjoys an excellent reputation, offers highly renowned training, carries out important research and develops technologically advanced material. HRD certifies polished diamonds; it develops a sort of identity for each and every diamond where the four Cs, meaning the characteristics of a diamond (carat, colour, clarity and cut), are determined and listed. HRD Antwerp also has offices in China, Hong Kong, Turkey and India.

AWDC SECURITY OFFICE

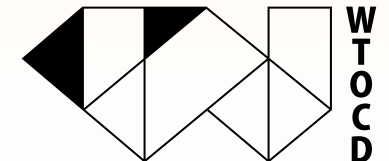
The mission of AWDC Security Office is to support and facilitate security, monitoring and safety in the diamond industry. In addition, the office is also responsible for the protection of personnel, the community, the goods, reputation and information of the sector in view of internal and/or external threats or incidents. In 2013, an AWDC survey conducted within the diamond sector demonstrated that 90% of the respondents feel safe in the Antwerp diamond district.

WTOCD

The mission of the Scientific Research Centre for Diamonds (WTOCD) is to assist the Belgian diamond sector, both the trade and industry, in increasing their competitiveness by making high-tech products and services available. WTOCD offers a wealth of possibilities in the area of development, scouting and implementation of new technology to produce top quality diamonds.



Security
Office



Operational structure

AWDC's operational structure consists of eight departments:

Department	Department	Challenges in terms of sustainability
Diamond Office	Diamond Office (DO) is responsible for the streamlining of all diamond shipments that are imported or exported to and from Belgium. Each shipment is physically checked, and verified by sworn experts, under surveillance of the Belgian government.	Diamond Office (DO) would like to use its experience to provide technical support to diamond producing countries. DO would also like to provide information and advice concerning import and export legislation and complete transparency in import and export settings.
Business Intelligence	The Business Intelligence department consists of the following aspects: knowledge, collective memory and technical work for the World Diamond Council and the Working Group of Diamond Experts of the Kimberley Process.	Providing technical assistance, predominantly to African producing countries with small-scale artisanal mining with the intent to improve internal controls by creating more transparency and greater tracability of the stream of goods. By organizing regular educational programs in partnering countries such as Ivory Coast, Central African Republic, Guyana, etc, this goal can be further anchored.
Business Development	Business Development is continuously looking for new markets and possibilities to expand Antwerp's network worldwide.	Developing long-term relationships with African diamond producing countries via a development model that benefits the respective country. To implement this model, financial as well as human capital is needed.
Public Affairs	Public Affairs (PA) represents the diamond sector vis-a-vis governments, (inter)national stakeholders and organizations.	Public Affairs will develop a guidance document with a number of core principles of ethics and good practices. All initiatives of the PA department will be assessed against this policy and will be recorded and accessible to all. PA will continue to develop AWDC's sustainability agenda, through means such as following up this sustainability report.

Department	Department	Challenges in terms of sustainability
<p>Legal & Compliance Human Resources</p>	<p>The Legal & Compliance department handles the legal dossiers, advises diamond traders and implements legislation in the diamond sector. This department also works actively to foster transparency in the sector.</p> <p>The HR department provides employees with information concerning HR policy. HR creates a framework within which all AWDC employees can perform their work in a driven and motivated manner. In addition this department renders services to the sector, for example through the jobsite www.adjobs.be.</p>	<p>The department is striving to create an international 'Know Your Customer' database so that traders can conduct business in a transparent, safe and sustainable manner.</p> <p>The department strives for sustainable employment in the diamond sector through the Antwerp Diamond Jobs website, which supports all diamond traders in the search for suitable staff.</p>
<p>Operations</p>	<p>Operations provides support within AWDC in the field of ICT, Security, Facility and Purchasing.</p>	<p>The challenges for the Operations department are: waste management, energy saving measures in the building, recycling of closets, desks, chairs etc.</p>
<p>PR & Communications</p>	<p>The PR & Communications department promotes Antwerp as the world's leading diamond hub. This is done through the organization and coordination of a number of activities in Belgium and abroad, such as taking part in trade fairs and organizing national and international events such as PR & prospecting missions, B2B network events, conferences and princely and economic missions.</p>	<p>Transparent communication is high on the PR & Communication department's agenda. The department will strive to extend its outreach to relevant stakeholders. Furthermore, more emphasis will be placed on sustainability in all aspects of event organization.</p>
<p>Finance</p>	<p>The Finance Department coordinates all financial aspects of the organization.</p>	<p>Timely delivery of correct and transparent financial data to all stakeholders within the AWDC group is key for the Finance department.</p> <p>The goal is to diminish the paperwork through electronic delivery and invoice approval through paperless management.</p> <p>Making 'sustainable' purchases from suppliers who hold a sustainability certificate is also a high priority.</p>

Together with the CEO, the department heads form the This team gathers three times per week to discuss the general state of affairs within the departments. Once a month a meeting takes place during which the monthly state of affairs is discussed. The CEO also attends the meetings of the Board of Directors.

Ms. Karla Basselier, as Head of Public Affairs, is responsible for AWDC's sustainability policy.

Finance

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

Assets AWDC			
	2011	2012	2013
Revenue	€19,001,643	€19,987,234	€18,760,127
Equity	€26,027,396	€23,372,330	€20,373,668
Liabilities	€6,053,821	€5,654,779	€5,502,485

Equity 2013	
Share capital	€31,346,821
Retained result	€-10,973,153
Equity 2013	€20,373,668



Liabilities 2013

Loans to be paid over several years	€249,998
Loans to be paid in one year	€500,000
Accounts payable	€3,322,631
Paid taxes & social charges	€1,240,464
Accounts receivable	€162,919
Accruals and deferred income	€26,473
Total	€5,502,485

AWDC receives subsidies from Flanders Investment & Trade (FIT) to organize events that promote and support the Flemish diamond trade and diamond industry. Examples of the use of these subsidies are the organization of the Antwerp Diamond Pavilion during trade fairs across the world, PR and prospect missions, B2B networking events and promoting Antwerp and Belgium worldwide, among others in cooperation with the Flanders Fashion Institute. A good example of this

collaboration is the launch of a pair of diamond boots in Hong Kong during the Business of Design Week in December 2013.

The subsidies from Universiteit Hasselt were awarded in the framework of an advisory process where AWDC participated in the Europees Fonds voor Regionale Ontwikkeling (EFRO) project Strategic Innovation in Flanders.

Received subsidies AWDC 2013

Flanders Investment & Trade	€34,126
Universiteit Hasselt	€4,502

Breakdown of AWDC expenses 2013

Donations & Sponsorship	€614,767
Financing WTOCD	€886,519
Taxes	€159,413
RSZ	€1,116,162
Personnel	€4,156,141
AWDC Security Office	€550,000
Bank loan repayment	€537,457

Employment

PERSONNEL FACTS AND FIGURES

Numbers of employees per status and gender									
	2011			2012			2013		
	men	women	total	men	women	total	men	women	total
Employees	33	35	68	34	35	69	33	37	70
Workers	4	4	8	3	2	5	2	2	4
Total	37	39	76	37	37	74	35	39	74

Number of employees per full time & part time category			
	2011	2012	2013
Full time	46	51	53
Part time	30	23	21
Total	76	74	74



Number of employees per age category			
	2011	2012	2013
< 20	1	1	0
20 – 35	21	22	20
35 – 45	12	13	15
45 – 55	22	19	18
> 55	20	19	21
Total	76	74	74

Number of employees per department	
Diamond Office	39
Business Development	1
Business Intelligence	1
Public Affairs	3
Legal & Compliance - HR	4
Operations	12
PR & Communications	10
Finance	4

Staff turnover						
	2011		2012		2013	
	in	out	in	out	in	out
Number	9	14	10	10	6	6
< 20	1	0	0	0	0	0
20 – 35	5	4	9	4	3	3
35 – 45	1	3	0	1	2	1
45 – 55	2	2	1	3	1	1
> 55	0	5	0	2	0	1
Men	3	7	6	6	0	2
Women	6	7	4	4	6	4

Sick leave		
	Sick days	Work days
2011	1,462.50	18,794.30
2012	1,332.50	17,815.50
2013	1,144.00	18,042.50

TRAINING

AWDC's HR department is systematically developing a training policy. The pillars of this policy are:

- Monitoring: ensuring a balance in training offered per staff member as well as per department
- Evaluation: determining the value of the training through staff member assessment

On the basis of this information the HR department advises AWDC staff about future training opportunities.

Days of training per gender and category in 2013

	<i>Employees</i>	<i>Workers</i>	<i>Total</i>
Women	91	1	92
Men	8	53	61
Total	99	54	153

HUMAN RESOURCES POLICY

AWDC adheres to the conditions outlined in the Collective Labour Agreement (CLA) of Paritair Comité (Standing Consultative Employer-Employee Committee on Working conditions - PC) 226 for employees and the CLA of PC 324 for workers.

AWDC observes legally enshrined notice periods. For workers, AWDC applies those stated in CLA 75.

Our organization's professional human resources policy consists of the following:

- A detailed working conditions regulation with clearly stated procedures, including new overtime and on-call procedures
- Biannual performance reviews and evaluation interviews based on clear job descriptions
- A welcome brochure for new staff members
- A clear salary policy on the basis of available budgets and the annual performance evaluation
- An intranet that is used as a communication platform between employer and employee and where useful information and forums can be found
- A recruitment policy where the suitable candidate is selected in a structured and objective manner
- Various personnel events
- Leave of absence and part-time work options
- First Aid, prevention and fire training
- Security and protection including the introduction of a badge system

As AWDC employs less than 100 persons, the Comité voor Preventie en Bescherming van de Werknemer (CPBW - Committee for the Prevention and Protection of the Employee) takes on the function of the Works Council (Ondernemingsraad or OR). Both organs function independently. Both CPBW and the OR consist of an equal amount of employee and employer representation. They have their own employers' delegation, their own president and secretary and their own executive capacities.

Memberships

	Member of the Board of Directors?	Active participation in projects?	Financial contributions in addition to membership fee?
KAURI		✓	✓
UN Global Compact Network Belgium (GCNB)		✓	✓
Verbond der Belgische Ondernemingen (VBO)	✓	✓	✓
Voka Kamer van Koophandel Antwerpen-Waasland	✓	✓	
Antwerp-ITCCO	✓	✓	✓
Responsible Jewellery Council (RJC)		✓	✓
Flanders Investment & Trade (FIT)		✓	
Anti-Money Laundering Europe (AME)		✓	
Kamer van Koophandel CBL-ACP		✓	
Belgian Chinese Chamber of Commerce (BCECC)			
Flanders-China Chamber of Commerce (FCCC)			
Belgo India Chamber of Commerce (BICC&I)			
Belgian Luxembourg Chamber of Commerce for Russia and Belarus (CCBLR)			
American Society for Industrial Security (ASIS)		✓	
Federatie der Belgische Diamantbeurzen		✓	
World Diamond Council (WDC)	✓	✓	✓
European Corporate Security Association (ECSA)	✓	✓	
Syndicaat der Belgische Diamantnijverheid (SBD)		✓	
Fonds voor de Diamantnijverheid		✓	
Nationaal Forum			

CHAPTER 2

HOW DID THIS SUSTAINABILITY REPORT COME ABOUT?



This sustainability report was compiled according to the guidelines for sustainability reporting of Global Reporting Initiative (GRI) standard (G4, version core). This is AWDC's first sustainability report. The scope of this report is limited to AWDC and its eight departments, such as Diamond Office. The subsidiaries of AWDC fall outside the framework of this report. In this chapter, you will learn more about how this report came about.

Determining the 'material aspects'

To determine the report content, we researched the most relevant topics, which reflect AWDC's activities in the sustainability context and their impact. This task was first carried out by the internal project team, which came up with 14 material aspects for consideration:

1. Indirect economic impact in Antwerp

Does AWDC and the Antwerp diamond sector have an impact on the economy and employment in Antwerp?

2. Indirect economic impact in diamond-producing countries

Does AWDC and the Antwerp diamond sector have an impact on the economy in diamond-producing countries?

3. Responsible advocacy

How does AWDC represent the Antwerp diamond sector in a responsible manner and what type of efforts does AWDC make to achieve this?

4. Responsibility and integrity in the diamond pipeline

Does AWDC and the Antwerp diamond sector have an impact on integrity in the global diamond supply chain?

5. Compliance

Does AWDC have an impact on compliance within the Antwerp diamond sector?

6. Transparency and open dialogue

Which efforts does AWDC undertake to make the Antwerp diamond industry more accessible and open?

7. Product and service labeling

Does AWDC have an impact on consumer safety in the Antwerp diamond sector?

8. Diamonds and the environment

Does the diamond sector have a negative impact on the environment?

9. Local engagement and community integration

How does AWDC engage locally and how does it contribute to the community integration of the diamond sector?

10. Employment

AWDC and the Antwerp diamond sector have an influence on employment?

11. Training and education, expertise

How does AWDC contribute to training, education

and craftsmanship in the Antwerp diamond sector?

12. Diversity and multiculturalism

What is the impact of AWDC and the Antwerp diamond sector on diversity and multiculturalism in Antwerp and Flanders?

13. Security and safety

How does AWDC contribute to the security and safety of the Antwerp diamond sector?

14. Sustainability in the office and ecological footprint

How does AWDC contribute to a sustainable office policy?

Selection of stakeholders

The second step of drafting this report entailed the stakeholders assessing the 14 core themes selected by AWDC. This way, we investigated whether or not we chose suitable core themes and we assessed their importance for our stakeholders. We received an answer to the question “WHAT matters WHERE?” AWDC’s stakeholders are people and organizations that have an influence on or that are influenced by our activities and the diamond sector in general. Consulted stakeholders fall into the following categories:

EXTERNAL STAKEHOLDERS

- Diamond sector
- Government
- Press
- NGOs
- Local community
- Partners

INTERNAL STAKEHOLDERS

- The 74 AWDC employees

To get an as accurate as possible impression of what the stakeholders believe to be important and what their expectations are, we opted to carry out quantitative as well as qualitative research.

The quantitative research entailed sending a structured questionnaire to 150 persons from the six stakeholder categories. This sustainability survey investigated the relevance of AWDC's activities for each organization and the impact of the issues, which AWDC should focus more on. All stakeholders were asked to rank the 14 core themes selected by AWDC, in terms of importance, from 1 being the



most important and 14 being least important. The survey culminated in an open question concerning the added value of diamonds and of AWDC.

AWDC's employees, that is, the internal stakeholders, completed a shortened version of the questionnaire, in which they were asked to rank the importance of the material aspects, from 1 to 14.

The stakeholders of the qualitative research were a representative selection of key players from the external stakeholders' category. Their selection was based on their involvement in AWDC activities and their engagement in themes concerning corporate social responsibility or sustainable development. The following five key stakeholders were willing to participate in an in-depth interview:

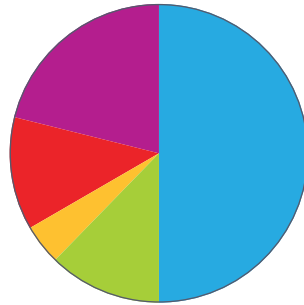
- **Rosy Blue:** one of the world's leading diamond companies, with one of their main offices in Antwerp
- **Responsible Jewellery Council (RJC):** an international organization that monitors and strives to ensure that all companies in the diamond industry improve their CSR policy
- **Rio Tinto:** one of the world's leading diamond mining companies, with a large office in Antwerp
- **Federal Public Service Economy:** a governmental authority which supervises Diamond Office and thereby all shipments of diamonds, which are imported into or exported out of Belgium
- **Diamond Development Initiative (DDI):** a renowned international foundation, which tackles the political, social and economic challenges of the artisanal diamond mining industry

The response rate to our sustainability survey was very positive. The external stakeholders' response rate amounted to 20%. All categories of external stakeholders were represented in the results. A large number of respondents from the category "diamond sector" reflects the weight of this group in the total number of consulted stakeholders, that is 70 of the 150 respondents, and also points to the relevance of this group for AWDC and vice versa. By contrast, the number of stakeholders from the NGOs category was relatively low (8) and thereby also the number of respondents.



Respondents External Survey

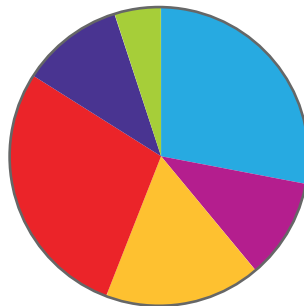
- Diamond Sector
- Local Community
- NGO's
- Government
- Partners



23% of AWDC's employees completed the internal survey. Most of the departments were represented, making the survey balanced, significant and relevant.

Respondents Internal Survey

- Operations
- Diamond Office
- HR & Legal / Compliance
- PR & Communications
- Public Affairs
- CEO Office

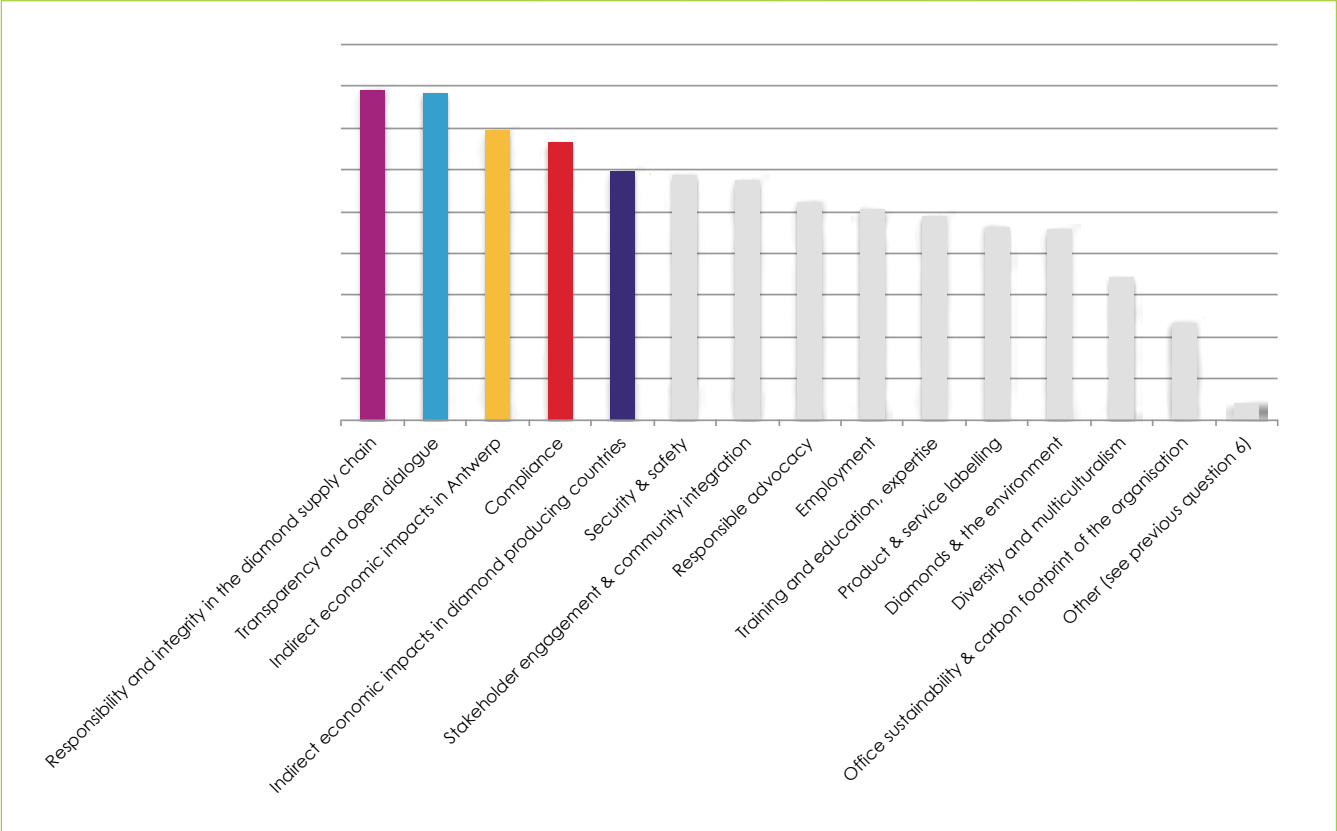


The most important conclusion of the results is that both internal and external stakeholders selected the same top 5 material aspects as priorities.

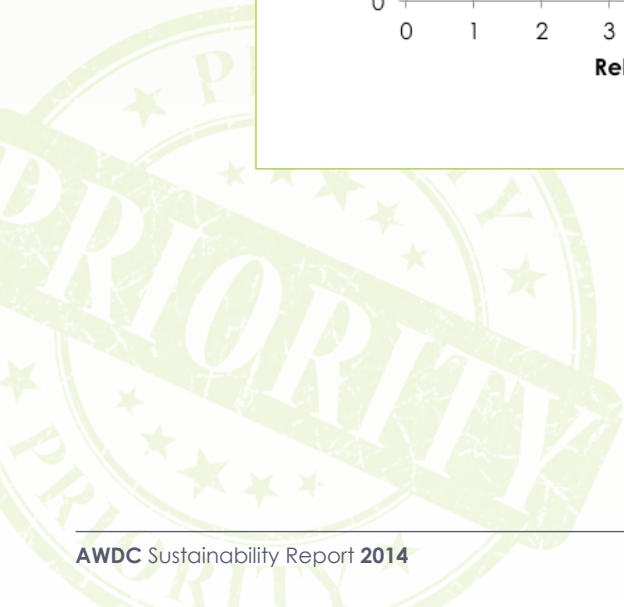
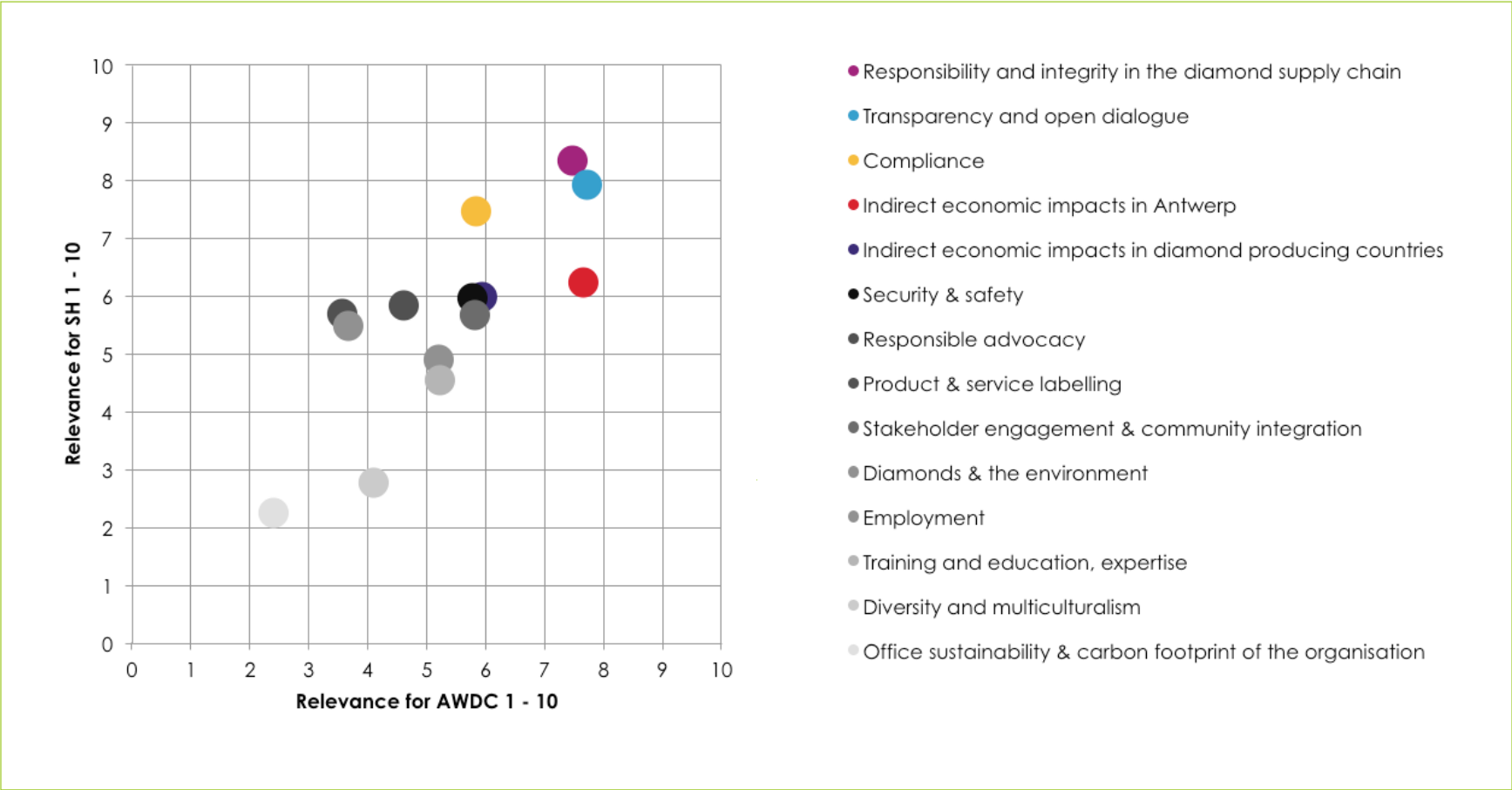
Priorities

The sustainability survey results clearly demonstrated the aspects that AWDC's first sustainability report should focus on:

- 1. Responsibility and integrity in the diamond supply chain
- 2. Transparency and open dialogue
- 3. Compliance
- 4. Indirect economic impact in Antwerp
- 5. Indirect economic impact in diamond producing countries



A comparison of external and internal rankings produces the materiality matrix below, which demonstrates the comparison of relevance of a particular issue for external stakeholders and for AWDC.



CHAPTER 3

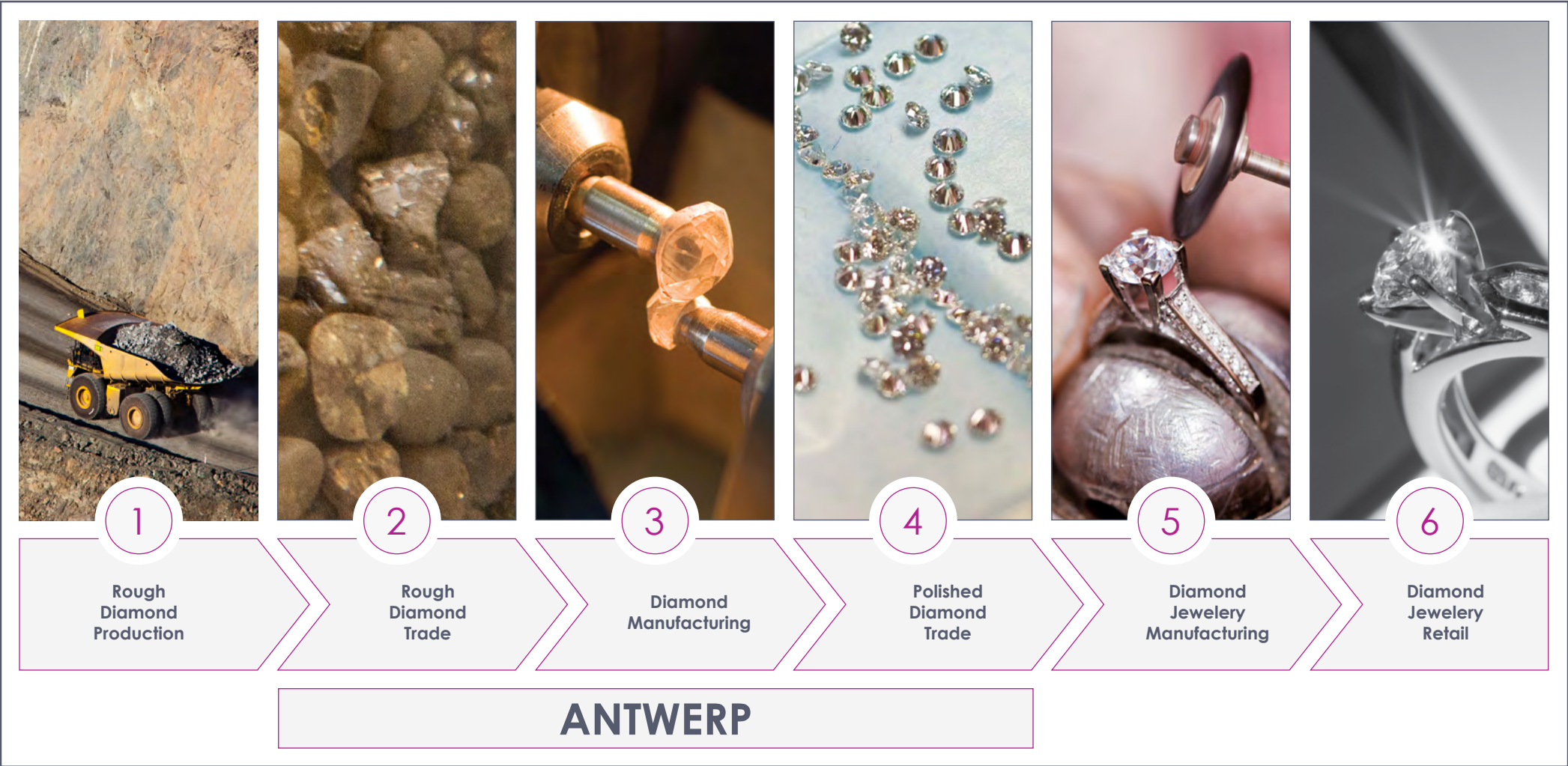
INTEGRITY AND RESPONSIBILITY IN THE DIAMOND SUPPLY CHAIN

Integrity & Responsibility

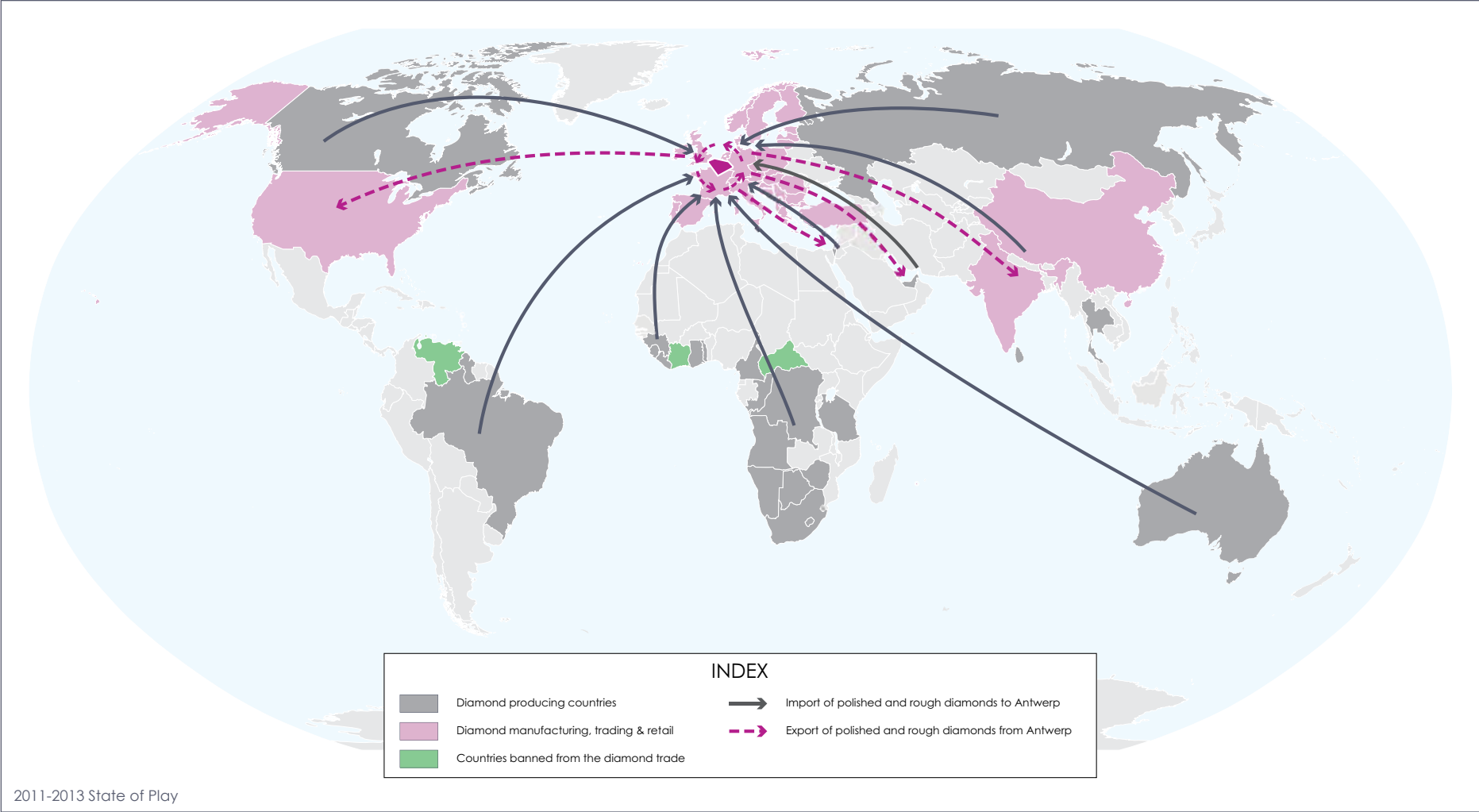


Global value chain of the diamond industry

Looking at the entire diamond value chain, from the prospecting and mining phase to the final diamond jewel, it is clear that Antwerp takes a prominent place in the middle segment of this chain. Antwerp specializes in trading rough diamonds, processing them into polished diamonds and trading these polished diamonds. The activities in the middle segment of the diamond value chain are for a large part facilitated by a large number of specialized diamond banks located in Antwerp.



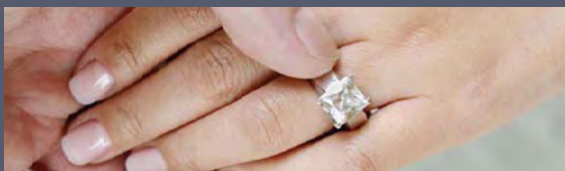
The growing middle class in emerging economies and the establishment of new polishing centres in South and Southeast Asia, results in more global and varied value chains. Antwerp is central in the value chain and therefore makes up part of this growing number of chains.



All these supply chains can potentially be a source of infringements and could have negative impacts, such as: the violation of fundamental human rights, transgressing national or international working standards, impact on the environment, corruption and the like. It is important that all parties in the value chain take on the responsibility to prevent and reduce these impacts.

FROM MINE TO JEWEL

The challenge in tracing a diamond's path



A diamond's path starts from the mine from which a rough diamond is mined to places where the diamond is traded, cut and polished and subsequently traded again and finally ends up in the diamond jewelry that is sold to the end user. This could lead to the perception that the tracing and tracking of this process could give the consumer an objective and full picture of the impact of his purchase on the various aspects of sustainability. In reality, however, there are technical obstacles, but also fundamental difficulties to tracing a diamond's path.

Diamonds are not traded by piece, but rather in an assortment or parcel. These assortments can change at each stage. Miners that work with regular clients or sightholders offer their clients an assortment of diamonds they themselves put together, on a monthly basis. The rough diamonds in these assortments can originate from different mines in various countries and vary in size, shape and quality. Producers who sell diamonds via tenders will offer their goods, which mostly come from one mine or country, in an assortment that is likely to be most commercially attractive for

potential buyers. Traders will subsequently sort the purchased goods into new assortments, perhaps also containing rough diamonds they may already have in stock. Each subsequent trader can repeat this process, so that a rough diamond may have already been placed in various assortments before the polishing stage.

Tracing a diamond becomes even more complicated when the diamonds are polished. Whereas the origin of a rough diamond can most of the time be traced to a geological region or a specific country, based on its characteristics, this is impossible in the case of polished diamonds. A polished diamond from Sierra Leone cannot be differentiated from a polished diamond from Russia, for example. To put together homogeneous batches of diamonds, for example with polished diamonds of the same value in terms of the 4Cs, diamond traders will mix diamonds from different origins.

However, these processes do not necessarily need to be problematic. The existing instruments, such as the Kimberley Process Certification Scheme and the WDC System of Warranties, ensure that all diamonds that are placed on the value chain, comply with all rules and standards. This is true for all rough diamonds in the world, regardless of their country or mine of origin.

Leverage within our sphere of influence

Determining the link that AWDC constitutes in the diamond value chain is no simple matter, as our organization does not buy or sell diamonds. AWDC does, however, have an important observer status, and can exert influence on the value chain as a whole and on the various actors in this chain.

As there are no contractual or legally stipulated rights and obligations between AWDC and companies based in Antwerp, AWDC cannot impose any obligations. We are however focusing heavily on awareness raising, increasing promotion and our presence in worldwide networks to exert influence and to transmit sustainability messages. These aspects reflect AWDC's CSR policy.

Governments in Belgium, Europe and diamond-producing countries, both on a political and administrative level, are one of the most prominent discussion partners and interested parties of AWDC. We make use of these contacts, both in Antwerp as well as in the diamond-producing countries, to highlight the important role these governments play in the sound organization of their respective diamond sector. They carry a major responsibility for limiting the negative impact of these activities on human rights, the environment, working conditions, by developing the regulatory framework and enforcing adherence to these rules, among other aspects.

The Kimberley Process

The most powerful government-level instrument to limit the potentially negative impact on the diamond industry, is the Kimberley Process (KP) with its Kimberley Process Certification Scheme (KPCS). A vital characteristic of this mechanism is its tri-partite structure. In addition to the member states, called participants, the diamond industry and civil society are represented, having an observer status. As a member of umbrella organization the World Diamond Council (WDC), which represents the diamond industry in the KP, AWDC is involved in the activities of the mechanism.

One of the main advantages of the KP is that it is a widely supported process, which greatly contributes to the credibility, the reputation and the sustainability of the "rough diamond", regardless of its origin.

AWDC uses its voice in the KP to transmit a number of key messages. We are major advocates of an inclusive process, where the voice and interests of all participants count. Only in this way can the process remain sustainable and relevant. The effectiveness of the KPCS is also central in our advocacy. The link between rough diamonds and conflict can only be broken permanently if the standards of the KP can be effectively implemented and enforced. This must occur in the same manner across the world, to foster a level playing field and to ensure that the KP remains effective.

What is the Kimberley Process?

At the turn of this century, a number of African diamond-producing countries and a number of diamond-trading countries determined the need for a mechanism to prevent rough diamonds from potentially being used to finance armed conflicts by rebel groups, attempting to undermine legitimate authorities. 2003 saw the advent of the Kimberley Process (KP).

Via the Kimberley Process Certification Scheme (KPCS) governments are held responsible for the certification of exported rough diamonds. The KP certificate, which must accompany each exported parcel of rough diamonds, guarantees that goods are not used to finance armed conflict. Moreover, countries are only permitted to trade rough diamonds with other countries participating in the KP.

After a decade of efforts, the KP has succeeded in reducing the amount of "conflict diamonds" in global trade to only 0.2% in 2013. Countries where the situation remains problematic are suspended from the Process. A suspension means that the respective country may not trade rough diamonds until the situation has stabilized and the link between diamonds and armed conflicts is broken. The Chair of the Kimberley Process executes the suspension, which must be unanimously approved by the

participating countries. During the so-called "Review Missions" in the suspended countries, the members and observers of the KP perform independent checks on the export control system, to determine whether or not the countries meet all KP requirements. The Review Mission report is handed over to the respective country and to the KP Chair.

Liberia, Zimbabwe, Congo Brazzaville and Ivory Coast were previously suspended after the KP had determined that rebel movements were using rough diamonds to finance their armed campaigns. These countries have in the meantime been brought back into the KP. Other participants of the KP may therefore import rough diamonds from the aforementioned countries.

In Zimbabwe, violence broke out in one mining district: the diamond fields of Marange. For this reason, a limited embargo was imposed, only on this producing area, without the whole country being affected. After a three-year monitoring operation, the suspension was lifted.

Problems remain in Venezuela and the Central African Republic, with both countries still suspended as of the beginning of 2014. In the latter country, a clear link between the production and sale of rough diamonds, and the financing of armed conflict is observed.



From conflict to sustainable diamonds?

EXPANDING THE 'CONFLICT DIAMONDS' DEFINITION

While rough diamonds are probably one of the most strictly controlled natural resources thanks to the KP, there is pressure to further increase these controls. This has led to a consideration of the expansion of the mandate of the KP, so that rough diamonds used in the framework of violating fundamental human rights, can also be considered as 'conflict diamonds'. This reform discussion is fundamental and can significantly advance the integrity and responsibility in the diamond supply chain. It remains crucial that the discussion takes place in an inclusive manner, considering that diamond-producing countries - more specifically African countries - must strengthen their monitoring and control functions. Expanding

the definition of a conflict diamond will also require additional development assistance to certain diamond producing countries that lack the capacity to do so.

In 2012, the WDC took a decision concerning the expansion of the definition of a conflict diamond. All violence directly related to rough diamonds, both in producing countries as well as in trading countries, should fall within the scope of the KP. As a WDC member, AWDC will continue to strive for starting a dialogue between the members of the KP to shape this revision process. This should enable the KP to evolve and remain relevant. Recently, this approach has been re-confirmed by the new WDC President, Mr. Edward Asscher.

Sustainable initiatives throughout the supply chain

Due to the fact that KP currently has a narrow scope, various initiatives have been launched, which fall outside the scope of the KP, such as the working conditions of artisanal and small mining actors.

DIAMOND DEVELOPMENT INITIATIVE

Diamond Development Initiative (DDI) is a foundation where NGOs, governments and the diamond and jewelry industry join forces to address problems in artisanal and small-scale mining. The organization strives, among others, to improve the legal framework in the diamond producing countries, to support the organization of the miners and to make the global supply chain and consumer market accessible for artisanal and small-scale miners.

DDI developed the 'Development Diamond Standards' (DDS) to advocate ethical and responsible sourcing among buyers.

"This scheme certifies small-scale mining sites whose practices conform to a set of ethical and social criteria including core labor rights, alcohol use, prostitution,

violence, safety, health, population movements ... It ensures a traceable value chain from mine to consumer, by a third party verification.

Today there are already 5 certified sites in Sierra Leone and Brazil. It is hoped that other operators in the value chain will follow soon, such as larger mining companies and polishing factories", says Dorothee Gizinga of DDI.

The initiatives of the foundation are fully supported by AWDC. Our organization therefore decided in 2012 to become a donor. That year, AWDC provided financial support amounting to \$25,000. This amount went towards core funding, and was therefore not linked to a specific project. In 2013, AWDC financed a study by contributing €10,000.

WORLD DIAMOND COUNCIL – SYSTEM OF WARRANTIES

DDI focuses on the mining and production phase, whereas the system of warranties of the WDC plays a role in the subsequent phase, in which the diamonds are traded. The system offers sellers the option to attach a guarantee to the invoice, which shows that the goods meet the standards of the KP. This mechanism can also

be used when selling polished diamonds. A jewelry maker can use the guarantee to demonstrate that the purchased diamond was not involved in the financing of conflict, and is in accordance with the resolutions of the United Nations.

Through external checks or audits the system can be strengthened. Should the WDC embark on initiatives to improve the operation of the System of Warranties, AWDC will certainly support this, through its representation in the WDC Board of Directors, the Technical Committee and the KP Task Force.

RESPONSIBLE JEWELRY COUNCIL

The Responsible Jewelry Council (RJC) covers a larger section of the diamond and jewelry value chain. Members of this organization endorse the RJC Code of Practices, which contains standards concerning labor, ethics, environment and human rights, and undergo audits from externally accredited organizations to verify the implementation of these standards.

RJC currently has over 470 members, including miners from the diamond and gold sector, traders and polishers, jewelry manufacturers and retailers. A number of Antwerp jewelers and diamond traders are

members of the organization. In April 2014, 133 Belgian facilities (entities of members of RJC) out of a total of 5500 were certified. Our country comes in third place in terms of the number of certifications... after the United States and the United Kingdom.

AWDC is an associated member of RJC, which means that we support Antwerp companies wishing to join the organization. In 2012, AWDC provided a tailor-made training for 10 small enterprises from the diamond sector. Thanks to an explanation of the standards of RJC, intensive guidance, a pre-audit and a reduced cost for

the final audit, AWDC contributed to certification of RJC companies. AWDC's membership of RJC also allows us to remain closely involved in the discussions within the organization concerning new challenges or initiatives related to a sustainable diamond trade.

RJC has recently established a working group on human rights. This could bring about additional insights concerning the impact of the diamond and jewelry value chain on human rights in various countries. AWDC is currently considering the way in which it can contribute to the goals of this working group.

QUALITY LABEL 'ANTWERP'S MOST BRILLIANT'

Ethics and sustainability are also of major importance at the end of the value chain, namely when it comes to diamond jewelers: these elements have a lot of influence on customer confidence and the general public. To reward diamond jewelers who meet the highest standards and to put them in the spotlight, AWDC decided to launch the Antwerp's Most Brilliant (AMB) quality label in 2013, in collaboration with a

number of other partners including The City of Antwerp. To be eligible for this label, diamond jewelers must meet more than 30 strict requirements, that is, adhere to the strictest standards in the area of ethics, sustainability and transparency. Independent authorities, namely the Federal Public Service (FPS) Economy and an external auditor verify these requirements. Labeled diamond jewelers can guarantee the consumer that they trade

according to the strictest standards.

Today nine Antwerp jewelers have successfully gone through the certification process and now have the Antwerp's Most Brilliant label. The ambition is to reach a critical mass of 10% of the total number of jewelers in Antwerp certified with the AMB label.

What differentiates a labeled jeweler?

The quality label Antwerp's Most Brilliant can be granted to diamond jewelers who have a physical sales outlet in Antwerp. Candidates must first meet all legal requirements, including those relating to anti-money laundering legislation, market practices and consumer protection, as well as tax and social security legislation. In addition, the labeled jeweler distinguishes him or herself by being able to identify his or her clients and suppliers and to adequately secure his or her store and stock.

The labeled jeweler also provides comprehensive and objective product information to his or her client through a website, through clear information about the quality of diamond (the 4 C's) and the mandatory certification by a recognized gemological laboratory, for of all diamonds larger than 1 carat. Finally, the labeled jeweler passes an investigation conducted by the City of Antwerp and local police, in cooperation with the Public Prosecution Service.



PRECIOUS STONES - MULTI-STAKEHOLDERS WORKING GROUP (PS-MSWG)

In 2013, on the initiative of a number of players in the value chain, a group was founded under the name Precious Stones Multi-Stakeholder Working Group (PS-MSWG). The purpose of this working group is to consider possible additional methods or guidelines to promote transparency in the diamond and precious stones value chains. AWDC has been a participant of the PS-MSWG since the beginning of this reflection process. This year, the PS-MSWG commissioned a study where the necessity and the feasibility of supplementary due diligence measures are being examined. If such measures are deemed feasible, the study will suggest a number of options to facilitate their implementation.

In determining the objectives of the study AWDC always insisted that additional measures must strengthen and not undermine the existing framework, in particular the Kimberley Process. A second principle that must be honored at all times is that all actors in the value chain should be involved in the study and in the possible next steps. Situations in which one group, which represents only a single part of the value chain, imposes rules on others, is not acceptable. AWDC therefore actively raises awareness and informs diamond-producing countries about this initiative, so that they are well aware of the developments and can defend their interests in a timely and adequate manner.



Evaluation of our impact and next steps

Evaluating AWDC's impact on these sustainability initiatives is no simple task. In each of the initiatives listed in the previous sections, our organization is merely one of the many players. In the case of the KP, AWDC is not even directly represented, but it must exert its influence via the WDC, which, in addition to AWDC, represents a large number of other organizations, which are not always on the same page. Without undue pride we can say that AWDC has played an important leadership role, and will continue to do so. We have a distinct standpoint that is based on a number of basic principles (inclusivity, transparency, sustainability and wide support from governments, industry and civil society and a level playing field) and we do not hesitate in taking clear positions based on these principles. The results

of the survey we conducted when embarking on this sustainability report illustrate that the diamond sector and our stakeholders support AWDC's position.

To contribute to the relevance of the KP, on 23 May 2014, AWDC, in cooperation with the Belgian Embassy in the United States, held a policy-oriented seminar on these aspects. In the presence of government representatives, the industry, NGOs and academic institutions, the path of the Process through the last decade was discussed, in addition to the biggest challenges for the coming years. One of the conclusions of this seminar was that the KP remains unequivocally supported by the actors present.

In terms of capacity building, in 2014, AWDC will set up a

comprehensive program in Ivory Coast, in collaboration with the KP Working Group on Monitoring (WGM) and the Working Group of Diamond Experts, the United Nations authorities in Ivory Coast and the South African diamond lab MINTEK. Through this program AWDC will provide technical support to the Ivorian government. Government staff responsible for the surveillance of the trade in rough diamonds will be trained and a technical manual will be developed concerning the analysis and valuation of Ivorian rough diamonds. In addition to capacity building in Ivory Coast, AWDC will organize a seminar in Brazil in 2014, for local governments and stakeholders from the industry and civil society. The goal of this seminar is to foster a better application and implementation of the KPCS in Brazil.

Office sustainability at AWDC

AWDC takes into account the cradle-to-cradle principle in all its office projects. All materials used in our office must have properties that allow us to use them in a different application before or after their life cycle. This is of great importance especially with the use of plasterboard and flexible floor covering. For lighting purposes, AWDC uses LED as much as possible. Printing paper at AWDC is PEFC certified, and carries the Eco-label.

In 2013, AWDC managed to reduce its energy consumption by adjusting the programming of the ventilators and replacing an old water pump and cooling

machine, which were less energy-efficient.

AWDC will continue on this path in the coming years. A number of materials, such as toilet paper and napkins, will be replaced by more sustainable alternatives and turning off appliances when they are not in use will reduce energy consumption.

No matter how small these changes may be, they can make a difference. As an umbrella organization AWDC intends to continue taking the lead in office sustainability. In this vein, we decided to participate in the Energy for

the Heart of Antwerp initiative, part of the 'Stadslab 2050' agenda of the City of Antwerp in 2014. AWDC will take part in an innovative Energy Services Company (ESCO) project, where the energy needs and consumption in the offices will undergo a thorough assessment and the necessary adjustments will be made to make facilities more sustainable and energy friendly. If this project proves to be successful, AWDC will present this initiative to the various building owners in the diamond square mile. This way, AWDC is putting a step forward in the direction of a truly sustainable diamond district.

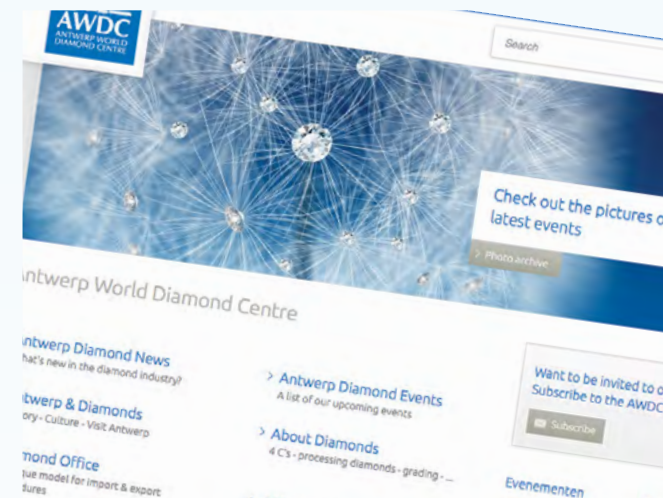
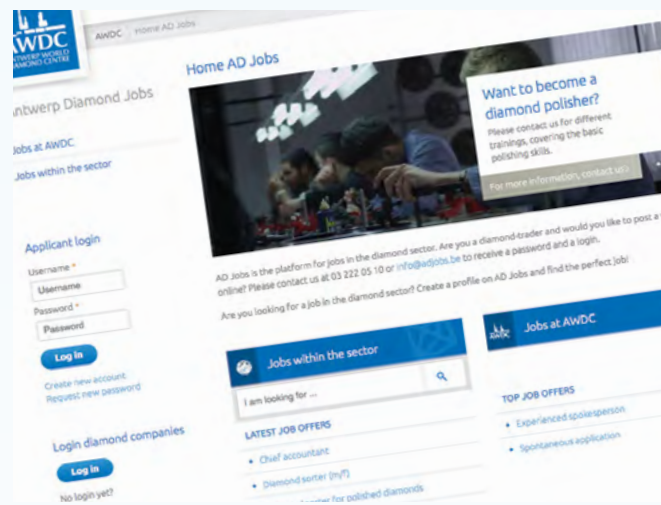
CHAPTER 4

TRANSPARENCY



The general public often sees the Antwerp diamond sector as a closed sector. It is one of the biggest challenges of AWDC to make the sector more accessible to the general public so they can see firsthand how the industry works.

AWDC does this through various initiatives such as the provision of information, participation in Open Company Day, organization of tours and visits and much more.



Balanced reporting

AWDC endeavors to inform all those interested in the diamond sector about the latest developments in the sector and makes the following publications available:

- Press releases
- Newsletters
- Monthly reporting on trade figures
- Website
- Annual report

In addition to annual reports, AWDC and consulting firm Bain & Company published three reports concerning specific aspects of the diamond industry. *'Lifting the Veil of Mystery'*, published in 2011, sheds light on the fundamentals of the diamond business. The 2012 report *'Portrait of Growth'* investigates the demand fundamentals that will shape the diamond industry's near- and medium-term future.

The third report entitled, *'Journey Through the Value*

Chain' was published in 2013 and focuses on the value of diamonds. For the first time it demonstrates through which sales mechanisms rough and polished diamonds are marketed and sold. In addition to the mapping of the diamond value chain, the report also explores the impact of the continuing uncertain economic climate on the diamond industry. The report also highlights the recent trend of mergers and acquisitions in the segment of diamond producers.

Responsible advocacy: AWDC outreach to third parties on behalf of the sector

At AWDC, the Public Affairs department promotes the interests of the diamond sector vis-à-vis policy makers on all levels. This ranges from the local government (Antwerp district and the City of Antwerp) to regional, federal, European governing bodies and governments of other countries. In addition to governments, AWDC activities are also geared towards other key stakeholders, such as NGOs and representatives of the diamond industry itself. AWDC is a politically neutral organization. We are not affiliated with any political party or government nor do we have financial ties to these entities.

Recognizing that numerous local, regional, national and supranational policies affect the diamond sector, AWDC strives to foster transparent and productive relationships with policy makers. We support policy makers in making decisions based on complete and fact-based input from our side.

“AWDC manages to maintain neutrality in conflicts of interest, and to lead a constructive dialogue with all communities, which is crucial for Antwerp as a trading center,” said Iris

Vander Veken, Manager Corporate Affairs Global at Rosy Blue.

AWDC's adherence to international transparency norms is demonstrated, for example, by being registered in the EU Transparency Register, since 2012. The purpose of the register is to enable the European institutions (European Commission, European Parliament, Council of the European Union) to oversee their interaction with businesses, trade and professional organizations, NGOs, citizens' associations and the like.

According to the Transparency Register homepage, *“Citizens have a right to expect this process to be transparent and to take place in compliance with the law, as well as in due respect of ethical principles, avoiding undue pressure, illegitimate or privileged access to information or to decision makers. All registered parties are bound by a code of conduct. Registration therefore implies ‘playing by the rules’ and acting with full transparency towards the European institutions.”*





Photo Courtesy of The Diavik Diamond Mine

Steering the Kimberley Process

AWDC and its predecessor, HRD, have been involved in the Kimberley Process from the beginning (May 2000). The technical expertise built up in Angola and Sierra Leone, with the elaboration of certificates of origin, added value to the Process. Moreover AWDC has been leading the technical Working Group of Diamond Experts (WGDE) since the start of the KPCS in 2003. This group is mainly concerned with solving trade barriers due to conflicting measures taken by different member states. Finally AWDC works within the WGDE to improve the techniques of origin recognition, including the preparation of statistical 'footprints' of diamond production from conflict areas, and commissioned by the UN Sanctions Committee in connection with the Ivory Coast, the research on forensic identification techniques ('fingerprinting').

The AWDC Diamond Office plays an exemplary role within the KPCS in connection with the issuance of KP certificates. Of a worldwide total of about 55,000 KP certificates issued, about half of them are issued within AWDC Diamond Office, through the FPS Economy and the European Commission.

The Kimberley Process requires good coordination procedures and communication

between the participating parties, also to ensure transparency towards the general public. As member of the World Diamond Council, AWDC was appointed to co-host the Administrative Support Mechanism (ASM). ASM must ensure continuity through permanent support of the organization, communications and logistics of the KP. AWDC is the central contact point and is responsible for the 'Knowledge management and Institutional memory' of the KP, which entails updating of the website, among others. The following information is available on the KP website and contributes to the transparency of the KP and thereby also to that of the diamond sector.

Statistics concerning diamond production and trade

- Annual reports of KP-participating countries
- Reports of review visits in participating countries
- Documents and reports from various workgroups
- Meeting agendas
- Meeting minutes



Other transparency initiatives

AWDC also engages in a number of smaller scale initiatives to foster transparency in the diamond sector.

VISITS & TOURS: In 2013, AWDC conducted 147 visits and tours. The visits vary, from a tour of AWDC to a visit to Diamond Office or the entire sector (lab, polisher, diamond bourse).

FLANDERS OPEN COMPANY DAY (*Open Bedrijvendag*): More than 4,000 visitors took part in a tour of the Antwerp diamond sector, a thousand more than in 2012. Visitors experienced a look into this sometimes seemingly inaccessible industry, with tours of the Bourse for Diamond Trade ('Beurs voor Diamanthatel), HRD Antwerp and AWDC.

ANTWERP DIAMOND LUNCHEON: In February 2013, in the framework of the diplomatic days in Brussels, AWDC organized an Antwerp Diamond Luncheon. Ambassadors to Belgium as well as Belgian ambassadors stationed abroad were present. During the luncheon, guests were informed about the importance of Antwerp as the world's most important diamond trade centre.

While AWDC is making a considerable contribution to promoting a transparent diamond sector and applying this principle in its own operations, we do acknowledge that there is still progress to be made.

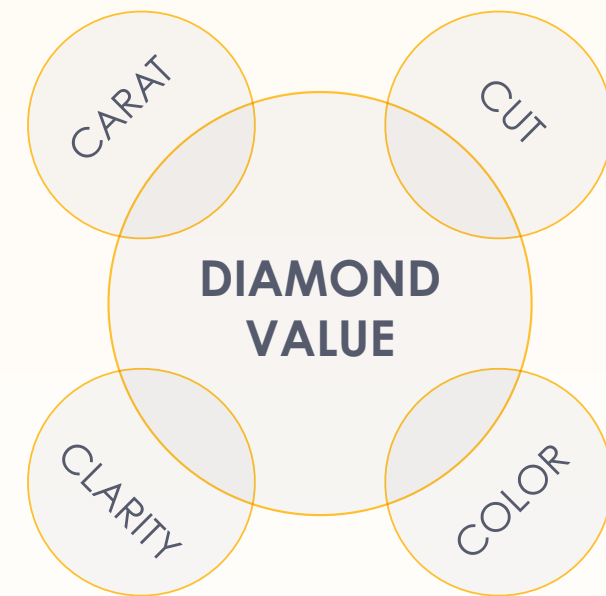
CHAPTER 5

COMPLIANCE



Compliance: value added of the 5th C

To emphasize the importance of compliance in the diamond sector AWDC has included compliance in its 'Master plan 2020' as the '5th C' of diamonds, alongside Cut, Colour, Clarity and Carat.



Thanks to AWDC's focus on compliance, we achieved the following important breakthroughs, which will be elaborated on in this chapter:

1. Standard Client Acceptance policy for the diamond sector
2. Risk analysis of the diamond sector
3. Foundation of AWDC AML & Compliance Helpdesk
4. 'Doing Business in Antwerp' manual

What is compliance actually?

Compliance is a term which is used to indicate that a person or organization works in accordance with the valid legislation and regulations.

STANDARD CLIENT ACCEPTANCE POLICY FOR THE DIAMOND SECTOR

The Belgian Anti-Money Laundering Act of January 11, 1993 has been applicable to registered diamond traders since 2004. Specifically for the diamond industry, a regulation (Royal Decree (KB) October 22, 2006) was published, which further elaborated the sector-specific commitments.

In addition, the use of cash is limited by the anti-money laundering legislation to 10% of the total amount of the transaction, and a maximum of €3,000. The use of cash is therefore uncommon, as the bulk of the transaction price is made through a bank transaction.

In 2013, the obligations of a registered diamond trader in terms of identifications were further strengthened.

Specifically, this means that every diamond trader must identify his customer on the basis of the necessary identification documents. He also must perform a verification or risk analysis of this customer.

For the implementation of the legal anti-money laundering stipulations, AWDC, in collaboration with the supervisory government and the Financial Information Processing Unit (CFI) developed a Client Acceptance Policy (CAP). This client acceptance policy guides the diamond trader step by step through the identification requirements and describes three levels of risks for the verification process, in accordance with the rules set by the

Financial Action Task Force (FATF): unacceptable, increased and normal risks.

On the basis of this risk analysis a Belgian diamond trader must decide whether or not to accept a client and to allow the transaction to proceed and/or to report to the CFI:

- The transaction may not go ahead if there are unacceptable risks.
- In case of increased risk, the diamond trader must be extra vigilant and possibly refuse to go ahead with the transaction. Increased vigilance means that the transactions with this client must be reviewed in greater detail, and an evaluation will have to take place on a more regular basis.
- During repeated controls, FPS Economy will determine whether diamond traders apply this CAP or not, and to which degree.

The CAP document is distributed in the sector via AWDC's digital newsletter and is made available to the sector via the AML & Compliance Helpdesk and during seminars.

The CFI – Cel voor Financiële informatieverwerking (Financial Information Processing Unit)

The CFI, established by the law published on 11 January 1993, is an independent Belgian administrative government body with a legal base. CFI is responsible for the processing and reporting of information in order to combat money laundering and terrorist financing. These include the financing of proliferation-sensitive nuclear activities and the development of nuclear weapon delivery systems. This governmental body, composed of legal and financial experts and a senior officer seconded from the federal police, is supervised by the Ministers of Justice and Finance and is under the guidance of a magistrate.

The FATF De Financial Action Task Force on money laundering

The Financial Action Task Force (FATF) is an intergovernmental association established by the G-7 in 1989. FATF focuses on the international fight against money laundering and terrorism financing. Members of FATF are bound by 40 recommendations. FATF monitors the improvement of national legal systems, the role of the financial institutions and strengthening of international cooperation. It also monitors the correct operation and effectiveness of legal rules. Members are regularly evaluated and assessed based on FATF recommendations.

RISK ANALYSIS OF THE DIAMOND SECTOR

At the request of the CFI and with the support of FPS Economy, AWDC compiled a risk analysis of the Antwerp diamond sector. This analysis determines the risks with respect to money laundering and terrorism financing. It contains a summary of factors, reducing the risk of money laundering and financing of terrorism in the Belgian diamond sector but also factors increasing it.

RISK REDUCING FACTORS

- The sector is relatively small and very concentrated, resulting in a low reporting rate to CTIF/CFI.
- Numerous procedures and controls increase the difficulty to access the diamond trade.
- The diamond sector is a very strictly regulated sector. The 3-tier control by Diamond Office, FPS Economy and FPS Finance is a good example of this.
- AWDC's AML & Compliance Helpdesk updates and informs the sector.
- The core elements of the diamond bourses are trust and integrity.
- The internal regulation of the Belgian diamond bourses foresees strict admission and suspension procedures.

RISK INCREASING FACTORS

- There is no level playing field and thus there are unequal standards.
- The legal framework is very complex and requires thorough knowledge.
- There is a need for open and transparent communication between the diamond sector and government.
- A large number of diamond companies are small enterprises that do not possess enough knowledge.
- Diamonds are the only product in the goods sector subject to AML.
- The rapidity of transactions and the B2B characteristic.





AWDC'S AML & COMPLIANCE HELPDESK

The AWDC set up an AML (anti-money laundering) & Compliance Helpdesk in 2007, which offers all necessary and useful training concerning AML to diamond traders, such as:

- Answering questions with regards to the application of the Belgian anti-money laundering legislation
- Supporting traders in filling out the annual activities report
- Informing the Antwerp diamond sector via digital newsletters about the anti-money laundering legislation
- Organizing seminars
- Providing information concerning other compliance issues

Number of questions for the Helpdesk, according to topics (2013)	
Identification	59
Verification	9
Prevention	39
Use of cash	16
Others	5

The AML & Compliance Helpdesk also organized three seminars for the Antwerp diamond sector. In 2013, 135 staff members from Antwerp diamond companies participated in one of these seminars.

“For us, the government representatives, it is clear that AWDC plays an important role in clarifying and explaining legislation to the diamond sector, by using understandable and accessible concepts and appropriate measures.” says Frieda Coosemans, FPS Economy Advisor.

HANDBOOK ‘DOING BUSINESS IN ANTWERP’

In June 2013 AWDC published a handbook for the diamond sector, entitled ‘Doing Business in Antwerp’. The goal of this handbook is to inform the diamond trader based in Antwerp as well as foreign traders. The brochure is divided into chapters:

1. The formalities and registrations that must be completed in order to operate as a registered diamond trader in Antwerp
2. General legal obligations
3. Sector-specific legal obligations

The compliance handbook is available online on AWDC’s website, where it is one of our most popular pages.

Profound monitoring of the diamond sector

STRINGENT REGISTRATION PROCEDURES

In 2013, 1706 registered diamond traders were operating in Antwerp. This number of traders has been constant for the last four years. All registered diamond traders can be found at www.registereddiamondcompanies.be.

Registration as a diamond trader is mandatory, for the independent traders as well as for trade firms. The diamond trader must prove to the FPS Economy that he has completed all formalities before he is allowed to operate as a trader in Belgium.

Acquiring the status of diamond trader is far from simple and the managers and executives are always known by name at the FPS Economy, Diamond Office and the Diamond Bourses. This ensures that certain people who wish to exploit a legal entity will find access to the Belgian diamond sector more difficult.

In addition, since 2012, the FPS Economy conducts targeted controls of diamond traders. The FPS does this by using predefined risk criteria, and has the authority to issue an official complaint. In the first year, 52 inspections were carried out. The results of these inspections are not released.

FPS ECONOMY: ANTI-MONEY LAUNDERING AND KIMBERLEY PROCESS

Every Belgian diamond trader must submit an activity report to the FPS Economy every year. On the basis of this report, the permit-issuing service determines if suspicious transactions are spotted, for example on the application of the stipulations and obligations of the anti-money laundering legislation. Predefined risk criteria also point the FPS Economy in the direction of diamond traders where a check can be carried out on location. 'Control dossiers' are done for all traders who have not sent in their report.

	2009	2010	2011	2012	2013
Submitted AML reports	1,660	1,645	1,629	1,622	1,360
Control dossier <i>(AML reports not submitted)</i>	277	278	198	164	Ongoing
PV's following control <i>(AML reports not submitted)</i>	10	15	7	Ongoing	Ongoing
On-site AML controls	/	/	/	52	Ongoing

FPS Economy is also the authorised authority in Belgium for the implementation of European and international legislation and for Kimberley Process Certification Scheme (KPCS), for the international trade in rough diamonds. In this capacity a representative of FPS Economy participates in all European and international meetings concerning this matter.

DIAMOND OFFICE'S TRIPLE CONTROLS

The practical processing of the import and export of diamonds in Antwerp occurs at Diamond Office (DO), an AWDC Department.

Number of shipments of imported polished diamonds

2010	2011	2012	2013
37,033	40,736	39,152	40,897

Number of shipments of imported rough diamonds

2010		2011		2012		2013	
Total	Without KP certificate	Total	Without KP certificate	Total	Without KP certificate	Total	Without KP certificate
9,789	2	11,650	1	11,345	0	11,896	2



Number of shipments of exported polished diamonds			
2010	2011	2012	2013
49,711	49,371	46,032	48,778

Number of shipments of exported rough diamonds			
2010	2011	2012	2013
29,286	28,719	28,579	31,557

DO acts as supervising body for the Belgian government, for all import and export of all types of unset polished and rough diamonds, industrial diamonds, boart, synthetic diamonds and diamond powder, natural as well as synthetic. DO does this in collaboration with FPS Economy and FPS Finance (Customs). DO is the only customs office in Belgium where diamonds can and must be declared for import and export outside of the EU.

Three staff members of FPS Economy and two of FPS Finance are at all times present at the DO. The Permit-issuing Department of FPS Economy is responsible for the physical checks of all imports and exports of diamonds. These checks are conducted by sworn experts who work under the supervision of the FPS Economy.

Each of the 17 sworn experts opens shipments and conducts an examination according to a number of parameters. The weight, value and classification of diamonds are compared with the information on the trade documents and the invoice. This form of 100% physical controls does not exist anywhere else in the world. Most countries work with targeted checks on the basis of a risk analysis.

Customs conducts a control of all import- and export declarations prepared by AWDC personnel within DO. Since 2011, AWDC has the status of a fully Authorized Economic Operator (AEO). This confirms that FPS Finance (Customs) recognizes AWDC as a reliable partner, in the field of customs procedures as well as security. Within DO, AWDC is not only a declarant of all imports and exports

from the Belgian diamond sector; the organization also offers assistance in all import and export formalities.

This triple control (DO, FPS Economy and FPS Finance) ensures that the Belgian diamond sector is the most controlled sector in Belgium, but also the most transparent in a global perspective.



CHAPTER 6

INDIRECT ECONOMIC IMPACT IN ANTWERP

The Antwerp diamond sector is extremely important for the Flemish and Belgian economy. Not only due to the value added in terms of income that the sector generates, but also through employment of at least 32,000 people.

Antwerp has over 550 years of illustrious heritage as a diamond trading and manufacturing hub, embodied

in the slogan 'Cut in Antwerp', which still is the diamond trademark for supreme quality and exquisite craftsmanship. With a sound financial, technical and intellectual infrastructure, Antwerp is the global center from which a multinational industrial and commercial network is coordinated.

On a daily basis, countless diamonds leave Antwerp,

the heart of the global diamond industry, to all corners of the world. The know-how and capacities of Antwerp's diamond traders are over five centuries old and are still the hallmark for anyone enchanted by this beautiful stone.

Trade results: some impressive figures

Antwerp ended 2013 on a high note with a total value of traded diamonds of no less than \$55 billion or €40 billion. The results are very close to the record year 2011, where \$56,6 billion worth of diamonds were traded, making 2013 the second best year ever for the Antwerp diamond sector. In 2012, the value of traded diamonds in Antwerp equaled \$51,9 billion.

With respect to total Belgian trade, diamonds occupy

the 4th place in the ranking of the most important trade goods. Moreover, in regard to the trade outside the EU, diamonds are the most important Belgian trade product, both in terms of import and export transactions. Diamonds represent approximately 5% of Belgian exports and about 15% of all Belgian exports outside the EU. Each year, over 28,000 Kimberley Process (KP) certificates are issued in Antwerp, or half of all the KP certificates issued worldwide. In 2013, the

diamond sector generated an added value of \$669 million.

Demonstrated by the recent KP figures, Antwerp still remains the world's most important centre for the diamond trade. 84% of the total world production of rough diamonds is being traded in Antwerp, as is an estimated 50% of all polished diamonds worldwide.



Trade figures rough and polished diamonds Antwerp 2010 – 2013

	<i>Import</i>		<i>Export</i>	
	Carat	USD	Carat	USD
2011	8,986,304.92	14,035,988,249	8,481,380.05	14,640,015,233
2012	7,440,174.34	12,904,592,195	6,951,723.03	13,212,037,986
2013	7,390,452.90	13,301,554,061	6,747,699.78	13,906,395,864

Trade figures rough diamonds Antwerp 2010 – 2013

	Import		Export	
	Carat	USD	Carat	USD
2011	98,885,667.06	13,434,781,971	107,096,410.17	14,420,969,413
2012	88,299,115.95	12,252,951,920	104,396,139.24	13,515,866,173
2013	90,616,640.60	13,222,608,566	106,524,714.15	14,642,746,530

**Total value of traded diamonds in Antwerp in billion USD
(2002 - 2013)**



Indirect impact on the sustainability agenda

ANTWERP ITCCO

AWDC is one of the founders of the 'Antwerp International Training Center on Corporate Opportunities' (ITCCO), established in 2012. Other founding members are UNITAR (Institute of the United Nations for Education and Research), CIBJO (the global umbrella organization for the jewelry industry) and the Fund for the Diamond Industry. AWDC contributed €100,000 to ITCCO's start-up budget. The City of Antwerp and the Government of Flanders act as supporting parties. Antwerp ITCCO is a recognized training branch by UNITAR. One of the foundation's

goals is to build up corporate social responsibility, sustainable development and ethics in governmental services, corporations and NGOs. ITCCO applies an interactive training model, Sustainable Action Learning, focusing on learning in the workplace and the training of instructors (train the trainer). Originally the focus was exclusively on the diamond sector, but both AWDC and Antwerp ITCCO have worked hard to extend this to all relevant sectors and actors in Antwerp. The aim is to contribute to the impact of sustainability and corporate social responsibility in the

Antwerp economic fabric.

An additional contribution of AWDC in 2013, of €75,000, was used in whole to implement Antwerp ITCCO's 2013 action plan. This financial injection provided the foundation with the ability to make a great start, attract the needed personnel and to start a number of projects. AWDC will continue to financially support Antwerp ITCCO.

UN GLOBAL COMPACT BELGIUM

United Nations Global Compact is the largest leadership platform on the international level as concerns sustainable development and corporate social responsibility. AWDC is a member of the Belgian

platform Global Compact Network Belgium (GCNB) and was on the Board of Directors of this network until 2013. We subscribe to the principles of the Global Compact, contribute to the development of a

sustainability agenda in Belgium and contribute to the integration of these principles in Belgian enterprises and organizations.

KAURI

AWDC is a member of KAURI, the Belgian learning and knowledge center for Corporate Responsibility and NGO Accountability. KAURI was founded in 1997 and currently has 270 members. KAURI's most important activity is creating a dialogue between corporations

and NGOs, by bringing individuals from the corporate world and NGO managers together to inform, correct mutual preconceptions and to discuss important developments. Some of the topics discussed are human rights, socially responsible investing,

certification schemes, business ethics, microfinance etc.

CHAPTER 7

INDIRECT ECONOMIC IMPACT IN DIAMOND PRODUCING COUNTRIES



What is at stake?

Antwerp is a trade center dependent on the demand for diamonds. The most important diamond producing countries are Russia, Southern African countries, Canada and Australia. On the production side, 130 million of rough diamonds were brought into the value chain in 2013, valued at €10,3 billion.

According to a Bain & Company study commissioned by AWDC, the demand for rough diamonds will increase annually by 5,1% until 2023. This demand will be mostly driven by emerging economies such as India and China, which together will constitute 40% of the demand in 2023. The middle class is quickly growing in these countries, and has more and more of the necessary capital at its disposal to buy diamonds or diamond jewelry. A stable and sustainable supply must be ensured, which will have a positive impact on diamond producing countries.

Unsustainable production can be prevented in a number of ways. From an environmental perspective, the fundamental factor is that a diamond is a finite natural rough resource, which should be handled with care. This means, economically speaking, that in the long term, the search for natural diamonds will be so technically difficult and expensive that it will no longer be profitable.

Governments in diamond-producing countries

can also lose out on income from sub-optimal contracts for the exploitation of their natural riches or sell their production for an insufficiently high price on the national or international market. Underlying factors can be market phenomena, such as insufficient demand, or lack of experience and knowledge about diamonds so that the product is not sold in an optimal way.

Other risks in diamond producing countries also exist from a governance perspective. The illegal sale and smuggling of diamonds continue to be a problem. Although there are no official statistics of the size of this trade, we can assume it is significant and that this is a reason for mistrust vis-a-vis the diamond sector. This implies a direct loss for the state treasury of the producing country and the developments they could have generated.

The best way to ensure a responsible supply is to make sure that the rightful owners, the countries where the rough materials are located, can manage the materials in a proper manner and be properly reimbursed the sale of their production. Only then can we speak of a sustainable production and thus also of a sustainable supply. All actors in the diamond value chain must therefore ensure that diamonds have a positive economic impact on diamond producing countries.



What does AWDC do?

DIPLOMACY AND KNOWLEDGE

Governments of diamond-producing countries are very important discussion partners for AWDC. By way of frequent contacts with their diplomatic representatives in Belgium, welcoming Heads of State and policy makers and by regular visits to the diamond-producing countries, AWDC strives to keep its finger on the pulse. In 2013, AWDC took part in six missions, to Angola, India, South Africa, Zimbabwe, Canada and Botswana. This way AWDC constantly advances our leading principle, namely, that the revenue from the sale of diamonds has to flow back to the rightful owners and contribute to economic and social development. AWDC transmits this message in all venues, to allow concerned parties in the diamond trade to contribute to achieving this goal.

During these encounters AWDC always shares its knowledge with governments of diamond-producing countries to support them in the development of a regulatory framework for the exploitation, production and sale of diamonds. Furthermore, AWDC also contributes to the acquisition of knowledge and capacity, and to setting up adequate structures to control the trade in diamonds. In the framework of the Kimberley Process, AWDC produces footprints that statistically describe the nature of the diamond

Beneficiation and vertical integration

The diamond value chain consists of many links, which spread throughout the world. Factors associated with the settings and specialization have led to production, wholesale, finance, and processing and retail being carried out in different diamond centres. Some countries, mainly African diamond-producing countries, have the ambition to integrate a large part of the value chain into the local economy. The countries would not only mine rough diamond and sell it, but they would also be involved in the subsequent steps in the value chain. This is called vertical integration or beneficiation. A successful example of this policy is Botswana, where rough diamonds are not only mined but also traded and polished. This was made possible by a clear and firm policy of the Botswana government, coupled with a clear non-corruption policy. The country is also an absolute leader in the field of good governance on the entire African continent.

Even though AWDC always strives to maximize returns to the governments and people of diamond-producing countries for their rough materials, we believe that the formula of Botswana cannot simply be copied in other countries. To achieve results, the necessary structures must be in place, both on the part of government as of the industry. Developing structures, such as a polishing factory or diamond exchange, and educating people to man these structures often requires a significant investment. Moreover, the particular setting of a country/ area cannot always be altered: the presence

of a critical mass of buyers and sellers and low wages for polishers cannot always be controlled by government. Finally, one should not lose sight of the fact that reserves of natural rough diamonds are finite. The investment in vertical integration should therefore always be weighed against the expected life of the diamond production site. It is sometimes more advantageous to use diamond revenues to foster a more diversified economic approach, rather than solely focusing on the diamond sector.

AWDC is also an advocate of a policy tailored to each country, which takes into account the existing structures and capacities, and the investments that the country can and is willing to put forth. It may sometimes be more favourable to boost diamond production or to optimize the proceeds from the sale of this production. This can be achieved by improving the sorting and cleaning of the rough diamonds, the assembly of attractive parcels and the efficient marketing of their goods. The immediate increase in revenues can then be used to stimulate the national economy, whether in the diamond sector or elsewhere.

production of a particular country or region. In 2012 a similar footprint analysis was conducted for the diamonds originating from the Central African Republic.

In addition to knowledge, AWDC also makes financial means available to secure sustainable diamond production and to generate a positive economic impact on the diamond producing countries.

In 2013, AWDC co-financed the publication of a study by the Diamond Development Initiative (DDI) by donating an amount of €10,000. The report is entitled '*Côte d'Ivoire Artisanal and Small-Scale Mining – Diamond Mining Assessment*'. It formed an important step in the run-up to the lifting of the UN sanctions against the exports of diamonds from Ivory Coast. The report contains an extensive analysis of the situation and the diamond potential of Ivory Coast. This type of report is an important source of knowledge for the Ivorian government, that, now that the sanctions on rough diamonds have been lifted by the UN, ten years after having been imposed, must lead toward an active diamond policy.



THE ANTWERP DIAMOND TENDER FACILITY

In 2012, the Antwerp Diamond Tender Facility (ATF) was inaugurated in the AWDC building. The ATF is a neutral business space, which is fully equipped with all facilities to sell diamonds by tender. This selling method can be compared with an auction, with the difference that the bids are sealed. AWDC makes the ATF available and acts as facilitator, but has no commercial involvement with the tenders themselves. In 2013, 15 tenders were organized in the ATF.

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

In most cases, part of the profit that the seller has made goes to the government, in the form of a royalty fee. A higher

sales price therefore also means a larger income for the government of the diamond-producing country, which can subsequently use these means for local socio-economic purposes.

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

Doubling the return for Zimbabwe thanks to the ATF

In December 2013 and February 2014, rough diamonds from Zimbabwe were sold for the first time since the European sanctions on diamond producers from Zimbabwe were lifted.

The mining companies and the authorised agency Mineral Marketing Corporation of Zimbabwe (MMCZ) opted for the ADF as a platform for the sale of their production. The first tender already made it clear that the sale in Antwerp offered a much better result for the mining companies, compared to previous sales in the capital city of Harare or at other diamond centres. The parcels of rough diamonds sold during the tender of February 2014 offered an average price per carat of 79.9 US Dollars. This average is 50 to 60 percent higher than the price achieved for the sales in Harare, and is noticeably higher than what Zimbabwe received in other diamond centres. This is extremely important for the economic impact on this diamond-

producing country. After all, the Zimbabwean government also collects a fixed percentage of the return via a so-called royalty fee.

In addition to the price effect AWDC has provided useful information to the sellers and authorities in Zimbabwe, as it appeared that extra return could be achieved from the tenders, through improved sorting, categorizing and cleaning of goods, prior to their sale. Moreover, an AWDC analysis showed that offered goods were not a correct representation of the true potential of the mines in Zimbabwe. An offer which would reflect the real potential, the so-called run-of-mine, would achieve an even bigger return.



How do we evaluate our impact?

Our 2013 survey illustrated that 95% of those having used the ATF services were satisfied, with 43% of the respondents not being familiar with the facility. AWDC will endeavor to increase awareness of this platform, especially among the target audience: small mining companies.

The impact of the ATF and of the projects in Ivory Coast

will only be visible in the long term. In any case, it is evident that there is a high demand from the diamond-producing countries for support. On the one hand, they seek support in improving the internal structures and procedures to implement a more efficient diamond policy. On the other hand, they seek support in gaining access to the most credible and transparent markets for their products. AWDC will continue to offer its

experience and knowledge to meet this demand, and is always willing to work towards a closer collaboration to form effective partnerships, with a positive, sustainable impact.

GRI CONTENT INDEX

This report has been structured in accordance with the guidelines for sustainability reporting by the Global Reporting Initiative (GRI) standard (G4 version 'core').

This is AWDC's first sustainability report. The information in this report relates to AWDC including its eight departments such as Diamond Office, with AWDC's subsidiaries falling outside the scope of this sustainability report. The figures used in this report are

from 2013; where possible, a comparison is made with previous years.

AWDC is an umbrella organization within a very specific sector, where the biggest impact is indirect, within the sphere of influence of the organization's network. As a result, the selection of indicators that best demonstrate the level of sustainability of our operations and material topics are a real challenge. The classic GRI indicators relating to

the controls of the value chain, working conditions in foreign branches or commercial performance could therefore not be used. In addition to the GRI indicators it was therefore decided to include other relevant indicators that are representative within the diamond context. We used as many official statistics as possible, but also our own figures.

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GENERAL STANDARD DISCLOSURES		
<i>General Standard Disclosures</i>	<i>Page Number (or Link)</i>	<i>External Assurance</i>
STRATEGY AND ANALYSIS		
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G4-9	4; 10-13	
G4-10	13-17	
G4-11	17	
G4-12	27; NB: AWDC is a non-commercial organization and is not active in the production or service provision	
G4-13	61: Opening of the tender facility in 2012	
G4-14	NA	
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G4-33	A stakeholder panel will evaluate the sustainability report within six months of publication	
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SPECIFIC STANDARD DISCLOSURES

<i>DMA and Indicators</i>	<i>Page Number (or Link)</i>	<i>Identified Omission(s)</i>	<i>Reason(s) for Omission(s)</i>	<i>Explanation for Omission(s)</i>	<i>External Assurance</i>
CATEGORY: ECONOMIC					
<i>MATERIAL ASPECT: ECONOMIC PERFORMANCE</i>					
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CATEGORY: ECONOMIC					
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G4-DMA	52-56; 58-61				
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G4-DMA			The information is currently unavailable		
G4-LA12	6; 13				
SUB-CATEGORY: SOCIETY					
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G4-SO4	46-51				
<i>MATERIAL ASPECT: PUBLIC POLICY</i>					
G4-DMA	38-41				
G4-SO6			The Standard Disclosure or part of the Standard Disclosure is not applicable		
SUB-CATEGORY: PRODUCT RESPONSIBILITY					
<i>MATERIAL ASPECT: PRODUCT AND SERVICE LABELING</i>					
G4-DMA	29-30				

SPECIFIC STANDARD DISCLOSURES

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G4-DMA	30-35				
G4-PR6	50; 53-54				

TERMINOLOGY

4 Cs: cut, color, clarity, carat = characteristics that determine the value of diamonds

5th C: Compliance

AWDC: Antwerp World Diamond Centre

ATF: Antwerp Diamond Tender Facility

AMB: label Antwerp's Most Brilliant

AML: Anti-Money Laundering

ASM: Administrative Support Mechanism (Kimberley Process)

Boart: industrial quality diamonds

CFI: Cel voor Financiële Informatieverwerking
(Department Financial Information Processing)

CIBJO: The World Jewellery Confederation

CO: Collectieve Arbeidsovereenkomst (Collective Labor Agreement)

CoC: Chain of Custody

CPBW: Comité voor Preventie en Bescherming van de Werkgever
(Committee for Prevention and Protection of the Employer)

DDI: Diamond Development Initiative

DDS: Development Diamond Standards

DO: Diamond Office

FATF: Financial Action Task Force

FIT: Flanders Investment & Trade

FPS Economie: Federal Public Service Economy

FPS Finance: Federal Public Service Finance

GCNB: Global Compact Network Belgium

HRD Antwerp NV: Institute of Gemmology, Diamond Lab

ITCCO: Antwerp International Training Center for Corporate Opportunities

KP: Kimberley Process

KPCS: Kimberley Process Certification Scheme

PC: Paritair Comité (Consultation organ for Employers and Employees)

RJC: Responsible Jewelry Council

UNITAR: United Nations Institute for Training and Research

WDC: World Diamond Council

WTOCD: Wetenschappelijk Onderzoekscentrum voor Diamant
(Diamond Research Center)