



Transcript of the speech by ALROSA President Andrey Zharkov
World Diamond Council meeting, Moscow, October 13

Dear Mister President,

Esteemed members of the Board of Directors,

Ladies and gentlemen,

I greet you at the opening of the session of the general meeting of the members of the World Diamond Council (WDC), which is held in Moscow this year with support from ALROSA, what is of course great honor for us.

Since the time of its foundation WDC plays an important role in support of our industry, uniting the interests of all sectors – from diamond production and cutting to retail sales of diamond jewelry.

The World Diamond Council, created under the initiative of the World Federation of Diamond Exchanges and the International Diamond Manufacturers Association to consolidate the interests and work out common position of the diamond industry within the sphere of the Kimberley Process (KP) on the issue of excluding of “conflict” diamonds from international trading volume and not allowing of their usage to finance conflicts, for the past 15 years, undoubtedly, played an important role.

The Diamond Council has created the System of warrantees, broadening the effect of the KP Certification Scheme (KPCS), beyond the scope of export and import operations with rough diamonds. The Council provides financial and technical assistance, as well as renders services of the KP “Administrative Support Mechanism”; represents the world diamond community at the KP’s committees and other forums; acts as a center of communications network as far as demands of regulatory and non-mandatory control system of diamond trading are concerned.

Thanks to the Kimberley Process and to the support of this initiative from the United Nations, as well as the efforts of all participants of the industry, today the number of conflicts, especially in diamond manufacturing countries from Africa, is going down, and “conflict diamonds” are practically excluded from the trading activity. The KP Certification Scheme (KPCS) controls all manufacturing stages and sales of diamond raw materials on domestic and international levels.

Besides, I would like to stress out one more important aspect of the Kimberley Process – participating countries and other organizations of the industry are constantly conducting information exchange, substantial amount of market statistics is regularly published in open sources. It allows to deliver more transparency to the market, to provide global understanding and market vision by all its participants, to resolve commonly arising problems and to react to the threats, thus defending and supporting reputation of diamond industry.

Speaking of diamond market, I would like to point out, that by essence it is very unique. Diamonds are not just a merchandise, they are emotional symbol of love, success and prosperity, wealth and power. Its substantial emotional component is an important engine to form a demand. Thanks to the work conducted by the World Diamond Council and the Kimberley Process today the consumer has acquired ethical requirements to the product. More and more buyers of diamonds would like to be sure of impeccable reputation of the goods. Investing big amounts of money into luxuries, we all want to be sure, that no one’s life and well-being was damaged, and our conscience is clear. There is no other market in the world, where moral, ethical and reputational aspects would have such a decisive role in forming of the demand.



Today our industry is suffering from different reputation risks, like informational speculations about adversities of local population in the regions of diamond production.

However, it is important to understand that diamond industry substantially contributes to the world economy. Income from diamonds production in some countries exceeds 10% of Gross Domestic Product. Our business is directly linked to transnational engineering and mechanical-engineering companies, which design and manufacture special equipment for extraction, concentration, sorting and cutting of the diamonds. Our industry creates hundreds of thousands of jobs all over the world and supports local communities through the programs of corporate social accountability.

And I hope that the WDC would play more active role defending and supporting favorable reputation and positive image of the diamond industry. It is important to educate our consumer. It is important to form understanding how meaningful contribution of our industry into economy of some countries is, in how many technologies and accompanying specialized industries it is participating, how it stimulates scientific developments, new segments and niche markets, provides employment for the population in the regions of diamond production.

ALROSA team accounts to about 40 thousand people. The Company is the main taxpayer of the largest (by territory) region in Russian Federation – Republic of Sakha (Yakutia), providing more than 80% of fiscal charges of the region, which makes more than 25% of the budget of Republic of Sakha (Yakutia). In 2014 the tax payments combined to 32,5 billion rubles, and social payments combined to more than 12,6 billion rubles. These funds are aimed at the development of the region, construction of the objects of social importance, increase of the quality of life in the region, health, education and culture.

ALROSA values its reputation and reputation of its goods. Our diamonds and cut diamonds are manufactured in Russia. They are beyond conflicts, their natural origin and high quality are guaranteed.

However, we cannot be not concerned by the fact that unfortunately at present time there are growing occasions on the market when natural diamonds are mixed with synthetic diamonds, or when the stones are worked on for the purpose of their improvement. We see that one of our functions is to set apart synthetic and natural diamonds. ALROSA is conducting researches to create most effective and fast detectors designed for diamond expertise, supports and takes part in legislative initiatives, that would allow to regulate the matter of synthetic stones turnover in jewelry industry, provide maximum level of information sharing with the buyers as far as the origin of a stone is concerned, starting from the place of its origin to its use in a jewelry item.

Diamond industry in Russia contributes a lot into forming of legislation to protect its interests and reputation.

The Federal Law regulating the turnover of precious metals and precious stones, with amendments adopted in May 2015, has strict definition of precious stones as those exclusively of natural origin; on the contrary, the stones of synthetic origin, even having characteristics of natural stones, are not considered to be precious ones. Therefore, the law determines that synthetic stones cannot be associated with precious stones.

At the same time the amendments to the Governmental Decree come into effect this November. These amendments determine that at the point of selling of a jewelry item the labels should stipulate the method of processing, which could have changed quality and color characteristics as well as the value of a precious stone. The label should also include information whether a stone is precious (natural) or of synthetic origin. That guarantees a unique position of natural stones in jewelry market, dividing the turnover of natural and synthetic stones. In such case the turnover of natural stones becomes legal and transparent.

I am sure that all participants of our market realize collective responsibility for the market's further development, which priority should be the value of the natural stones. We all understand that the future of our industry depends on the development of effective distribution of the goods.



Today we, practically all diamond manufacturing companies, have created the Diamond Producers Association the main purpose of which is to develop and implement new marketing programs of the diamonds as emotional symbol. It is important what a diamond would become for the new generations. We have to be up to date, to take into account consumers' demands and market trends, to be flexible, to be loyal to our values and principles, to form image of natural diamond as eternal symbol of success and prosperity of its owner.

Finalizing my speech I would like to stress out that the WDC today unites the interests of every segment of our market, from miners to retailers. That gives all the participants a unique opportunity to jointly discuss the ways of further development and to find new forms of cooperation, to form, to protect and to support impeccable reputation of the industry and its product.

I wish you successful and productive work at today's general meeting of the members of the World Diamond Council.

Thank you for your attention.