

## WFDB Communications Strategy and Collateral, February 2017

### For Discussion

The WFDB has in place a new and far-reaching communications strategy in order to be the 'go to voice' of the industry for the benefit of our members.

This comprehensive strategy paper has been compiled with the aim of providing bourse presidents with an all-encompassing view of where the WFDB stands on all the main issues affecting the diamond trade and how the Federation can most effectively respond in a range of scenarios.

Working with our bourse colleagues, WFDB Communications plan to:

- Define the WFDB, diamond and diamond industry stories in a relevant, accessible and engaging manner by producing compelling:
  - Issues profiles
  - Key messages
  - Q&As
  - Holding statements
- Manage multi media (including social media) news flow to support the stories
  - Proactive media engagement – **searching out new publications, strengthening relations with existing reporters, providing real-time assistance/answering queries**
  - Map media contacts
  - Expand media contacts
  - Develop social media outlets (Twitter, Facebook, Instagram etc)
- Enhance relationships with tier one media
- Address low-levels of understanding among industry and media
- Develop consistent comms brand and templates
  - Available to all bourses
  - Ensure bourse alignment for messaging

- Introduce crisis management guidelines and protocols
  - Identify and monitor issues that may impact on WFDB's reputation
  - Prepare a response strategy for issues confirmed as 'priority'
  - Agree priorities and actions (owners of priority issues will prepare initial content)
  - Prepare response strategy, reactive/proactive statements and Q&A for review/approval
- Develop new editorial content and image library
  - Make available on WFDB website and social media channels

Since resources are limited, the guidelines for bourses working with WFDB global communications will be:

- Only WFDB Communications (WFDB Comms) will originate WFDB stories
- The origination of Bourse specific press releases will continue to be the sole responsibility of the Bourse, but WFDB recommends that WFDB Comms are kept informed
- If bourses chose to involve WFDB Comms, then their releases will be reviewed and taken through the official approvals process by WFDB Comms. Any substantive editing of Bourse press releases, prior to entering final approval, will be the responsibility of the Bourse to address
- WFDB Comms will continue to distribute all press releases via its team
- Social media will come under the editing remit of the WFDB Comms team
- Any Bourse specific events/tours/campaigns that require media relations support will be funded directly by Bourses
- WFDB Comms will support campaigns that directly support one of the 2016 'themes'
- WFDB Comms will manage and provide support on any crisis or issues management requires (see attached crisis protocol)

- Subject to budget availability, WFDB Communications will provide media training for approved spokespeople
- All materials generated through the new Comms content library will be available to Bourses for their use / adaption (see comms packs)
- WFDB Comms will collate and share an editorial calendar, listing each Bourse's planned media engagement (where available)
- WFDB Comms will prepare and share a monthly media (including social media) monitoring report
- It will be the responsibility of each Bourse to ensure that its local media is monitored
- A key issue for 2017 is the requirement to continue to address the lack of a detailed understanding of WFDB amongst industry players and journalists

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## **2017 WFDB themes**

2017 will see the implementation of **four** WFDB themes. These will act as ‘decision filters’ to determine the relevance of editorial (press releases, feature articles, interviews, etc). In the majority of instances, only those stories that match one or more of these themes will be actioned:

### **1 REPUTATION**

“We live in an era of change. We are seeing significant growth in conflict issues. Because of WFDB’s global reach we are influencing the KP, WDC, FATF, OECD and others for the benefit of our members and the wider community.”

### **2 INDUSTRY SUPPORT**

“WFDB invests enormous time and resource in the development and deployment of its support to the industry. We are leaders in our industry and work closely with leading players including banks, producers, and trade organisations to ensure an industry for growth. Our WDM initiative is making a real difference to the pull through of polished diamonds and instilling a new confidence with the consumer. “

### **3 SYNTHETICS**

“WFDB has been ensuring the integrity of the industry and its products for close to 70 years. Through its industry leadership, WFDB is a leader in nomenclature and disclosure of synthetics, our members ensure an ethical approach to disclosure through the pipeline.”

### **4 WORLD DIAMOND MARK**

“The WFDB launched the World Diamond Mark and it is making great strides in providing industry awareness of the importance of generic marketing and how retailers can increase diamond jewellery sales.”

Media coverage will be monitored and measured in the analysis 2016 media coverage. A series of generic phrases (drawn from the messaging) will be provided to all Bourses with the request that this language be included (as relevant) in their editorial content.

## **CRISIS MANAGEMENT**

### **SEE ATTACHED**

The WFDB has drawn up crisis management guidelines and protocols. We continuously identify and monitor issues that may impact the WFDB's reputation.

We have a response strategy for issues confirmed as 'priority' and are able to react as needed in response to industry problems.

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## **WFDB OPINION AND POSITIONING**

### **World Diamond Mark (WDM)**

The World Diamond Mark® (WDM) was created by the World Federation of Diamond Bourses to rekindle the consumers' desire for diamonds and diamond jewellery, build trust in the retail jeweller, and consequently, boost demand for natural diamonds throughout the diamond supply pipeline.

Operating as the industry's catalyst, the WDM aims to engage all diamond industry stakeholders, inviting them to participate in the WDM's programmes

The WDM Authorised Diamond Dealers (WDM ADD) programme was initiated by the WDM to sustain and improve consumer confidence in diamond jewellery retailers, locally and globally and to help them sell diamonds more successfully and at better margins.

WDM ADDs are diamond jewellery retailers who adhere to best business practices and are therefore accredited and promoted to the consumers as a trusted way to purchase diamonds.

### **Producers**

We continue to hold meetings on a regular basis with the major diamond producers. We impress on them the need for our members to be able to buy rough at a reasonable price that will enable them to manufacture it profitably.

It is our contention that the producers need diamond manufacturers as much as diamond processing firms need the output of the miners and there must always be a reasonable balance between the two and not a situation where one side is squeezed while the other sells for unreasonably high prices.

### **Synthetics**

This has become an increasingly important issue in the past couple of years with the possibility of causing huge damage to consumer confidence.

The WFDB as a whole is not opposed to synthetic diamonds. Each bourse is entitled to decide its own policy, and the Israel Diamond Exchange and the Bharat

Diamond Bourse in Mumbai have done exactly that regarding the trading of synthetics on their premises.

In Israel, trading in synthetics is not allowed in the bourse Trading Hall but can be traded in members' offices, while no trading whatsoever in synthetics is allowed at the Mumbai diamond bourse.

We only demand that synthetic diamonds be clearly disclosed as such. The undisclosed mixing of synthetic diamonds with natural, mined diamonds that have been reported are a very real concern and a danger to our industry.

The potential damage to the global diamond jewellery industry from the discovery by consumers of synthetic diamonds set in jewellery they have purchased is huge and we are fighting to avoid this at all costs. We are in constant dialogue with leading grading laboratories.

The WFDB charter on disclosure of synthetic treated natural and natural diamonds requires our members to provide a proper description and declaration on every issued invoice.

We continue to emphasise the good that natural mined diamonds do for millions of people around the world.

During a debate on the impact of synthetic diamonds at the KP Plenary Meeting in November, Ernie commented that the WFDB accepts that synthetic diamonds are a legitimate niche product and there is a place for them. However, he stressed that there would be zero tolerance for people mixing undisclosed synthetics into parcels of natural, mined diamonds.

Ernie said that shoppers should buy from reputable retailers. The WFDB's World Diamond Mark initiative, supported by other industry bodies, provides a clear answer for customers through its network of authorised retailers who are obliged not to sell diamonds and synthetics in the same store.

## **Treatments**

As with the issue of undisclosed synthetics mixed with natural, mined diamonds, we take a similar view of undisclosed treatments - the WFDB unequivocally believes it is crucial that this kind of unlawful action is stamped out. Our industry

must come together to counter such activity, both for the good of our members and for the end-consumer who is always uppermost in our minds.

The WFDB charter on disclosure of synthetic treated natural and natural diamonds requires our members to provide a proper description and declaration on every issued invoice.

## **Grading**

The WFDB has been at the forefront of the battle to ensure that grading of diamonds is carried out in an honest way. The Federation's stance is that there is zero tolerance for such illegal activity.

There needs to be an industry consensus on grading scales to prevent confusion and to aid consumers in selecting diamonds.

The end-buyer is critical and our aim is to help create tools that put the customer completely at ease with a purchase.

Press releases quoting WFDB President Ernie Blom have been issued immediately upon news of instances of overgrading to ensure that our complete opposition to such actions are clearly understood.

## **DPA**

The Diamond Producers Association was established in 2015 by seven large diamond producers, including De Beers and Alrosa. It aims to run generic diamond promotion programmes in order to boost diamond jewellery sales worldwide.

The WFDB would like to work closely with the DPA since we are running the World Diamond Mark Foundation. This is a huge opportunity and we believe that only an initiative spanning the entire diamond pipeline can produce global results.

We are encouraged by reports that the DPA's budget will be boosted to \$60 million from \$6 million. We believe this will give the DPA the firepower to make a significant impression with its advertising efforts.

### **Conflict Diamonds**

Even one conflict diamond making its way into the diamond pipeline is one too many and we are proud to be founding members of the World Diamond Council, the trade representative on the Kimberley Process which has done a huge amount to staunch the flow of conflict diamonds. It is estimated that conflict diamonds are 0.2% or less of the total supply of rough diamonds to the global market.

### **Kimberley Process (KP)**

The WFDB was one of the founding members of the Kimberley Process (KP) which began operating in 2003. Its aim is to ensure that diamond purchases do not finance violence by rebel movements and their allies seeking to undermine legitimate governments.

It is composed of governments, industry and civil society and aims to stem the flow of conflict diamonds – rough diamonds used by rebel movements to finance wars against legitimate governments.

The KP has 54 participants, representing 81 countries, with the European Union and its Member States counting as a single participant. KP members account for approximately 99.8% of the global production of rough diamonds.

### **WDC**

The primary objective of the World Diamond Council (WDC), of which the WFDB is an important member, is to represent the diamond industry in the development and implementation of regulatory and voluntary systems to control the trade in diamonds embargoed by the United Nations or covered by the Kimberley Process Certification Scheme.

The WDC established the System of Warranties which extends the effectiveness of the Kimberley Process beyond the export and import of rough diamonds. It assists the Kimberley Process by managing the resources of the diamond industry to provide technical, financial and other support. It represents the industry in the Kimberley Process, the committees of the Kimberley Process and other relevant forums, and also serves as the central point of communication regarding the actions taken to ensure compliance with the regulatory and voluntary systems to prevent the trade in conflict diamonds.

We actively engage with the WDC to ensure our voice is clearly heard.

## **FATF**

The WFDB regards the work of the Financial Action Task Force (FATF), especially in relation to the diamond industry, as highly important. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. It has developed recommendations that are recognised as the international standard in these fields.

The WFDB holds meetings with the FATF, we regard cooperation with this body as critical in order to ensure there is no doubt in the minds of the public that the diamond industry is not involved with money laundering, terrorist financing or other high crimes. Such claims could cause irreparable damage to our industry by denting consumer confidence and we regard it as part of our mission to ensure that this does not happen.

It is clear to us that the WFDB, which represents the vast majority of the world's diamond industry members via 30 affiliated diamond bourses all across the globe, has a duty to provide very clear and accurate input and to reach a solid and amicable agreement with the FATF. The diamond industry has nothing to hide and is in favour of transparency, so we are very much in favour of engaging with the FATF to ensure its reports reflect the reality of the diamond business. We have provided the FATF with information regarding the diamond industry to ensure it

knows that we are a responsible, self-regulating body that seeks to weed out any transgressors.

## **OECD**

The Organisation for Economic Co-operation and Development (OECD) has become involved in the precious minerals sector in recent years. It has launched initiatives such as its Due Diligence Guidance and the ICGLR Regional Certification Mechanism to promote responsible mineral supply chains that aim to maximise the positive impacts on livelihoods through due diligence.

It also supports innovative models to support cost-effective due diligence, viable options for trading in artisanal and small-scale mined gold, customs and law enforcement agencies to support private sector due diligence, and identifying and preventing the worst forms of child labour.

The WFDB liaises with the OECD.

## **Consumer Confidence**

Maintaining and boosting consumer confidence is critical to the ongoing health of the diamond jewellery business globally. This could be disastrously affected in several ways: undisclosed mixing of synthetics, fraudulent treatments and overgrading.

It is critical that consumers – the end-buyers of our products – are reassured that the diamond trade is doing everything possible to ensure that it is acting in a responsible and transparent manner.

## **IDEX trading platform**

This is an exclusive offer to WFDB members to do business on the IDEX trading platform. It offers free access to the IDEX Trading Floor for retailers, significantly discounted rates to sellers, with no limitations on inventory listings or login keys per subscription and access to the Guaranteed Diamond Transactions network and free access to IDEX's objective and transparent price report.

## **Profitability**

Among the most difficult challenges is low profitability and declining bank credit. Our members face an uphill battle on a daily basis to secure funding.

We, as members of the diamond industry, also need to re-think our business strategy and consider deeply whether we should be paying such high prices. We need to continuously consider this element of our operations.

We saw a decline in rough prices in 2016 which enabled our members to manufacture profitably.

We want to work with the banking community and producers to provide more assistance to our members because without the oxygen that credit lines provide and with the unrealistically high price of rough stones, doing business profitably has become very difficult. We simply cannot continue with a situation where our members are losing money on an ongoing basis. We all love this business dearly, but we are here to make a profit so that we can ensure our livelihoods and those of future generations.

Clearly, as with any business, diamond firms are increasingly having to show transparent and sustainable business dealings and we support self regulated initiatives that deliver this.

The financing situation for the diamond industry remains rather challenging. The industry's financiers are looking for a significant rise in compliance and retail sales before committing to providing credit lines for rough purchases by manufacturers at a time when there is a significant stock overhang.

## **SUPPORTING DATA, AS AT February 2017**

### **Mining data 2014 – 2016**

In 2015, global rough diamond sales increased by approximately 12 percent over 2014 levels to a total of just over \$20 billion, according to De Beers.

Industry analyst Chaim Even-Zohar believes the figure is around \$17 billion.

The rough sales figures for 2016 are likely to be higher. Manufacturers bought strongly in 2016 as rough prices had declined from the second half of 2015 onwards. De Beers and Alrosa alone sold around \$10 billion to \$11 billion of rough goods during 2016.

Bain & Co warned at the end of 2016 of a possible rough bubble if consumer demand does not rise. Rough sales grew by 20 percent on the year in the first half of 2016.

De Beers remained the largest seller of rough diamonds worldwide by value with a share of 34 percent (in 2013 it was 33 percent), according to the miner. This includes the approximately three percent of global rough diamond sales made by DTCB (Diamond Trading Company Botswana, a joint venture between the De Beers Group and the government of Botswana) to ODC (Okavango Diamond Company), the government of Botswana's diamond trading company.

ALROSA was the second largest supplier, accounting for 25 percent of global rough diamond sales value. Other major suppliers included SODIAM, which organises the trade of Angolan diamonds, with a seven percent market share; Dominion Diamond Corporation, with a five percent share; Rio Tinto, with a share of four percent; and Petra Diamonds, with a three percent share.

The largest producing countries by volume were Russia with 27 percent; the Democratic Republic of Congo with 19 percent though mostly for industrial use;

Botswana with 17 percent; Canada with nine percent; and Australia with seven percent.

Russia is the largest producing country by value with around 25 percent of the total value produced in 2016,. Botswana was the second-largest producer in value terms with a 23 percent share, followed by Canada with 12 percent, Angola with nine percent and South Africa with seven percent.

### **Retail data 2014 – 2016**

Diamond jewellery sales globally in 2015 were approximately \$81 billion.

The US remained comfortably the world's largest market, hitting a new record of \$39 billion of sales in 2015, De Beers' estimates. Chinese consumers also continued to increase their overall spending on diamond jewellery in 2015, both domestically and when purchasing overseas. The Japanese, Indian and Gulf consumer markets saw some declines in local currency terms.

Major jewellery retailers saw a slowdown in sales during the first half of 2016, amid slow demand in China and the U.S. Meanwhile, even the holiday season didn't provide its usual lift for big brands such as Tiffany and Signet, according to Bain & Co.