

R2Net Diamonds Responsible Sourcing Protocol (“DRSP”) Lab Grown Diamonds (LGDs)

1: R2Net and Responsible Sourcing

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 lab grown diamonds (LGDs) 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 LGDs, and identifying DRSP-compliant sources of LGDs.
- 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 LGDs
- Structure internal management to support supply chain due diligence.
- Establish a system of controls and transparency over the LGD 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 LGDs.
- Assess risks of any adverse impacts relating to the supply of LGDs 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 LGDs to R2Net, including all other organizations or "doing business as" names for which the supplier provides LGDs 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: 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.

c: 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 LGDs.

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 LGDs supplied to R2Net do not directly or indirectly contribute to conflict.

d: 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.

e: AML, Bribery and Facilitation Payments

All suppliers of LGDs 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.

f: 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.

g: 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 LGDs supplied to R2Net:

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

"Any laboratory-grown diamonds herein supplied comply with the SRSP and are warranted not to include any natural diamonds or any material which is not laboratory-grown diamond."

DRSP COMPLIANCE REQUIREMENTS FOR LABORATORY GROWN/CREATED DIAMONDS

1. General Principles

The DRSP is designed to ensure that all R2Net materials are responsibly sourced. This section establishes requirements specific to laboratory grown/created diamonds (LGDs). However, it must be



read in association with the entire DRSP. The risk profile of LGDs primarily relates to factory standards, assurance that the product is in fact LGD, and accurate disclosure.

2. Scope

The LGD Appendix applies to all LGDs supplied to R2Net including loose polished LGDs and LGDs set into finished jewelry, including any diamonds or composite (assembled) stones containing LGD or having a coating with LGD material.

3. Requirements

3.1 LGDs are manufactured using two technologies: Chemical Vapor Deposition (CVD) and High-Pressure High-Temperature (HPHT). Suppliers must ensure that factory standards take account of the risks of the manufacturing process and should comprise of (but not necessarily be limited to) the following:

3.1.1. Factory staff are fully trained in the safe use of all equipment, which training must be regularly updated.

3.1.2 If applicable, any appropriate personal protective equipment (PPE) must be provided to all staff and worn at all times when staff are operating or in the proximity of applicable machinery.

3.1.3 If applicable and appropriate per 3.1.2, the wearing of PPE must be monitored and enforced, and replacement PPE issued promptly when necessary.

3.1.4 LGD production facilities must provide safe and healthy working conditions for all employees in accordance with applicable law and other relevant industry standards. LGD production facilities should be certified under appropriate occupational health and safety management system standards, such as ISO 45001 or equivalent.

3.1.5 Factories for cutting and polishing LGDs must meet the same standards as for natural diamonds.

3.2 Where a Supplier deals in natural diamonds and LGDs, the Supplier must have clear policies and procedures and take all precautions to ensure that LGDs are segregated from natural diamond production/polishing/jewelry manufacture/trading and/or any other relevant process in the pipeline at all times. Policies, procedures and training must make specific provision for this risk.

3.2.1 Suppliers must have procedures to ensure that natural diamonds and/or diamond simulants cannot become mixed with their LGD supply chain.



3.2.2 Suppliers must clearly disclose whether the LGDs are created using Chemical Vapor Deposition (CVD) or High-Pressure High-Temperature (HPHT), and keep LGDs produced using these technologies segregated.

3.2.3 Suppliers must implement appropriate training for staff involved in handling, movement or security of product.

3.2.4 These requirements should also be implemented in accordance with Clause 8 - Disclosure.

4. Testing of LGDs

4.1 Suppliers of LGDs must undertake testing to ensure all stones are in fact LGDs and that parcels do not contain natural diamond, diamond simulants and/or any material which is not laboratory-grown diamond. Suppliers must have written test protocols and maintain test records.

4.2 Suppliers may test on a sample basis, using an Average Quality Limit (AQL) basis (reference ISO 2859-1). Testing must be performed by qualified gemological personnel, in-house or outsourced to a gemological laboratory.

4.3 Suppliers are not required to test LGDs only if they meet the following criteria:

- are a manufacturer of LGDs;
- cut/polish LGDs;
- do not deal in natural diamonds or diamond simulants

Further guidance on testing and disclosure of LGDs can be found at De Beers Group “Best Practice Principles Disclosure Practice Note” (see www.debeersgroup.com/building-forever/leading-ethical-practices-across-industry/best-practice-principles-assurance-programme)

5. Disclosure & Nomenclature

5.1 Suppliers should follow the US Federal Trade Commission Jewelry Guides (2018 Revision) as a general rule.

5.2 LGDs must always be accurately described, and clearly differentiated from natural diamonds and from non-diamond (diamond simulant) materials such as Cubic Zirconia or Moissanite.

5.3 Suppliers must have clear written policies and procedures to ensure that LGDs are fully and accurately described. All actors in the jewelry supply chain have a shared responsibility to protect the reputation of jewelry and build positive perceptions about jewelry, especially in the consumer sphere.



5.4 Neutral language should always be used by suppliers to R2Net to describe LGDs. Therefore, the phrases “laboratory-grown”, “laboratory-created”, “[manufacturer name]-created” should be

employed. The word “synthetic” should be avoided as a descriptor for LGDs because in common usage it can have a pejorative connotation and may be inferred to mean “fake”.

5.5 Suppliers must take special care with the language used to describe LGDs. Pejorative language about natural diamonds should not be used, especially in association with claims to the effect that LGDs are more ethical or environmentally friendly than natural diamonds.

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

5.7 Suppliers should have a full disclosure policy relating to the supply of LGDs to R2Net: full disclosure is the complete and total release of all material information about LGDs and the material steps the LGDs 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 LGDs being sold.

5.8 The disclosure policy must comprise of the following:

5.8.1 A statement that all relevant information will be disclosed (either verbally or in writing) prior to completion of sale. A statement that any relevant disclosure will immediately precede or succeed the description of the stone or parcel and be equally conspicuous to that description.

5.8.2 A statement that this policy applies to the selling, advertising and distributing of any LGDs.

5.8.3 A statement that there will be no attempt to mislead customers through illustrations, descriptions, expressions, words, figures, depictions or symbols relating to the LGDs.

5.8.4 Disclosure statements for LGDs are not required in the Warranty Statements for LGDs (see below).

6. Evidence of Compliance

6.1 Suppliers must maintain copies of their policy statements, disclosure statements, terms of business and transaction documents which may be necessary to evidence compliance with the DRSP.

Consequential SRSP Amendments for LGDs

Warranty Statements

For suppliers of LGDs, it is necessary to distinguish a warranty statement for LGDs in addition to the existing DRSP and natural diamond warranty statements.

Suppliers of laboratory-grown diamonds should include the following warranty statements on all documents:

DRSP Warranty

“The seller warrants that these products have been supplied in compliance with the R2Net Responsible Sourcing Protocol (“DRSP”).”

Laboratory Grown Diamond Warranty (for LGD suppliers only, on all documents)



“Any laboratory-grown diamonds herein supplied comply with the SRSP and are warranted not to include any natural diamonds or any material which is not laboratory-grown diamond.”

