

R2Net Diamonds Responsible Sourcing Protocol (“DRSP”) – Natural Diamonds

1: A policy commitment to respect Human Rights,

a: Definition of Responsible Sourcing

R2Net’s responsible sourcing policy is aligned with the Organisation for Economic Co-operation and Development (OECD) and the Due Diligence Guidance for Responsible Supply Chains, as detailed in Exhibit A attached hereto (see also at: www.oecd.org/corporate/mne/mining.htm), and follows the Responsible Jewellery Council (RJC) Code of Practices standard which defines responsible ethical, human rights, social, and environmental practices for businesses in the jewelry supply chain. The objectives of the Code of Practices are to:

- Provide a common standard for RJC Members that builds on international standards for responsible business practices.
- Set out the mandatory expectations for the establishment, implementation and maintenance of policies, procedures and practices in order to manage issues within the business’s control.
- Establish provisions that can be independently audited to provide objective evidence for the granting of RJC Certification.
- Drive improvement of business practices for the jewelry supply chain.

b: R2Net’s Responsible Sourcing Policy

R2Net believes that a responsible conflict-free supply chain is fundamental to the reputation of the jewelry industry as a whole, and we are committed to continue our efforts to advance responsible sourcing throughout the supply chain.

Therefore, R2Net aims to pursue its business activities in what it considers to be an ethical and professional manner. Specifically, and subject to the needs of its business, it aims to promote stable, sustainable, long-term relationships with its suppliers and other business partners.

All R2Net suppliers, and in turn their suppliers, should understand R2Net’s standards as set out in “Diamond Vendor Agreement” and “Operating Policy”.

Compliance with the R2Net Responsible Sourcing Protocol is a requirement for all R2Net suppliers and is an intrinsic element of the Operating Policy. Suppliers must complete the annual DRSP compliance report and the associated independent audit (if requested by R2Net) accurately and on time, in accordance with R2Net’s requirements.

2: General Compliance Requirements

a: Supply Chain Due Diligence

All suppliers of natural diamonds to R2Net are required to undertake due diligence on their own supply chains in accordance with the OECD’s Due Diligence Guidance as detailed in Exhibit A attached hereto (see also at: www.oecd.org/corporate/mne/mining.htm), to ensure that these supplies are responsibly managed and are “conflict-free” and sourced with respect for human rights. This includes:



- having company management systems in place and a compliance officer nominated to R2Net.
- undertaking a process to outline the company's supply chains for natural diamonds and identifying DRSP-compliant sources of natural diamonds.
- identifying any risks in the supply chains and mitigating such risks in accordance with the DRSP requirements and OECD due diligence guidelines.

All R2Net suppliers should follow the OECD Due Diligence Guidance, at least and especially Steps 1 and 2, as below, as they relate to the DRSP:

1. Establish strong company management systems.

- Adopt a company policy for the supply chain of natural diamonds
- Structure internal management to support supply chain due diligence.
- Establish a system of controls and transparency over the natural diamond supply chains.
- Strengthen company engagement with suppliers. A supply chain policy should be incorporated into contracts and/or agreements with suppliers in accordance with the requirements of the DRSP.
- Establish a company-level grievance mechanism as an early-warning risk-awareness system.

R2Net suppliers must have terms of business with suppliers and policies and procedures in place which are consistent with the DRSP compliance criteria. These terms of business must be documented and available for review by audit if requested.

R2Net suppliers must be able to demonstrate through transaction documentation that these terms of business and policies have been implemented throughout their business, through documentation such as invoices, delivery notes, product certificates etc.

2. Identify and assess risks in the supply chain.

- Identify any risks in their supply chain which may be contrary to the compliance requirements of the supply of natural diamonds.
- Assess risks of any adverse impacts relating to the supply of natural diamonds to R2Net.

If any risks are identified under Steps 1 and 2, these should be notified to R2Net at:

drsp-info@r2net.com. The OECD Due Diligence Guidance, as detailed in Exhibit A attached hereto (see also at: www.oecd.org/corporate/mne/mining.htm), clarifies what R2Net suppliers should do to identify and better manage risks throughout the entire supply chain including enhanced due diligence measures that a supplier should undertake when risks are identified in their supply chain.

The DRSP requirements apply to all suppliers of diamonds to R2Net, including all other organizations or "doing business as" names for which the supplier provides diamonds to R2Net. This scope therefore applies to the supplier's company which has direct transactions with R2Net, as well as the supplier's subsidiary or shared, joint or associated ownership which are part of the supplier's supply chain. As an example, if a supplier's direct relationship with R2Net is through a U.S. sales office but this office also has related manufacturing operations in India and Belgium which are part of that supplier's supply chain to



R2Net, the DRSP requirements will apply to the U.S. company as well as the Indian and Belgian affiliate companies.

b: The Kimberley Process Certification.

R2Net requires all suppliers to comply with the Kimberley Process Certification Scheme and the World Diamond Council System of Warranties.

All suppliers must include the warranty statements relating to the WDC System of Warranties in all invoices and delivery notes (see “Warranty Statements” below).

c: Know Your Counterparty (KYC)

Suppliers are required to apply Know Your Customer/Counterparty principles (“KYC”) to their supply chains, which require businesses to establish the identity of all organizations with which they deal, have a clear understanding of their business relationships and have a reasonable ability to identify and react to transaction patterns appearing out of the ordinary or suspicious. KYC procedures may include;

- i. Collection and analysis of basic identity information.
- ii. Name matching against lists of known parties.
- iii. Details of the supplier's policies and procedures (especially relating to identification of sources of scrap/recycled supply).
- iv. Determination of the supplier's risk, especially in terms of propensity to supply minerals from an area of conflict or human rights abuses and the trade of minerals on a cash transaction basis.
- v. An expectation of a customer's transactional behavior.
- vi. Monitoring of a customer's transactions against their expected behavior and recorded profile.

Documentation relating to the application of KYC is required for all sources of recycled or “scrap” materials.

d: Conflict-Free

R2Net will not tolerate any direct or indirect support to non-state armed groups through the extraction, transport, trade, handling or export of natural diamonds.

Direct or indirect support to non-state armed groups through the extraction, transport, trade, handling or export of diamonds includes, but is not limited to, procuring minerals from, making payments to or otherwise providing logistical assistance or equipment to, non-state armed groups or their affiliates who;

- i: Illegally control mine or manufacturing sites or otherwise control transportation routes, points where minerals are traded and upstream actors in the supply chain and/or
- ii: Illegally tax or extort money or minerals at points of access to mine or manufacturing sites, along transportation routes or at points where minerals are traded; and/or
- iii: Illegally tax or extort intermediaries, export companies or international traders.

Suppliers must ensure that all natural diamonds supplied to R2Net do not directly or indirectly contribute to conflict.



Suppliers should ensure that the natural diamonds are “conflict-free” through compliance with the Kimberley Process Certification Scheme and the World Diamond Council System of Warranties.

Suppliers may source from areas of conflict (e.g. DRC and neighboring countries) provided those sources are certified in accordance with the DRSP, and any such certification must require an independent third-party audit.

e: Human Rights

At a minimum, Suppliers shall respect Human Rights all in accordance to the relevant laws and regulation in each Supplier applicable jurisdiction.

Suppliers shall respect Human Rights and observe the UN Guiding Principles on Business and Human Rights in ways appropriate to their size and circumstances, including as a minimum:

- i. A policy commitment to respect Human Rights,
- ii. Inclusion of measures in the supplier’s due diligence process that seek to identify, prevent, mitigate and account for how they address their impacts on Human Rights,
- iii. Where suppliers identify that they have caused or contributed to adverse Human Rights impacts, they shall provide for or cooperate in legitimate processes to enable the remediation of those impacts.

Suppliers due diligence on their supply chains should also verify that their own suppliers also follow these minimum Human Rights requirements.

Suppliers’ policies and practices relating to the respect and protection of Human Rights should follow internationally recognized standard, as applicable to Supplier jurisdiction and applicable laws.

f: AML, Bribery and Facilitation Payments

All suppliers of natural diamonds to R2Net must establish policies that:

- i. Prohibit bribery in all business practices and transactions carried out by the supplier and by agents acting on behalf of the supplier.
- ii. Protect Employees from any penalty or adverse consequences for identifying in good faith concerns related to suspected Bribery, for refusing to participate in Bribery, or refusing to pay a Facilitation Payment where Facilitation Payments are prohibited.
- iii. Set the criteria and approval procedures to be followed by Employees in respect of the offer and/or acceptance of gifts with third parties.
- iv. Train relevant managers and employees on policies and procedures.
- v. Record relevant gifts to and from third parties in a gift register, as per the supplier’s policy.
- vi. Investigate any incidences of suspected bribery within their organisation.

Where facilitation payments are permitted by applicable law, suppliers shall:



- i. Undertake actions to eliminate all Facilitation Payments, or to reduce the size and frequency of Facilitation Payments over time.
- ii. Ensure that any Facilitation Payments are of limited nature and scope.
- iii. Implement controls to monitor, oversee and fully account for any Facilitation Payments made by or on behalf of the supplier.

Suppliers shall apply Know Your Counterparty (KYC, see above) principles for business partners that are suppliers or customers, including monitoring transactions for unusual or suspicious activity and reporting suspicions of money laundering or finance of terrorism to the relevant designated authority.

Suppliers shall maintain records of all cash or cash-like transactions which occur above the relevant defined financial threshold under applicable law and, where required, report these to the relevant designated authority.

g: Early Warnings, Grievances and Whistle-Blowing

Suppliers must have evidence of a company-level, or industry-wide, grievance mechanism as an early-warning risk-awareness system. Suppliers can also use the DRSP Compliance Questionnaire as a means of communicated grievances relating to the DRSP to R2Net. Suppliers can also report risks in their own or others' supply chains through the DRSP Compliance Questionnaire.

All grievances or reporting of identified risks will be treated in strict confidence by R2Net.

h: Additional or Unforeseen Compliance Requirements

R2Net may require suppliers to comply with additional or unforeseen requirements from time to time.

In these circumstances, R2Net will advise the supplier's designated contact person for DRSP compliance of any additional compliance requirements, with details of the compliance requirements, compliance criteria and required timescales for compliance.

Compliance for additional or unforeseen circumstances may be outside the normal annual DRSP reporting procedures and timescales.

3: Warranty Statement Requirements

R2Net Suppliers will be required to declare compliance with the DRSP in commercial documentation as defined by R2Net, such as supplier agreements, invoices, delivery notes etc.

All R2Net suppliers must include the following warranty statements in full on all invoices and delivery notes relating to natural diamonds supplied to R2Net:

"The seller warrants that the diamonds have been supplied in compliance with the R2Net Diamonds Responsible Sourcing Protocol ("DRSP").

Any natural diamonds herein supplied have been purchased from legitimate sources not involved in funding conflict and in compliance with United Nations Resolutions and corresponding national laws. The seller hereby guarantees that these natural diamonds are conflict-free and confirms adherence to the WDC SOW Guidelines".



4: Testing for Undisclosed Laboratory Grown/Created Diamonds (LGDs)

All Suppliers must take substantive and documented action to avoid the inclusion of undisclosed laboratory-grown/laboratory-created diamonds (LGDs), undisclosed treated diamonds or undisclosed diamond simulants in parcels of natural diamonds provided to R2Net.

Suppliers must conduct an internal pipeline risk assessment, covering all movement of product, identifying all possible points at which undisclosed LGDs, undisclosed treated diamonds or undisclosed diamond simulants could enter the Suppliers' natural diamond supply chain. Policies, procedures and training must pay special attention to these risk points and mitigate the risks appropriately.

Testing must be implemented on the following bases:

- i. Loose polished natural diamonds - 100% of your loose polished natural diamonds must be tested prior to the diamonds being moved into a production environment or set into jewelry. The tested natural diamonds must be sealed immediately following testing, and the sealed natural diamonds carefully secured throughout the jewelry manufacturing process.
- ii. Finished jewelry – Suppliers should work towards 100% testing. Where this is not possible, suppliers should screen using the De Beers BPP Disclosure Practice Note 2018 as guidance. Suppliers must be able to evidence they are working towards 100% screening of finished jewelry.
- iii. Suppliers must be able to demonstrate and evidence that 100% loose natural diamonds are tested and the percentage of set natural diamonds tested, and maintain relevant documentation.
- iv. Supplier testing must be conducted with the use of the best available detection technology and fully trained staff, or testing may be outsourced to a qualified and accredited gemological testing laboratory.

5: DRSP Categories

R2Net suppliers must identify all the natural diamonds they supply to R2Net by reference to any or all of the Categories set out below.

- Category 1. Single Stone Tracking: Individual diamonds supplied by or sourced from identified diamond producers which are independently certified under separate, relevant international standards (such as the RJC Code of Practices).
- Category 2. Parcel Tracking: Parcels of diamonds supplied by or sourced from identified diamond producers which are independently certified under separate, relevant international standards (such as the RJC Code of Practices).
- Category 3. Mixed Sources: This category allows for the mixing of diamonds deriving from a number of different sources, with some percentage of the diamonds deriving from identified and verified sources.
- Category 4. Other Identified and Verified Sources: This category applies to diamonds which derive from small-scale or artisanal producers that are not certified under separate, relevant international standards.



6: Evidence of Compliance

All categories must be evidenced by a documented inventory management system and transaction documents.

Categories 1 and 2:

- Inventory records, transaction documents. Category 3:
- Additional statements identifying provenance should be obtained where possible, and records maintained.
- Documented evidence of management processes designed to deliver continuous improvement over time.
- Where the sources are retail returns, repairs, or recycled diamonds and other used sources, records must be maintained which state the source.

Category 4:

Where the rough is derived from several sources, such as smaller mines and artisanal sources, evidence of each source must be maintained where available, as well as information about the relevant warranty/certification – for example, RJC Certification, KP Certificates, DDI's Maendeleo Diamond Standards.

- Documented evidence of management processes designed to deliver continuous improvement over time.

7: Disclosure

Suppliers must have clear written policies and procedures to ensure that natural diamonds, laboratory-grown diamonds, treated diamonds, and diamond simulants are fully, proactively and conspicuously disclosed at all times.

The policies and procedures must cover all relevant contracts, certificates and records of workers involved in the buying and selling of diamonds.

Full disclosure is the complete and total release of material information about diamonds and the material steps the diamonds have undergone prior to sale. The Supplier must make all reasonable efforts to ensure that this information is disclosed at all times during the selling process.

Full disclosure of all material facts must take place whether or not the information is specifically requested and regardless of the effect on the value of the diamonds being sold.

The disclosure policy must comprise of the following:

- i. A statement that all relevant information will be verbally disclosed prior to completion of sale.
- ii. A statement that all relevant information will be conspicuously disclosed on receipts/bills of sale in plain language, readily understandable to the customer.



- iii. A statement that disclosure will immediately precede or succeed the description of the stone or parcel and be equally conspicuous to that description.
- iv. A statement that this policy applies to the selling, advertising and distributing of any natural diamond, laboratory-grown diamond, treated diamond, or diamond simulant.
- v. A statement that there will be no attempt to mislead customers through illustrations, descriptions, expressions, words, figures, depictions or symbols relating to the stones.

8: Intellectual Property

R2Net requires all Suppliers who supply loose diamonds or diamond jewelry to take substantive and documented action to avoid the inclusion of diamonds that infringe on the intellectual property rights of third parties in parcels or finished jewelry provided to R2Net.

To that end, Suppliers who supply loose diamonds or diamond jewelry must:

- Document with drawings, descriptions, images, or other records the facet placement, size, and shape of each cut of diamond they manufacture or purchase from their suppliers;
- Document with receipts, license agreements or other records the companies or persons that have sold them services, machines, equipment, tools, software, or technology valued at more than \$200.00 USD that they use in diamond manufacturing¹;
- Obtain a written warranty or representation in each contract with their suppliers of polished diamonds that the diamonds supplied to them do not infringe on the intellectual property rights of any third party and were not manufactured using processes, machines, equipment, tools, software, or technology that infringe on the intellectual property rights of any third party;
- Obtain a written warranty or representation in each contract with their suppliers of diamond manufacturing services, machines, equipment, tools, software or technology stating that those services, machines, equipment, tools, software, or technology do not infringe on the intellectual property rights of any third party.

¹ “Diamond Manufacturing” is the process of transforming rough diamonds into polished diamonds and includes all parts of the process comprising of (but not necessarily limited to) scanning, windowing, mapping, planning or marking the rough diamonds, cleaving, sawing, laser cutting, shaping, bruting, coning, treating, faceting, brilliantteering and polishing.

