



ROSY BLUE

MORE THAN DIAMONDS

REPORT ON 2016

MORE THAN
DIAMONDS

WELCOME TO OUR 8TH CSR REPORT

Over the years we believe to have evolved from a company taking their corporate responsibilities to a company where sustainability is central to our core business and aligned with the corporate purpose.



*Doing good
business and
doing good for
us goes hand
in hand.*



Amit Bhansali
Managing Director Rosy Blue NV

With the launch of the UN Sustainable Development Goals, Rosy Blue along with many other companies approach the next phase. One of the biggest new developments in 2016 has been the attempt to assess impact beyond our own operations and formalize our sustainability approach in a more mature framework. What's the role and the added value of a diamond company like Rosy Blue in society?

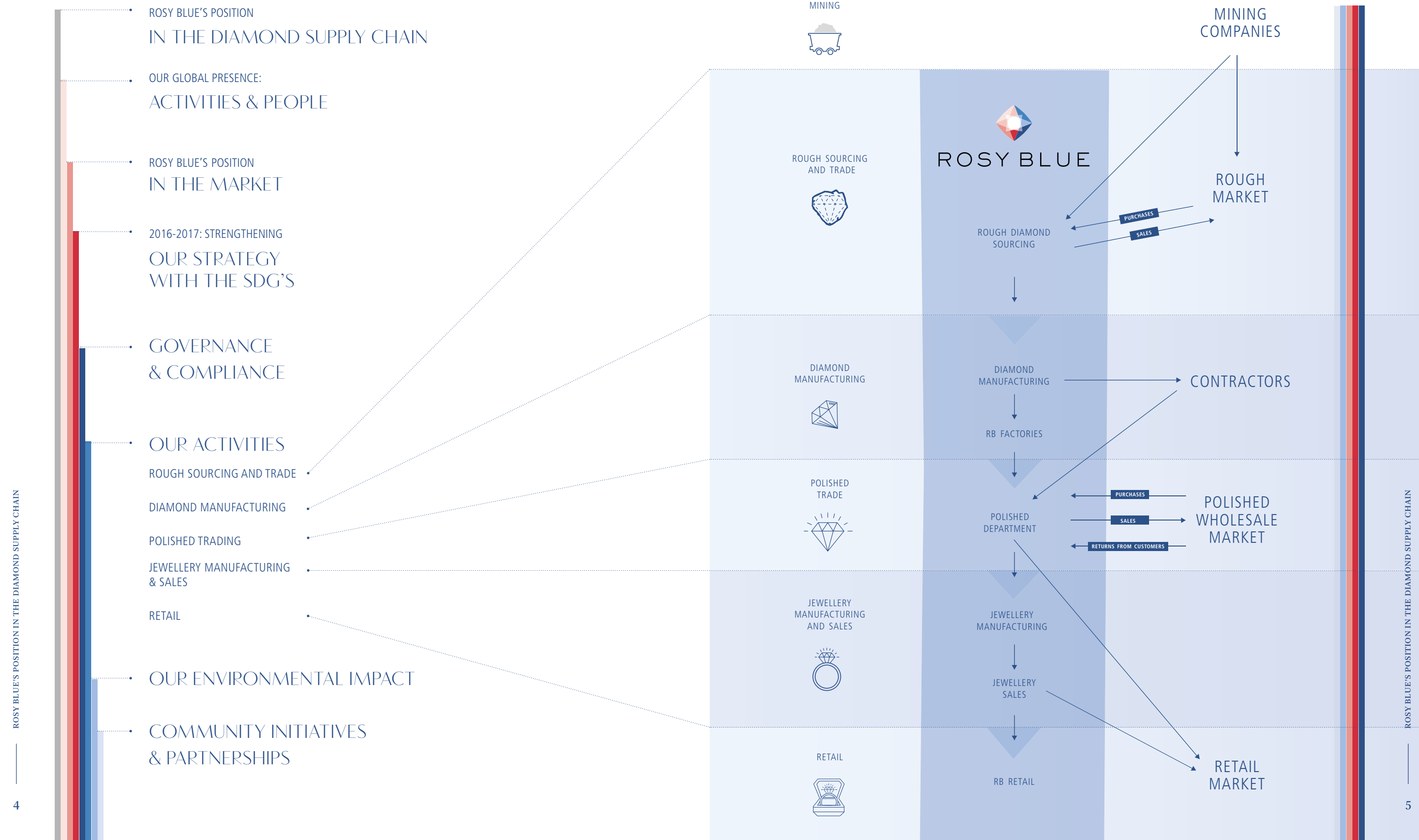


Russell Mehta
Managing Director Rosy Blue
(India) Pvt. Ltd.

We need to continue to conduct due diligence and take responsibility for the full value chain of diamonds. This is the only way to reach sustainable luxury, as diamonds demand the highest level of ethical integrity, at every single step of their journey from mine to finger.

CONTENT

ROSY BLUE'S POSITION
IN THE DIAMOND SUPPLY CHAIN



OUR GLOBAL PRESENCE

3934 people

5 manufacturing plants

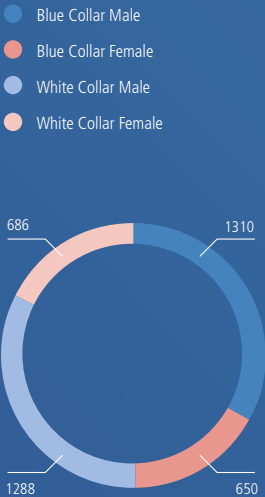
236 000 carats polished diamonds produced!

12 countries

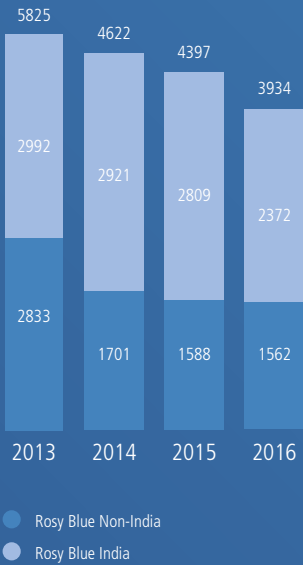


PEOPLE BY COUNTRY

	Blue Collar		White Collar		Total 2016
	♂	♀	♂	♀	
Armenia	43	15	4	4	66
Belgium	0	5	35	22	62
China	76	275	17	44	412
Hong Kong	0	0	13	27	40
Israel	1	1	11	13	26
India	819	51	1076	378	2324
Japan	0	0	17	22	39
Luxembourg					
South Africa					
Thailand	341	282	75	146	844
UAE	16	4	18	7	45
USA	14	17	22	23	76
	3934				



WORKFORCE EVOLUTION



ACTIVITIES BY COUNTRY

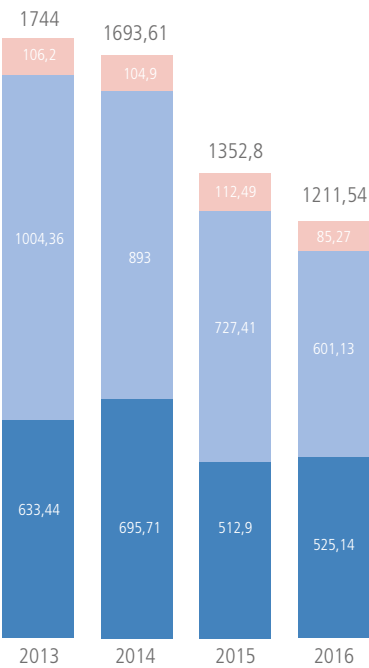
	Rough diamond trading	Diamond manufacturing	Polished diamond trading	Jewellery manufacturing	Jewellery sales	Retail	Holding company	Admini-stration
Armenia	•	•	•					•
Belgium	•		•		•			•
China		•	•	•				•
Hong Kong	•		•	•	•		•	•
Israel	•		•					•
India	•	•	•	•	•	•	•	•
Japan			•		•			•
Luxembourg							•	
South Africa							•	•
Thailand		•						•
UAE	•		•		•			•
USA			•		•			•

• Rosy Blue Non-India • Rosy Blue India

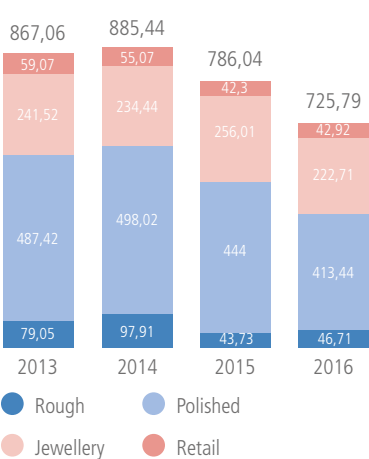
ROSY BLUE'S POSITION IN THE MARKET

Turnover

Rosy Blue Non India



Rosy Blue India



'in million dollars'

Diamond industry's dynamics

Demand Challenges

In 2016, the industry continued to witness an overall falling demand. One of the main reasons was the increasingly stronger US dollar. Diamonds are priced in dollars, while retail sales are in the local currency. Demand was also affected as the sharp price drop in polished prices in 2015 filtered through at the retail level. The US demand remained flat and was the most stable market, despite the uncertainties of the polarized election. Chinese demand continued its downward trajectory as the currency weakened, and in India, demand was affected by the introduction of excise duties as well as revised AML legislation

Since Rosy Blue spans the entire range of rough and polished, we were better able to absorb the volatility in demand. The ability to balance our operations between in-house production as well as trading, allowed us to better manage both inventories as well as profitability. Our inventory was further reduced during the year, especially in areas having lower turns, thereby reducing the impact of lower prices while also ensuring that the inventory was more current.

Access to finance

Industry financing continued to be stable, and with the high-

er margins in the beginning of the year, the industry was able to adjust to the higher sales without resorting to greater borrowing. A few European banks continued with their withdrawal from the industry, however Rosy Blue had sufficient access to bank financing. In India and the Middle East, a few banks have started to increase their exposure to the industry. There also seems a concerted effort to look at alternative financing opportunities, beyond simply bank financing.

Producers took actions

The main producers reduced the rough prices at the beginning of the year, leading to margins coming back into the polishing activity. This led to a spurt in demand, as factories restarted production in 2016. While the polished prices peaked by Q1 and then started declining, rough producers gradually increased the rough prices.

Rough producers also decided to reduce overall production, and managed to reduce their inventory during the course of the year. This has left them better placed for 2017. However from a margin perspective, the current polishing margins are low, and producer actions will actually determine whether 2017 remains stable.

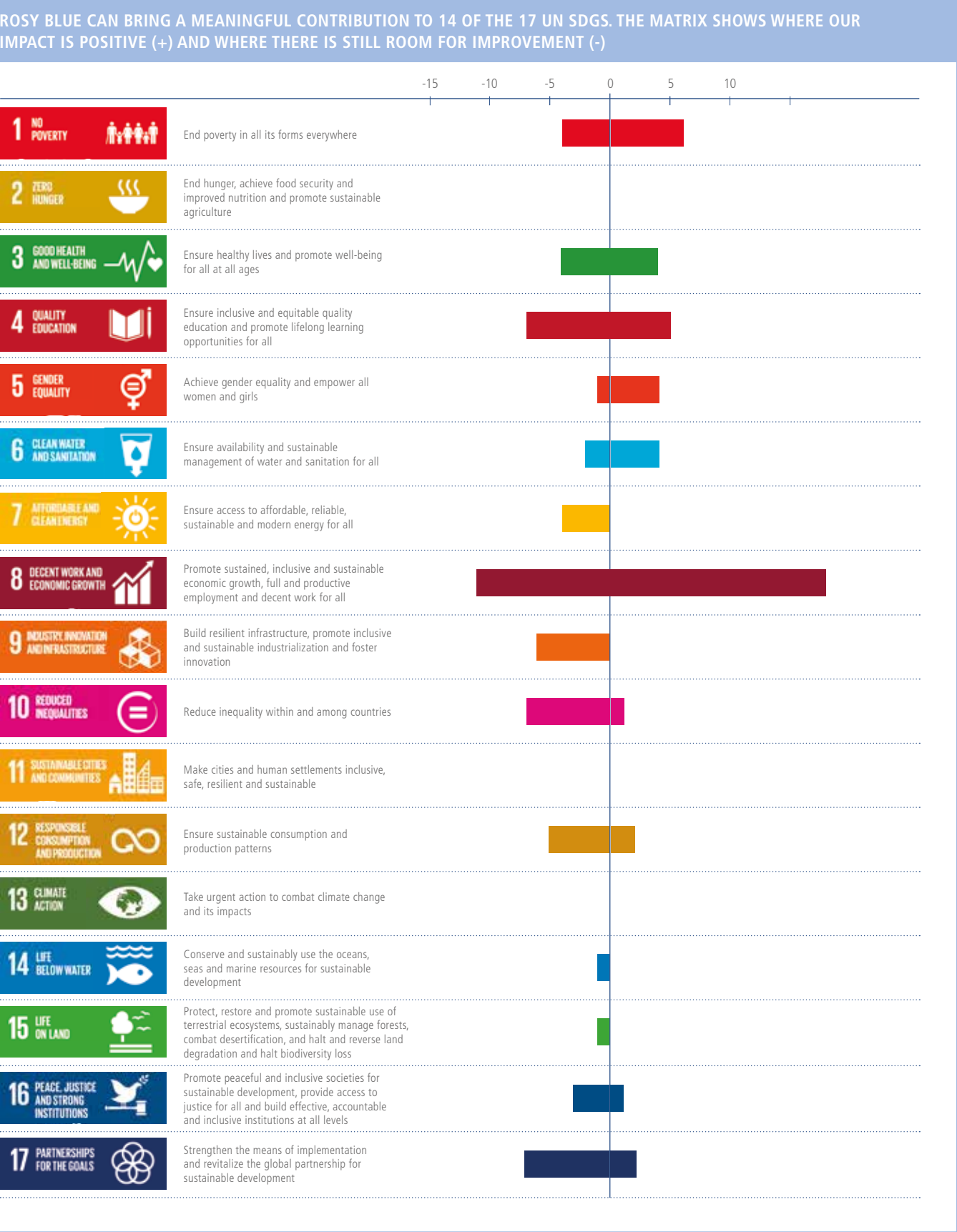
2016-2017: STRENGTHENING OUR STRATEGY WITH THE SDG'S

Rosy Blue has engaged in a sustainability journey for many years. In 2017, we aim to set the bar higher and let our activities and value chain be challenged by the SDG-Sustainable Development Goals.

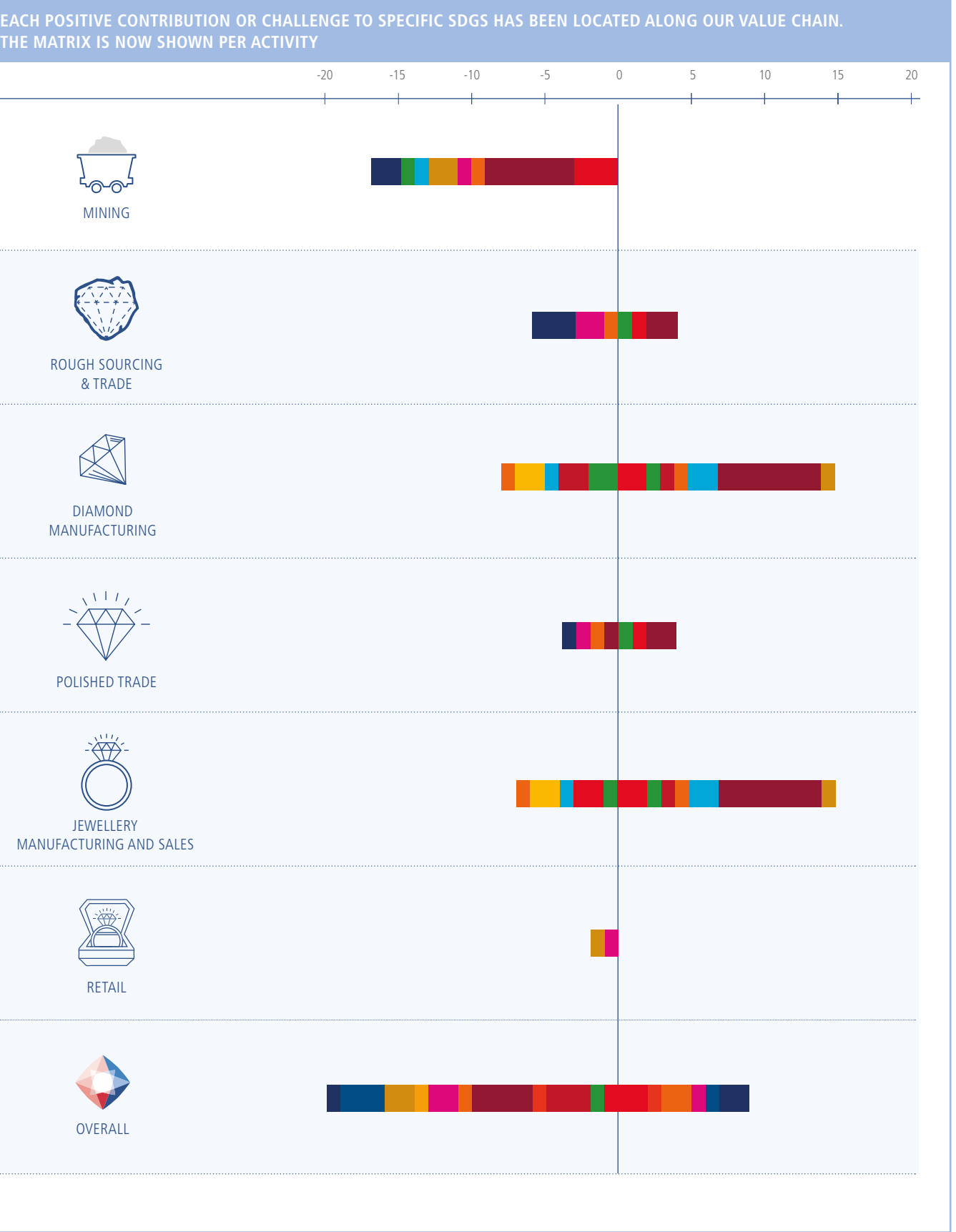
SDG MAPPING

The 17 SDG have become the universal CSR agenda. Even more, they are the ultimate test to verify that our business is actually a relevant actor in Society. Aligning our corporate strategy with the SDGs is all about making sure our daily activities and decisions have the right impact: the most positive contribution, and the least negative impact on the achievement of these 17 ambitions, and their 169 specific targets.

We have assessed the impacts we have or can have in every goal, in our own operations or in our sphere of influence. This tight cross-analysis identified touch points between our company and 13 of the 17 SDGs. We dropped the goals where we can have no impact.



Then we analyzed each stage of the diamond supply chain to identify exactly where we can influence most the solutions sought. We found that in our own operations, in our manufacturing activity, we make already a positive difference, but still can improve current activities. There are still many opportunities to be explored. In our sphere of influence, both upstream and downstream, new fields of engagement appear. Especially in the mining activity, we acknowledge there are challenges we can take to make things better.



SOME INPUT FROM OUR STAKEHOLDERS

We consult with our stakeholders both informally and formally to learn more about their key concerns, expectations and to tailor our communication channels to their needs.

With our stakeholders we refer to anyone that's affected by us or affects us in any possible way: suppliers, employees, contractors, customers, governments, international organisations, local communities, financial institutions, NGO's, business organisations and academic institutions.

For this report a formal stakeholder consultation has been conducted quantitatively and qualitatively in April 2017. An online survey consisted of ranking questions as well as open text boxes for suggestions. This was shared with all RB staff and 100 external stakeholders and a total of 90 respondents participated. A 60' phone interview was undertaken with a selection of 10 of our stakeholders from key categories.

All respondents were asked to react to our SDG impact assessment and feed us with their expertise and points of view. They were also asked to give a score for every of the 10 identified topics. First score was on how important they believe each topic to be for Rosy Blue (importance) and second score on how advanced they perceive us on each topic (maturity). With these results we could build our maturity matrix.

It's an excuse to pretend that the consumer doesn't want to pay for a fair diamond.

Luxury is only determined by how people and nature are treated

Buying from big actors is indirectly also encouraging their community programmes on the field and hence local economic impact

Promoting more women would give a good signal in an industry that works for jewels (linked to women)

Keep more focus on the issues you have under direct control or strong influence

The diamond industry is still reluctant about full traceability because it is costly but most companies are heading towards is, it will come eventually.

Dare questioning some ancestral practices in the light of today's expectations

The trading activity must be stronger in due diligence, to monitor financial flows and conflict minerals that get in the jewellery activity.

Fight against old mentalities, there is a big resistance to change in the sector, against anything formal

INTEGRITY & TRUST

Integrity and trust in our sector relate to diamonds, people and operations.

Rosy Blue is strong in ensuring the integrity of its products. It has increased its synthetic proof processes to avoid synthetic diamonds are mixed with natural ones.

We have to remain vigilant on the people we work with, and continue to work on our practices to deserve full trust and the best reputation.

GOVERNANCE & COMPLIANCE

Criticisms of opacity and lack of transparency are common in the diamond industry. Rosy Blue wants to guarantee that it is well managed, in a transparent and ethical manner. As a worldwide alliance comprising of many companies, we are willing to set in place effective and transparent governance structures and inclusive decision making processes, promoting equal gender opportunities at all levels. Of course, we remain committed to full compliance with legal and regulatory standards. This business attitude contributes to eliminate the risks of corruption and money laundering.

LABOUR STANDARDS & DECENT WORK

At Rosy Blue, we have put significant efforts to maintain fair and ethical working conditions (health, safety, working hours,..) for all employees. We aim to extend this endeavour upstream in our supply chain, to increase our positive influence in areas outside our own operations.

ETHICAL SOURCING

Today, the diamond industry is evolving to know more precisely where every diamond originate from and force ethical behaviour of all actors along the chain. Conflict-free provenance is not good enough anymore. Rosy Blue wants to source in a way that also safeguards human rights, labour rights and the environment.

More than that, we are reflecting on how we can generate an extra-positive impact by buying where economic development is most needed and our purchase can make a difference. This is also sustainable growth.

COMMUNITY ENGAGEMENT & PARTNERSHIPS

Rosy Blue Foundation is our best relay inside the surrounding communities of Rosy Blue. The SDGs pinpoint a series of urgencies that the Foundation can help address by supporting the right non-profit organizations.

At a corporate level, we will also foster partnerships linked to our sector or operations, sharing knowledge and expertise.

CRAFTSMANSHIP & EDUCATION

Polishing diamonds requires high levels of technical skills and craftsmanship. It takes months to train a good polisher and considerable investments to buy and upgrade the best equipment. This know-how within Rosy Blue benefits to more than our own employees each time we share best practices, train interns, grant scholarship and support schools. We are conscious of the value to safeguard the culture and craftsmanship of diamond polishing. Transferring this know-how is within reach and can be amplified to contribute to quality jobs and the needs of education in the countries where we operate.

SUPPLY CHAIN TRANSPARENCY & TRACEABILITY

Should we go towards a full chain of custody? The diamond sector has a long tradition of discretion and privileged partnerships. The functioning on the basis of trust is not always in line with the expectations of some stakeholders, external to the sector. They start demanding full traceability of diamonds back to the mine, and transparency on the practices at every step. For Rosy Blue, this is not only a matter of investing in new technological developments or adapting procedures. This questions the delicate balance between transparency, confidentiality, and competitive advantage. We accept this challenge as part of our accountability to Society.

SUSTAINABLE GROWTH

Global economic practices have led many markets to irresponsible behaviours, leading in turn to increased inequalities. Rosy Blue believes that it should link its company success to a positive growth along the supply chain. By doing so, we aim to create an added-value of diamond manufacturing for the entire Society, from the miner to the consumer.

Also, by encouraging regulation and transparency of the financial markets, we as a trader can help decrease market volatility and stabilize prices and market conditions to the benefit of the entire value chain and a sustainable economy.

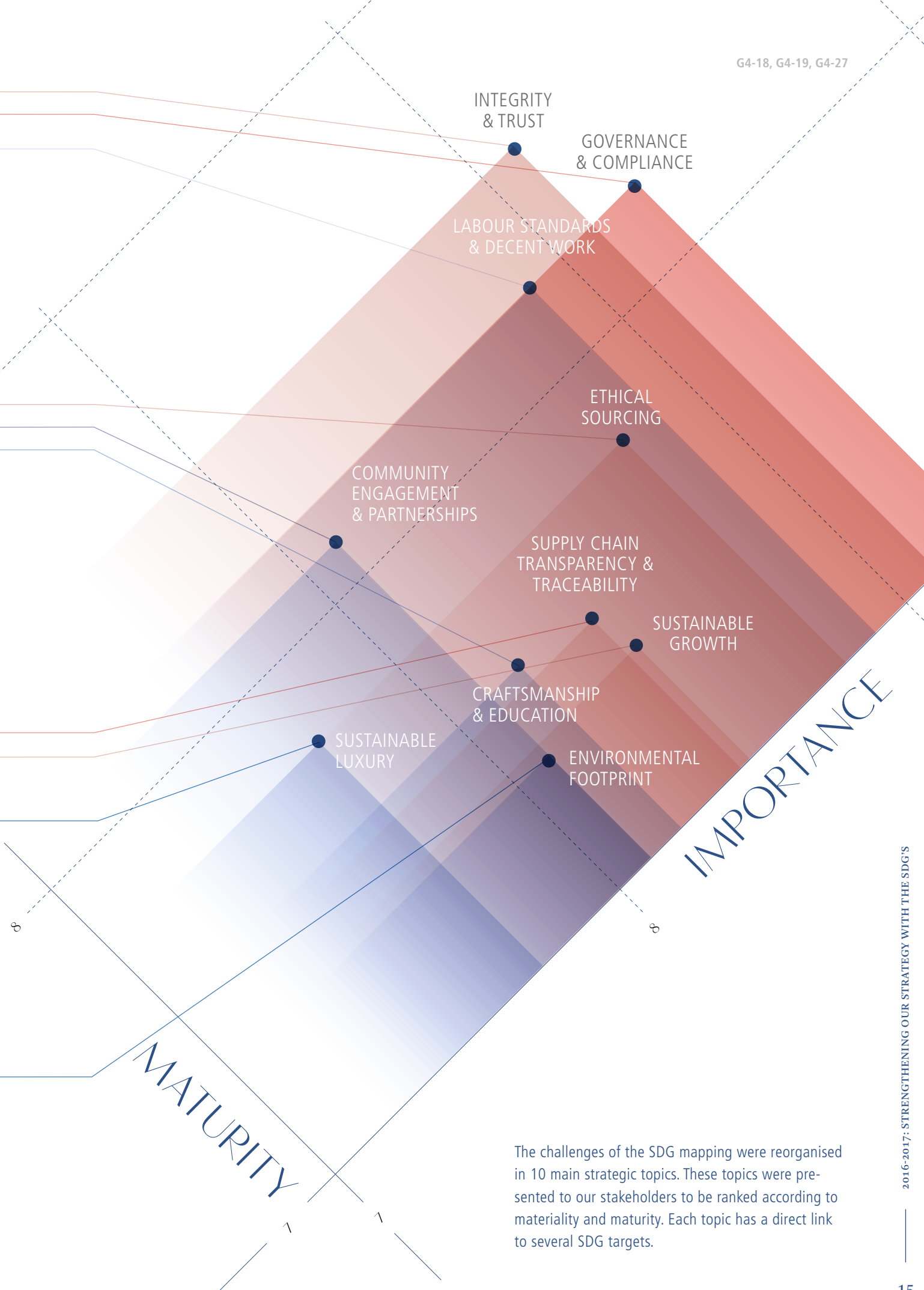
SUSTAINABLE LUXURY

Can sustainability and luxury go hand in hand? Rarity, beauty, timelessness, uniqueness and craftsmanship are valuable qualities that reflect both sustainability and a luxury product. Through all our activities, we want to be part of a luxury that is responsible, sustainable, one of a kind and charged with positive emotions and traditions.

ENVIRONMENTAL FOOTPRINT

We monitor closely and work to minimize the impacts of our operations on the environment (energy management in our factories, carbon footprint in our operation sites, water management...) but have not yet set ambitious targets to decouple production and resource needs and reach carbon neutrality.

From a diamond extraction point of view, we cannot ignore the environmental impacts of large scale mining on natural landscapes. Even if we are not directly responsible for these impacts, we are ready to open a discussion on this matter with our providers.



The challenges of the SDG mapping were reorganised in 10 main strategic topics. These topics were presented to our stakeholders to be ranked according to materiality and maturity. Each topic has a direct link to several SDG targets.

GOVERNANCE AND COMPLIANCE

Our core values

Integrity:

we strive to uphold ourselves to moral and ethical standards

Accountability:

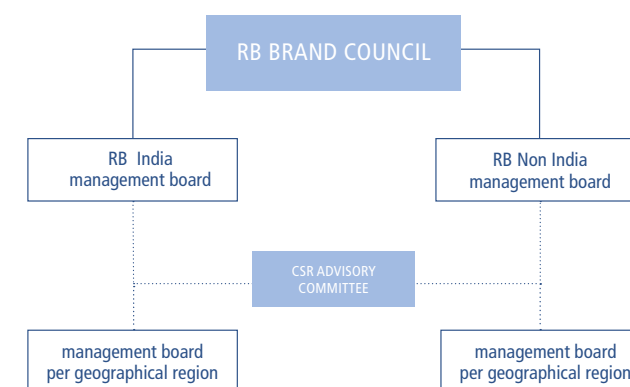
we are keen to deliver the same promise of trust and craftsmanship to all our stakeholders around the world.

Diversity:

we embrace the diverse characteristics of all people who work with us and respect their dignity.

CORPORATE GOVERNANCE AS RISK MITIGATION

We recognize the importance of good governance to prevent business and social risks within our company. To achieve this goal, we increase management efficiency and transparency by improving our internal control system. A number of corporate bodies have been established to create a sound balance of reporting.



Rosy Blue Brand Council

Since Rosy Blue NI and Rosy Blue I are two independent legal entities, a Rosy Blue Brand council has been established with the main function to manage growth and oversee the Rosy Blue Brand. Their task is also to maintain ethics and core values across our operations.

Members

Dipu Mehta,
Vishal Mehta,
Amit Bhansali,
Ravi Bhansali
Russell Mehta,
Viraj Mehta

Local Management Boards

Each Rosy Blue entity is governed by a Management Board and covers a certain geographical region with its own profit and loss responsibility within the wider framework of the Rosy Blue brand. They define long-term goals and strategies, coordinate and monitor the most important activities, develop and deploy managerial staff, allocate resources and decide on its financial steering and reporting. The Chairman of each Management Board coordinates its work and presides over the meetings. Through regular discussions with its board members, the Management Board is kept constantly informed of developments in business policy, corporate planning and strategy. It also approves the financial statements taking into account the reports by the auditor.

CSR Advisory Committee

The main objective of the CSR advisory committee is to review and make appropriate strategic recommendations regarding Rosy Blue's CSR management and to monitor the conduct of business in accordance with the different compliance standards. Its 4 members come from different operational departments and complement each other in terms of their diverse professional expertise and excellent knowledge of the complex supply chain we work in.

Members

Valerie Michel,
Manager corporate
Affairs & CSR, Belgium,
Alon Moolleman,
Manufacturing coordinator
Bhavneet Modha,
HR Manager India
Sookruthai Karintanaka,
head of HR, Thailand

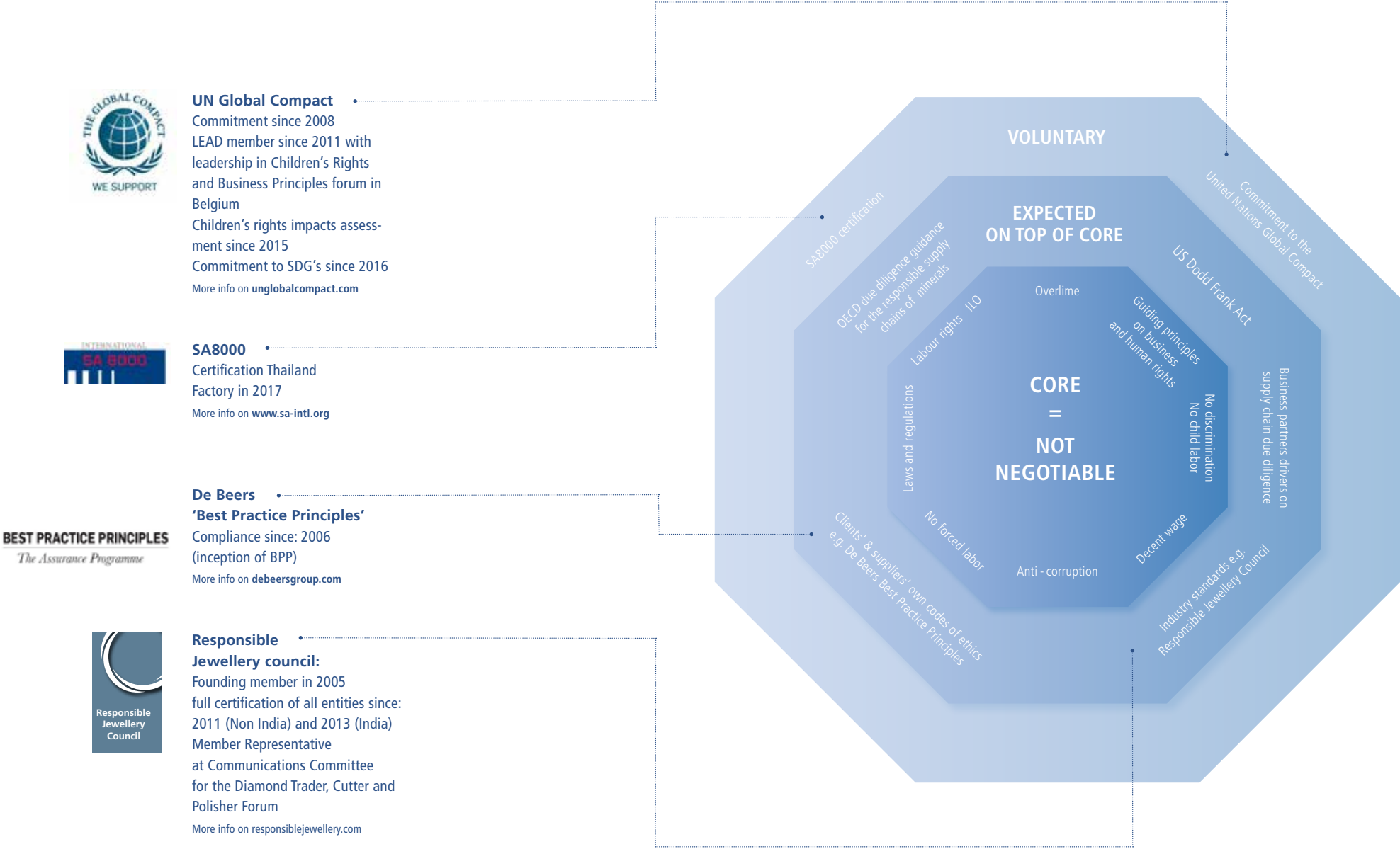
AML – KYC (Know Your Counterpart) team

Rosy Blue has a dedicated AML-KYC officer in every entity who follows up on financial compliance and possible suspicious transactions. The 'know-your-counterpart' procedure is followed to verify and keep records on the counterpart's identity as per anti-money laundering (AML) requirements. As buyers, we are also subject to the same disclosure obligations to our suppliers. Under no circumstances, goods can be sold to a new customer without the KYC process finalized with a green light.

COMPLIANCE: A VERY DEMANDING OPERATING ENVIRONMENT

Compliance with international rules and regulations is a minimum responsibility for every company. There are several initiatives in the diamond industry that seek to help companies improve their impact on society and to enhance consumer confidence. We also adhere to codes of different suppliers and customers, which for confidentiality reasons we have not individually and specifically mentioned here.

On top, we also engage explicitly in a series of initiatives which we believe help us to consistently improve business and operating practices across the value chain and our markets.



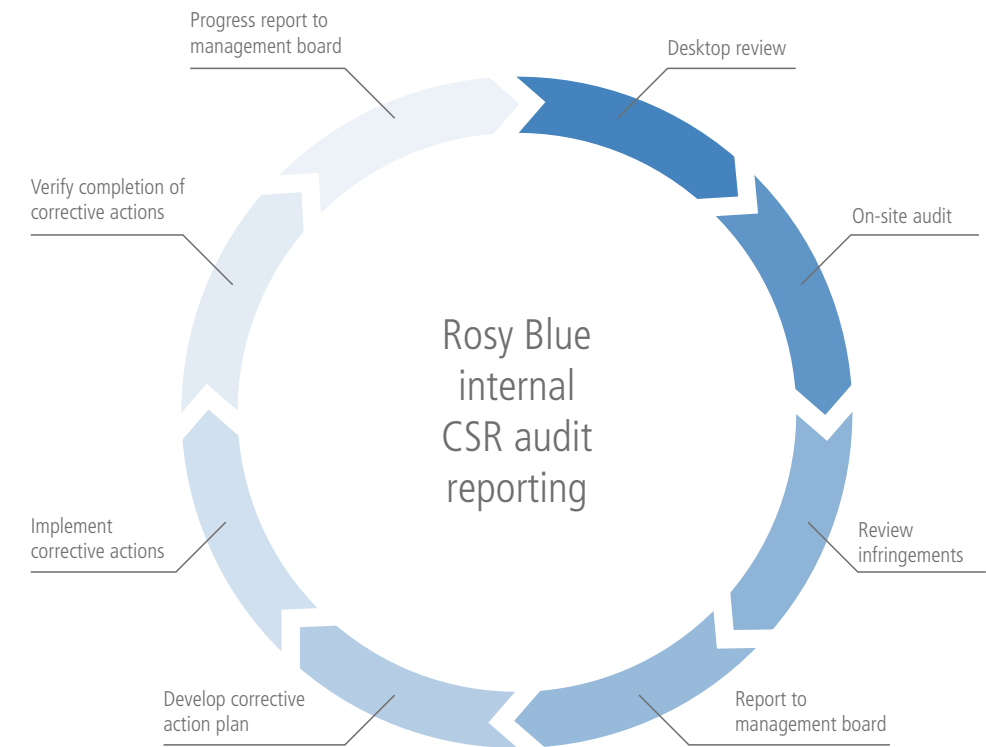
Our CSR Journey

2005	2007	2008	2009	2010	2011	2013	2014	2015	2016
Rosy Blue (NI) cofounded the Responsible Jewellery Council	CSR strategy decision	Launch CSR information management system	First CSR report	Rosy Blue Going Green strategy established	Member of UN Global Compact LEAD	Rosy Blue I RJC certified until 2016	Recertification RJC Rosy Blue NI till 2018	Global CSR seminar	Commitment to contribute to the Sustainable Development Goals
Start De Beers Best Practice Principle program	Global training seminar for local CSR officers	Start internal pre audit visits	Pilot project in preparation for RJC certification process		Rosy Blue NI RJC certified until 2014			Launch CSR extranet	Recertification RJC Rosy Blue I till 2020
		Participant of UN Global Compact							



OUR COMPLIANCE STRUCTURE: A CENTRAL YET LOCAL ORGANISATION

Two central CSR departments are at the core of the leadership structure. They hold responsibility for the alignment and steering of our global sustainability strategy. Some of their tasks are communicating externally, collecting data, and developing policies and procedures and monitoring their implementation.



Internal monitoring to know what happens where

The two central CSR departments evaluate compliance through an internal audit system and work proactively with our people to drive change. Every entity has appointed a local CSR compliance officer who is responsible for implementing compliance and tailoring global, all-encompassing directives to local national and cultural needs.

Each year the 2 Central CSR Departments, in close coordination with the local CSR officers, audit a number of entities based on various risk criteria including geographic sensitivities, past audit performances and the nature of facility's work. In 2016, Belgium, Dubai, Thailand, China, India hosted an internal audit and Thailand was assessed in collaboration with Social Accountability International (SAI).

OUR ACTIVITIES



ROUGH SOURCING & TRADE

Our close relationship with the world's premier diamond mining companies, including the De Beers Global Sightholder Sales (DBGSS), Alrosa and Dominion Diamond Corporation, enables us to assure our client a regular and unrivalled supply of rough diamonds well into the future. We participate in all major tenders and auctions. Our globally spread sourcing team also buys from all rough trading centers and across a full range of goods, but only from known and trusted suppliers. Depending on our own needs in polished stones, we trade the rough that will not be sent for manufacturing

To preserve our high standards and reputation, we are extremely careful with the procurement of every rough diamond that we buy. We require our suppliers to propose only diamonds that have been procured through a conflict-free process and from sources that adhere to our standards of human rights.

Ethical sourcing from primary mines and trusted suppliers

All our diamonds are conflict free origin. We apply the rough Diamond export and import verification system and controls as laid out by the Kimberley Process Certification Scheme* and national legislation of the countries where we operate. We only supply diamonds that have been sourced from countries that are participants in the Kimberley Process and that have been legally exported under a relevant Kimberley Process certificate. Certifying their origin is

to prevent diamonds from potentially being used to finance armed conflicts by rebel movements from entering the market. We also fully comply with the World Diamond Council System of Warranties*.

* www.kimberleyprocess.com

* www.worlddiamondcouncil.org

Provenance traceability for every stone manufactured in-house

For a company the size of Rosy Blue traceability challenges are substantial, as the rough is bought in various locations and is then routed through procurement and sorting offices, before ending on polishing wheels in different factories.

In all entities, integrated IT systems have been set up in order to guarantee transparency on every stone that is manufactured in house. Allied with human vigilance, this helps us monitor every diamond passing through our manufacturing and finishing processes. These processes are independently verified through our membership of the Forevermark Program in 4 of our operations: Belgium, Thailand, China and India.

JD Edwards at Rosy Blue I

JD Edwards is the integrated applications suite of resource planning software that offers databases, operating systems and hardware to develop IT solutions to meet business requirements like a tight monitoring of all receivable and payables. It tracks each rough parcel from the time it is received till the completion of manufacturing process and the value addition made thereto. It is a notable improvement in operational efficiency.

Fantasy system at Rosy Blue NI

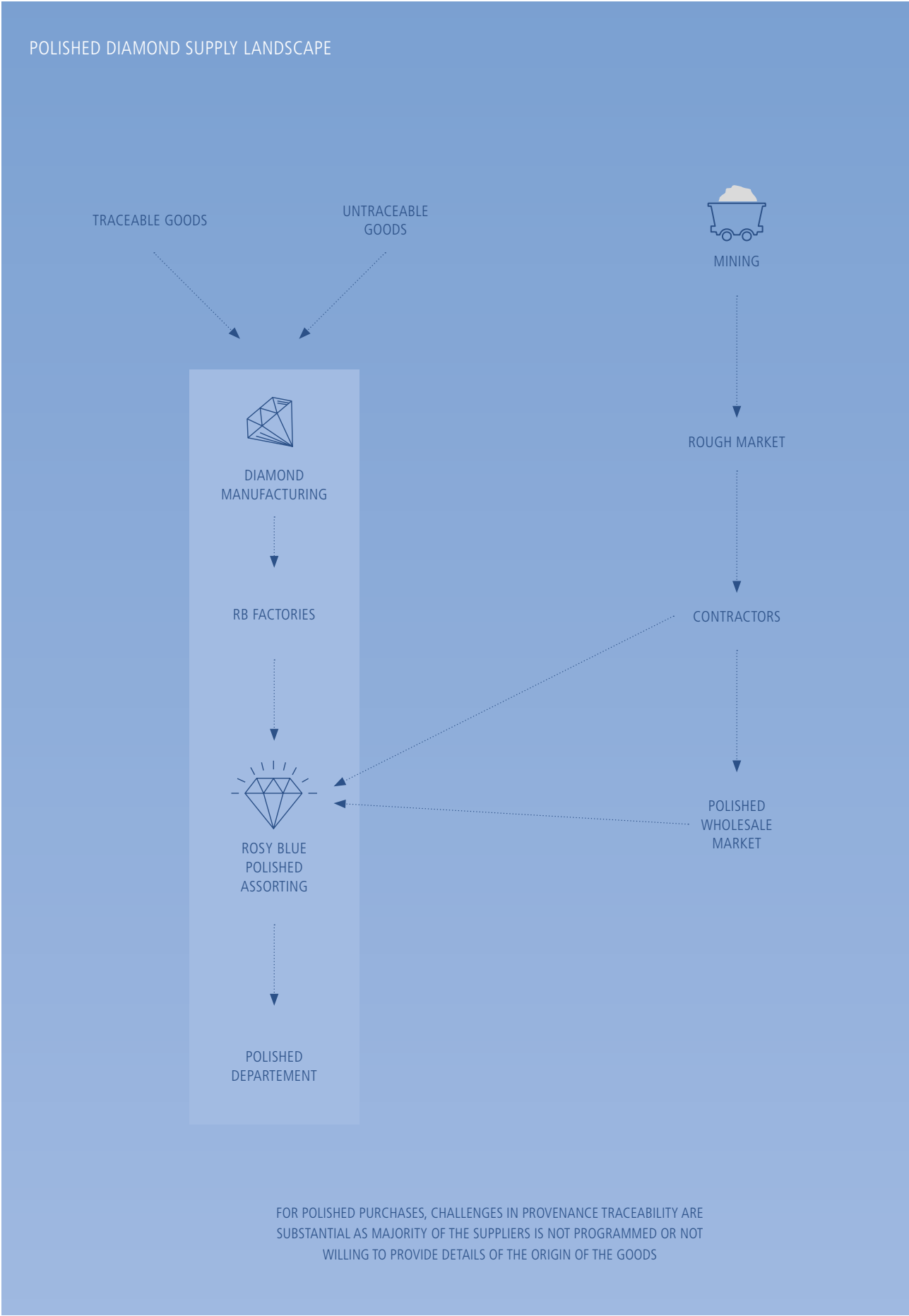
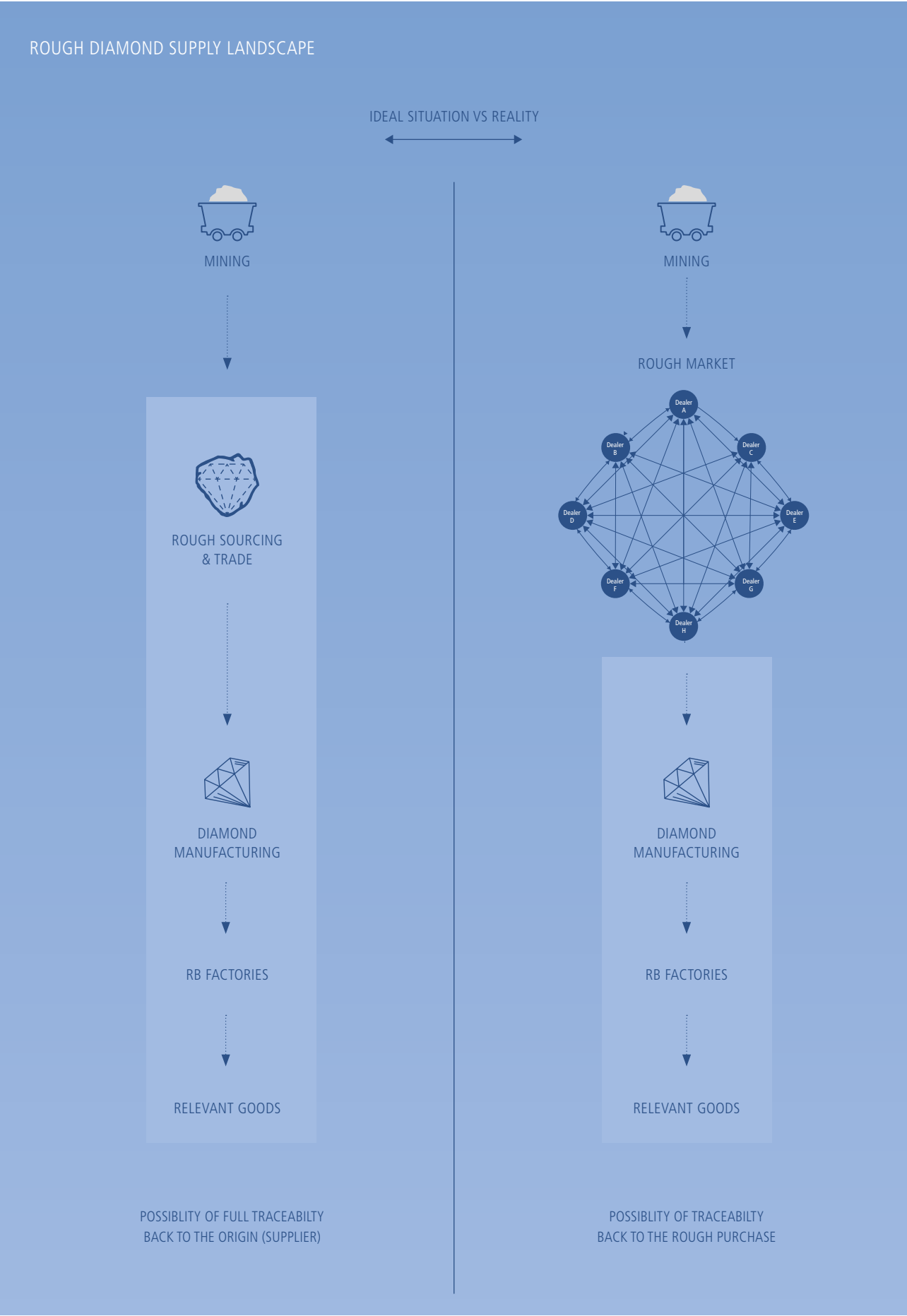
The Fantasy system is a customized Enterprise Resource Platform (ERP) solution originating in Israel, that includes tools for back office management, manufacturing, accounting, etc.

The Fantasy system allows for **absolute tracking of every single stone, as well as entire** lots, manufactured in-house, throughout our entire global supply-chain, at every stage.

Fantasy can track the history of any stone back to its origin and identify each activity and outcome. All Fantasy data is contained on-line and can be accessed remotely.

e.g. Canadian origin hallmark: We use our traceability system to be able to guarantee Canadian origin of diamonds. Our factory in Thailand is approved as manufacturing facility using the CanadaMark™ program, a trademark of Dominion Diamond Corporation, one of our main suppliers. This origin hallmark signifies that the polished diamond is mined in Canada, natural and untreated, tracked from mine to polished and of standardized quality.

Traceability challenges





OUR CORE BUSINESS:

DIAMOND MANUFACTURING

Our manufacturing centres combine the traditions of diamond craftsmanship with the most advanced polishing technology and highest technical standards. We manage our production with an advanced series of internal control mechanisms to drive quality and maintain the integrity of the pipeline. All the steps to bring the finished product to the end consumer must be undertaken with transparent and respectable practices. Because of the large proportion of in-house manufacturing, we can minimize the risk of undisclosed synthetics entering our supply chain.

Our production ranges from rounds (from 0.005pts to 10cts+) to calibrated princess diamonds (from 0.03pts to 10cts+) as well as a wide variety of fancy shapes.

Rosy Blue adopts a value-driven approach to manufacturing: maximizing at every stage the value of the rough stone through superior makes and special cuts, offering speedier delivery and defining more accurate projections of demand.



Beyond labour rights in our own operations

For Rosy Blue human rights include labor rights as stated in the International Labour Organisation (ILO's) core conventions and the Declaration on Fundamental Principles and Rights at Work. We focus our efforts on those rights that are within our sphere of influence and our working environment. We respect human rights primarily by providing safe and healthy working conditions for our employees and ensuring non-discrimination in human resource practices.

Most of our operations and people are in manufacturing. Environmental and social standards for labour vary tremendously — for example, the national minimum wage, or working hours in a certain country may exceed or fall short of actual decent living standards. Because of this, we are committed to going beyond the minimum regulations as stipulated by local law.

The fact that we are a certified RJC member and a SA8000 applicant enables us to claim that all practices throughout our own operations are conducted in an ethical and responsible way, without any human right abuse or conflict.

33.81% of our total workforce is covered by collective bargaining agreements

Craftsmanship and education

Polishing diamonds is a very specific and respected craft. We provide a variety of mandatory and voluntary, internal and external training opportunities for our employees to help them develop technical skills in the workplace, and gain the competences specific to their roles. We communicate our global compliance policies and procedures covering the subjects of compliance on our CSR extranet. Regarding CSR and compliance knowledge, the training material and toolkits can be adjusted by the local CSR expert as per the local reality and language.

In 2016, Rosy Blue recorded a total of **436 hours of training** mainly on compliances, human rights, social performance and management practices. The increase in training is due to the 2015 CSR liaison meeting. Every compliance officer has organized a local training session for the relevant employees in her entity.

In 2016 our factory staff was trained in energy efficiency.

Health and Safety

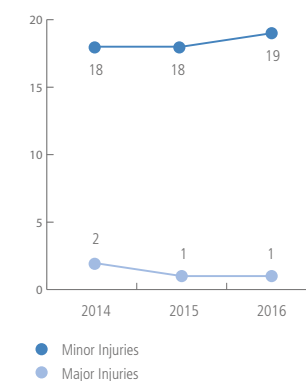
Rosy Blue is committed to providing and maintaining a safe and healthy work environment for all employees, contractors and visitors. In general, the manufacturing process of diamonds does not pose any material safety risk in itself. The main health and safety risks are cuts to fingers, projection of parts of stones in the eyes and inhalation of dust

during polishing.

All of our entities have appointed a Health & Safety Manager, responsible and accountable for ensuring compliance with our global policy and local regulations. They are supported by a Health and Safety team. In 2016, **136 people** were involved in preserving health and safety across our sites.

Working accidents

We take all practicable steps to eliminate, isolate and minimise the risk of injuries or illness from identified actual and potential hazards. Our factories are staffed with a full time nurse. Some locations have a clinic and we monitor health of employees at regular intervals. We focus on wearing personal protective equipment (PPE) which makes a considerable impact in the occurrence of accident.



We call a major injury when a doctor is called or the person is hospitalized. In 2016 1 worker operating a polishing scaive cut his finger and had to go to the doctor for stitches. Medical costs were entirely covered by our social security fund.

We had only 1 major accident in 2016

Our social performance

As we operate in some of the world’s most complex economic, political and social environments, due diligence and continuous monitoring, (and where appropriate remediation) is key to implementing our compliance commitment (cfr p19). We undergo various social audits which help us to identify improvement opportunities.

Our Thailand factory has passed the ISO9001: 2015 certification in November 2016.



Results of BPP external audits per country

	2014	2015	2016
Armenia			
Belgium	•		
China		•1 inf	
Hong Kong			
Israel		•	•
Japan			
Thailand	•5inf		•2inf
UAE			•1 inf
USA	•		
India	•4 inf	•10 inf	•13 inf

INF= potential minor and major infringements. An infringement is a compliance issue that can be managed and rectified within a short or reasonable period. Both minor and major infringements require us to submit a Corrective Action Plan.

Social audits: examples of how we adressed and corrected the findings.

Country	Finding	Corrective action	Status
Dubai	The facility requests business partners to formally undertake the business partners’ code of conduct after a risk assessment. However this is not done for customers, as they undergo only a KYC check.	The business partner code of conduct will be updated and sent to customers as well.	Closed
Thailand	The subcontracted company of the security guards’ has deducted wages for uniforms and equipment. The subcontracted security guards and cleaners worked for 13 consecutive days in August and September 2016.	Agreement conditions with the subcontracted company was adjusted to Rosy Blue standards. Overtime was calculated and wages were paid accordingly.	Closed
Thailand	The permission for waste storage extension covered all chemicals but did not cover used sulphuric acid and chemical sludge from the polishing process	The waste coverage permission was extended to cover sulphuric acid and chemical sludge from the polishing	Closed
India	The Fire No objection Certificate was not obtained from the concerned authority.	The Certificate was applied and is in process.	Open
	The factory had not provided automatic sprinklers and fire hydrants.	Exemption from installation of automatic sprinklers and fire hydrants has been received from the authority.	Closed
India	The lunch break times vary between employees. Some employees took 30 minutes breaks, while some others took 40 or 50 minutes break.	All store employees are now given one hour of lunch break.	Closed

Human rights due diligence in the supply chain

Because we buy directly from primary mines and trusted suppliers, we consider the human rights risks in our upstream supply chain as low.

We carry out a risk assessment to review our responsibility with respect to human rights, as a requirement for the RJC code of practices. The exercise allows us to proactively manage the human rights related risks of our supply chain. We have mapped any human rights impacts our company may cause or contribute to and how we can prevent or adverse these.

Managing our contractors

In 2016 we worked with 6 majority contractor and 72 minority contractors for Rosy Blue (NI), and 1 majority and 50 minority contractors for Rosy Blue (I). These include grading services, cleaning, jewellery retail shops, but also polishing activity.

We focus on ‘substantial contractors’, being the contractors that generate 75% or more of the revenues of the contractor from one of our entities.

Each year, these majority contractors are selected for audit by SGS based on risk factors such as conditions in the country where a facility is located and the facility’s past audit performance.

In 2016, no majority contractor was audited.

We continued to enhance awareness in 2016 among our ‘non-substantial’ contractors by distributing our Business Partners Code of Conduct and a formal undertaking which we ask to sign off.

Our Business Partners Code of Conduct will be revised in 2017, setting out our expectations of business partners. All ten principles of the UN Global Compact will remain incorporated in Rosy Blue’s Business Partners Code of Conduct.



Thailand on the verge of SA8000 certification, China to start journey with gap analysis

The SA8000 Standard is one of the world’s first auditable social certification standards for decent workplaces, across all industrial sectors. It is based on the UN Declaration of Human Rights, conventions of the ILO, UN and national law, and spans industry and corporate codes to create a common language to measure social performance.

After the gap analysis of our factory in **THAILAND**, an action plan was established to start the certification process with the SA8000:2014 standard.

- A system of regular internal audits, corrective and preventive actions and management reviews for other third party audits has been established. SAI management systems including the ‘social fingerprint’ tool has been implemented to evaluate the preparedness of the management systems and build a robust system that sustains the social performance requirements.
- In sync with the current SA8000 International Standard, the management system for managing social performance indicators is fully established.
- A Lean 6 Sigma project from HR perspective lead to the improvement of the internal communication process. Outcome action was to have a quarterly magazine to share information across all employees of the factory. A cross functional team was formed for this initiative and the first issue of “Beyond Infinity@Work’ magazine was launched in March 2017.

In September 2017 SAI will conducted a gap analysis of our factory in **CHINA**. The primary aim of this task will be to review the current social performance and to assess gaps and challenges.



POLISHED TRADE

Our clients for polished stones are a diverse group, ranging from the world's most prestigious international brands to large chain retailers catering to every price point, as well as small, speciality jewellers.

By combining our own manufactured diamonds with polished stones sourced from the open market, we ensure a consistent depth of inventory.

We have teams of key account managers across the world buying and selling specific weights and qualities of polished stones. These specialists are in continuous, open communication with our rough diamond procurement operations, to quickly pass on details of a customer's requirements. This is how we tailor our rough procurement as tightly as possible to the real-time demands of our customers, creating a responsive and client-centred pipeline.

We updated our Know Your Counterpart Procedure

In 2016 we have implemented an updated identification procedure to understand more about the people we do business with.

1

Potential new customer or supplier wants to buy or sell diamonds from/to designated sales person.

2

The sales person collects information to do business with this counterparty: a fully completed KYC form, completed with supporting documents: D&B report, passports of the directors, bank details etc.

3

Potential new counterparty has to complete information within a strict timeframe of 14 days.

4

The designated sales person sends the full file to the responsible AML- KYC officer.

5

The KYC officer will control if the KYC form is complete and will conduct a more detailed identification process and risk assessment of the potential new counterparty using Bureau Van Dijk database to check sanction lists, PEP lists (Politically Exposed Persons), FATF high risk country list, adverse media, KP compliance, etc... All this will give extra assurance on the company we are dealing with.

6

If the KYC officer finds information is not complete, or there is a suspicion, he will raise a temporary red flag. The director has to decide if transaction can proceed.

7

Once the KYC officer gives green light on the counterparty, transaction can take place: the goods can be invoiced.

8

If the Director and KYC officer decide the risk is too high or information is still not complete after several requests, a formal red flag will be raised and will be sent out to all sales and purchase personnel.

Product integrity and authenticity

It is our obligation to guarantee the authenticity of our diamonds and gold jewellery in all their physical characteristics. Product disclosure rests on the quality and veracity of the information that is disclosed to the consumers about the diamonds they purchase.

Full disclosure at all times

Supply chain due diligence is combined with the right product information given to the end consumer. Full disclosure at all times is key throughout our processes. We acknowledge that in our sector, the non-disclosure of the potential treatment of natural diamonds, and the misrepresentation of simulants and synthetics as natural

diamonds, undermines consumer confidence in the integrity of our product. Written disclosure is needed in each bill of sale, receipt, laboratory certificate or other documentation we give to our clients.

4C's of a diamond

Each diamond is unique. The quality and value of a diamond is defined by its 4 Cs: carat, colour, clarity and cut.

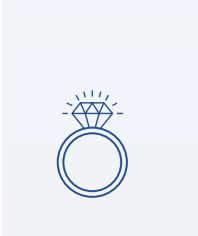
The weight or size of a diamond is expressed in **CARATS**.

Most diamonds range in **COLOUR** from colourless to slightly yellow. Diamonds can also occur in all ranges of colours, from brownish to striking yellow, pink, purple, red, blue and green. These are called 'fancy colours'.

With clarity, a diamond's purity is described. The clarity scale reflects the size, number and location of the internal characteristics. Diamonds that have no inclusions visible to the naked eye are of excellent quality and are called 'loupe clean'.

A diamond's cut defines the proportion, polish and symmetry of the cut. A perfect cut equals more sparkle, brilliance and fire. Cut is not the same as the shape or form into which it was cut. Diamonds can be cut into various shapes, the best-known is probably the round brilliant.

*source: www.hrd.be



Securing our supply chain against synthetic contamination

Supply chain due diligence is combined with the right product information given to the end consumer. Full disclosure at all times is key throughout our processes. We acknowledge that in our sector, the non-disclosure of the potential treatment of natural diamonds, and the misrepresentation of simulants and synthetics as natural diamonds, undermines consumer confidence in the integrity of our product. Written disclosure is needed in each bill of sale, receipt, laboratory certificate or other documentation we give to our clients.

What is a synthetic diamond?

A synthetic diamond is a diamond produced in an artificial process, as opposed to natural diamonds, which are created by geological processes. Synthetics are made from carbon, but crystal is formed through production methods that are, high-pressure high-temperature (HPHT) or chemical vapor deposition (CVD). The average cost of a synthetic diamond compared to a natural diamond is about 40% lower. Rosy Blue’s view on synthetics: Gem quality synthetic diamonds are a genuine product in their own right. If sold with the proper disclosures, it offers consumers an alternative to buying natural diamonds. What affects the natural diamond industry and the consumers is the undisclosed mixing of natural and synthetic diamonds. This is clearly a fraudulent practice, which is not acceptable to any respectable actor in the sector.

Determining the risk in our pipeline

Rosy Blue anticipates the risk of mixing natural with synthetic diamonds by mapping, controlling and minimizing all possible ‘contamination points’ in our pipeline. Each contamination point holds a different level of risk and a different level of risk requires a different type of action. We have determined at what stages testing is required and have rolled out and implemented our integrity procedures across locations. Thanks to our robust control procedures, no synthetic stones have been found across our parcels.

Low risk for in-house manufactured goods and certified stones

For purchases certified by an external lab and goods coming back from our own manufacturing, we consider the risk for synthetic contamination low. However, since our in-house manufactured goods are often mixed with market purchases, we have decided to sample test anyway according to De Beers guidance.

	high risk zones	low risk zones
< 0.01 cts [1.4mm and smaller]	100% testing by IGI	sample testing ~ BPP chart
0.01-0.17 cts	100% testing	sample testing ~ BPP chart
0.18-0.299 cts	100% testing	sample testing ~ BPP chart
> 0.30 cts	100% testing	

* for Rosy Blue NI

Incoming quality control for high risk zones

For non-certified polished purchases, contracted manufacturing and returned goods, we consider the risk high. On these goods we conduct robust testing to eliminate all risks.

We work with independent laboratories such as International Gemmological Institute (IGI), IIDGR or GIA to do all the testing that we don’t perform in-house like for instance on referrals and category 0.01ct and below. In our sampling approach it is essential that measures are taken to ensure that sampling is random.

Automated Melee Screening (‘AMS’): A fully automated instrument for screening volume melee diamonds to verify they are not synthetic or simulant.



Supplier: De Beers IIDGR
Scope: Round brilliant colorless diamonds in size range 0.003cts – 0.2 cts
Fancy cut melee (0.01-0.2cts)
Logs: Log of every tested parcel and the outcome.

Speed: up to 3600 stones an hour (AMS2)
Referrals: The AMS testing incorporates normal ‘referral’ rates resulting from both the machine, as well as the rate of type IIa occurrence in nature.
• Any parcel with a passrate below 97% will be tested again.
• All referrals will be sent to external labs for testing.

Diamond Sure: A manual instrument for testing of diamonds of 0.30cts and up



Supplier: De Beers IIDGR
Scope: Loose and mounted 0.05 – 10ct
Near – and Colourless (brown/natural fancy color will show high referral rate)

Glis3000: A manual instrument for screening volume melee diamonds for natural, synthetic and enhanced/treated HPHT (based on fluo/phospor)



Supplier: QSPEC
Scope:
• Colorless diamonds in size range 0.001cts and up
• All shapes loose and mounted
High Speed: stones have to be placed on a tray under UV light, 6 seconds to process results Labour intensive instrument

JEWELLERY MANUFACTURING AND SALES

Inter Gold is the jewellery manufacturing arm of Rosy Blue India, employing 300 employees in our jewellery factory in India. Our marketing and distribution network spreads across the globe, with special expertise in the United States, Europe, Japan and Asia Pacific.



2016 at a glance for Inter Gold

- Significant investments were made in new equipment with latest technology in CAD CAM, Casting,Wax Injecting, and Refining
- A new process - Mass Finishing - was set up for better surface quality and reduction in lead time.
- Lean Six Sigma Green Belt projects successfully initiated in areas of
 - (i) First Time Right at source
 - (ii) Reducing Metal Loss
 - (iii) Reduction in Diamond Breakage
 - (iv) Customer Delight – A Zeal to surprise customer by exceeding expectations
 - (v) Inventory Control
 - (vi) Manufacturing Labor Optimization
- Successfully cleared customer audits on Capacity & Capability, Global Security Verification, Ethical Environmental Health Safety, and Irradiated Diamonds (an audit that validated segregation of natural and Irradiated diamonds)
- Improvements in internal quality procedures that have resulted in positive customer feedback. Also another major customer has informed us that we can ‘Self Inspect’ our jewelry shipments as the Customer does not need to assign a Customer QC representative anymore.
- Environmental footprint of Jewellery manufacturing is higher than that of diamond manufacturing.

We are focusing any environmental efforts in the first place on Inter Gold factory. In 2016 all staff was made aware of energy management and its benefits. In 2017 the factory will be audited for energy efficiency by Carbon Trust.



OUR RETAIL BRAND ORRA IN INDIA

The final stage of the diamond pipeline is when diamond jewellery is sold by retailers to the end consumer. Rosy Blue India's retail brand ORRA has 33 stores in India, selling a full range of diamond jewellery. ORRA caters to the modern Indian customer by creating contemporary jewellery designs. The process from inception of the design to the final creation and the way it is brought in the stores is managed by the brand.

OUR 2016 ENVIRONMENTAL IMPACT

We are working to systematically making our operations, and especially our factories, leaner and more energy efficient by implementing environmental management systems.



CARBON FOOTPRINT 2016 = 7270 TONNES CO2:

71%
ELECTRICITY USED IN OUR OPERATIONS

14%
BUSINESS TRAVEL

3%
COMPANY CARS (OWNED + LEASED)

12%
OTHER + UPSTREAM FUELS / ELECTRICITY

Why is environment material?

Our factories require energy and water to transform rough diamonds into polished stones.

What have we done in 2016?

We have continued to collect data from all our entities on transportation and energy consumption. We have also continued to collect data on waste disposal (including chemicals), and water consumption.

Based on last year's energy audits in our factories, our environmental partner, the Carbon Trust has organized tailored energy management training for our factory managers.

The main goal was to improve the energy management capabilities of our key factory staff. The training helped staff understand how to develop an effective approach to monitoring energy, implement maintenance procedures and review a range of potential energy efficiency projects.

Knowledge and resources for energy management vary across the different sites. Energy Management training delivered in 2016 received positive feedback from the sites and is now being modified and rolled out to other sites across the Group.

What's ahead in 2017

Carbon reduction actions
The focus of our activities within this module will focus on reviewing the savings identified via the energy audits.

- 1. A review of existing technical opportunities to understand the key carbon and financial metrics (capital costs, predicted annual cost savings, carbon savings, estimated date for implementation)
- 2. Working with the Sustainability Manager to understand when and where these opportunities will help to reduce the energy consumption across Rosy Blue's factories.
- 3. Modelling the impact that the opportunities will have on Rosy Blue's projected costs and carbon emission trajectory - This analysis will help to quantify the value-at-risk analysis.
- 4. Calculate the overall business case for investment, including capex budget and phasing

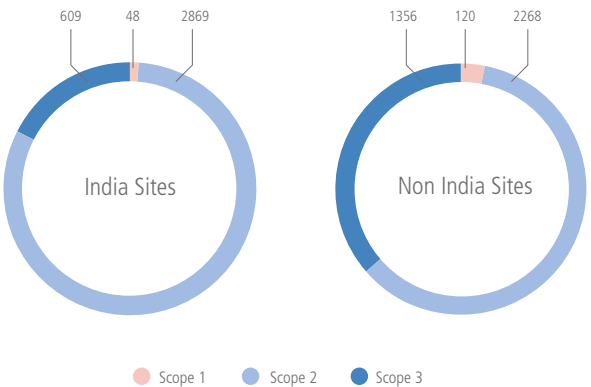
Evolution of our footprint

In 2016, 94% of Rosy Blue's emissions were associated with 5 factories. This is to be expected given the higher energy consumption of manufacturing sites compared to offices. The highest energy consumption was at our jewellery manufacturing site in Intergold, India. Since 2015 Rosy Blue's footprint has decreased by 4%. This drop in emissions is due to:

- Improvements in air travel, with more flights being taken in economy class
- Exclusion of one site from the scope
- Slight decrease in the electricity consumption at certain sites
- 2% reduction in business and first class air travel.

Since 2012 our organisational carbon footprint has decreased by 31%.

Despite a reduction in absolute emissions, emissions per FTE have increased slightly. This is due to a shift in business activity and site numbers, resulting in lower absolute FTE numbers. The methodology used to calculate carbon intensity per employee has been amended to better reflect industry best practice and communication standards, such as those laid out by CDP.

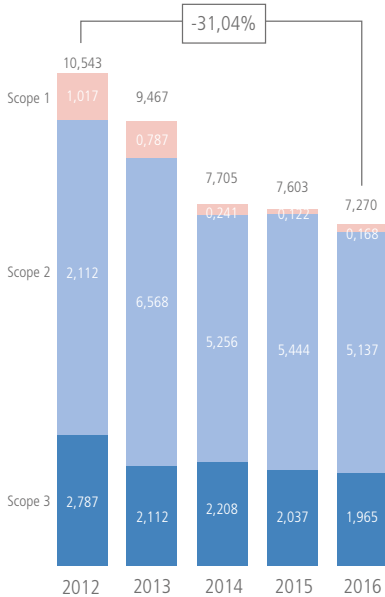


We calculate our organisational carbon footprint in line with Greenhouse Gas Protocol guidance. The boundary of our footprint includes:

- Onsite fuels and owned transport (Scope 1)
- Electricity consumption (Scope 2)
- Business travel and upstream impacts of electricity consumption and fuel usage (Scope 3)

We have excluded upstream Scope 3 emissions associated with purchased goods and services (diamond mining). Water consumption and waste disposal (including chemicals) is measured and monitored, however they are excluded from our carbon footprint. This is because they do not represent a material carbon impact.

	2014	2015	2016
Full Time Employee Equivalent	4,135	3,818	3,453
Emissions Scope 1&2 per FTE	1.33 tCO2e	1.46 tCO2e	1.54 tCO2e
Emissions Scope 1,2 & 3 per FTE	1.88 tCO2e	1.99 tCO2e	2.11 tCO2e



COMMUNITY INITIATIVES AND PARTNERSHIPS

We have a responsibility to help strengthening communities for a better, more promising tomorrow, Our partnerships are focused primarily within two areas:

Education

We support programs and projects that improve access to primary and secondary education for children; build skills in confidence; and partnerships with higher education institutions to foster educational opportunities for youngsters

Community Partnerships

We proudly work together with many organizations to help tackle important societal challenges. These partnerships are typically multi-year commitments where we contribute financial and business expertise.

ROSY BLUE FOUNDATION

Rosy Blue Foundation is our best relay inside the surrounding communities of Rosy Blue. The SDGs pinpoint a series of urgencies that the Foundation can help address by supporting the right non-profit organizations. 2016 was a busy year for the Rosy Blue Foundation (RBF), as we have continued to expand ongoing initiatives, and have grown our in-house initiative to a significant degree! Here's a snapshot of our main projects from the past year:

ConnectFor

ConnectFor is a homegrown RBF project. It is a technology platform that seeks to demonstrate the value of human resource. ConnectFor acts as an intermediary between volunteers and NGOs, and helps to create value add matches by finding the right volunteer for the right opportunity. With over 4000 volunteers, and more than 100 NGO partners in Mumbai, ConnectFor has already seen more than 5000 hours of completed volunteering! The project is only a year and a half old, having launched in December 2015, but has seen incredible

traction. More information can be found on www.connectfor.org. ConnectFor was recently awarded the Solutions4Good grant by Vodafone Foundation and Nasscom Foundation.

Mentor Together

We have continued our engagement with Mentor Together, resulting in the creation of over 100 mentorship pairs across 3 locations in Mumbai. The mentors, some of whom are RB employees themselves, have been divided across two programmes: Flagship mentorship, which is for children from grades 8-12 who are at risk of dropping out of school, and Work Based Mentorship, which is in partnership with Magic Bus, and is for first generation students who are looking to transition into workspaces or gain employment. We have also piloted a remote mentorship programme in rural Maharashtra, called Mentor To Go, which seeks to explore whether a mentorship relationship can be developed without in person interaction.

Mentor Me India

We have also continued our engagement with Mentor Me India, with our pilot for mentorship with "high risk children" i.e. children who are even more vulnerable due to their circumstances. The two groups we worked with were street children, and the daughters of sex workers in 2016-17, and now we have expanded the same for FY 16-17, looking at the impact of mentorship on HIV orphans.

Indian school leadership institute (ISLI)

ISLI is an organization that is invested in improving the quality of school leaders, believing that they are critical to the quality and standard of education across the country. We have supported them in creating a peer-to-peer mentorship network that matches government school leaders with private school teachers/leaders to help them define and achieve growth and a higher quality classroom experience.

COMMUNITY PARTNERSHIPS

Children’s rights & business principles

The leaders, decision-makers and innovators of tomorrow are the children of today. Respecting and supporting children’s rights is preserving the best future of society. A couple of years back we asked ourselves the question: how can a business take concrete actions in implementing children’s rights?

This is why, in 2013, during the Global Compact LEAD meeting at the World Economic Forum in Davos we launched a forum with the main goal to promote Children’s Rights and Business Principles in Belgium and abroad.

We have assessed our impact on children’s rights. The question Rosy Blue has asked itself is how and where we can make a substantial difference in the lives of children. Children are major stakeholders to our company, but also to business in general. We interact with them on a daily basis, both directly and indirectly. They are family members of employees, can be young workers, future employees and business leaders. At the same time, they are key members of the communities and environments in which we operate.

Looking at our operations, we believe principle 1,2,3,4 and 10 are the most relevant for our business. In order to really determine what we can do to protect their rights, it is important to

have a clear picture of the risks involving them in the countries where we have operations. We have updated our global internal policies with special attention to Children’s rights. In our manufacturing plants, we have set up employee programs to support them in their caregiver’s role (enhancing health and well-being or providing them decent work). We also focus our community investments mainly on Children. The final step is reporting about the progress we make in children’s rights implementation.

Developed by UNICEF, the UN Global Compact and Save the Children – the Children’s Rights and Business Principles are the first comprehensive set of principles to guide companies on the full range of actions they can take in the workplace, marketplace and community to respect and support children’s rights. More specifically, we enthusiastically welcomed the practical tool on children’s rights in sustainability reporting that provides guidance to businesses on how to incorporate children’s rights in their GRI-based reporting. While writing our report and using the G4 guidelines this year, we could easily extend the guidelines to integrate children’s rights into our sustainability measuring.

More info on www.childerenandbusiness.org



Social accountability international

SAI is a multi-stakeholder, non-profit organization dedicated to improving workplaces and communities by developing and implementing social responsibility standards and assisting brands, retailers and suppliers in meeting labor and human rights objectives.

SAI convenes stakeholders – companies, non-governmental organizations (NGOs), trade unions and governments – to conduct research, training and technical assistance programs focused on developing the management systems required to adequately address social compliance issues in a sustainable manner.

As a corporate member of SAI, Rosy Blue works to improve the social performance of organizations and their supply chains around the world. The direct result is a better workplace for over one million people around the world and a way for consumers to trust the companies whose products they purchase.

SAI Corporate Members are committed to the widespread attainment of social responsibility and strive to further the development and implementation of a management system for the continual improvement of social compliance in their companies and their supply chains. SAI provides Corporate Members with resources to assist in meeting social compliance goals, including customized trainings

and services to address strengthening of management systems, supply chain management, code of conduct monitoring and compliance, specific aspects of a company’s social initiatives, as well as all aspects of the SA8000 code or its implementation.

Family centers for Special Olympics Games



Rosy Blue is truly a long time fan of Special Olympics. Since 2004 we have been actively involved in supporting this venture and in 2008 Mr. Amit Bhansali was appointed as Ambassador of Special Olympics in Belgium. Every year we try to support this organisation with a specific project as part of a structural and long term partnership. In 2016 Rosy Blue NV has funded the infrastructure and the decoration of the 2 Family Centers at the two main sites of the National Games and Regional games in 2016.

The Family Centers are meeting places for families of the athletes. They can enjoy a warm welcome and a relaxed atmosphere

that lends itself to sharing experiences and exchanging advice during the bustle of the Games. Soft drinks, coffee and cake are offered.

For the family, the experience of the Games is also very heartening; they witness their child performing and getting recognition as an athlete. Parents and children share their pride and joy of this sports experience in these family centers. Each day of the Games around 1,500 families were welcomed in the Family Centers.

The Special Olympics is a non-profit organisation which gives the opportunity to people with intellectual disabilities to train and participate at special organised games according to their specific abilities. By doing this they give these people a chance to develop themselves both socially and physically, but also stimulate their integration into the community.

Assurance statements



Statement of Sightholder Best Practice Principles
for Rosy Blue NV and its Affiliates
Compliance Status

Date: 28 May 2017

Rosy Blue NV and its Affiliates have been actively involved in the De Beers Best Practice Principles through the Rosy Blue NV and Rosy Blue India Sightholders since the initial cycle in 2005.

As part of each annual cycle the Sightholders have been required to submit self-assessment workbooks for all owned facilities. For the last few years they have also been required to submit for contractors with whom they represent 75% or more of their output.

These workbooks are reviewed by SGS for completeness and evidence is tested in relation to the compliance status declared. Further, a sample of facilities is visited to conduct a full on-site verification.

In addition, Rosy Blue NV is part of the De Beers Forevermark programme which requires all facilities used in the production of diamonds that are to be inscribed to be audited on an annual basis both for pipeline integrity and for compliance with the Best Practice Principles.

For the 2016 cycle, this resulted in 04 workbook reviews and 02 visits. No material breaches were found as part of this verification and they are compliant with the requirements of this programme and have provided corrective action plans where infringements were raised.

SGS has reviewed the summary of findings and statuses on Page 28 of the Rosy Blue Corporate Social Responsibility Report 2016 and can confirm that the information provided is aligned to the outcomes of the third party verification activities undertaken as part of the Best Practice Principles programme.

Signed:

Effie Marinos
Technical Governance Manager



Statement of Sightholder Best Practice Principles
for Rosy Blue (India) Pvt. Ltd and its Affiliates
Compliance Status

Date: 28th May 2017

Rosy Blue (India) Pvt. Ltd and its Affiliates have been actively involved in the De Beers Best Practice Principles through the Rosy Blue NV and Rosy Blue India Sightholders since the initial cycle in 2005.

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Signed:

Effie Marinos
Technical Governance Manager

Global reporting

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About this report

Reporting on our performance

This report has been prepared in accordance to the core option of the Global Reporting Initiative G4 guidelines. The GRI content index is included at the end of the report. In addition this report serves as Communication On Progress for the UN Global Compact.

Assurance

To ensure the credibility of the report content on social audit results, this report has received independent third party assurance. The assurance statement is on page X and indication of assurance is in the GRI content index.

Reporting period

The scope of this annual report covers a 12 months reporting cycle, from 01/04/2016 until 30/03/2017, except where specifically indicated. We believe it is important to only focus on relevant changes and core matters.

Reporting scope

In this report we cover activities of the Rosy Blue Business Alliance, composed of:

- > Rosy Blue (India) Pvt Ltd and its subsidiaries in 5 countries, covering 9 entities, hereafter called Rosy Blue (I) (Rosy Blue India), headquartered in Mumbai, India
- > Rosy Blue Investments Sàrl and its subsidiaries in 11 countries, covering 24 entities, hereafter called Rosy Blue (NI) (Rosy Blue Non-India), headquartered in Antwerp, Belgium

Rosy Blue (I) and Rosy Blue (NI) are legally independent from one another and constitute the Rosy Blue Business Alliance. Rosy Blue is a common trade name used by the Business Alliance entities, which are distinct, privately owned and independently managed. In this report we refer to the Rosy Blue Business Alliance as ‘Rosy Blue’ for convenience reasons.

*“*The term “subsidiary” is used to cover all types of parent companies and affiliate organizational structures.*

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We welcome your feedback

Engage with us on social media



