

Chairman's Report

Eli Izhakoff,
Chairman and CEO

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My dear colleagues,

In an organization such as ours, the best that a chairman could hope for when delivering his annual report is to be able to state: "Not much happened." To have to declare otherwise would be indicative of having faced a difficult year – which in our case would be one during we were forced to confront head on the very threats that we are committed to keeping dormant.

And so, in terms of the general problem posed by conflict diamonds entering the diamond pipeline, it is possible to state that during the period of almost 14 months since we last met in May 2007 in Jerusalem, "not much happened." What this means in essence is that the regulatory and voluntary regimes that we were instrumental in creating and implementing, together with our partners in the international community and in civil society, have proven effective and sustainable.

This is not to say that our organization was inactive, nor was the campaign against conflict diamonds. But like the aircraft industry that develops sophisticated safety systems whose entire purpose is to ensure that emergencies do not occur, the function of the World Diamond Council has been to guarantee that our industry can go about its business confident that threats like conflict diamonds are kept under control. No news, as they say, is good news.

The truth of the matter is that the Kimberley Process Certification Scheme has been so successful in monitoring the flow of rough diamonds into the pipeline that we concern ourselves today with essentially a limited number of instances of uncertified goods coming into the market, even though the diamonds in question rarely are sourced from an area experiencing any form of civil conflict. Our reason for behaving in this manner is clear. The system will work effectively only if all diamonds are traced, and not only those which are deemed to originate from a conflict zone.

In this light we applaud the announcement by the government of Venezuela, which declared at the inter-sessional meeting of the Kimberley Process Certification Scheme in New Delhi in June that it would withdraw from the Kimberley Process for a period of up to two years, and will invite the chair of the Kimberley Process in the near future to discuss the steps necessary for them to rejoin.

As was pointed out in New Delhi, the incidence of diamonds from Venezuela without KP certificates has a great deal to do with tax evasion and very little to do with civil conflict. But from our perspective that is immaterial. The effectiveness of the Kimberley Process in preventing a re-emergence of the conflict diamonds problem is reliant on all participants following a zero tolerance policy. If any participant is unable to do so, then the entire system is undermined. The fact that Venezuela has agreed to take a time out, so that it can consider ways of correcting its regulatory system, is good for the entire Kimberley Process.

As one would expect, the World Diamond Council attended the inter-sessional meeting of the Kimberley Process Certification Scheme in New Delhi and was an active participant. In particular, I would like to applaud the ongoing work of our members, not only in New Delhi, but in the relationship to the Kimberley Process in general. There are many but I would be remiss if I did not mention two who have contributed a great deal.

The first is Mark Van Bockstael, who is not only the director of International Affairs and Trade of the Antwerp World Diamond Centre, which is hosting us today, but who also serves as the chairman of the WDC Technical Committee and chairman of the Kimberley Process' Working Group of Diamond Experts. Mark's deep knowledge of the subject and his readiness to travel to almost any part of the world to investigate, study and troubleshoot has been invaluable to the entire system.

The second individual is Cecilia Gardener, the WDC's General Counsel, and who in so many respects has assumed the title of our industry's attorney general. The Kimberley Process provides a unique legal challenge, because it requires the coordination of official bodies in a wide variety of countries, each one operating within its own judicial framework. We are very fortunate to have someone with Cecilia's experience and skill in helping us create paths through this potential minefield. Over and over again, she has proven herself to be a tremendous asset.

In the World Diamond Council we deal in what has popularly come to be called Corporate Responsibility, and in this respect it is imperative that we ourselves operate in a manner that befits our mission.

Over the past year, Terry Burman, the CEO of Signet, which is the parent of Sterling Jewelers in the United States, has headed up a committee that has considered the way in which the WDC finances are allocated and approved. The recommendations of the working group have been given the green light by our Executive Committee, and it is my intention its function be incorporated into the Executive Committee so as to enhance our ability to practice proper financial oversight.

In a similar vein, I have requested from Shmuel Schnitzer, the vice chair of the World Diamond Council who is also a lawyer to head a committee which will conduct a legal review of our organization's statutes, and to make recommendations as to any amendments and or additions that may be

required to ensure that our legal framework complies with what is expected of an organization of our type at this point in time. I am confident that final proposal will be ready for implementation by our next annual meeting.

We also have increased the number of members of our Executive Committee – again with the intention of improving the operation of the WDC. The new members are Terry Burman of Signet; Pat Dorsey of Tiffany's; John Hall of Rio Tinto, Martin Leake of BHP Billiton; and Andy Bone of De Beers.

Just as we demand proper governance from the authorities managing the rough diamond trade, we require good governance at home. The members of the World Diamond Council deserve to have their interests served in a transparent and accountable manner.

Earlier in my report, I compared the operation of the World Diamond Council to the aircraft industry, which has devised safety systems to prevent things from going wrong. This, of course, remains an essential component of our mission, but in general terms it is becoming one part of a two-pronged industry strategy.

The World Diamond Council played a key role in raising awareness in the industry to the plight of people living in diamond producing areas. This awareness has evolved into an understanding that our industry has a role to play in helping these people develop sustainable economies and social systems, which are not wholly dependent on the salaries earned by miners extracting the diamonds from the ground. Industry initiated projects, like the Diamond Development Initiative, the Madison Dialogue and, more recently, CIBJO's World Jewellery Confederation Educational Foundation, are all part of this highly commendable effort. The World Diamond Council sees this as a natural progression of its own work and is proud to part of this movement.

In conclusion, allow me to thank on all of our behalf our generous Belgian hosts, the AWDC, its chairman, Jacky Roth, and CEO, Freddy Hanard. The prominence of this gathering in Belgium, which has been fortunate to attract speakers like the prime minister, foreign minister and governor of the Province of Antwerp, shows not only Belgium's readiness to assist ventures like ours, but also its commitment to the principles for which we stand.

I thank you all.

2 July 2008
Antwerp, Belgium