



2021 THE
DIAMOND

*Sustainability: Shaping the
Future of the Diamond Sector*

INSIGHT
REPORT

DE BEERS GROUP

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FOREWORD



Bruce Cleaver
CEO, De Beers Group

Sustainability has risen to the top of many stakeholders' priorities in the last few years, not least those of consumers. People expect more of businesses and brands than ever before when it comes to responding to societal and environmental challenges such as climate change, poverty and various forms of inequality.

Operating responsibly is now the baseline of consumer expectations. However, beyond knowing that their purchase has caused no harm, people also want to know what a brand or product stands for, and how it has contributed to a better future for people and the planet. There is plenty of evidence that the Covid-19 pandemic has only accelerated this trend as people see more clearly than ever how we are all interconnected and that what happens in one part of the globe can have rapid and far-reaching consequences elsewhere.

This year's Diamond Insight Report looks at the issue of sustainability in the diamond sector, focusing on the current situation and how it is expected to shape the industry's future. In addition to sharing key insights based on the findings of comprehensive new consumer research, it recognises the impressive – but often poorly understood – progress within the industry, while highlighting ways in which trade participants can ensure sustainability is at the very core of their business strategies. Because if there's one clear message from this report, it's that sustainability is business-critical.

When looking at the breadth and depth of the industry's track record over recent decades, it's clear the diamond industry has in many respects been a trailblazer.

Before the term ESG was even coined, the diamond industry had begun to play a vital role in uplifting the countries and communities where diamonds are discovered through driving widespread socio-economic benefit and delivering large-scale conservation programmes. Combined with ambitious sustainability commitments for the coming decade and beyond, right across the value chain, it's clear the industry is well placed to continue playing a full part in the sustainability revolution and meet – and exceed – stakeholder and consumer expectations.

Consumers are ready to respond well to these industry initiatives. As new De Beers Group research – conducted among more than 8,400 consumers globally – demonstrates, jewellery ranks third after only food and clothing as the category most frequently purchased on the basis of sustainability considerations. When it comes to diamonds, sustainability-conscious consumers are increasingly prepared to pay a premium to have this assurance, and are increasingly prepared to disengage with the category without such assurance being available. These findings highlight that sustainability is more than the right thing to do; it is critical to maintaining consumer desire, trust and loyalty.

The diamond industry has a significant opportunity to demonstrate its sustainability credentials to a new generation of consumers who value actions and evidence over rhetoric. The industry must urgently connect consumers more directly with the story of their diamonds and the positive impacts they create for people and the planet, right along the value chain. Critical to this will be continuing to invest in tools and technologies which provide consumers with evidence of the assurance they are seeking, including through provenance and traceability programmes.

We have much to be proud of and should celebrate our collective progress, while acknowledging that sustainability is an ongoing journey. I have every confidence the diamond industry will continue to take the steps to ensure it is recognised as a sustainability leader in the eyes of all our stakeholders.

EXECUTIVE SUMMARY

DIAMOND VALUE CHAIN DASHBOARD

DOWNSTREAM

2020 was a year of considerable swings in consumer demand for natural diamonds, as the first half saw declines due to Covid-19 lockdowns, first in China, then in the US and globally, while the second half was a period of gradual recovery for all consumer markets, but especially the US. The year ended with a positive momentum, despite the global annual decline of 14 per cent in sales value compared with 2019.

The recovery picked up pace in the first half of 2021, with an estimated global diamond demand growth of about 40 per cent year-on-year (or about 15-20 per cent annualized growth on 2019).

The outlook for the full year 2021 is positive, with expectations for a strong holiday season which is anticipated to weather the ongoing risks from the pandemic and the political and economic headwinds in different parts of the world.

MIDSTREAM

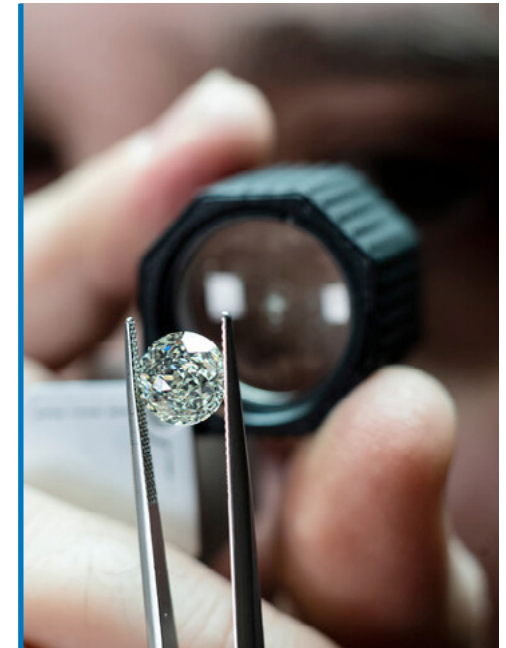
The midstream of the diamond value chain was impacted by consumer demand shifts as well as supply chain disruptions during 2020. Polished diamond stocks started building up in the first half of the year as consumer demand stalled and retailers did not need to restock. For a short period, the great majority of global cutting and polishing activity came to a complete standstill as lockdowns were enforced in India due to the spread of Covid-19. Manufacturing capacities started building up in the second half of 2020 which resulted in strong demand for rough diamonds, with cutting centre rough imports declining only by one per cent year-on-year in H2 2020, while the full year 2020 decline was 28 per cent year-on-year. Better than expected polished demand at the end of 2020 supported polished price recovery and growth.

In the first half of 2021, improving consumer demand for diamonds clashed with factory closures in India caused by a second wave of Covid-19 infections. The resulting polished diamond shortages combined with growing consumer demand supported polished price growth.

UPSTREAM

Rough diamond production and sales were disrupted in the early part of 2020 due to the impact of Covid-19 on operations. Rough diamond sales to cutting centres declined by an estimated 49 per cent year-on-year in H1 2020. The reduction in rough diamond availabilities limited the impact on rough diamond prices. In H2 2020, supply to cutting centres gradually recovered and was only approximately four per cent below 2019 levels. As a result, rough diamond producers destocked much of any surplus inventory that had built up earlier in the year. For the full year 2020, global rough diamond production decreased by an estimated 18 per cent year-on-year in volume, while rough diamond sales to cutting centres decreased by approximately 26 per cent year-on-year in US dollar terms.

The short-term outlook for rough diamond production is driven by the prospect of continued global economic recovery, with operating capacity back to pre-Covid-19 levels for most producers. However, despite the strong recovery in operating capacity, global rough diamond production is not expected to fully return to pre-Covid-19 levels, mainly due to the closure of the Argyle mine and potentially slow recovery in other production.



Looking at polished diamond through loupe at Almod Diamonds' cutting and polishing factory, Yellowknife, Canada.

EXECUTIVE SUMMARY CONTINUED

IN FOCUS

SUSTAINABILITY: SHAPING THE FUTURE OF THE DIAMOND SECTOR



ESG IS BUSINESS CRITICAL FOR THE DIAMOND INDUSTRY

The sustainability movement has irreversible momentum, driven by scientists, investors, governments, NGOs and consumers. It is not only ethical to consider environmental, social and governance (ESG) issues; it is critical to good business. Research has found that paying attention to ESG concerns does not compromise returns; in fact, it's the opposite. All businesses in the diamond sector – from diamond recovery through to retail – must actively embrace a strong ESG charter as a core part of their strategy, supported by evidence of sustainability credentials to stakeholders and consumers.

CONSUMER ATTITUDES TOWARDS SUSTAINABILITY HAVE REACHED A TIPPING POINT

Consumers are looking for brands that make sustainability a priority and are rewarding those that align with consumer values. In the past five years, nearly 60 per cent of all consumers and more than 80 per cent of opinion leaders have chosen to buy a product made in a more environmentally or socially responsible way over any other product. The demand for sustainable, environmental jewellery in Google search trends has accelerated and doubled over the past 10 years, following the same growth pattern as seen in overall consumer trends, and is even more sensitive to public events/communication on the industry. Given that sustainability has now become a key part of consumers'

decision-making process, the brands and businesses that ignore it face increased reputational and business risk.

NATURAL DIAMOND BUSINESSES ARE TRAILBLAZERS IN ESG

The natural diamond industry is building on its track record of positive socio-economic impact and environmental conservation work to place sustainability at the centre of long-term decision-making. Whether it's increasing diversity, supporting local communities or working towards becoming carbon-neutral, the diamond industry positively transforms the lives of individuals, communities and entire countries, often in locations where jobs are scarce and revenues needed. Combined with ambitious sustainability commitments across the value chain for the next decade and beyond, the industry is well-placed to meet – and exceed – consumer and stakeholder expectations regarding sustainability and ESG.

SUSTAINABILITY FACTORS ALREADY RANK HIGHLY IN NATURAL DIAMOND PURCHASE CONSIDERATIONS

Jewellery ranks third after only food and clothing as the category most frequently purchased on the basis of sustainability considerations. When it comes to diamond jewellery, around a third of global consumers value sustainability the most (above price, design and size) when choosing a natural diamond. Given a choice between a sustainable natural diamond from a well-known brand that has been produced in line with ESG

EXECUTIVE SUMMARY CONTINUED

goals, and one that comes with no sustainability assurance from a well-known brand, nearly 60 per cent of consumers would select the sustainable option. This choice is made in the full knowledge that they would most likely need to pay more for it – 85 per cent of those willing to select the sustainable options are open to paying an average premium of 15 per cent. The more symbolic and emotive the occasion and the larger the carat weight, the more sensitive consumers are to a brand's ESG values. Protection of the environment, fair worker treatment and conflict-free sourcing are the top three ESG considerations for diamond consumers.

CONSUMERS ARE WILLING TO PAY A PREMIUM FOR NATURAL DIAMOND JEWELLERY WITH SUSTAINABILITY CREDENTIALS

Consumers perceive a higher value when purchasing natural diamonds if they know that a brand is supporting local communities, tracking where its diamonds come from and minimising its environmental impact. Fifty-six per cent of consumers are willing to pay 10 to 20 per cent more for natural diamond brands which can demonstrate they operate in a socially and environmentally responsible way. Nearly 17 per cent of consumers are open to paying 25 per cent or more for a sustainable natural diamond.

YOUNGER CONSUMERS ARE AT THE VANGUARD OF THIS MOVEMENT

Younger consumers are driving the demand for more transparency and integrity, with 68 per cent of Millennials and 65 per cent of Gen Z having purchased products with stronger ESG credentials, compared with 42 per cent of Baby Boomers. Sustainability considerations are higher among consumers with a higher education (67 per cent) and those from affluent backgrounds (70 per cent). When it comes to diamonds, given a choice between a sustainable natural diamond and one with no sustainability assurance, 59 per cent of older Millennials will choose the sustainable option. This looks set to continue with the next generation, as 21 per cent of Gen Z already consider sustainability factors in their jewellery purchases.

SUSTAINABILITY CREDENTIALS MUST BE COMMUNICATED AT ALL CONSUMER TOUCH POINTS

It is imperative that consumer values are mirrored in all brand interactions and that the industry's positive actions are communicated effectively. Brands that integrate and communicate ESG considerations at every stage of their value chains will enhance consumers' affinity and loyalty. Digital touchpoints – social media, apps and websites – are key sources of information for consumers about socially-responsible brands and are highly influential in shaping consumer preferences. Sustainability should also be incorporated into diamond jewellery packaging as a tangible reflection of a brand's wider values.

PROVENANCE PROGRAMMES ARE CRITICAL TO PROVIDING ASSURANCE AND CONNECTING CONSUMERS WITH THE POSITIVE IMPACT OF NATURAL DIAMONDS

The diamond industry has been on a journey of continuous improvement in ethical and responsible sourcing throughout the value chain for two decades. Driven by new technology, groundbreaking provenance and traceability programmes are now available to industry participants at all stages of the value chain, placing the industry at the forefront of ESG innovations in responsible sourcing. Critically, these innovations enable the industry to communicate to consumers not only the provenance of their diamond, but also its social purpose and positive impact.

INTEGRATING ESG INTO BUSINESS STRATEGY DOESN'T HAVE TO BE DAUNTING

Implementing sustainability strategies will put businesses in a better position to earn long-term consumer loyalty and trust. While it may seem daunting initially and costs can seem discouraging in the short-term, doing nothing is not an option. To capture value and measure impact from ESG commitments, trade participants should follow a few basic principles: be discerning about key areas to prioritise, align with consumer values and core business competency, set relevant goals, select the right partners to work with and report on progress in a transparent manner.

A SHARED DIRECTION OF EFFORT ACROSS THE INDUSTRY WILL HAVE THE GREATEST IMPACT

Shared, decisive action from all industry participants to set standards and measure progress will make the most impact and ensure ESG criteria become standard practice for the diamond industry. Corporate actions matter more to consumers than words, and sustainability considerations must be effectively communicated to the consumer. How quickly and effectively meaningful change can be implemented depends on the strength of the industry's resolve and the ability of companies to continue to incorporate ESG into core business strategies. There are various partners and programmes supporting trade participants in this aim, including the Responsible Jewellery Council (RJC).

ACTION IS REQUIRED BY ALL

There is a huge opportunity for the diamond industry to communicate how it aligns with current consumer expectations around ethics and sustainability, and to build on its track record of creating positive socio-economic and environmental benefits throughout the value chain. Success depends on sustainability being part of both short and long-term operations. Progress is already underway and momentum is building; the industry must continue to place sustainability at the heart of its value proposition in order to make a truly positive impact on people and the planet, and to underpin consumer trust in and desire for diamonds.



DIAMOND VALUE CHAIN DASHBOARD

DOWNSTREAM

2020 was a year of two halves for consumer demand for diamonds. In the early part of the year, lockdowns and mobility restrictions caused steep declines in consumer demand, first in China and then in the rest of the world. The second half of the year was a period of gradual improvement.

2020 DIAMOND JEWELLERY AND POLISHED DIAMOND DEMAND (IN US DOLLARS, NOMINAL)

Global demand for diamond jewellery in 2020 declined by an estimated 14 per cent year-on-year to US\$68bn, as a sharp drop in the first half was followed by moderating year-on-year declines in the second half of the year.

GLOBAL (USDbn)

Polished Diamond Change: -15%



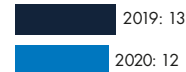
Diamond Jewellery Change: -14%



Overall in 2020, global demand for diamond jewellery declined by 14%. The declines by country were uneven, with the US delivering the best relative performance.

US (USDbn)

Polished Diamond Change: -10%



Diamond Jewellery Change: -7%



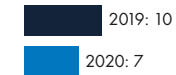
Consumer demand for diamond jewellery in the US fell by 7% to US\$35 billion representing just over half (51%) of total global diamond jewellery demand. This performance was supported by the government fiscal stimulus programmes and consumer desire to express emotions in a meaningful way through high quality valuable gifts.

CHINA (USDbn)

Polished Diamond Change: -24%



Diamond Jewellery Change: -26%



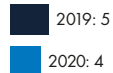
Mainland China consumer demand for diamond jewellery in both local currency and US dollars fell by 26% in 2020, as Chinese acquisitions abroad declined sharply due to international travel bans, while domestic demand declined by only half of this rate.

INDIA (USDbn)

Polished Diamond Change: -26%



Diamond Jewellery Change: -28%



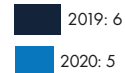
Consumer demand fell in 2020 by 24% in local currency and by 28% in US dollar terms. There was a resurgence of demand for diamond jewellery in the run up to the Diwali holiday season, particularly among the large organized retailers.

JAPAN (USDbn)

Polished Diamond Change: -17%



Diamond Jewellery Change: -17%



Demand from Japanese consumers declined by 19% in local currency and by 17% in US dollar terms due to appreciation of the yen against the US dollar. The market had almost recovered to 2019 levels in Q4.

GULF (USDbn)

Polished Diamond Change: -19%



Diamond Jewellery Change: -19%

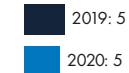


Demand from consumers in the Gulf declined by 19% in US dollar terms. The main contributing factors were the direct effects of Covid-19 and the lockdowns, as well as a pandemic related increase in VAT in Saudi Arabia.

Gulf includes: UAE, Saudi Arabia, Oman, Qatar, Bahrain and Kuwait

REST OF WORLD (USDbn)

Polished Diamond Change: -13%



Diamond Jewellery Change: -14%



Demand for diamond jewellery in all remaining markets declined by 14% in US dollars, with country specific relative performance supported or impacted by exchange rate movements.

DOWNSTREAM CONTINUED

GLOBAL POLISHED DIAMOND SHARE BY GEOGRAPHY

Among the main diamond consuming countries, polished diamond demand in the US declined considerably less than the global average, which resulted in its increased share of global demand compared to 2019. The shares of mainland China and Hong Kong and India declined more tangibly due to higher negative growth rates in US dollar terms. Japan and the Gulf saw small declines.

DIAMOND DEMAND OUTLOOK STILL IMPACTED BY COVID-19

The diamond industry recovery from the Covid-19 pandemic started in the third quarter of 2020, gathered momentum in the fourth quarter and continued into the first half of 2021 for China and for the countries and regions where the vaccination roll-out was timely and speedy, and where governments supported the economy and consumers through stimulus packages.

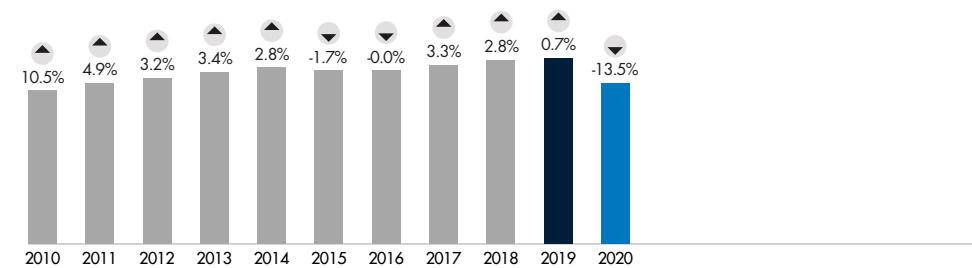
The major international luxury brands which were hard hit by Covid-19 in the early part of 2020 staged a robust recovery in the first half of 2021. Jewellery outperformed other luxury categories with strong double-digit growth rates.

For diamond jewellery, the recovery in the first half of 2021 was led by the US and Mainland China, where strong positive sales growth rates were reported not only year-on-year, but also compared to 2019. The recovery in diamond demand was also robust in Japan. India and the Gulf experienced more challenges over this period, as the second wave of Covid-19 hit at the end of the first quarter and into the second quarter. Reports from these markets were mixed, with smaller retailers reporting continuing year-on-year declines, while some of the large organised chains reported strong growth.

In the short to medium-term, the pandemic situation remains a factor of uncertainty, with its potential impact on the economy, jobs and consumer sentiment. The outlook for the second half of 2021 is more cautious, as the baseline is higher and potential relaxation of restrictions on travel and entertainment divert consumer discretionary spending to experiences and away from material luxury purchases. However, the expectation is that the full year 2021 will end with a solid positive increase on 2020, while a full recovery to pre-Covid-19 diamond demand level is expected for 2022.

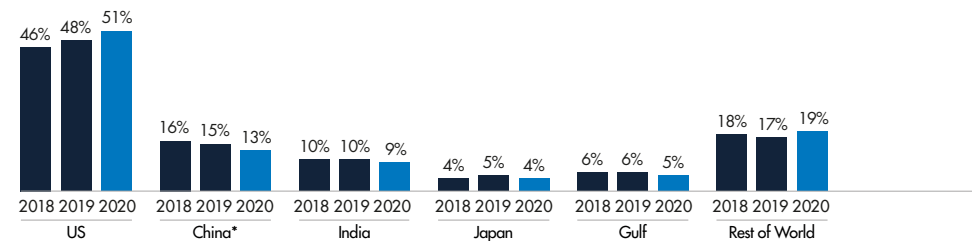
GLOBAL DIAMOND JEWELLERY VALUE GROWTH (USDbn)

Source: De Beers commissioned research and analyses



GLOBAL POLISHED DIAMOND SHARE BY GEOGRAPHY

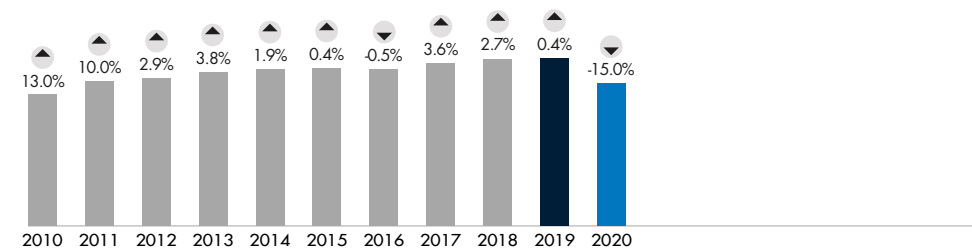
Source: De Beers commissioned research and analyses



*Includes mainland China, Hong Kong and Macau

GLOBAL POLISHED DIAMOND VALUE GROWTH (USDbn)

Source: De Beers commissioned research and analyses



DOWNSTREAM CONTINUED

CONSUMER TRENDS DURING THE PANDEMIC

DEMAND FOR BIGGER AND BETTER DIAMONDS

The overall demand for diamonds in 2020 declined due to the impacts of Covid-19, but demand for bigger and higher quality diamonds increased, as the profile of the customer base shifted towards more affluent consumers and the share of important occasions increased. This resulted in an increase of the average carat weight and price of more than 30 per cent each for diamond jewellery acquisitions in China, as revealed in the De Beers commissioned 2021 consumer study. In the US, this trend has been additionally supported among the broader consumer base by the stimulus pay-outs in 2020 and the early part of 2021.

INCREASED IMPORTANCE OF E-COMMERCE

The growth of online sales was the big theme of 2020. This trend has continued into 2021 with some variations by market. In the US, MasterCard reported high double and triple-digit monthly year-on-year growth in e-commerce for jewellery throughout the first half of 2021. In July the share of online sales for all jewellery reported by MasterCard reached 75 per cent, compared to 35 per cent for the same month in 2020.

30%

Increase of both average carat weight and price for diamond jewellery acquisitions in China in 2020.

35% to 75%

The share of online sales for all jewellery in the US in July 2020 compared with July 2021.

40%

For US diamond jewellery, the online channel accounted for 40% of 2020 sales value (online only and omnichannel).

84%

This share of online sales was supported by the high proportion of jewellers (84%) who offered online shopping.

For diamond jewellery, the online channel accounted for 40 per cent of 2020 sales value.¹ This share was supported by the high proportion of jewellers (84 per cent) who offered online shopping. In the first quarter of 2021, the proportion of US jewellers who offered e-commerce reached 90 per cent.²

In China, diamond jewellery online sales on the Tmall, Taobao and JD platforms increased in the first quarter of 2021 by 49 per cent year-on-year.³ The importance of digital in the diamond discovery journey also grew in China, with more than a third (35 per cent) of consumers researching their acquisitions online in 2020, compared to a quarter (25 per cent) in 2018.⁴ Among younger and bridal customers, almost half engage in online research. Gen Z are particularly attracted to social media platforms like The Red, WeChat and Douyin (TikTok) for diamond jewellery information.

49%

In China, diamond jewellery online sales on the Tmall, Taobao and JD platforms increased in the first quarter of 2021 by 49% y/y.

25% to 35%

The importance of digital in the diamond discovery journey also grew in China, with more than a third (35%) of consumers researching their acquisitions online in 2020, compared to one in four (25%) in 2018.

Notes:

- 1 De Beers commissioned Retail Sentiment Study US, Jan 2021
- 2 De Beers commissioned Retail Sentiment Study US, April 2021
- 3 E-Commerce data provided by Moojing for De Beers
- 4 De Beers commissioned Diamond Acquisition Study (DAS) China 2021

DOWNSTREAM CONTINUED

In India, ahead of the 2020 festive season, consumers were increasingly channel-agnostic with almost equal intention to shop for diamonds offline and online – 96 per cent and 94 per cent of consumers, respectively.⁵

GROWING ETHICAL CONSUMERISM

Environmental and social responsibility is becoming an increasingly powerful driver of consumer buying decisions for diamonds. De Beers Group's dedicated research revealed that protection of the environment, fair working practices and responsible sourcing were among the top conscious considerations when choosing a diamond. What is more, sustainability was the most valued factor ahead of all others for about one third of global consumers when deciding to buy a natural diamond. For a detailed exploration of this trend, please refer to the In Focus section of this report.



Note:

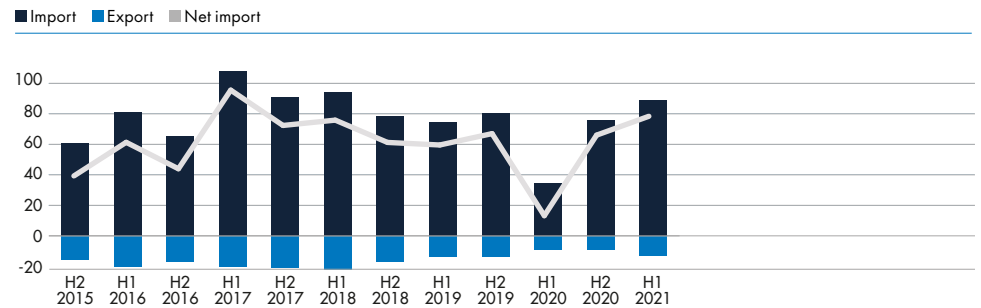
5 De Beers Forevermark commissioned Q4 Diamond Purchasing Consumer Sentiment, 2020

MIDSTREAM

2020 was characterised by two distinct halves in the midstream. In the first half, the sharp drop in consumer demand for natural diamond jewellery caused by Covid-19 led to lower demand for polished diamonds from retailers and created surplus polished diamond stocks. In the second half, the industry started recovering as Covid-19-related restrictions were eased and, by the end of the year, the retail sales recovery during the holiday season, particularly in the US, caused a shortage of polished diamonds and boosted polished prices.

INDIA ROUGH DIAMOND TRADE (Mcts)

Source: Gem and Jewellery Export Promotion Council (GJEPC)



The year started with positive sentiment for the midstream following improved demand from US and Chinese retailers during the preceding holiday season.

This changed rapidly after **January** as the Covid-19 outbreak spread in China then later in the rest of the world. The related store closures and mobility restrictions brought the industry to a halt.

In **March 2020**, De Beers Group cancelled a Sight (i.e. a scheduled sales event) for the first time in living memory. Most of the midstream was under some form of lockdown by the end of Q1-2020, creating unprecedented supply chain disruption. Temporary closures took place in factories in India and southern Africa, and diamond trading halls in Tel Aviv, Antwerp and Dubai.

Temporary retail store closures had a major impact on sales of polished diamonds. Limited sales in Q2-2020, mainly to Hong Kong, were not enough to offset falls in the US. The Indian cutting centres reduced their intake of rough diamonds, with net rough diamond imports into India decreasing by 58 per cent in carats in H1-2020.

When factories reopened in **June**, new social distancing requirements and lower demand meant that overall polishing capacity fell to less than a third of its pre-Covid-19 levels. This was dedicated to the most sellable polished categories of certified natural diamonds. As Covid-19 infections rose in India at the end of June, factories in Surat closed again for two weeks.

The midstream factories started reopening in **July** and **August** and, by **September**, were utilising rough diamonds similar to pre-Covid-19 levels. The strength in rough diamond demand continued throughout Q4-2020.

The manufacturing capacity in India increased from a pre-Diwali level of around 80 per cent to near full capacity in **December**.

This resulted in decreased rough stocks in the midstream and a drive for restocking. The cutting centres' rough imports in H2-2020 declined only by one per cent year-on-year and for the full year the decline was 28 per cent. The better than expected polished demand at the end of the year supported polished price recovery and growth.

MIDSTREAM CONTINUED

Midstream financing has been a positive factor during the Covid-19 crisis. The provision of flexibility on repayments by the lending banks in 2020, alongside government support, has prevented any significant defaults. The reduction in rough diamond selling and buying in 2020 enabled the midstream to reduce inventories, unlock liquidity and accelerate cash cycles. The unused headroom on the midstream's bank credit lines in the early part of 2021 is supportive of future growth, while further liquidity is available from new term-finance programmes funded by capital market investors.

THE CONTINUED RECOVERY IN THE MIDSTREAM IN H1-2021

In Q1-2021, the momentum in rough diamond demand continued following positive retail sales over the holiday season and a desire by manufacturers to restock. Overall strong polished diamond sales and an improvement in polished diamond prices supported rough diamond price growth in Q1-2021.

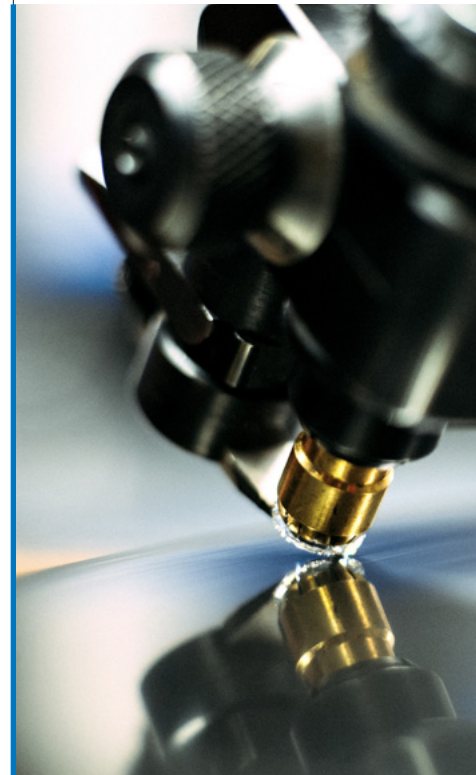
In April the second wave of Covid-19 impacted negatively on Indian polished manufacturing capacity. This was especially so in the smaller factories where capacity reduced up to 50 per cent, while in the larger factories it was down to 80 per cent. In the next three months manufacturing capacity increased to near full, with some deliberate restraints due to fears of rough diamond shortages in the second half of the year.

The pressure on polished supply was exacerbated by the backlog in polished diamond grading at laboratories in India. This added about a month to the process in April but had reduced to only a two-week delay in June. The decreased polished supply and steady polished diamond demand from retailers continued to support polished diamond prices in H1-2021.

Net rough diamond imports into India grew over 190 per cent year-on-year in H1-2021 on the back of the continued strong recovery and the low base from H1-2020 when global Covid-19 restrictions were at their peak.

190%

Net rough diamond imports into India grew over 190% year-on-year in H1-2021



Rough diamond being cut and polished, KGK Diamond Company, Botswana.

LOOKING AHEAD – H2-2021 AND 2022

Rough diamond demand is expected to remain strong in 2021 and into 2022. The midstream is operating at lower rough diamond stock levels; producers have reportedly already destocked considerably and supply of rough diamonds in H2-2021, and potentially into 2022, will remain constrained by lower production (see Upstream section). Covid-19 has accelerated the transformation that was already underway in retail: increased omni-channel, personalisation, greater e-commerce sales and better inventory management. This shift has created a more efficient and healthy diamond pipeline. Sustainability and ethical consumerism are likely to be considerations of growing importance for the midstream, as consumers become more environmentally and socially conscious.

UPSTREAM

Global rough diamond production decreased by an estimated 18 per cent year-on-year in volume in 2020 while rough diamond sales to cutting centres decreased by approximately 26 per cent year-on-year in US dollar terms.

GLOBAL PRODUCTION

In 2020, rough diamond volumes produced by miners decreased by an estimated 18 per cent to an estimated 114 million carats (Mct)⁶, owing to lower production from across the industry because of Covid-19-related operational disruptions. Both De Beers Group and ALROSA revised their respective production guidance for 2020 downwards considering these challenges⁷ – total output of rough diamonds from these two producers decreased around 14 Mct year-on-year. Moreover, mandatory safeguarding measures enforced by national governments, compounded by a desire to conserve liquidity, put several mines under care and maintenance in H1 2020. Arctic Canadian Diamond’s Ekati mine⁸, Firestone Diamonds’ Lihobong mine⁹ and Stornoway Diamonds’ Renard mine¹⁰ all remained closed for the majority of 2020, which led to a combined deficit of approximately 5 Mct in global production. Petra Diamonds’ Williamson mine was also placed under care and maintenance.¹¹ Elsewhere, Endiama produced roughly 2 Mct less versus the previous year¹². Rio Tinto’s Diavik mine’s output fell by around 1 Mct¹³ and, in Argyle’s final year of production, output

fell by roughly 2 Mct compared to 2019¹³. Overall, De Beers analysis estimates that around 30 Mct of planned production did not take place due to Covid-19 in 2020 (approximately 20 per cent of the total pre-pandemic production volume estimates for 2020).

As lockdowns and restrictions were lifted towards the second half of the year, most mines were able to resume operations. At the time of writing, only Petra Diamonds’ Williamson mine remains on care and maintenance; the current expectation is that the mine should reopen by Q4 2021.¹⁴

Russia remained the largest producing country in volume terms for 2020, contributing an estimated 30 per cent to global output. Botswana was the second largest producing country, responsible for approximately 15 per cent of volumes.

Overall, De Beers analysis estimates that around 30 Mct of planned production did not take place due to Covid-19 in 2020 (approximately 20 per cent of the total pre-pandemic production volume estimates for 2020).

PRODUCTION BY COUNTRY (Mcts)

Source: De Beers Group estimates, Kimberley Process statistics and company reports

1. Russia 2. Botswana 3. Canada 4. DRC 5. Australia 6. Angola 7. South Africa 8. All others

■ 2019 ■ 2020



PRODUCTION BY COMPANY (Mcts)

Source: De Beers Group estimates, Kimberley Process statistics and company reports

1. De Beers Group 2. ALROSA 3. Rio Tinto 4. Dominion Diamond 5. Catoca 6. Informal sector 7. Juniors/RoW

■ 2019 ■ 2020



At the time of publishing, De Beers Group estimates for rough diamond production volumes for 2020 (114 Mct¹) were 7% higher than the estimates in the Kimberley Process (KP) report for 2020 (107 Mct²). The variance is likely due to differences in timings of data sourcing and reporting methodology. Namely, in 2020 nearly half of the 7% variance was due to a difference in the estimated production volumes from Russia. For 2020, the 2 key producers in Russia, ALROSA and AGD Diamonds, reported production of approximately 30 Mct and 4 Mct, respectively.^{16,17} The total output from Russia, based on the company-reported figures, was then higher than the KP figure, which was reported at 31 Mct.¹⁶ As the De Beers Group production estimates have been continually updated (as and when producers and national statistics agencies published their production updates), the estimate is updated at a different cadence than that of the KP and may include late reporting adjustments, which may have led to a divergence in total production figures. Also, see note 22 on confidence levels of De Beers Group estimates of artisanal and informal rough diamond production.

6 Figures for informal production remain at a lower level of confidence than other production figures due to data availability but could be updated if new information becomes available
 7 The Strategy Committee of ALROSA Supervisory Board recommends downward revision of 2020 production guidance (May 2020)
 8 Dominion Diamond Mines announces decision to suspend operations at Ekati Diamond Mine in response to coronavirus pandemic (Mar 2020)
 9 Firestone Diamonds – QUARTERLY UPDATE – Q4 FY2020 (Jul 2020)
 10 Stornoway Extends Care and Maintenance Period at Renard Diamond Mine (Apr 2020)
 11 Petra Diamonds – FY 2020 Trading Update (Jul 2020)
 12 Angola seeks to boost diamond output, negotiating with major players (Mar 2021)
 13 Rio Tinto releases fourth quarter production results (Jan 2021)
 14 Petra Diamonds FY2021 Trading Update (Jul 2021)
 15 Kimberley Process 2020 Global Summary (Jun 2021)
 16 Q4&12M 2020 ALROSA Trading update (Jan 2021)
 17 AGD DIAMONDS sums up the results of work in 2020 (Dec 2020)

UPSTREAM CONTINUED

ROUGH DIAMOND SALES TO CUTTING CENTRES

Rough diamond sales to cutting centres were severely impacted by Covid-19 in 2020, as travel restrictions impeded sales activity during the second quarter of 2020. Among companies with published data, sales to cutting centres fell by nearly half (49 per cent) for H1 2020 compared with H1 2019. De Beers Group was forced to cancel the third sight of 2020 due to incoming travel restrictions in Botswana and instead had to temporarily relocate sight sales across Antwerp, Dubai and Israel for the remainder of the year. Several long-term contract customers of ALROSA terminated their agreements in March 2020 and switched to spot sales, as the pandemic's impact on the diamond pipeline worsened over the course of the first half of 2020.¹⁸ Both producers began offering their clients greater flexibility to defer purchases during this period of uncertainty. In July 2020, ALROSA even began providing a zero buyout obligation for its long-term clients, which continued into the start of 2021.¹⁹

Demand for rough diamonds was also reduced as a result of lockdown measures in the cutting centres in India restricting the midstream's capacity to process rough into polished diamonds. The reduction in rough diamond supply enabled suppliers to mitigate the decline in rough diamond price.

However, in the second half of 2020, consumer demand and diamond prices began to recover as key diamond markets, such as the US, began to lift their lockdown and travel restrictions, thus allowing trading to resume. Sales to cutting centres recovered strongly in the third and fourth quarter in the year – only falling short of sales in H2 2019 by approximately four per cent. Producers were able to capitalise on the sharp growth in demand and were able to destock much of the excess inventory that had built up during the earlier part of the year and achieve record sales to end the year.

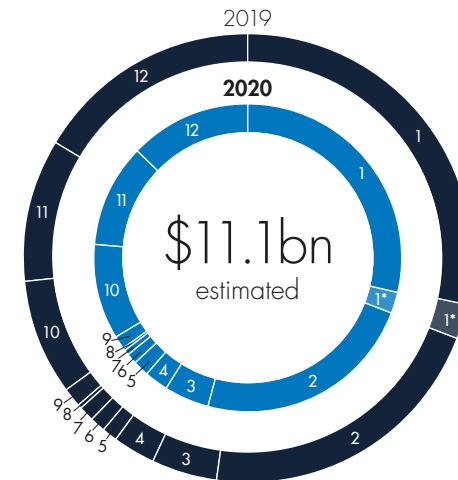
Overall, global rough diamond sales decreased by an estimated 26 per cent in 2020²⁰. De Beers Group's share²¹ of global rough diamond sales in US dollar terms remained flat at an estimated 29 per cent (29 per cent in 2019), while ALROSA's estimated share grew to 24 per cent (22 per cent in 2019). SODIAM, provided an estimated 10 per cent (nine per cent in 2019) of global rough diamond sales to cutting centres in 2020. Rio Tinto contributed at an estimated five per cent of global sales in 2020 (five per cent in 2019).

ROUGH SALES TO CUTTING CENTRES (USDM)

Source: De Beers Group estimates, Kimberley Process statistics and company reports

1. De Beers Group 1* of which DTCB to ODC²¹ 2. ALROSA 3. Rio Tinto 4. Petra Diamond 5. Gem Diamond 6. Lucara 7. Sornoway 8. Firestone Diamonds 9. Mountain Province 10. SODIAM 11. Informal sector²² 12. Other²⁰

■ 2019 ■ 2020



Notes:

- 18 ALROSA's sales of rough and polished diamonds reach \$152.8 million in March 2020 (Apr 2020)
- 19 ALROSA maintains flexible sales strategy to ensure responsible purchasing (Jan 2021)
- 20 Sales values are based on De Beers Group estimates where company reports are unavailable
- 21 Okavango Diamond Company sales, by value, are included in the De Beers Group share of sales estimate as sales from Diamond Trading Company Botswana
- 22 Figures for informal production remain at a lower level of confidence than other production figures due to data availability but could be updated if new information becomes available in the notes section

UPSTREAM CONTINUED

LOOKING AHEAD

As the global economy continues to recover following a challenging 2020, rough diamond production has gradually returned to pre-Covid levels of operating capacity for most producers.

De Beers Group is expected to return to pre-Covid levels of production in 2021 with production guidance of ~32 Mct for the year. In contrast, ALROSA has planned a more gradual ramp-up in output post-2020. ALROSA's current reported production guidance for 2021 is 31.5 Mct, 1.5 Mct higher than output in 2020.²³ In terms of other notables changes in production that are expected in 2021, the Ekati mine is reportedly set to produce at least 4 Mct this year, following its 10-month temporary closure in 2020.²⁴ Also, the Zimbabwe Consolidated Diamond Co. reported that production in Zimbabwe may reach 3 Mct in 2021, which would represent about a 30 per cent year-on-year increase in output.²⁵

However, despite the strong recovery in operating capacity, global rough diamond production is not expected to fully return to pre-Covid levels in the next decade, but global 2021/22 production is expected to be approximately 10 per cent higher than 2020 in volume terms. The closure of the Argyle mine owned by Rio Tinto at the end of 2020 signalled a permanent loss of more than 10 Mct of production a year

for the industry; the mine alone accounted for approximately 10 per cent of global production volumes in 2020.

While there are several notable diamond projects on the horizon that may be able to fill the gap to some extent, these projects are not expected to reach full production in the near term.

MAJOR NEW EXPECTED PROJECTS AND CLOSURES TO 2025

NOTABLE NEW DIAMOND PROJECTS & EXPECTED DATE OF FULL PRODUCTION

- Maiskaya (ALROSA), 2025
- Luaxe (ALROSA/Endiama), Unspecified
- Chidliak (De Beers Group), Unspecified

MINES APPROACHING END OF LIFE

- Komsomolskaya (ALROSA), 2021
- Diavik (Rio Tinto/Dominion Diamond), 2025



Bianca Cyster from De Beers at the Venetia mine in South Africa.

Notes:

23 ALROSA Capital Markets Day 2021 (Mar 2021)

24 Rescued Ekati to Produce 4m carats in 2021 (Jun 2021)

25 State Diamond Miner in Zimbabwe Sees Output Rising 30% This Year (Jun 2021)



IN FOCUS: SUSTAINABILITY – SHAPING THE FUTURE OF THE DIAMOND SECTOR

INTRODUCTION

Business is in the middle of a seismic shift when it comes to environmental, social and governance (ESG) issues in society.

From climate change to biodiversity, from community issues, diversity and inclusion in society's power structures, to transparency in governance, the ESG agenda has irreversible momentum. While the vast field of ESG presents a wide array of different areas for businesses to focus on, the diamond industry has already made a great deal of progress in many areas. If the industry maintains its positive momentum and communicates this effectively to all stakeholders, then this greater sustainability focus can also mean stronger, more resilient and more profitable companies, organisations and, ultimately, communities.

Natural diamonds can be at the forefront of the ESG movement, a thriving industry that balances both people and planet, and blazes a trail for others to follow. Sustainability issues are not only topical; they represent an opportunity to be a beacon of best practices for the natural resources and luxury sectors.

This report is published amidst a flurry of reports on the subject of sustainability from think-tanks, consultancies, and businesses²⁶. It is, however, unique in its focus specifically regarding how sustainability factors are influencing consumer attitudes towards diamonds, and on showcasing the diamond industry's pioneering efforts in this area. By harnessing thinking from industry and non-industry leaders in this area, supplemented by proprietary research, it makes a compelling case as to why companies must embrace sustainability – not only because it is the right thing to do, but because it is increasingly business critical in a rapidly evolving consumer landscape.

Our deep dive will explore how this is changing the way people buy diamonds and what they expect, but first we will set the scene with the great shift towards sustainability.



Giraffe at Venetia Limpopo Nature Reserve, part of the Diamond Route, South Africa.

Notes:

²⁶ These are but a few examples:

- Harvard Law School on ESG Reports and Ratings
- IBM's thought leadership, sustainability consumer research
- Insead: ESG Integration and Long-Term Value Creation
- United Nations' 17 Goals to Transform Our World; 2021 ESG Consumer Intelligence Series – PWC
- The ESG agenda for retail and consumer businesses – KPMG
- Global Research Institute – Digging Deeper into the ESG Corporate-Financial Performance Relationship
- Gestrategy in Practice – EY
- 2021 Review of the past, present and future of ESG through a value lens – Engine No. 1

INTRODUCTION CONTINUED

A view from our research partner

THE GREAT SUSTAINABILITY REVOLUTION



ABOUT GLOBESCAN

GlobeScan is an insights and advisory consultancy working at the intersection of purpose, reputation and sustainability. We equip decision-makers with the confidence they need to lead a new future. GlobeScan has been a long-term partner of De Beers Group, helping to better understand the evolving expectations of stakeholders and consumers and the broader sustainability agenda.

How did we get here? GlobeScan provides its assessment here.

At GlobeScan, we have been tracking ESG issues for decades. In the last few years, we have seen a steady growth turn into a tipping point.

The change has come from a range of stakeholders – **scientists** who communicate the growing body of evidence of existential threats such as climate change and biodiversity loss; **investors** who have calculated that sustainability is a value driver; **governments** who are shifting the rules to better facilitate and regulate sustainability and investing trillions in a greener and more equitable economy; **NGOs** who more vocally advocate for change on a host of issues from nature to social justice; and **consumers** who are changing their attitudes and behaviours toward sustainability and looking for brands which resonate with their values. These actors are moving in the same direction, creating a transformative moment that is making sustainable business an imperative.

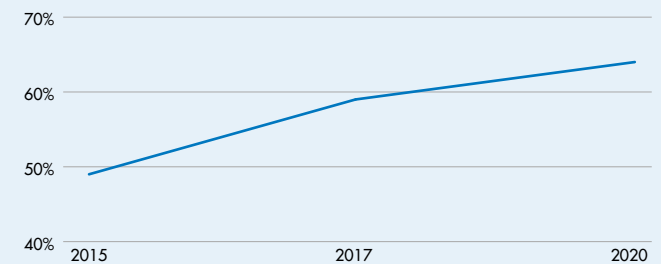
Increasingly people expect companies to have a “vision to make the world better” – across 20 markets, fewer than half of people felt this was a company responsibility in 2015, but in 2020 it reached 64 per cent²⁷.

Note:

²⁷ GlobeScan Radar, Expectations of companies, “Held responsible for,” having a “vision to make the world better”, net Expectations [(4+5) minus (1+2)] on a scale of 1 to 5, where 1 is “Not held responsible” and 5 is “Held completely responsible”, 1999-2020, average of 20 Countries, Includes Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Kenya, Mexico, Nigeria, Russia, South Korea, Spain, Turkey, UK, and USA

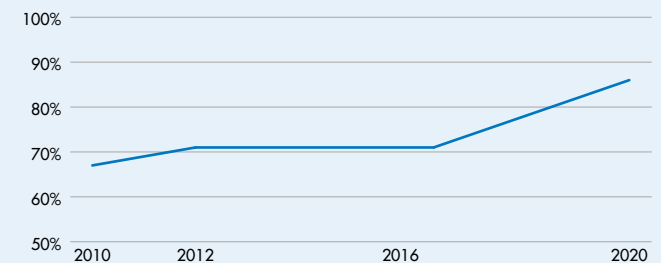
% SAYING BUSINESSES SHOULD BE ‘HELD RESPONSIBLE’ FOR HAVING A ‘VISION TO MAKE THE WORLD BETTER’, AVERAGE OF 20 COUNTRIES

Source: GlobeScan Radar, 2020



% INTERESTED IN LEARNING HOW COMPANIES ARE SOCIALLY ENVIRONMENTALLY RESPONSIBLE, AVERAGE OF 17 COUNTRIES

Source: GlobeScan Radar, 2020



INTRODUCTION CONTINUED

THE GREAT SUSTAINABILITY REVOLUTION CONTINUED



People now want and expect business to do more. In 2020, 86 per cent of consumers across 17 countries worldwide were interested in learning how companies were trying to be more environmentally and socially responsible, up from 67 per cent in 2010²⁸. Armed with stronger convictions and more knowledge, consumers are now willing to act. In 2020, 69 per cent of people across 16 countries told us that they have already or are considering going out of their way to reward companies that are socially responsible, against just 46 per cent in 1999.²⁹

The imperative for businesses to communicate not just their value, but also their values, is clear.

And what is the alternative? Not just losing out to competitors but losing out as consumers change their habits entirely.

Over the past year, globally, 25 per cent of people across 27 countries say they have made major changes to their lifestyle to become more environmentally friendly and another 44 per cent have made at least some changes.³⁰

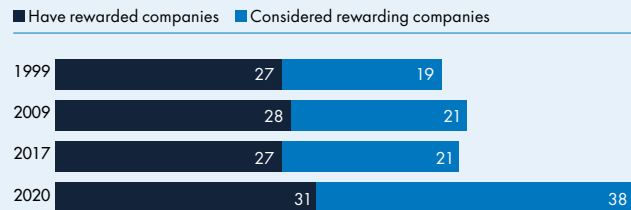
So, what does this change mean for diamonds and the diamond industry? How can the industry ensure that diamonds continue to hold their own as unique and permanent objects of meaning and value, ensuring they will continue to thrive? By being fully aware of this trend and taking the right action

now, the industry can benefit from ensuring consumers understand that their expectations for the future are aligned with the diamond sector's actions.

This report will help you grasp the considerations, consequences and opportunities of this sustainability revolution for the diamond industry. Showcasing many practical examples across the value chain, it will help unlock the potential of the positive impact the sector already generates. This report will highlight how companies can do more to create value both for consumers and for the wider world, and to communicate what they're doing in a compelling way.

% WHO HAVE REWARDED/ CONSIDERED REWARDING COMPANIES SEEN AS SOCIALLY RESPONSIBLE, AVERAGE OF 16 COUNTRIES

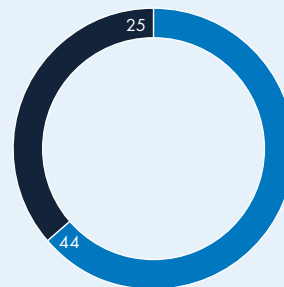
Source: GlobeScan Radar, 2020



CHANGES MADE IN THE PAST YEAR TO BE MORE ENVIRONMENTALLY FRIENDLY, AVERAGE OF 27 COUNTRIES

Source: GlobeScan Healthy & Sustainable Living, 2020

■ Yes, major changes ■ Yes, some changes



Notes:

- 28 GlobeScan Radar, "I am very interested in learning more about the ways that some companies are trying to be more socially and environmentally responsible" "Strongly Agree" and "Somewhat Agree," 2010-2020, average of 19 countries. Includes Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Kenya, Mexico, Nigeria, Russia, South Korea, Spain, Turkey, UK, and USA
- 29 GlobeScan Radar, "Over the past year, have you considered rewarding a socially responsible company by either buying their products or speaking positively about the company to others?" "Have Rewarded Companies Seen as Socially Responsible" plus "Considered This, But Did Not Actually Do," 1999-2020, Average of 16 Countries. Includes Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Mexico, Nigeria, Russia, Spain, Turkey, UK, and USA
- 30 GlobeScan Healthy & Sustainable Living, "Have you made any changes to your lifestyle in the past year to be more environmentally friendly?" "Yes, major changes" and "Yes, some changes", 2020, Average of 27 Countries. Includes Argentina, Australia, Brazil, Canada, China, France, Germany, Hong Kong SAR, India, Indonesia, Italy, Japan, Kenya, Mexico, Nigeria, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Sweden, Turkey, Thailand, the UK, the USA, and Vietnam

INTRODUCTION CONTINUED

SUSTAINABILITY: THE BUSINESS CASE

The overwhelming weight of accumulated research finds that companies that pay attention to environmental and societal impact trade at a premium relative to their peers³¹. McKinsey for example found that companies that pay attention to environmental, social, and governance concerns experienced a clear return on investment [see exhibit 1]³².

Michael E. Porter, one of the world's most influential thinkers on management and competition, argues that the new competitive advantage lies in creating 'shared value'. This, according to Porter, is when corporate policies and practices enhance the competitiveness of a company, while simultaneously advancing social and economic conditions in the communities in which it operates³³.

Witold Jerzy Henisz, Founder, ESG Analytics Lab,³⁴ The Wharton School, University of Pennsylvania explains, "Businesses and industries must understand the impact they have on all the stakeholders in the countries they operate. Creating sustainable shared value often means that companies must join forces with governments, NGOs and even rivals to mitigate harms they create and foster mutually beneficial opportunities. In the absence of such cooperation, short-term performance may not be sustained due to stakeholder opposition."

Opportunities for higher growth, profitability and competitive advantage come from treating these issues as integral to a company's core strategic positioning and can have substantial economic impact on companies, and even entire industries.

Now, more than ever, the diamond industry needs to take shared, decisive action to communicate its positive impact while recognising the challenges ahead and ensuring ESG criteria are incorporated into the core of its operations and commercial strategies.

Notes:

31 George Serafeim, HBS, papers.ssrn.com/sol3/papers.cfm?abstract_id=3265502

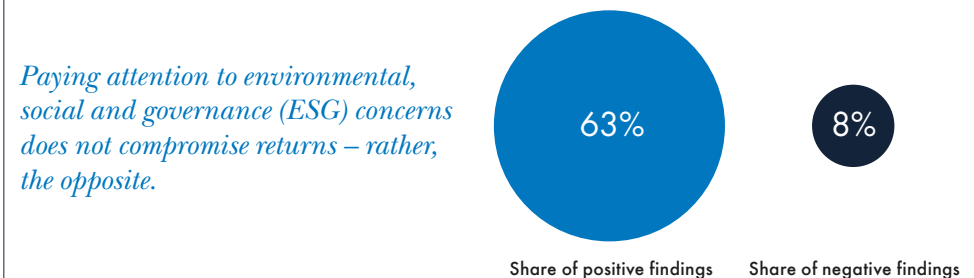
32 mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/five-ways-that-esg-creates-value

33 hbr.org/2011/01/the-big-idea-creating-shared-value

34 analytics.wharton.upenn.edu/esg-analytics-lab

EXHIBIT 1: RESULTS OF >2,000 STUDIES ON THE IMPACT OF ESG PROPOSITIONS ON EQUITY RETURNS

Source: Gunnar Friede et al., 'ESG and financial performance; Aggregated evidence from more than 2,000 empirical studies,' Journal of Sustainable Finance & Investment, October 2015, Volume 5, Number 4, pp.210-33; Deutsche Asset & Wealth Management Investment; McKinsey analysis



Teacher leading students in Boitekanelo College class, Stamford Seed Transformation Programmes, Botswana.

HOW CONSUMER INTEREST IN SUSTAINABILITY IS IMPACTING PURCHASE BEHAVIOURS

New research demonstrates that sustainability is now a key factor in consumer purchase decisions relating to natural diamonds

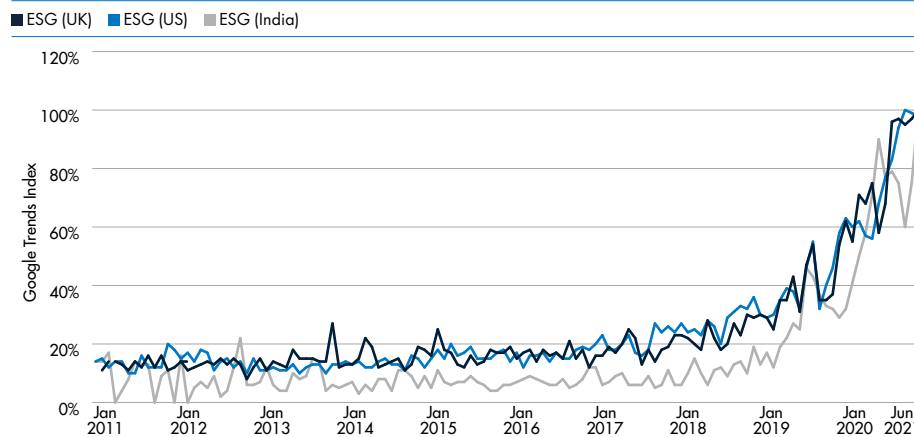
UNEQUIVOCAL SHIFT TOWARDS SUSTAINABILITY

The trillions of annual searches on Google make Google Trends³⁵ one of the world's largest real time datasets, providing a unique perspective on what people are interested in and curious about.

Since ESG issues were first mentioned in the UN's Principles for Responsible Investment (PRI) report in 2006³⁶, the overall search trend has accelerated and has doubled since the start of 2020.

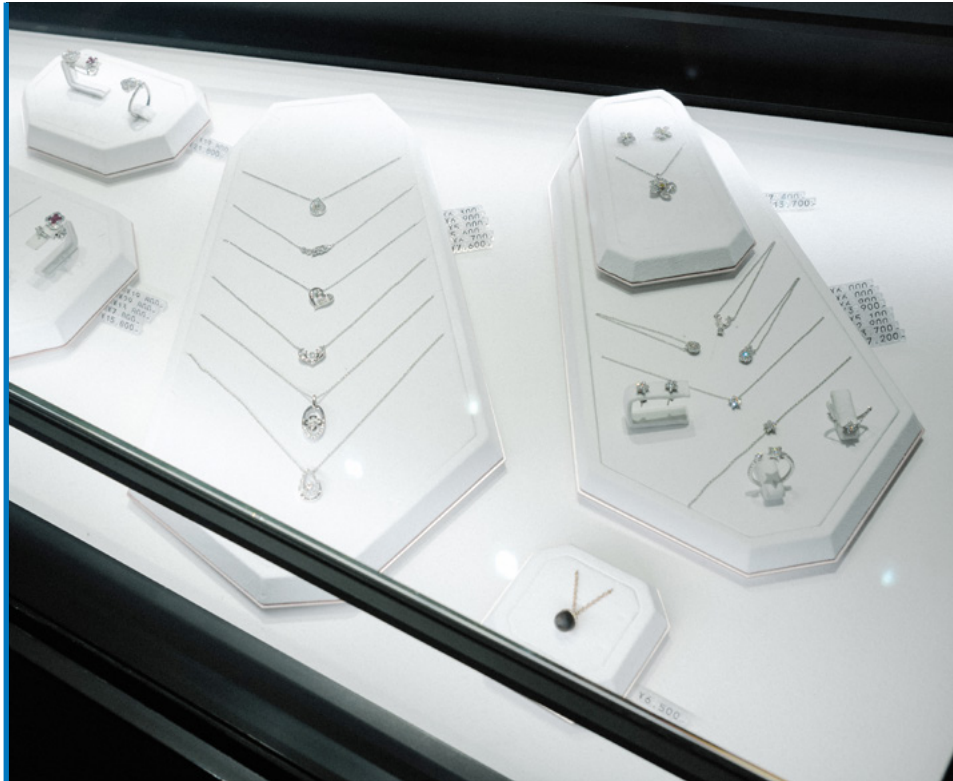
GOOGLE TREND DATA FOR ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) SEARCHES, JANUARY 2011–JUNE 2021

Source: trends.google.com analysis on 'ESG' term



Notes:
 35 trends.google.com
 36 forbes.com/sites/betsyatkins/2020/06/08/demystifying-esgits-history-current-status/?sh=77c225eb2cdd

HOW CONSUMER INTEREST IN SUSTAINABILITY IS IMPACTING PURCHASE BEHAVIOURS CONTINUED



In January 2020, the World Economic Forum³⁷ reported that nearly half of European citizens – and three in four Chinese – consider climate change a major threat to society. China’s Millennials now have a higher expectation of the quality of the products and services they receive, whilst younger generations are more aware of their rights as consumers³⁸.

Meanwhile, in the US, Pew Foundation Research³⁹ has found that public concern for environmental protection reached a new high in February 2020. For the first time, it now rivals the economy as the American public’s top policy priority, coming in second by just three per cent.

More recently, Covid-19 has defined a new era. Conscientious consumers are seeking to learn about the world’s problems through digital media and the appetite for such information is a growing trend.⁴⁰

SUSTAINABILITY IS IMPACTING PURCHASE DECISIONS

De Beers Group recently commissioned GlobeScan to conduct a Global Consumers and Sustainability in Natural Diamonds research study (the “De Beers Sustainability Study”). The research polled more than 8,400 men and women in seven countries⁴¹ on issues related to consumer behaviour and preferences in relation to sustainability and diamonds. The results show a strong level of consumer engagement with sustainability topics.

In the past five years, nearly 60 per cent of all consumers polled and more than 80 per cent of those defined as opinion leaders in the study⁴² have chosen to buy a product made in a more environmentally or socially responsible way over any other product.

When it comes to jewellery, consumers across all geographies also show clearly that when they choose a sustainable alternative, they are prepared to pay more for brands that invest in sustainability improvements beyond just compliance (85 per cent among both women and men).

Notes:

37 [weforum.org/agenda/2020/01/climate-change-perceptions-europe-china-us](https://www.weforum.org/agenda/2020/01/climate-change-perceptions-europe-china-us)

38 sustainalytics.com/esg-research/resource/investors-esg-blog/china-s-millennials-and-esg

39 [pewresearch.org/politics/2020/02/13/as-economic-concerns-recede-environmental-protection-rises-on-the-publics-policy-agenda](https://www.pewresearch.org/politics/2020/02/13/as-economic-concerns-recede-environmental-protection-rises-on-the-publics-policy-agenda)

40 [huffpost.com/entry/social-media-and-saving-t_b_9100362?utm_hp_ref=davos](https://www.huffpost.com/entry/social-media-and-saving-t_b_9100362?utm_hp_ref=davos)

41 The De Beers Group has conducted proprietary consumer research in July 2021 with GlobeScan, a leading international insights and strategy firm across 8,400 consumers in 7 countries: USA, China, India, France, Italy, UK and South Africa

42 A segment more likely to be highly educated and engaged in current affairs

HOW CONSUMER INTEREST IN SUSTAINABILITY IS IMPACTING PURCHASE BEHAVIOURS CONTINUED

YOUNGER GENERATIONS ARE AT THE VANGUARD OF THIS MOVEMENT

Sustainability as a consumer priority transcends geography, income levels and age. Eastern countries are just as engaged as Western countries in 'doing good' while shopping. The research revealed that no matter their age, consumers care about protecting the environment.

However, Millennials – described by the Financial Times as 'the world's most powerful consumers'⁴³ – are the generation leading the interest and engagement with sustainability. Younger consumers are increasingly asking 'How is what I am buying solving the world's problems?' As a result, 'their choices are up-ending businesses from the US to China'.⁴⁴

The De Beers Sustainability Study found that 68 per cent of Millennials and 65 per cent of Gen Z have bought products with stronger ESG credentials compared with 42 per cent of Baby Boomers. When it came to jewellery, 30 per cent of Millennials and 21 per cent of Gen Z had bought jewellery with sustainability credentials as part of its branding, compared with only eight per cent of Baby Boomers. Sustainability considerations are higher among consumers with a higher education (67 per cent) and those from affluent backgrounds (70 per cent).

Coming up behind the Millennials are Gen Z who, the research revealed, express great concern for the environment and a willingness to pay more for sustainable products, but simultaneously experience a disconnect between their desires and their behaviour. While Gen Z are anxious about the environment, they feel alienated from nature. These attitudes present an opportunity for brands to empower Gen Z by helping them connect with their inner convictions and transform their thoughts into meaningful action. Getting this right could forge powerful bonds with Gen Z consumers for the future as they move through key life stages such as marriage, birth of children and home buying.

68%

of millennials have bought products with stronger ESG credentials compared with

42%

of baby boomers

30%

of millennials have bought sustainable jewellery, as compared to only

8%

of baby boomers



Notes:

43 [ft.com/content/194cd1c8-6583-11e8-a39d-4df188287fff](https://www.ft.com/content/194cd1c8-6583-11e8-a39d-4df188287fff)

44 [ft.com/content/194cd1c8-6583-11e8-a39d-4df188287fff](https://www.ft.com/content/194cd1c8-6583-11e8-a39d-4df188287fff)

HOW CONSUMER INTEREST IN SUSTAINABILITY IS IMPACTING PURCHASE BEHAVIOURS CONTINUED

AFTER FOOD AND CLOTHING, JEWELLERY IS THE CATEGORY MOST FREQUENTLY PURCHASED ON THE BASIS OF SUSTAINABILITY CONSIDERATIONS

The behaviour of consumers of jewellery and natural diamonds follows the broader global interest in sustainability. The demand for sustainable, environmental jewellery in Google search trends follows the same growth pattern as seen in overall consumer trends and is even more sensitive to public events/communication on the industry.⁴⁵

The De Beers Sustainability Study shows that environmental impact is highly important for consumers and especially when buying natural diamonds. Jewellery ranked third among the categories most frequently bought based on sustainability considerations, at 36 per cent of global consumers who have bought any product because of its ESG credentials (after food at 60 per cent and clothes at 58 per cent). This means that in recent years, overall, one in five consumers (22 per cent) globally has bought jewellery because of its sustainability credentials. This proportion goes up to 32 per cent in China and 44 per cent in India.

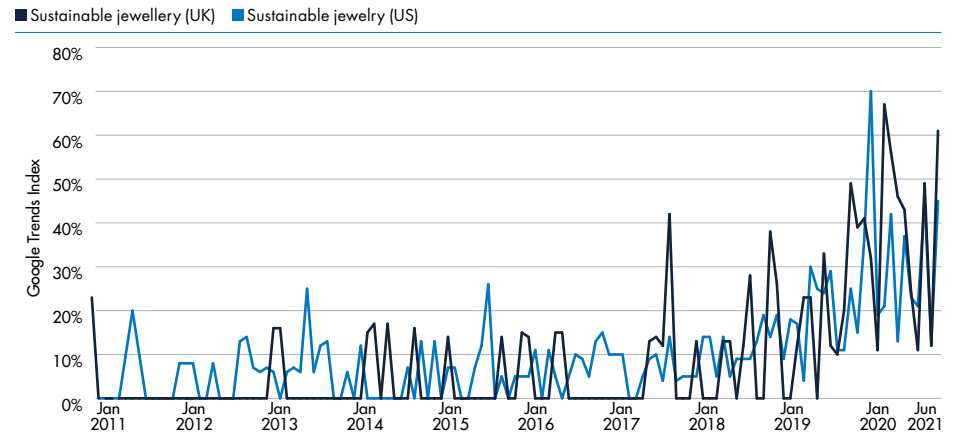
Note:
45 businessoffashion.com/articles/luxury/state-of-fashion-watchesjewellery-industry-report-sustainability-sustainable-fine-jewellery-environment-ethics

Given a choice between a sustainable natural diamond from a well-known brand that has been produced in line with ESG goals, and one that comes with no sustainability assurance from a well-known brand, nearly 60 per cent of consumers across markets would select the sustainable option. It is noted that this choice is made in the full knowledge that they would most likely need to pay more for it – 85 per cent of those willing to select the sustainable options are open to paying an average premium of 15 per cent.

The younger generations care even more about the environmental and social impact of their jewellery purchases. About a third of older Millennials (30 per cent of 33–40-year-olds) purchased jewellery made in a more environmentally or socially responsible way. In the case of jewellery with natural diamonds, given a choice between a sustainable diamond and one with no sustainability assurance, 59 per cent of older Millennials will choose the sustainable option. And this looks set to continue with the next generation, as around 21 per cent of Gen Z (late teens-early 20s) already consider sustainability factors in their jewellery purchases.

GOOGLE TREND DATA FOR SUSTAINABLE JEWELLERY SEARCHES, US AND UK, JANUARY 2011–JUNE 2021

Source: trends.google.com analysis on 'sustainable jewellery' terms



A segmentation of consumers based on the most important considerations determining their choice of natural diamond jewellery shows that about a third (31 per cent) place the highest importance on sustainability factors (the other two important segments identified are driven by 'pedigree'/reputation (33 per cent) and value (35 per cent).)

These findings reveal the importance of sustainability for consumers to be already practically on par with brand reputation and quality, on the one hand, and the physical characteristics of the diamond such as price, size, and design, on the other. This is a powerful indication that communication of sustainability credentials can be a compelling part of a brand's engagement with consumers when relaying product attributes.

HOW CONSUMER INTEREST IN SUSTAINABILITY IS IMPACTING PURCHASE BEHAVIOURS CONTINUED

SENSITIVITY TO SUSTAINABILITY VALUES INCREASES WITH SYMBOLIC PURCHASES

The more symbolic and emotive the event and the larger the carat size, the more sensitive consumers are to environmental and societal values.

Sixty-two per cent of people buying natural diamonds for weddings, engagements and anniversaries rate sustainability factors as the most important in their purchasing decision.

When it comes to self-purchased diamonds, nearly 50 per cent of men and women rate sustainability as the most important decision factor. Meanwhile, for celebrations, such as Christmas, Chinese Lunar New Year, Diwali, and Mother's Day, 45 per cent of consumers say they place the highest importance on social and environmental responsibility in their purchase.

The importance of sustainability to consumers also increases with the size of diamonds they acquire. The higher the carat weight, the higher the importance placed on the sustainability factors of the purchase.

Note:
46 <https://www.pwc.com/gx/en/industries/consumer-markets/consumer-insights-survey.html>

SUSTAINABLE PRODUCTS COMMAND A PREMIUM

Consumers are evolving their perspectives and want to support companies that align with their values. As a result, brand trust, loyalty and price expectations are shifting to reflect this. Purpose-driven consumers select brands based on how well they align with their personal values and how much they are willing to 'walk the talk' when it comes to sustainability. These consumers are changing their behaviour and even paying more for brands that can prove they are getting it right.⁴⁶

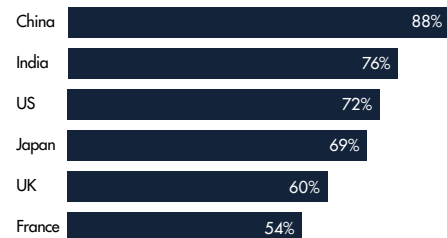
The De Beers Sustainability Study found that three quarters (75 per cent) of people who purchased sustainable products in recent years paid more than they would have for a regular product, with 41 per cent paying a premium of 10 per cent, and 19 per cent paying a premium of 15 per cent or more.

This 'premiumisation' of brands with sustainability credentials is also confirmed by the recent Agility TrendLens™ 2021, a study covering thousands of High Net Worth Individuals in six countries. It shows how social responsibility is becoming a defining factor in luxury goods purchases and how "millionaires from across the globe respond that they are willing to pay more for sustainable brands."

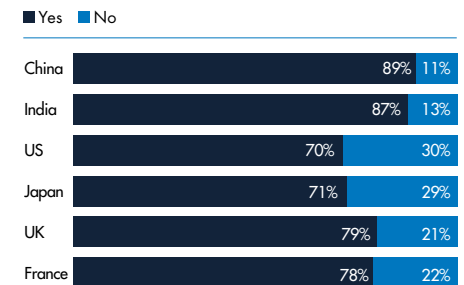
SOCIAL RESPONSIBILITY IS BECOMING A DEFINING FACTOR IN LUXURY

Source: Agility TrendLens™ 2021

"I care that the brands I buy are ethically responsible."



"I would pay more for an eco-friendly and sustainable brand."



The willingness to pay a premium for sustainable products extends to jewellery and natural diamonds. Fifty-six per cent of consumers are willing to pay 10 to 20 per cent more for natural diamond brands which can demonstrate they operate in a socially and environmentally responsible way. Nearly 17 per cent of people are open to paying 25 per cent or more for a sustainable natural diamond. While such figures may not be wholly representative across a wider audience, they clearly demonstrate a significant growing trend.

HOW CONSUMER INTEREST IN SUSTAINABILITY IS IMPACTING PURCHASE BEHAVIOURS CONTINUED

KEY SUSTAINABILITY FACTORS DRIVING PURCHASE DECISIONS FOR NATURAL DIAMONDS

When it comes to the sustainability factors that consumers most care about when purchasing natural diamonds, five key ESG topics – protecting the environment, fair worker treatment, conflict-free sourcing, supporting local communities and diamond origin – feature among the top nine decision factors of those willing to pay a premium. This data shows that consumers ‘just expect’ environmental and societal issues to be addressed. “It’s a necessity to operate sustainably, this is an expectation from consumers, especially luxury consumers today,” says Stephen Lussier, Executive Vice-President, Consumer Markets, De Beers Group and Chairman, De Beers Jewellers and De Beers Forevermark.

The climate crisis reinforces the urgency for diamond jewellery brands to ensure they actively embrace a strong ESG charter with more transparency from mine to retail.

FIVE ESG TOPICS FEATURE IN TOP NINE FACTORS INFLUENCING NATURAL DIAMOND PURCHASE DECISIONS

Source: De Beers commissioned Sustainability Study, 2021

#1	Quality
#2	Protects environment
#3	Design
#4	Price
#5	Fair worker treatments
#6	Conflict-free sourcing
#7	Size
#8	Supports local communities
#9	Origin

To earn the sustainability premium, consumers have highlighted key areas where they want more information from diamond brands on their credentials:

- Providing support to local communities in diamond producing countries
- Tracking where their diamonds come from
- Supporting the empowerment of women and girls and gender equality
- Minimising environmental impact

The diamond industry’s track record, and current focus, on these topics presents a powerful platform from which to engage with consumers in a more compelling way on its progress and commitments.



HOW CONSUMER INTEREST IN SUSTAINABILITY IS IMPACTING PURCHASE BEHAVIOURS CONTINUED



INFLUENCES THAT SHAPE CONSUMER PERCEPTIONS ON DIAMOND SUSTAINABILITY

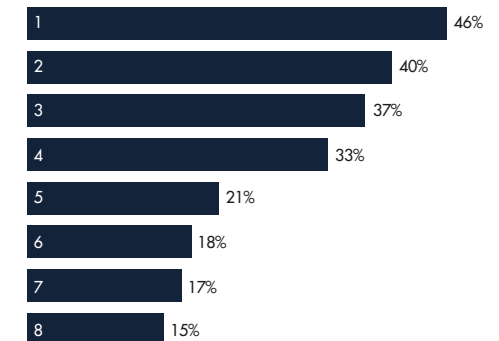
Consumers make it clear that corporate actions matter more to them than words. Consumers want trusted, independent sources to credibly address the key sustainability factors outlined above. Credibility is driven by transparency. Experts, such as scientists, academics and non-profit organisations, are essential to build up credibility (nearly 50 per cent of consumers state such experts as a key influence on their opinion of a company).

It is important to integrate expert influence into external brand or company communications to build credibility. However, purchase influence is multi-faceted and all points of contact with consumers need to be considered as part of a holistic approach.

INFLUENCES SHAPING CONSUMERS' PERCEPTIONS OF DIAMOND SUSTAINABILITY

Source: De Beers commissioned Sustainability Study, 2021

1. Opinion of experts (e.g., scientists, academics, non-profit organisations)
2. Information from the brand or company itself
3. Information given to me by the store where I am buying my diamond
4. Brand partnerships with non-profit organizations/NGOs
5. Opinions of my friends and family
6. Media coverage
7. Opinion of influencers on social media
8. Opinions of my peers on social media



HOW CONSUMER INTEREST IN SUSTAINABILITY IS IMPACTING PURCHASE BEHAVIOURS CONTINUED

CRITICAL CREDENTIALS IN STORE AND WITH PURCHASE

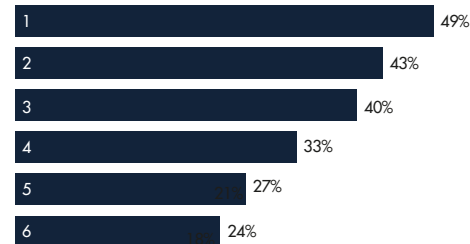
Brands are no longer being judged against a single lens of what their products can do for the individual. Preferences about product attributes and company values increasingly affect where consumers choose to shop, across both mature and emerging markets.

The information from the brand/company itself and information given in store to demonstrate that a brand and retailer operates in a socially and environmentally responsible way, is becoming more important. When consumers see verified evidence, they will trust a company enough to purchase from them. The De Beers Sustainability Study found that 49 per cent of consumers prefer to have proof of a diamond's environmental and social responsibility credentials in the form of product certification, with 43 per cent saying that third-party verification is also highly rated, while 39 per cent want to see an electronic record of the diamond's journey.⁴⁷

CONSUMERS' PREFERRED PROOF OF DIAMOND SUSTAINABILITY CREDENTIALS

Source: De Beers commissioned Sustainability Study, 2021

1. A certificate of sustainability (paper copy)
2. Approval from a well-respected organisation external to the company (third party verification)
3. An electronic record of the diamond's journey from the mine to the store
4. Stories about where the diamond was found (the provenance of the diamond)
5. An inscription etched onto the diamond itself (that cannot be seen by the naked eye)
6. Stories about the people involved in the making of the diamond



The rise of sustainable products and services has allowed consumers to become part of the solution. By being able to differentiate between different brands' sustainability values and supply chain credentials, consumers are able to make empowered choices. A retail tipping point is now taking place, as both retailers and diamond producers seek to ensure product traceability as a necessity.

GEOGRAPHIC FOCUS

DO COUNTRIES DIFFER SIGNIFICANTLY IN TERMS OF THEIR ATTITUDES TO SUSTAINABILITY AND NATURAL DIAMONDS?

In general, all geographies covered by De Beers Group's research show a strong preference for brands that deliver on their expectations of ESG issues. Other areas of preference:

- **US** – value
- **China and India** – brand reputation
- **Europe and South Africa** – stronger weight of sustainability vs all other geographies

Given that sustainability has now become a key part of consumers' decision-making process, the brands that ignore it face increased reputational and business risk. Equally important, when diamond jewellery brands and retailers increase their focus and improve their ability to communicate how they are addressing these trends, is that it builds trust, preference, premiums and customer loyalty.

The key to this is to find new and compelling ways to engage consumers. ESG integration, and communication of impact progress across the supply chain through to retail, are critical to the long-term success of all brands and will build preference over time.

Note:

⁴⁷ De Beers commissioned Sustainability Study, 2021

WHY SUSTAINABILITY MUST BE EMBEDDED INTO CORE BUSINESS STRATEGY

The diamond industry is building on its track record of creating positive socio-economic and environmental benefits throughout the value chain on its journey to place sustainability at the centre of long-term business strategy. This includes the industry's impact on the environment and the welfare of the countries and communities in which it operates.⁴⁸

Over the past 20 years, the diamond industry has undergone significant transformation. The Kimberley Process⁴⁹, a certification scheme established in 2003 by a UN resolution, has made important progress in addressing the risk of conflict diamonds. The diamond trade has increased its financial and corporate transparency in line with evolving banking sector norms.⁵⁰ The Responsible Jewellery Council (RJC)⁵¹ is empowering players at every level, setting effective standards and codes of practice for its members. De Beers Group's blueprint for creating a positive and sustainable impact, 'Building Forever,' and sustainability agendas from other leading trade participants continue to drive the industry towards higher standards.⁵²

But more can still be done across the industry to address the ESG priority. It is imperative that sustainable practices are integrated end-to-end across the industry supply chain. "Only a continuous and consistent systems-level action against science-based targets will deliver the change required," reasons Matthew Kilgarriff, Director of Corporate Social Responsibility at Richemont.⁵³ "Systems change requires participation of many implementers, from the grassroots to the leaders." This includes looking after both planet and people – which is of course not only the right thing to do, but also the only option for securing the long-term sustainability of the diamond industry.

Following are examples of existing initiatives within the diamond industry that help meet evolving ESG expectations, as well as an outline of some future plans within the sector.



School boys reading in the library of Bathoen House Primary School, Orapa, Botswana.

Notes:

48 forbes.com/sites/kyleroederick/2019/12/10/why-luxury-jewelry-experts-prefer-natural-diamonds/?sh=16bf43502c76

49 kimberleyprocess.com

50 thejewelrymagazine.com/strict-bank-rules-force-changes-in-diamond-trade-practices. fatf-gafi.org/media/fatf/documents/reports/MLTF-through-trade-in-diamonds.pdf

51 responsiblejewellery.com

52 debeersgroup.com/sustainability-and-ethics/building-forever-2030-goals

53 <https://protectza.mimecast.com/s/Rx71CrOqzPHA2Yw6EfBQlh4?domain=cisl.cam.ac.uk> <https://www.cisl.cam.ac.uk/directory/matthew-kilgarriff-director-of-corporate-social-responsibility-richemont>

WHY SUSTAINABILITY MUST BE EMBEDDED INTO CORE BUSINESS STRATEGY

CONTINUED

CASE STUDY | PEOPLE: DIVERSITY

NDC AND LORRAINE SCHWARTZ EMERGING DESIGNERS DIAMOND INITIATIVE

Starting a jewellery business typically requires both significant capital and the connections to purchase precious metals and gemstones, traditionally established through generations of families.

Diamond dealers often work by referrals, so the barriers for newcomers to make it in the industry are high. In early 2021, the Natural Diamond Council (NDC)⁵⁴ and renowned fine jewellery designer Lorraine Schwartz⁵⁵ launched the Emerging Designers Diamond Initiative.⁵⁶

The programme provides opportunities, industry education and resources to Black, Indigenous, and People of Colour (BIPOC) jewellery designers based in the U.S.

Lorraine Schwartz explains her intent: "Although I'm a third-generation diamond dealer who also became a designer, I know the struggles there are for women in my field. This industry was male-dominated, and I had to work harder to be taken seriously. This industry is also very generational, meaning it is passed down from father to son, between family and friends. This is why I believe this initiative is so important. It will encourage and help talented jewellery designers and give them the tools they need to grow their business and help those communities that haven't been exposed to this industry."

The overall purpose is to open doors for the next generation of designers and bring new points of view into the industry. The initiative is well underway with six designers who have created diamond jewellery collections that are currently in production and six new designers poised to start on the process soon. One of these designers, Malyia McNaughton⁵⁷ has also designed a collection for the NDC, inspired by New York City, African culture, Indigenous tribal adornment and nature. Actress Anna De Armas⁵⁸ wears the McNaughton-designed collection in the new NDC campaign 'Love Life'.



Image courtesy NDC.

Notes:

54 [naturaldiamonds.com/council](https://www.naturaldiamonds.com/council)

55 [lorraineschwartz.com](https://www.lorraineschwartz.com)

56 [naturaldiamonds.com/council/industry-news/eddifund](https://www.naturaldiamonds.com/council/industry-news/eddifund)

57 [madebymalyia.com/about](https://www.madebymalyia.com/about)

58 <https://protectza.mimecast.com/s/yGtACwiyGXUlym0PKup9cq0?domain=naturaldiamonds.com>

<https://www.naturaldiamonds.com/hollywood-pop-culture/ana-de-armas-global-ambassador-only-natural-diamonds-exclusive-interview/>

EMERGING DESIGNERS
**DIAMOND
INITIATIVE**
NATURAL DIAMOND COUNCIL LORRAINE SCHWARTZ

WHY SUSTAINABILITY MUST BE EMBEDDED INTO CORE BUSINESS STRATEGY CONTINUED

CASE STUDY | PEOPLE: DIVERSITY CONTINUED

SIGNET JEWELERS – GENDER AND ETHNIC DIVERSITY

Signet Jewelers⁵⁹, the world's largest retailer of diamond jewellery, has earned a spot on the Bloomberg Gender-Equality Index (GEI)⁶⁰ for the third consecutive year.

Women comprise 50 per cent of Signet's board of directors, up from 33 per cent in fiscal 2017. Furthermore, four board committee chairs are women. Women hold 42 per cent of Signet's senior management positions (Vice President and above), while 82 per cent of employees represent gender or ethnic diversity. Signet is also working toward increased ethnic diversity, posting a 44 per cent increase in Black representation at the level of Director and above. Diversity has been shown to lead to more innovation and greater results, said Signet.⁶¹

LUCARA'S COMMITMENT TO GENDER DIVERSITY

Lucara Diamond promotes equal opportunities as part of its recruitment process.

According to the company's 2020 Sustainability Report, the ratio of women in Lucara's 1,108-strong workforce (including contractors) reached 31 per cent by the end of 2020 – a notable achievement in the historically male dominated mining industry. Lucara's leadership in Botswana includes 19 women, comprising over 36 per cent of senior leadership positions. Gender diversity is also a feature of Lucara's board of directors, which includes 43 per cent women.



Phetheni Kambula, Grain Mount Technician, preparing molds for examining, De Beers Group Exploration Building, Johannesburg.

Notes:

59 [signetjewelers.com/ourhome/default.aspx](https://www.signetjewelers.com/ourhome/default.aspx)

60 [bloomberg.com/gei/about](https://www.bloomberg.com/gei/about)

61 [signetjewelers.com/investors/news-releases/news-release-details/2020/SignetJewelers-Reports-Fourth-Quarter-and-Fiscal-2020-Results/default.aspx](https://www.signetjewelers.com/investors/news-releases/news-release-details/2020/SignetJewelers-Reports-Fourth-Quarter-and-Fiscal-2020-Results/default.aspx)

WHY SUSTAINABILITY MUST BE EMBEDDED INTO CORE BUSINESS STRATEGY CONTINUED

CASE STUDY | PEOPLE: DIVERSITY CONTINUED

DE BEERS GROUP'S PARTNERSHIP WITH UN WOMEN

In 2017, De Beers Group launched its global partnership with UN Women. Following its early success, in 2021, the partnership was extended for a further five years as part of De Beers Group's Building Forever goal to achieve gender parity across its workforce by 2030.

During the first three years of the partnership, De Beers Group increased the appointment of women into senior leadership roles from 22 per cent to 40 per cent, with representation of women in senior leadership overall rising from 17 per cent to 30 per cent.



Matshidiso Togathata and Laone Ramontsho, Debswana employees.

De Beers Group and UN Women also set up a new programme called AWOME (Accelerating Women-Owned Micro-Enterprises), as part of a \$3 million investment to support women and girls in De Beers Group's partner producer communities. AWOME aims to support women entrepreneurs with tailored training and mentorship to grow their businesses, increase their income and create sustainable jobs for themselves and their communities. By the end of 2020, AWOME had provided training and mentorship to more than 1,000 women in Botswana, Namibia and South Africa. A further \$3 million has since been invested to extend the programme as part of De Beers Group's goal to support 10,000 women entrepreneurs to build their businesses by 2030.

De Beers Group has also been working with university and industry partners as part of its goal to engage 10,000 girls in STEM (Science, Technology, Engineering and Mathematics) subjects by 2030. Between 2017 and 2020, the company granted more than 50 scholarships to young women from underprivileged communities in Canada to pursue STEM opportunities, while engaging more than 900 girls in southern Africa in partnership with award-winning organisation WomEng.

CASE STUDY | PEOPLE: LOCAL COMMUNITIES

ALROSA: SOCIO-ECONOMIC IMPACT THAT UPLIFTS COMMUNITIES

ALROSA⁶² is committed to ensuring a quality of life in the regions where it is present and to contribute to the social, economic and cultural development of these areas.

The company's social investments are significant: in 2020 it amounted to about five per cent of revenue and more than 10 billion Rubles, spent on programmes for employees, non-state pensions and implementation of social and charitable projects.⁶³ In the same year, the company allocated more than 180 million Rubles to support local hospitals as part of the fight against Covid-19.

ALROSA also cooperates with the Government of the Republic of Sakha (Yakutia) on the employment of the local population. In 2020, ALROSA hired over 1,500 people from Yakutia under the joint project "Local Workforce – Into Industry". In total, the company employs more than 1,700 local residents.



Notes:

⁶² eng.alrosa.ru

⁶³ alrosa.ru/wp-content/uploads/2021/06/ALROSA_SR_2020_ENG.pdf

WHY SUSTAINABILITY MUST BE EMBEDDED INTO CORE BUSINESS STRATEGY CONTINUED

CASE STUDY | PEOPLE: LOCAL COMMUNITIES CONTINUED

DE BEERS GROUP: PROVIDING VITAL SUPPORT TO HOST COMMUNITIES DURING COVID-19

De Beers Group's operations play an important role in the company's host communities, not just from an employment and socio-economic perspective, but also through the provision of a number of vital services.

Equally, host communities play a vital role in De Beers Group's business, as they are home to the company's employees and suppliers. Supporting community resilience, health and wellbeing is therefore a key priority for De Beers Group, and this has been further reinforced throughout the pandemic.

At the start of the pandemic, De Beers Group immediately refocused its operations to support its host communities in preparing for, responding to and recovering from the pandemic. To date, the company and its joint ventures have contributed more than \$17 million in direct financial and in-kind support in its host countries of Botswana, Canada, Namibia and South Africa. The comprehensive support programme has spanned financial donations, vaccine procurement and roll-out support, Covid-19 testing equipment including PCR machines, provision of medical supplies and hospital beds, food deliveries to vulnerable households, water supply to communities, oxygen supplies to local hospitals and donations to charities supporting survivors of gender-based violence.

Support has been tailored to the specific needs of each community, working closely with government partners and community leaders to understand their needs so that the right support is provided at the right time, both during the pandemic and into the vital economic recovery phase.



Dr Dennis Odokonyero, surgeon at the Jwaneng Mine Hospital.

WHY SUSTAINABILITY MUST BE EMBEDDED INTO CORE BUSINESS STRATEGY CONTINUED

CASE STUDY | PEOPLE: ARTISANAL MINING

GEMFAIR: ESTABLISHING A MODEL FOR ETHICAL SOURCING OF ARTISANAL DIAMONDS

While the great majority of global diamond supply is produced by modern, large-scale operations with high standards of operation, the artisanal and small-scale mining (ASM) sector continues to play a significant role in the global diamond industry.

However, the ASM sector is largely informal, using rudimentary technology and processes, and miners often lack access to capital, the international market and the knowledge to carry out mining safely and in an environmentally responsible manner.

While these dynamics increase the risk associated with sourcing diamonds from the ASM sector, the sector provides a crucial livelihood for more than 1.5 million people and their dependents, often in some of the poorest countries. Rather than turning away from artisanal-mined diamonds, and in keeping with the recommendation from leading organisations such as the OECD, De Beers Group believes the solution to these complex challenges lies in establishing sustainable, scalable models that help legitimise the sector as a trusted source

of diamond supply. Doing so will enhance working conditions and provide a secure route to market for ethically sourced ASM production.

In 2018, GemFair was established in Sierra Leone to create a secure, transparent route to market for diamonds from participating mine sites that meet the programme's ethical standards, which are aligned with the OECD's Due Diligence Guidance for Responsible Mineral Supply Chains. GemFair is committed to offering fair value – based on its international pricing approach – to miners that participate in the programme and providing them with access to the international market via De Beers Group's industry-leading distribution channel.

GemFair's solution combines dedicated software (an app) and hardware (diamond 'toolkit') that enables the digital tracking of ASM diamonds throughout the supply chain and addresses key challenges and risks relating to artisanal mining activity. The intention is for the GemFair model to be scalable, enabling it to create meaningful, sustainable positive change for the diamond ASM sector more widely.



GemFair team member conducting training.

WHY SUSTAINABILITY MUST BE EMBEDDED INTO CORE BUSINESS STRATEGY

CONTINUED

CASE STUDY | PLANET: CLIMATE CHANGE

DIAMOND PRODUCERS EMBRACE A PATH TO CARBON-NEUTRALITY

Achieving carbon-neutrality is a key priority across all sectors and the diamond industry is no exception.

De Beers Group has been working on reducing its emissions since 2015 and in November 2020, announced its boldest target to date: aiming to be carbon-neutral within its operations for direct emissions (Scope 1)⁶⁴ and indirect emissions from energy consumed (Scope 2) by 2030.⁶⁵ The company is also developing a roadmap to address the remaining indirect emissions that occur in its value chain (Scope 3)⁶⁶, which can become a blueprint for addressing emissions in the wider diamond value chain.

This target will see the company making significant investments across the business, working closely with its stakeholders⁶⁷. De Beers Group will embrace new innovations and technologies to reduce energy intensity, replace fossil fuels and fossil electricity, and recover the last remaining carbon emissions through nature-based solutions. One of the group's current research projects is CarbonVault™,⁶⁸ an initiative focused on optimising and accelerating the way in which kimberlite, the rock in which diamonds are found, captures carbon from the atmosphere and locks it away for millennia.

The company is also taking significant steps to move to more sustainable fuel sources, including investigating low-carbon options such as alternative green fuels to replace the diesel currently used to power its mines. It is also focused on converting its plants and equipment to run off clean electricity, batteries and hydrogen fuel cells.

ALROSA⁶⁹, is also driving energy efficiency projects. Reducing energy consumption and ensuring energy efficiency are key priorities. The group is aiming to expand its share of renewable energy resources by using hydroelectric power, installing solar panels instead of diesel generators, reusing engine oil for heating purposes and replacing non-renewable fuel with local energy resources such as natural gas.⁷⁰

Even today, hydropower and renewable energy sources represent 92 per cent of total electricity in use in ALROSA's operations⁷¹. With the launch of its Sustainability Programme 2021-2025⁷², the company is looking to improve on all aspects of energy consumption.



Solar panels on roof of De Beers Group Industry Services Building, Surat.

Notes:

- 64 deloitte.com/uk/en/focus/climate-change/zero-in-on-scope-1-2-and-3-emissions
- 65 deloitte.com/uk/en/focus/climate-change/zero-in-on-scope-1-2-and-3-emissions
- 66 deloitte.com/uk/en/focus/climate-change/zero-in-on-scope-1-2-and-3-emissions
- 67 angloamerican.com/sustainability/environment/climate-change
- 68 debeersgroup.com/sustainability-and-ethics/protecting-the-natural-world/carbon-vault
- 69 eng.ALROSA.ru
- 70 eng.ALROSA.ru/ALROSA-among-leaders-of-environmental-and-energy-efficiency-rating
- 71 <http://www.alrosa.ru/wp-content/uploads/2020/02/CMD-2021-Presentation-F-2.pdf>, slide 8
- 72 http://www.alrosa.ru/wp-content/uploads/2018/12/2021_AR_Sustainability_Programme_eng_v3.pdf

WHY SUSTAINABILITY MUST BE EMBEDDED INTO CORE BUSINESS STRATEGY CONTINUED

CASE STUDY | PLANET: CONSERVATION

PROTECTING WILD REINDEER IN RUSSIA

"As people consume more responsibly and sustainably, the future of the diamond industry is linked tightly to environmental protection and the benefits it brings for local communities," says Sergey Vladimirovich Barsukov, CEO of ALROSA.



Wild reindeer are one of the most significant species of the Arctic ecosystem of Russia. They play an important role in the life and culture of the indigenous peoples of the North, providing them with a constant source of food, clothing, home insulation and transportation in severe conditions.

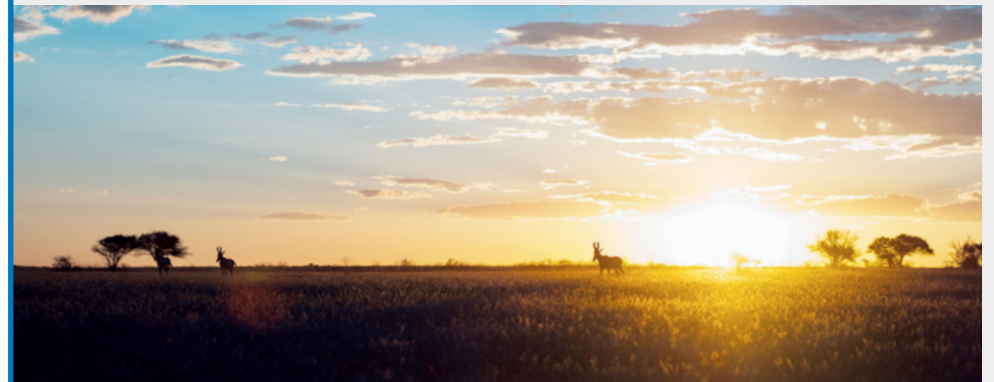
There are more than one million wild reindeer in Russia, with about 215,000 inhabiting Yakutia, the key diamond mining region in which ALROSA operates. Unfortunately, the wild reindeer are in decline, which is why protection and conservation is of the utmost importance. ALROSA is working to address this problem through creating 'reindeer crossings'; supporting natural parks and protecting reindeer breeding grounds.

DE BEERS GROUP STRIVES FOR NET POSITIVE IMPACT ON BIODIVERSITY

As part of its 2030 Building Forever sustainability [goals](#), De Beers Group has committed to achieving a net positive impact on biodiversity.

However, creating a positive outcome for biodiversity is nothing new for the company. In 1893 it opened Rooiport, one of the first nature reserves in South Africa. Rooiport

now forms one of eight diverse reserves that make up the company's Diamond Route, which together totals 500,000 acres (2.5 times the size of New York City). In fact, for every acre of land the company uses for mining, it manages six acres for conservation. These reserves protect wildlife, including threatened species and ecosystems, and create education and eco-tourism opportunities for the surrounding communities. As a result, the Diamond Route has become a safe haven for many of Africa's most iconic and threatened species including the elephant, rhino and cheetah.



Aerial view of the Okavango Delta Crossing in early morning light.

WHY SUSTAINABILITY MUST BE EMBEDDED INTO CORE BUSINESS STRATEGY CONTINUED

CASE STUDY | PLANET: CONSERVATION CONTINUED

OKAVANGO ETERNAL

De Beers Group recently launched a strategic partnership with National Geographic, called [Okavango Eternal](#), to help address one of the most critical conservation challenges in Africa: protecting the source waters of the Okavango Delta and the lives and livelihoods they support. The five-year commitment, which will help protect Africa's endangered species, ensure water and food security for more than one million people and develop livelihood opportunities, represents critical inward investment to underpin the resilience and long-term recovery of the region in the years ahead. The partnership is focused on working hand-in-hand with local communities throughout the Okavango basin to deliver shared ecological solutions that lead to collective economic opportunity.

MOVING GIANTS

De Beers Group has also implemented a significant elephant relocation programme – [Moving Giants](#). At the company's Venetia Limpopo Nature Reserve (VLNR), established 30 years ago on the outskirts of the Venetia mine, the elephant population had surged to 270 in an area with the capacity for just 60. As a result, the herds were competing for space, damaging the habitat and threatening other wildlife.

Launched in 2018, Moving Giants involves relocating 200 elephants 1,700km from VLNR to a new home at Zinave National Park in Mozambique, where elephant numbers were depleted following a 15-year civil war. More than 100 elephants have already been relocated. The fact that some of the relocated elephants have since had calves is a sign of the success of the project. The new residents have also had a positive impact on the sanctuary's ecosystem, by forging numerous 'elephant highways' that crisscross the scrub, enabling thicket-loving species such as nyala, kudu and bushbuck to thrive. Bird species not spotted for several years have also reappeared.



Okavango Eternal project lead, Steve Boyes, and Angola Country Director, Kerllen Costa (front) travel down the Cuando River in a mokoro (Photo credit: Kostadin Luchansky, National Geographic).



Elephants roaming the Venetia Limpopo Nature Reserve, part of the Diamond Route in South Africa.

THE NEXT GENERATION OF RESPONSIBLE SOURCING SOLUTIONS ARE TECHNOLOGY-ENABLED

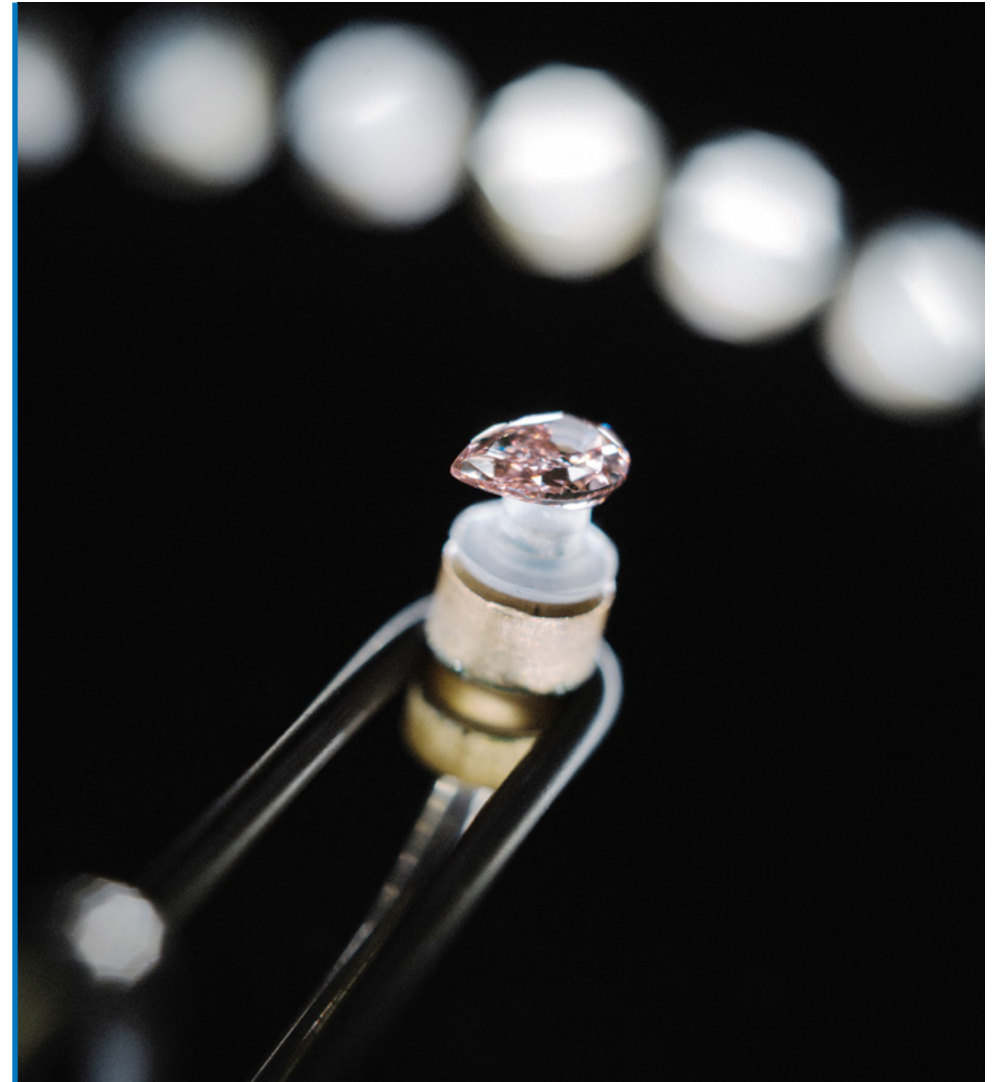
Evidence of ethical sourcing will be crucial to sustain consumer trust in and desire for diamonds. Thanks to technology being pioneered right across the value chain, the diamond industry will soon be able to ensure provenance and traceability at scale.

Various initiatives underway in the sector will enable consumers to have much greater insight into the source of their diamond.

As companies provide greater information regarding their sustainability practices and the impact these create for the people and places where diamonds are discovered, consumers will become more closely connected to the details of how their diamond has delivered a positive impact on the ground.

Technology is providing the diamond industry with scalable solutions to both long-standing and new challenges. Innovations such as artificial intelligence, cloud computing, robotics, 3D printing, the Internet of Things and advanced wireless technologies have enabled the fusion of the digital, biological and physical worlds as never before. Although the industry has long strived for transparency, the complex nature of a diamond's journey means that tech-enabled solutions can now deliver a real impact.

The diamond industry is discovering ways of incorporating these new technologies to advance its efforts in sustainability. Whether it's solving the long-standing challenge of source traceability across the value chain or improving recycling, in the coming years there will be a step-change in technology innovations to transform how the industry sources, mines, processes, moves and markets its products.



THE NEXT GENERATION OF RESPONSIBLE SOURCING SOLUTIONS ARE TECHNOLOGY-ENABLED CONTINUED

A JOURNEY OF RESPONSIBLE AND ETHICAL SOURCING FOR DIAMONDS

THE KIMBERLEY PROCESS CERTIFICATION SCHEME (KPCS)⁷³

Implemented in 2003, the Kimberley Process (KP) is underpinned by a United Nations (UN) mandate and unites 82 countries as well as civil society and industry in stemming the flow of so-called 'conflict diamonds' around the world. The core of the KP regime is the Kimberley Process Certification Scheme (KPCS), under which participating governments implement safeguards on rough diamonds and certify them as 'conflict free'. Under the terms of the KPCS, participants must satisfy four key requirements: establish national legislation, institutions and import/export controls; commit to transparent practices and exchange of critical data; trade only with fellow members who also satisfy the fundamentals of the agreement; and certify rough diamond shipments as conflict-free and provide the supporting certification. Since its establishment, the KP has been highly effective in what it set out to achieve, with participants today actively preventing 99.8 per cent of the worldwide trade in conflict diamonds.

WORLD DIAMOND COUNCIL SYSTEM OF WARRANTIES⁷⁴

The World Diamond Council (WDC) first introduced a System of Warranties (SoW) in 2002. The diamond industry initiative was launched as an extension of the Kimberley Process for the industry to comply with. In 2018, the SoW evolved to include a wider scope of focus areas beyond the KP to also include a commitment that buyers and sellers adhere to WDC Guidelines, which support universally accepted principles of human and labor rights, anti-corruption and anti-money laundering (AML). The upgraded WDC SoW Guidelines were officially launched in 2021. They reference the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the UN Convention Against Corruption, and national AML guidelines that comply with the FATF's 40 Recommendations on Money Laundering for Dealers in Precious Metals and Stones.

RESPONSIBLE JEWELLERY COUNCIL

Established in 2005 by 14 founding members, the RJC is the world's leading standard setting organisation for the jewellery and watch industry. The RJC Code of Practices (COP) defines the responsible ethical, human rights, social and environmental practices that all certified RJC members must adhere to, covering all of the primary minerals and metals used in the manufacture of jewellery (gold, silver, platinum group metals, diamonds and coloured gemstones). Its robust certification process is independently audited and ISEAL accredited,

upholding the highest standards. Through the implementation of the COP, the RJC works to ensure that responsibility standards are upheld right across the global jewellery supply chain. The RJC also plays an important role as the voice for the industry on its most critical ESG issues, helping to accelerate collective progress towards the 17 UN Sustainable Development Goals.

TECHNOLOGY ENABLING NEW LEVELS OF ASSURANCE THROUGHOUT THE VALUE CHAIN

De Beers Group recently launched the De Beers Code of Origin trusted source programme. The Code of Origin is a customised code unique to each diamond that provides assurance it is natural and conflict free, was discovered by De Beers in Botswana, Canada, Namibia or South Africa and delivered a positive impact for people and the planet on its journey to the consumer. There is the potential for Code of Origin to be connected with the company's Tracr blockchain-backed digital platform, enabling retailers to tell a more data-rich story to consumers about the journey their diamond has travelled. See case study on [page 42](#).

The Aura Blockchain Consortium⁷⁵, is a collaboration between LVMH, Richemont and the Prada Group to address common issues across the luxury industry, making it possible for consumers to access product history and proof of authenticity of luxury goods.

Chow Tai Fook Group,⁷⁶ China's largest jewellery group, launched a traceable diamond brand T MARK in 2016. From the moment a diamond is sourced, it is assigned a traceable code, enabling its future owner to look back at the gem's history – from manufacturing (cutting and polishing) and authentication, to design and ultimate delivery to one of its stores.

In 2020, Tiffany & Co.⁷⁷ announced it would disclose where newly sourced, individually registered diamonds of 18 carats and larger were crafted⁷⁸. The company began etching each diamond with a laser-cut serial number that links to information about each individual diamond's provenance. Tiffany is extending this information to include where each diamond was cut and polished.

Notes:

⁷³ kimberleyprocess.com

⁷⁴ worlddiamondcouncil.org/introduction-system-of-warranties

⁷⁵ <https://protectza.mimecast.com/s/2nuCC58wOmH067gREu4nr-a?domain=chowtaifook.com> <https://www.chowtaifook.com/en/>

⁷⁶ https://protectza.mimecast.com/s/40ioC8qzRpijY00Q1UKK_XN?domain=chowtaifook.com https://www.chowtaifook.com/en/news/info_15429.html

⁷⁷ tiffany.co.uk

⁷⁸ tiffany.co.uk/engagement/diamond-provenance

THE NEXT GENERATION OF RESPONSIBLE SOURCING SOLUTIONS ARE TECHNOLOGY-ENABLED CONTINUED

The GIA's Diamond Origin Report⁷⁹ uses scientific evaluation to provide confirmation of a diamond's geographic origin, available for diamonds that have gone through the GIA's Rough Analysis Service before polishing. Once GIA receives the polished diamond, it uses markers and data identified during the analysis of the rough to scientifically match the polished diamond to its original rough, confirming the diamond's country of origin.

Technology company Everledger⁸⁰ has designed a solution for the diamond trade using blockchain technology to register a diamond's provenance and authenticity through the value chain.

Diamond service and technology company, Sarine⁸¹, has introduced its 'Diamond Journey' initiative, which uses the company's scanning technology and mapping systems, as well as other key data about a diamond, to track it throughout the value chain, validated at each stage by Sarine's cloud-based system. Sarine is working with diamond producers and manufacturers on the initiative.

ALROSA is developing a new nanotechnology⁸², which uses a laser to make a permanent, non-invasive, sub-surface mark on rough diamonds. The mark can be read along the supply chain to polished state, proving provenance of the company's rough diamonds.

Lucara Diamond Corp⁸³ has collaborated with Sarine to include provenance traceability for diamonds listed on Lucara's rough-sales platform, Clara. Lucara, which owns the Karowe mine in Botswana, began working with Sarine in 2018. Sarine will be able to add additional information to the log once the diamond has been manufactured, allowing it to offer mine-to-retail traceability.



De Beers Code of Origin certificate.

Notes:

79 <https://www.gia.edu/diamond-origin-report-service>

80 <https://everledger.io>

81 <https://sarine.com/diamond-journey/>

82 eng.alrosa.ru/alrosa-introduces-revolutionary-nanomarking-technology-to-trace-diamonds

83 lucaradiamond.com

THE NEXT GENERATION OF RESPONSIBLE SOURCING SOLUTIONS ARE TECHNOLOGY-ENABLED CONTINUED

CASE STUDY

CONNECTING CONSUMERS TO PURPOSE THROUGH PROVENANCE: DE BEERS CODE OF ORIGIN AND TRACR™⁸⁴

De Beers Group has announced a new strategy to connect consumers not only to the provenance of their diamond, but to the positive impact it helped create for people and the planet, through a new trusted source programme, De Beers Code of Origin.

The Code of Origin is a unique customised code that provides assurance that a diamond is natural and conflict-free, was discovered by De Beers in Botswana, Canada, Namibia or South Africa, and has played a direct role in De Beers' Building Forever mission to protect the planet and improve people's lives.

The De Beers Code of Origin will focus on diamonds larger than 0.30 carats that have been discovered by De Beers. The Code itself is inscribed on the table of the diamond but is invisible to the naked eye and does not affect the diamond's clarity grading. The Code of Origin will also be

available in India for jewellery pieces containing smaller diamonds where the Code will feature on a jewellery report that covers all the diamonds within a jewellery piece.

Noting that the majority of De Beers rough diamond production is currently sold into the market as unbranded, David Prager, Executive Vice President and Chief Brand Officer, De Beers Group, highlighted the transformative potential of the De Beers Code of Origin: "For most consumers it will create a step-change in the connection they have to the story of their diamond – not just where it came from and how it was sourced – but the positive difference it made in people's lives."

De Beers Group's **Tracr** Connected Value Chain platform – powered by a combination of blockchain, artificial intelligence and Internet of Things – offers the potential for new digital technology to support the Code of Origin proposition. Code of Origin combined with Tracr provides the opportunity to tell a more data-rich story to consumers about the journey of their diamond and the people and places it has benefitted along the way.



De Beers Code of Origin connects consumers to the provenance of their diamond and the positive impact it creates.

Note:
84 debeersgroup.com/sustainability-and-ethics/leading-ethical-practices-across-the-industry/tracr

THE NEXT GENERATION OF RESPONSIBLE SOURCING SOLUTIONS ARE TECHNOLOGY-ENABLED CONTINUED

CIRCULARITY IN THE LUXURY SECTOR

The Ellen MacArthur Foundation⁸⁵ defines a circular economy as being “based on the principles of designing out waste and pollution, keeping products and materials in use, and regenerating natural systems.”

Circularity has been an increasingly important topic in the luxury fashion industry, where discussions focus around waste, unused inventory and recycling. It often manifests as a tech-enabled ‘reselling service business’ for products. A rush of new recycling digital platforms has emerged in the last decade. The RealReal,⁸⁶ founded in 2011, now has 21 million global members and in 2020, the sell-through per cent⁸⁷ was 99 per cent⁸⁸. Vestiaire Collective⁸⁹ is valued above \$1 billion with recent new investment from Kering.⁹⁰ These platforms also sell second-hand jewellery. Yoox Net-a-Porter, a world leader in online luxury and fashion, launched its Infinity programme in 2020.⁹¹ The group has set out its ambitions to lead circular design and care and repair programmes; enhance the availability and desirability of sustainable luxury and fashion through content and product assortments; run carbon emissions reduction programmes and become climate positive.

Richemont’s acquisition of Watchfinder in 2018⁹² was a step into the market of pre-owned luxury goods platforms, specifically diamond watches, by one of the large luxury groups. In addition to learning more about customers’ motivations, the acquisition provides customers with a professional, trustworthy and transparent platform for bringing ‘idle assets’ back into circulation.⁹³ Matthew Kilgarriff, Director of Corporate Social Responsibility at Richemont, has set the ambition of seeing Richemont’s brands relying on 80 per cent non-virgin raw materials, while on the consumption side the dream would be to achieve 20 per cent ‘non-linear revenue’ — money from resales or rentals.⁹⁴



Notes:

85 <https://ellenmacarthurfoundation.org/>

86 therealreal.com

87 Sell-through per cent represents the ratio of Gross Merchandise Volume GMV to initial supply value for the specified year

88 investor.therealreal.com/news-releases/news-release-details/realreal-announces-fourth-quarter-and-full-year-2020-results

89 us.vestiairecollective.com

90 ft.com/content/d2daaad4-732a-46ee-b927-dd2ce27f138a

91 ynap.com/pages/sustainability/infinity

92 reuters.com/article/us-watchfinder-m-a-richemont/idUSKCN11X5HQ

93 richemont.com/media/s2qgvgb0/sustainability-report-2021.pdf

94 richemont.com/media/s2qgvgb0/sustainability-report-2021.pdf

THE NEXT GENERATION OF RESPONSIBLE SOURCING SOLUTIONS ARE TECHNOLOGY-ENABLED CONTINUED



Polished diamond in tweezers at Almod Diamonds' cutting and polishing factory.

THE ROLE OF DIAMONDS IN A CIRCULAR ECONOMY

However, while some luxury purchases, such as handbags and high-end fashion, can be considered as disposable and may become outdated or worn out, the unique physical durability of a diamond⁹⁵ means buying into the history of a product forged over billions of years, and the future of a product that will last well beyond our own lifetimes. In addition, as a product that is highly symbolic of emotions, a diamond holds tremendous meaning as a representation of connection and celebration. This means that the vast majority of people choose to keep hold of their diamonds for their entire lifetimes and often beyond, using diamonds as family heirlooms, making them a uniquely enduring purchase experience.

There is, therefore, a need to identify the most effective role for diamonds "in this 'linear and disposable vs. keep forever' debate," says Stephen Lussier, Executive Vice-President, Consumer Markets, De Beers Group and Chairman, De Beers Jewellers and De Beers Forevermark. He notes that doing so will require holistic thinking and planning to challenge all facets of industry operations. There will be a need to push further and deeper beyond just the product itself, and encompass the diamond's journey, and the impact to both planet and people.

In the diamond industry, circularity is deeper than just the reselling of products; it is about an economic system that puts people and nature first across the supply chain. Diamonds are a finite resource, inextricably linked to the health and prosperity of the communities around recovery operations. The industry needs to assess the implications of the circular economy and find ways to minimise waste, such as water, with materials ultimately re-entering the economy at end of use as defined, valuable technical or biological nutrients.

Note:

⁹⁵ [gemsociety.org/article/hardness-and-wearability](https://www.gemsociety.org/article/hardness-and-wearability)

COMMUNICATION OF SUSTAINABILITY CONSIDERATIONS AT THE BRAND AND RETAIL LEVEL

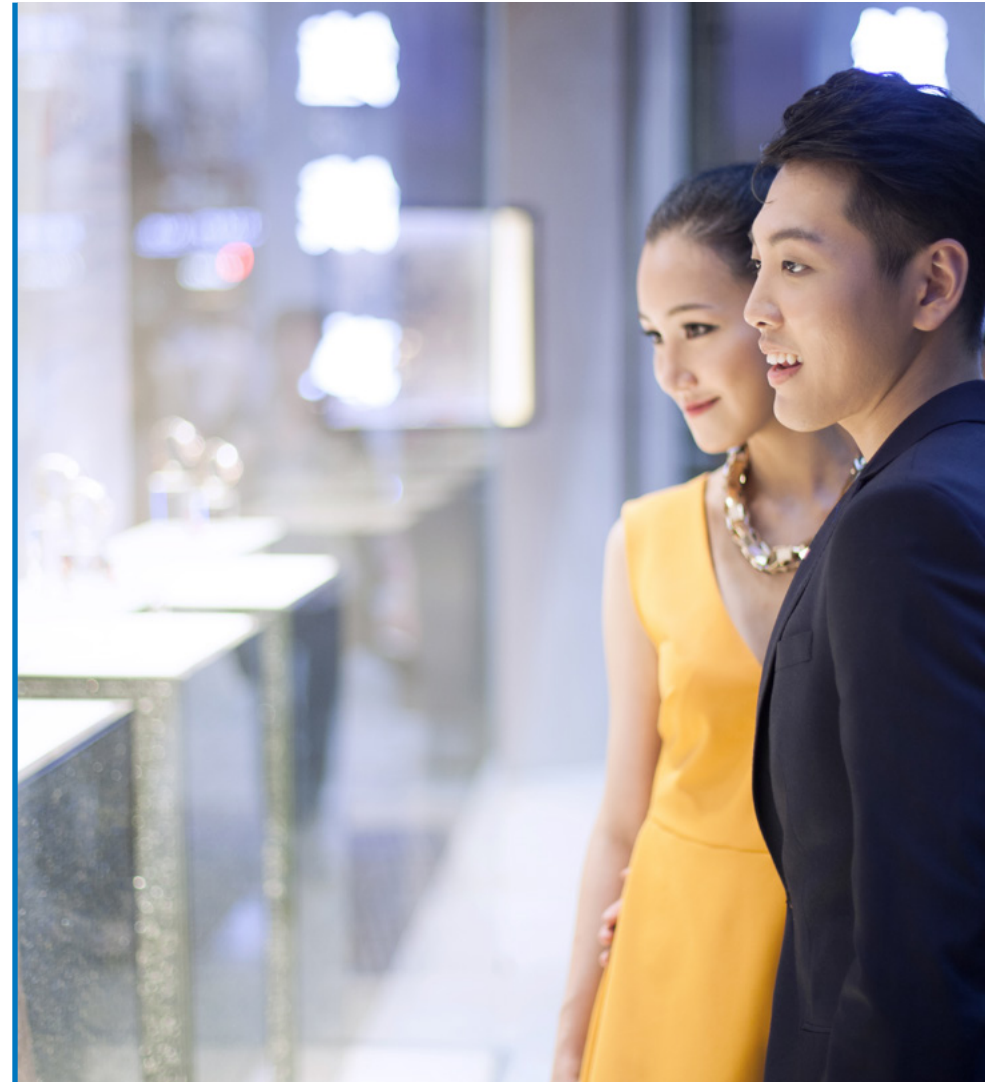
How can a jewellery brand be sustainable? From transparent supply chains to consumer assurances at point of sale, the industry is future-proofing its business in order to appeal to the next generation of consumers.

Forward-thinking luxury brands know they need to focus on sustainability if they are to remain relevant and compelling. The brands that will grow their share of demand are those that integrate ESG considerations at every stage of their value chains, giving consumers a reason to feel affinity and loyalty.

Today's consumer is far more aware of the interconnectedness of the natural and commercial worlds and they expect a lot more from the brands they align with. "Today, consumers look to brands to fulfil a desire for affiliation, purpose and deeper meaning – the power of the brand," says David Prager, Executive Vice President and Chief Brand Officer, De Beers Group.

The brands and retailers that will succeed in this new landscape are the ones which reflect a consumer's ethics and values, and are able to inspire an emotional connection. It's a move from brand awareness (who knows you) to brand affinity (who connects with you emotionally).

"Brand affinity is next-level because it's an audience of people who know your brand, they know your values, and are more likely to take action on your behalf, whether that is sharing branded content, advocating to their friends or ultimately buying your product," says Charlotte Robinson, Head of Insights & Efficacy, De Beers Group.



COMMUNICATION OF SUSTAINABILITY CONSIDERATIONS AT THE BRAND AND RETAIL LEVEL CONTINUED

Consumers are savvier than ever and using social media, apps and websites to shape their preferences and gain information about socially-responsible brands. The Covid-19 pandemic has only increased consumers' social media marketing behaviours. According to GlobalWebIndex, 54 per cent of social media users use social media to research products and 71 per cent are more likely to purchase products and services based on social media referrals.⁹⁶

Digital touchpoints are now an essential part of the luxury consumer's journey and this is increasing. In China, a consumer engages with an average of 15 different touchpoints before making a purchase, half of these being digital (McKinsey).⁹⁷

In retail, it is imperative that the consumer's values are mirrored in their interactions with the brand through the purchase experience, and that the industry's positive actions are communicated effectively. "Brand relationships require openness, trust, accountability, and continuity," says Po Chi Wu, Venture Advisor, former venture capitalist. "Diamond brands need fresh positioning to build new kinds of relationships with potential customers whose values and interests are not aligned with traditional or conventional themes based on consumerism."

From sourcing to retail distribution, jewellery brands are thinking about ways to lower their carbon footprint and make a positive impact on the world. "As customers are increasingly demonstrating greater ethical and environmental awareness, retailers will need to make the impact of products more transparent and help people purchase better," Fox and Hare, July 2021.⁹⁸

Following are some examples of how heritage brands, boutique jewellers and retailers are driving positive change.



54%

of social media users use social media to research products

71%

are more likely to purchase products and services based on social media referrals

15

In China, a consumer engages with an average of 15 different touchpoints before making a purchase, half of these being digital (McKinsey)

Notes:

⁹⁶ searchenginewatch.com/2020/11/20/how-social-media-influence-71-consumer-buying-decisions

⁹⁷ mckinsey.com/industries/retail/our-insights/luxury-in-the-age-of-digital-darwinism

⁹⁸ foxandhare.co

COMMUNICATION OF SUSTAINABILITY CONSIDERATIONS AT THE BRAND AND RETAIL LEVEL CONTINUED

CASE STUDY

CARTIER'S 360° APPROACH⁹⁹

It begins with sustainable sourcing, according to Richemont's 2021 sustainability report. One hundred per cent of Cartier diamonds come from long-term relationship suppliers who operate responsibly and commit to comply with social and environmental standards. Overall, 95 per cent of the brand's diamonds in value come from RJC Code of Practices-certified suppliers.

The brand also takes a 360° approach to diversity, equity and inclusion, covering workplace and workforce, marketing and communications and supply chain. Furthermore, Cartier actively supports the transition towards a low carbon and thriving economy by taking action towards net-zero emissions. From 2008, Cartier measured and offset CO₂ emissions related to direct operations and part of indirect emissions. In 2019, the brand measured and offset its full carbon footprint, achieving climate neutrality by using diversified, high-impact offsetting projects oriented towards biodiversity conservation, clean energy and carbon removal.

Cartier boutiques, manufacturing sites and headquarters plan to achieve 100 per cent environmental certification by 2025. The brand is working to achieve purchase of 100 per cent renewable energy for its owned operations from 2022. "It's a total reinvention," says Vigneron. "We have moved sustainability from an after-thought to a major driving force of change."¹⁰⁰

Notes:

⁹⁹ richemont.com/media/s2qgvb0/sustainability-report-2021.pdf

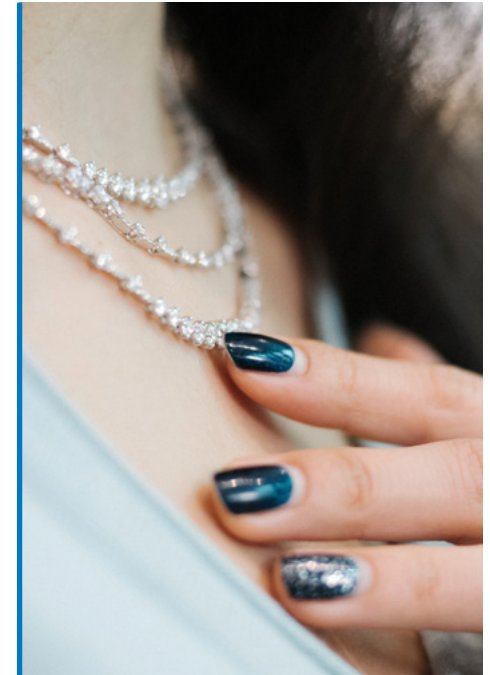
¹⁰⁰ www.dailymail.com/business/news/financial/richemont-sets-goals-to-become-cleaner-greener-machine-in-new-report-1203680867

CASE STUDY

GUCCI'S CEO CARBON NEUTRAL CHALLENGE

In November 2019, Gucci President and CEO Marco Bizzarri issued a letter to CEOs across all sectors calling for a collective commitment to address GHG (greenhouse gas) emissions immediately.

The CEO Carbon Neutral Challenge is a straightforward climate strategy with a set of guiding principles. To join the challenge, companies must adopt an annual approach to first avoid and reduce GHG emissions and then, as a final measure, offset the total remaining emissions within their operations and across their entire supply chain (Scopes 1, 2 and 3 of the GHG Protocol). Companies are encouraged to do this through nature-based solutions, which will support the protection of biodiversity and forests around the world and help mitigate climate change.



COMMUNICATION OF SUSTAINABILITY CONSIDERATIONS AT THE BRAND AND RETAIL LEVEL CONTINUED

CASE STUDY

THANK YOU, BY THE WAY CAMPAIGN

The Natural Diamond Council (NDC), with the support of the Responsible Jewellery Council (RJC), has launched the consumer-facing *Thank You, By The Way* [campaign](#).

The campaign is targeted at consumers who now, more than ever, want to know where their diamond has come from, and the positive impact it helped create for diamond producing countries and local communities. The omnichannel campaign features a variety of engaging sustainability facts about the natural diamond industry, highlighting both the socio-economic and community benefits. "This isn't a new topic for the diamond industry," said David Kellie, CEO of the Natural Diamond Council. "For the last two decades the industry has been doing this work, putting sustainability at the forefront of everything they do."

"But now more than ever, consumers have an appetite for it, they want to know the impact of what they are buying, and how their purchases are contributing to the regions and communities producing them. Through this campaign, we would like to thank our consumers for their trust and support in doing good around us." The campaign can be utilised by natural diamond retailers, jewellers and the wider industry. More information is available [here](#).

THANK YOU, BY THE WAY

Your natural diamond helps provide access to education for children around the world, including over half a million children in rural communities.

naturaldiamonds.com/thankyou

THANK YOU, BY THE WAY

With your natural diamond purchase you're helping protect biodiversity over an area of land the size of Paris, London and New York City.

naturaldiamonds.com/thankyou

THANK YOU, BY THE WAY

Your contributions to the natural diamond industry have contributed to 16 billion dollars of annual benefits for our world. That includes healthcare, jobs, education, biodiversity and infrastructure.

naturaldiamonds.com/thankyou

THANK YOU, BY THE WAY

Your natural diamond helped fund more than 400 women-owned businesses across Africa.

naturaldiamonds.com/thankyou

Image courtesy NDC.

COMMUNICATION OF SUSTAINABILITY CONSIDERATIONS AT THE BRAND AND RETAIL LEVEL CONTINUED

SUSTAINABLE PACKAGING

De Beers Group research¹⁰¹ found that consumers of luxury jewellery care about sustainability and want to align with brands that reflect their values.

When it comes to packaging, there is an expectation for luxury brands to demonstrate their sustainability credentials in a tangible way, such as using recyclable materials, provided such materials are high quality and durable. Sustainability doesn't need to be overt within luxury. Adding a discrete sustainability logo (e.g. ISO, Rainforest Alliance or PETA) to packaging is a good way to highlight sustainable sourcing, providing further information that can be readily accessible when sought. In addition, retailers should consider providing opt-in 'gift wrap' elements and brand collateral, as consumers buying for themselves are less motivated by this and may regard them as superfluous.

If sustainability is to be an important part of diamond jewellery packaging, there are a number of key focus areas, all of which need to balance sustainability with a distinctive luxury aesthetic. In the short-term, finding quality alternatives are crucial while a tiered approach will help ensure a distinctive luxury experience, for example, adding more (sustainable) elements that correspond with increase in value, such as cleaning cloths, ribbon and tissue paper for high-spend but not minimum spend pieces. This approach can also be applied to box redesign, prioritising a luxury aesthetic and durability for occasional, heirloom and proposal pieces that are more frequently stored in their original box.



Note:
101 The role of sustainability in luxury jewellery packaging and collateral, February 2021

MEETING CONSUMER EXPECTATIONS

Consumers are looking for brands that make sustainability a priority and are rewarding those that align with consumer values.

In 2019, the tipping point for responsible consumer demand was reached across all industries.¹⁰² The consumer research group Nielsen¹⁰³ has found that these values are reflected in spending. In 2021, Nielsen expects sustainably minded consumers in the US to spend \$150 billion on sustainable products.¹⁰⁴ This trajectory will continue to grow as it is driven by younger generations, notably Millennials, with Gen Z also expressing great concern for the environment. De Beers Group's recent research proves that consumers want to see the diamond business play an even bigger and more visible role in accelerating progress on ESG concerns.

It can seem daunting for any company to incorporate ESG into its strategy and operations. Yet this approach goes far beyond 'doing the right thing'. Implementing sustainable strategies early will put businesses in a better position to earn long-term consumer loyalty and trust.

Success depends on sustainability being part of both short and long-term operations. Doing nothing is not an option.

"Every industry and business has its own challenges but you need to start somewhere," says Mirtha Kastrapeli, founder and CEO of Beyond Alpha¹⁰⁵ and a Fellow at Columbia University's Center for Sustainable Investment.¹⁰⁶ "The best approach is a practical and realistic one. Make an honest assessment of the areas you want to improve on – this gives you a constructive map to move forward with. Then you need to understand stakeholder issues, use data, and take a full supply chain view."



Notes:

102 forbes.com/sites/tinethygesen/2019/11/08/everyone-is-talking-about-esg-what-is-it-and-why-should-it-matter-to-you/?sh=4fbac0e232e9

103 nielsen.com/us/en

104 nielsen.com/us/en/insights/podcast/2019/the-database-the-business-of-sustainability/

105 beyondalpharesearch.com

106 ccsi.columbia.edu

MEETING CONSUMER EXPECTATIONS CONTINUED

There is a huge opportunity for the diamond industry to communicate how it aligns with current consumer expectations around ethics and sustainability, and to build on its track record of creating positive socio-economic and environmental benefits throughout the value chain. The Covid-19 pandemic has accelerated social and environmental impact considerations for all businesses, as consumers have become more vocal in demanding greater transparency and integrity.¹⁰⁷

If the diamond industry is to respond to consumer values, capture value and measure impact from ESG commitments, then it needs to use a commercial lens to be clear about what it's trying to achieve.

Costs can seem discouraging in the short-term, but by integrating an ESG agenda into the normal business cycle and investment decisions, real positive change can be achieved. Being discerning about how we prioritise key areas of environmental and social impact, setting relevant goals and selecting the right partners to work with will all bring progress and success.

A report from the World Economic Forum says that more than 25 per cent of a company's market value is determined by its reputation. Along with increased demands from consumers for supply chain transparency,¹⁰⁸ it's clear that a strong ESG roadmap is required.

To get this right, action is now needed by all industry participants. To create a path forward that is value creation-led, here are five key action areas to consider:

1. Earn consumer confidence through transparency and traceability

A consumer's brand loyalty and purchasing decisions are highly contingent on product information. Be transparent about your approach and look at how you can maximise what you provide to consumers in terms of sustainability credentials for products – ideally a physical or digital certificate including third-party verification. Explore how the latest technologies and initiatives can be used in your business to provide an accurate record of diamond source and explain what coming from that source means in terms of impact on people and the planet.

2. Resonate with consumer values

Personal values have become more important. If consumers are willing to pay a premium or change behaviour to reduce their environmental impact, then offer options that meet this growing consumer desire. This is especially important in terms of physical or digital purchasing solutions and packaging at purchase.

3. Leverage sustainability through end-to-end diamond operations

The diamond supply chain is a complex network of global entities involving mines, cutters and polishers, jewellery manufacturers, logistics providers and retailers. But under a purpose-driven objective, end-to-end integration serves a greater goal. Examine existing capabilities and adjust investments to create new capabilities and partnerships focused on environmental impact and social responsibility.

- Set policies and processes for governance using a preventative context to get commitment from industry partners.
- Engage partners and ensure practices are assessed based on your ESG performance criteria.
- Keep partners and stakeholders informed, and work with coalitions, which are focused on sustainable practices.

4. Align sustainability initiatives to your core business and competency

Brands and retailers need to know which sustainability traits rank most highly among their customers so that they can factor that valuable information into product design and development. Look for ways your organisation can harness innovations and learn from others, both inside and outside the industry. There are many ways to reduce waste and fulfil consumers' sustainability demands with new products and processes.

5. Reporting Consumers, regulators and investors are increasingly demanding ESG transparency from companies. This is why clear, genuine and effective ESG reporting is critical, both in terms of communicating the importance and priority of sustainability to a company, as well as the quantification and validation of its efforts. As of July 2020, 90 per cent of companies in the S&P 500 have already published their annual corporate sustainability/ESG reports.¹⁰⁹ Changing consumer expectations presents a challenge to diamond businesses but also offers an opportunity for the industry to communicate its achievements to date, creating benefit for industry stakeholders, host governments, communities and trade.

Notes:

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MEETING CONSUMER EXPECTATIONS CONTINUED

ESG reporting provides a snapshot of the business's impact in the areas of environmental, social and governance – and progress on its roadmap. Reporting should:¹¹⁰

- Include comprehensive information about the value chain potential as well as the business's risk landscape
- Demonstrate the business's commitment to drive continuous improvement in sustainability and ESG
- Disclose and measure intangibles, including strategy, innovation, management of human capital, commercial risk and resources
- Articulate and disclose uncertainties, challenges, risks and trends that can impact performance.

As well as the wealth of ideas that can be gained from what fellow industry participants are doing in the ESG space, there are also key organisations that trade participants can partner with such as the Natural Diamond Council (NDC),¹¹¹ Responsible Jewellery Council (RJC),¹¹² World Diamond Council (WDC) and Diamonds Do Good.¹¹³

"The jewellery industry has a larger ambition to contribute to a better world by transforming our supply chains to be responsible and sustainable," says Iris Van der Veken, Executive Director, RJC. "We are deepening trust in the global jewellery and watch industry, underpinning its future. This is our promise to the generations to come."¹¹⁴

CARBON-NEUTRALITY

The climate crisis isn't a future prospect, it's a current reality. Climate change has become a key concern for consumers, and governments around the world are following suit, increasing their commitments to curb global warming – the climate summit on Earth Day 2021 saw Brazil, Canada, Japan and the US accelerate their plans to cut emissions by 2030.¹¹⁵

In responding to climate change, every individual, business, industry and country must be part of the solution, with carbon-neutrality a critical area of sustainability impact. "Carbon is the diamond industry's biggest challenge and in response, the industry needs to map a pathway to carbon-neutrality with bold commitments to the natural world, and saving special places," says David Prager, Executive Vice President and Chief Brand Officer, De Beers Group. In addressing carbon-neutrality, new innovations and technologies to reduce energy intensity, replace fossil fuels and fossil electricity and recover the last remaining carbon emissions, are key issues of focus. To address the salient issues, collaboration across the value chain, and working with partners such as the RJC and third-party experts who can guide actions and communications, will be critical.



A ranger at the Venetia Limpopo Nature Reserve, part of the Diamond Route in South Africa.

Notes:

- 110 <https://protect-za.mimecast.com/s/DkzoCy8AKZHNlw6Jzi9AOSF?domain=home.kpmg> <https://home.kpmg/uk/en/blogs/home/posts/2021/01/esg-reporting-are-you-ready-for-this-year-end.html> and <https://protect-za.mimecast.com/s/W2rcCj2goEijRXIABUzgi1a?domain=sphera.com> <https://sphera.com/glossary/what-is-esg-reporting-and-why-is-it-important/>
- 111 [naturaldiamonds.com/council](https://www.naturaldiamonds.com/council)
- 112 [responsiblejewellery.com](https://www.responsiblejewellery.com)
- 113 [diamondsdogood.com](https://www.diamondsdogood.com)
- 114 [responsiblejewellery.com/create-beautiful](https://www.responsiblejewellery.com/create-beautiful)
- 115 <https://www.reuters.com/business/environment/us-pledges-halve-its-emissions-by-2030-renewed-climate-fight-2021-04-22/>

MEETING CONSUMER EXPECTATIONS CONTINUED

CASE STUDY

THE RJC: PROVIDING CRITICAL SUSTAINABILITY LEADERSHIP¹¹⁶

As the leading standards organisation for the global jewellery and watch industry, the Responsible Jewellery Council (RJC) was set up in 2005 by 14 founding members, including Signet, Cartier, Tiffany, CIBJO, Rosy Blue, De Beers Group and Jewellers of America.

Today's membership numbers, including ALROSA, are over 1,500; of which 60 per cent are small enterprises spread over 70 countries.

The vision is for a responsible worldwide supply chain that promotes trust in the global jewellery and watch industry. The RJC has a multi-stakeholder engagement approach, which includes partnerships with the United Nations Global Compact, OECD and ISEAL membership.

Companies that become RJC members commit to adhere to the RJC Code of Practices (COP),¹¹⁷ aligned with the OECD Due Diligence Guidance¹¹⁸ and the UN Guiding Principles of Business and Human Rights¹¹⁹. Through the implementation of the COP, members contribute towards the United Nations 2030 agenda and the 17

Sustainable Development Goals (SDGs)¹²⁰. The RJC COP is an independently verified sustainability standard for the global industry covering the entire supply chain, from mine to retail.

ROADMAP TO 2030 AND BEYOND

The RJC is rapidly growing its expertise in supporting industry players to develop a new set of Environment, Social and Governance (ESG) performance metrics, working in collaboration with best-practice ESG measurement partners, including Arabesque¹²¹ and Georg Kell¹²², founding Director of the United Nations Global Compact.

In 2020, the RJC identified which goals and targets were most relevant to the jewellery and watch value chain and where it would be possible for the industry to achieve the greatest impact, with the launch of its [Roadmap to 2030 and Beyond](#). The roadmap identifies six priority SDGs focused on the five key pillars of sustainable

development: People, Planet, Prosperity, Peace and Partnerships.

The roadmap provides an attainable pathway to help RJC members collectively achieve long-term impacts while contributing to the SDGs. The feasibility of this process is being tested through a member metrics pilot project with selected participants. The RJC has called on members of all sizes, from across the supply chain to take part in this research opportunity which will inform the future of reporting frameworks. Insights from the pilot will enable the RJC to assess barriers and risks to the process. This year, the RJC established an SDG taskforce to co-ordinate and benchmark progress by member companies and the industry to deliver impact across the five pillars. Looking to the future, the RJC will continue to engage closely with NGOs, government, and industry to further operationalise environmental and human rights due diligence across the supply chain.

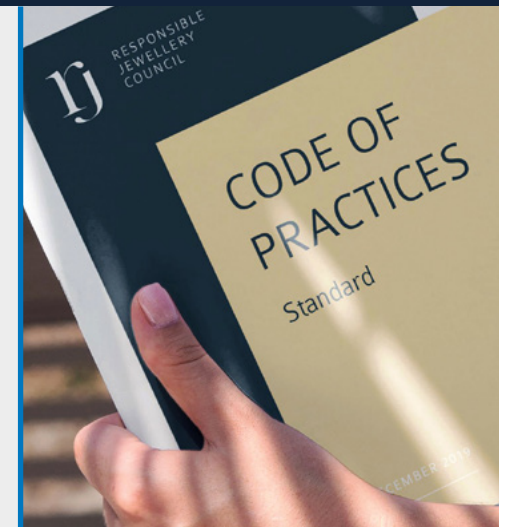


Image courtesy RJC.

1,500
members of the RJC

Notes:

116 responsiblejewellery.com

117 <https://protectza.mimecast.com/s/lhUaCmw0RKh5W3AMGiGNbQR?domain=responsiblejewellery.com>
RJC-COP-2019-V1-1-Standards-2.pdf (responsiblejewellery.com)

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120 <https://protectza.mimecast.com/s/VWaVJnCnZmvlGm2KWQfjk8D?domain=sdgs.un.org> THE 17 GOALS | Sustainable Development (un.org)

121 arabesque.com

122 georgkell.com

MEETING CONSUMER EXPECTATIONS CONTINUED

CASE STUDY

DE BEERS GROUP'S BEST PRACTICE PRINCIPLES RAISING STANDARDS ACROSS THE VALUE CHAIN

De Beers Group established its Best Practice Principles (BPPs) in 2003 with the aim of raising standards across the diamond industry, covering environmental, social and business ethics. "The programme is unique within the diamond industry as it ensures responsible business practices are adhered to not only within our own business and those of our customers, but also those of our customers' contractors," explains Ferial Zerouki, Senior Vice President, Corporate Affairs at De Beers Group. "In this context, they have played a transformative role in maintaining high ethical standards throughout the diamond industry, which meet and exceed consumer expectations."

De Beers Group works on a continual basis with Sightholders to help support an ethical supply chain for its diamonds. The BPPs help to ensure that De Beers Group, its Sightholders and their relevant contractors adhere to international human rights frameworks and labour laws and regulations, in addition to ethical, social and environmental best practice requirements.

The BPPs are now a mandatory requirement for more than 2,700 entities across the diamond industry. "Compliance with the BPPs is not an easy task, it is an ongoing obligation which is audited annually by a third party," emphasises Zerouki.



MEETING CONSUMER EXPECTATIONS CONTINUED

CASE STUDY | DE BEERS GROUP'S BEST PRACTICE PRINCIPLES RAISING STANDARDS ACROSS THE VALUE CHAIN CONTINUED

ESTABLISHING A BASELINE FOR CARBON REPORTING

In early 2021, De Beers Group began working with Sightholders to gather information on their environmental performance through the BPPs. The aim is to establish a better baseline understanding of current environmental performance across the diamond value chain and to identify opportunities for potential future collaboration.

The Carbon Trust has supported De Beers Group in developing the environmental commitment and measurement framework, which has been further enhanced by comprehensive training and guidance being offered to Sightholders on how they may begin, or continue, to measure their organisational carbon footprint and impact. This has been designed specifically for the context of the diamond industry. Christelle van Vuuren, Associate Director, the Carbon Trust said: "De Beers is taking decisive steps to build out their reporting and management capabilities, and to collaborate with stakeholders across their value chain. The shift to a global low carbon economy cannot happen in isolation, and De Beers' value chain engagement is an important building block for an effective response to climate change. By working with their Sightholders on this

reporting journey, the De Beers BPP Programme is raising the bar for the industry, highlighting the importance of carbon transparency, accountability and value chain cooperation."

The carbon footprint template questionnaire is Open Source, enabling other industry participants to use it as a basis for measuring their own Scope 3 emissions. It is available to view [here](#).

To further advance industry standards, De Beers Group has committed to extending the BPPs beyond its own value chain, as part of its 2030 Building Forever goals, by continuing to work with the RJC and other industry bodies such as the WDC to share expertise and knowledge that can foster the adoption of best practice standards across the industry.





CONCLUSION

A Baobab tree in the Venetia Limpopo Nature Reserve, South Africa.

RESPONSIBLE BUSINESS IS RESILIENT BUSINESS

A natural diamond is a unique expression of the power of the natural world. It is also a finite resource that is inextricably linked to the health and prosperity of the communities that rely on the industry's operations.

Beautiful, rare and unique, diamonds have long played a role in the human story and today, the diamond industry positively transforms the lives of individuals, communities and entire countries where jobs are scarce and revenues needed. In this way, diamonds are an emotionally compelling way for consumers to express their values.

Sustainability is an irreversible imperative, driven by a demand for change from consumers, a proactive approach has become a necessity for all businesses.

The natural diamond industry is one which has been dealt public criticism in the past. While these criticisms have grabbed headlines, today, the natural diamond industry undeniably – and significantly – positively impacts the people and places where diamonds are discovered. It provides direct and indirect employment to over 10 million people¹²³, with many of these jobs in the most challenged regions of the globe where jobs are scarce and revenues needed; and many others in countries that have bucked the trend of the 'resource curse' and are now models of sustainable

development. The industry has the privilege to operate in some of the most remote and majestic places on Earth which brings with it a huge responsibility towards planet and people.

There are some ground-breaking practices in the diamond industry today, putting it at the forefront of ESG innovations. The industry continues to pioneer initiatives, tackling serious challenges related to climate change and social impact against ambitious targets.

But intentions and targets do not guarantee results. How quickly and effectively meaningful change can be implemented depends on the strength of the industry's resolve.

“Industry players can compete on everything else but this demands a single direction of effort.”

David Prager, Executive Vice President and Chief Brand Officer, De Beers Group



Toolbox talk: Mimmy Tshегоfatso Basele, Training Coordinator – Non Technical, Jwaneng Mine, Debswana.

Note:
123 [statista.com/topics/1704/diamond-industry](https://www-statista-com.translate.googl/topics/1704/diamond-industry)

RESPONSIBLE BUSINESS IS RESILIENT BUSINESS CONTINUED

Consumers know that companies can drive big changes if they are willing to make the investment. And consumers have become less forgiving of companies that choose to sit out.¹²⁴ Consumers are proactively looking for brands and businesses that match their values, using ethical shopping platforms, carbon trackers, and other technologies to inform their decisions.¹²⁵ They're talking to each other and setting a new bar. Today, sustainability is a competitive advantage, but tomorrow it will be standard for consumerism. "In 2030, businesses will act as 'Lifestyle Support Services', helping citizens live more sustainably," advocates Professor Richard Murphy, Director of the Centre for Environmental Strategy (CES) at the University of Surrey and Ian Christie, Fellow of CE.¹²⁶

Given the range of work already underway, the breadth of innovations, and the importance of this topic to stakeholders throughout the diamond sector, there is a window of opportunity right now for the diamond industry to lead the way on many of the key areas. There is the potential to build on the industry's combined knowledge and expertise and use it to implement solutions that respond to evolving consumer values, and to measure and communicate progress. The trade has access to a wealth of information as well as partners who can support its efforts and show how it is contributing positively to sustainability.

"This is a huge opportunity. How do you align your strategy and set your story?" says Bo Bothe, President and CEO of BrandExtract,¹²⁷ providers of ESG strategic guidance. "We talk about ESG being a journey, and whether you're taking the very first baby step or a big jump, or you've been doing it for 20 years, it's a journey. There's always something more to do. Things are always evolving. The target is always moving. This is part of the process of responsibly managing the brand."

If the diamond industry really commits to this direction – holding itself accountable for its impact on people (employees, communities) and planet – it will ensure a strong and resilient future. There is immense human potential to further enhance standards, collaboration and communication of the industry's positive impact across the sector.

Now is the time for the diamond industry to take bold and decisive action and to plan the next steps in its journey towards ensuring that sustainability is at the heart of everything it does – and that all stakeholders recognise the centrality of ESG considerations.

"You can't separate beauty and design from sustainability," says Iris Van der Veken, Executive Director, RJC. "When you ask 'How is this made?' and you commit to create beautiful things in a beautiful way, you make it possible to live in a fairer better world – today and for future generations."¹²⁸



Rhinos on the plains.

Notes:

124 <https://protectza.mimecast.com/s/rKVSCAnXOBi9EXv4HVjFA?domain=warcom> <https://www.warc.com/newsandopinoin/news/brands-cantignore-sustainability-issues/41886> and <https://protectza.mimecast.com/s/cjcVVCBgXkDfV8rPAjH-Rgske?domain=voguebusiness.com> <https://www.voguebusiness.com/sustainability/esg-challenges-mount-up-for-luxury>

125 natwestgroup.com/news/2021/06/natwest-to-launch-free-carbon-footprint-tracker-to-app-users.html

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