



# Responsible Sourcing Policy

## Aim & Objective



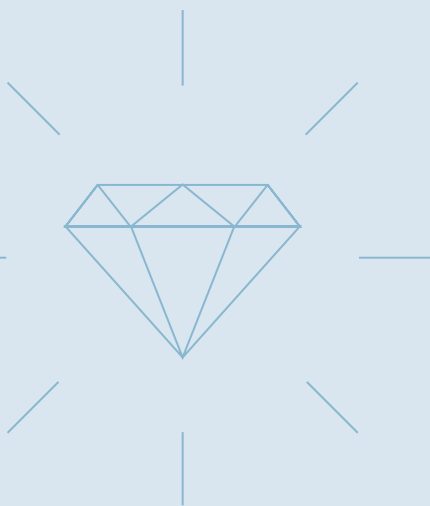
**Pala Diamond Co.** is a UK registered company and Responsible Jewellery Council certified member. We trade cut & polished diamonds in the following main markets: India, Belgium, USA and the UK. We aim to be a trusted and key component in a responsible, world-wide supply chain for the sourcing and supply of diamonds. We are committed to promoting trust and transparency in the diamond, gemstone, gold, silver, PGM and fine jewellery industries. The aim and objective of this policy is to set out our commitments regarding the procurement and trading of key commodities in our value-chain. We recognise that the value-chain in which we operate requires all stakeholders collaborate to ensure the supply chain is not exploited or that materials are not entering the market from questionable sources.

As per our other relevant policies, and stated herein, we do not knowingly trade in goods of any kind that have been sourced from Conflict Affected and High-Risk Areas (CAHRAs). To ensure that this principle is upheld in our sourcing of goods, this policy serves as the specific requirements to ensure we meet the Responsible Jewellery Council's certification requirements, as a certified member and adhering to their Codes of Practice (2019) ("COP"). A key framework referred to in the RJC-COP standard requires companies to have policy and risk management frameworks for conflict-sensitive sourcing practices, drawing on the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from CAHRAs, specifically Annex II risks (see below). These policies and frameworks mean that appropriate standards apply for human rights, labour standards, environmental impact and business ethics.

# Sourcing and Trading with Integrity



- We commit to supporting and implementing any procedures and processes that are required of us to meet the expectations of the jewellery sector, governments and civil society, aimed at furthering the professionalisation, transparency and traceability of materials in our supply chain
- We commit to raising awareness of our policies, procedures and standards within our value-chain, with business partners and other stakeholders providing assurance of our policies in relation to the products we trade
- We commit to disclosing characteristics and treatments on our traded goods to customers and ensure that we do not willingly mislead through false marketing or communication of our product
- We reserve the right to, and in some cases require, mandatory third-party audits and annual compliance reviews (known also as enhanced KYC) to ensure that direct supplies of goods we trade are meeting our own, and wider industry, policies and standards such as those set out in the RJC-COP
- We reserve the right to terminate relationships with any business partner found or suspected to be in breach of our policies especially where deliberate falsification or mis-selling is concerned



- We never knowingly sell, trade or use jewellery raw materials originating from or associated with countries of conflict, human rights abuses, bribery, fraud, money-laundering or the funding of terrorism. We ensure our sales or purchase documentation disclose this commitment and corresponding commitments by any business partner
- In particular, our commitment on this refers to the OECD's Annex II risks, namely:

**1) Serious abuses associated with the extraction, transport or trade of minerals** (aligned with RJC-COP 6 on Human rights, and for diamonds with Annex 2 of the World Diamond Council-System of Warranties (WDC-SOW) guidelines). This includes but is not limited to: any forms of torture, cruel, inhuman and degrading treatment; any forms of forced or compulsory labour; the worst forms of child labour; other gross human rights violations and abuses such as widespread sexual violence; and war crimes or other serious violations of international humanitarian law, crimes against humanity or genocide.

**2) Direct or indirect support to non-state armed groups** (aligned with RJC-COP 29 on Kimberley Process Certification System (KPCS) and WDC-SOW).

**3) Direct or indirect support to public or private security forces** who illegally control, tax or extort money from mine sites, transportation routes and upstream actors.

**4) Bribery and fraudulent misrepresentation** of the origin of minerals (for diamonds, aligned with Annex 2 of the WDC-SOW guidelines).

**5) Money-laundering and non-payment of taxes and royalties due to governments** (aligned with RJC-COP 12 Know Your Counterparty: money laundering and finance of terrorism, and for diamonds with Annex 2 of the WDC-SOW guidelines).

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- Within the physical challenges at hand, we take best endeavours to exclude (subject to change if future circumstances permit) goods originating from the following conflict affected and high-risk countries or from states currently funding conflict; Afghanistan, Russia, Myanmar, Democratic Republic of Congo, Central African Republic and Zimbabwe
  - Within our supply chain, we meet the requirements of the RJC's 2019 COP regarding supply chain due diligence for diamonds, gold, silver and PGMs. This means we take a best endeavours approach to obtaining chain of custody documents from our suppliers that are relevant and transparent, and publishing our due diligence in accordance with annual reporting requirements

# Sourcing, System of Warranties & Disclosures



## DIAMOND SOURCING

- We trade only with companies that include World Diamond Council System of Warranties (WDC-SOW) declarations on their invoices for all new diamonds (see below)
- We do not buy new diamonds from suspect sources or unknown suppliers, or new diamonds that originate in countries that have not implemented the KPCS
- We do not knowingly buy, sell or assist others to buy or sell rough or cut & polished diamonds that originate from CAHRAs
- We ensure that all company personnel that buy or sell diamonds are well informed and educated on the KPCS

- All our diamonds are sold in accordance with our own policies and we seek to be aligned, where material to our business operations, to the De Beers Trading Company Best Practice Principles (BPP) including the following aspects:

- **Ethical standards**
- **Business integrity**
- **Financial probity**

- **Kimberley Process Certification Scheme**
- **Product security**
- **Product Disclosure**

- **Supply chain management and best endeavours**
- **Provenance claims**

- We provide staff with information regarding diamonds, assurances, provenance, disclosure, KPCS standards and all relevant documents
- The following assurances are printed on all customer invoices:

“Pala Diamond Company Ltd expressly warrants that it shall have good and marketable title to the goods it delivers to you, that such goods shall be free from all hypothecs, liens and encumbrances at the time of sale to you and that all diamonds supplied follow the Kimberley Process. Pala Diamond Company Ltd expressly warrants that the goods provided shall conform to any specifications, samples or other descriptions set forth in the Delivery Note; shall be of good quality, shall be free from defects; and shall be merchantable and fit for your intended uses and purposes to the extent that such use and purposes are known or reasonably should be known to Pala Diamond Company Ltd.”





**SYSTEM OF WARRANTIES**

- We recognise the risk of using diamonds and the presence of so-called conflict or ‘blood’ diamonds in the supply chain. The definition of conflict diamonds that Pala Diamond Company Ltd recognises is as follows:

“Rough diamonds used by rebel movements or their allies to finance conflict aimed at undermining legitimate governments, as described in relevant United Nations Security Council (UNSC) resolutions insofar as they remain in effect, or in other similar UNSC resolutions which may be adopted in the future, and as understood and recognised in United Nations General Assembly (UNGA) Resolution 55/56, or in other similar UNGA resolutions which may be adopted in future”

- We recognise this definition may be limited in scope primarily to countries referred to as “Great Lakes” countries and may not include current sources of conflict. As such, we maintain an active exclusion list that includes areas of high risk from which sources of goods we trade may nevertheless enter the supply chain (see above)
- The WDC-SOW is a voluntary system of industry self-regulation; the SOW requires all buyers and sellers of rough diamonds, polished diamonds and jewellery containing diamonds to make the following affirmative statement on all invoices:

“The diamonds herein invoiced have been {sourced}\* / purchased from legitimate sources not involved in funding conflict, in compliance with United Nations Resolutions and corresponding national laws of {where the invoice is generated}\*\*. The seller hereby guarantees that these diamonds are conflict free and confirms adherence to the WDC-SOW Guidelines.”

{sourced} - may be used by companies that do not purchase from open market, but source and aggregate diamonds from production facilities that are owned/ partly owned by them

\*\*{where the invoice is generated} - may be used by companies if they specifically want to reference the country of invoice issuance

## We commit to:

- Only purchase rough diamonds if they have either a KPCS certificate (if they are being imported) or if they have a WDC-SOW statement.
- Only purchase polished diamonds if they have a WDC-SOW statement on the invoice or if it can be proved that the diamonds were polished before the implementation of the KPCS.
- Keep records of KPCS certificates for rough diamonds and keep records of WDC-SOW statements for all purchases of polished diamonds for a minimum of 3 years. Both records will be independently verified by our own independent auditors on an annual basis.
- Ensure that, if asked for by a duly authorised government agency, these records will be able to prove compliance with the KPCS.
- Not knowingly buy diamonds from suspect sources or unknown suppliers, or which originate from countries that have not implemented the KPCS.
- Not buy diamonds from any sources that, after a legally binding due diligence process system, have been found to have violated government regulations restricting the trade in conflict diamonds.
- Not buy diamonds in or from any region that is subject to an advisory by a governmental authority indicating that conflict diamonds are emanating from or available for sale in such region, unless diamonds have been exported from such region in compliance with the KPCS.
- Ensure that all company employees who buy or sell diamonds are well informed regarding trade resolutions and government regulations restricting the trade in conflict diamonds.
- Sourcing gold and other precious metals in accordance with the 5-step process outlined in the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (Gold Supplement) by undertaking annual supplier due diligence in accordance with the requirements from the RJC.

## DISCLOSURES

- We commit to full disclosure, which is the complete and total release of material information about all goods, and any material steps it has undergone prior to sale to the purchaser
- We make all reasonable efforts to ensure this information is disclosed at all times during the selling process
- We provide full disclosure of all material facts; this takes place whether or not the information is specifically requested and regardless of the effect on the value of the item being sold



- We offer full disclosure to the customer when goods are offered for sale, such that:

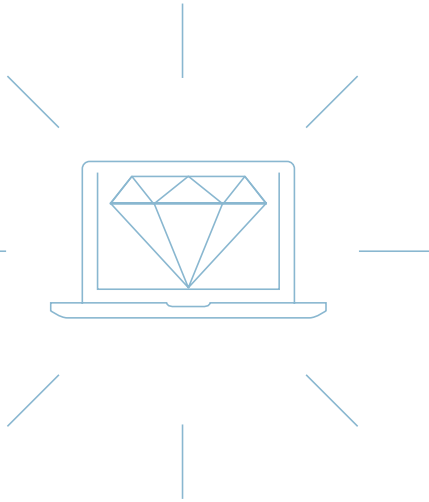
Full verbal disclosure must clearly take place prior to the completion of sale;

Full written disclosure must be conspicuously included on each bill of sale or receipt in plain language and readily understandable to the purchaser. Written disclosure should normally be in English and any relevant local language;

Disclosure must be immediately preceding or succeeding the description of the diamond and/or gold and must be equally conspicuous to that description.



- We adhere to disclosure as defined in the International Standard on 'Jewellery – Consumer confidence in the diamond industry'; ISO 18323:2015 (E), to ensure clear and accurate labelling on how to describe diamonds, treated diamonds, synthetic diamonds, composite diamonds and imitations of diamonds
- We commit to ensuring we do not misuse terminology when representing the goods we sell
- The concept of 'misuse of terminology' also relates to representations of our product. "Representation" includes illustrations, descriptions, expressions, words, figures, depictions or symbols shown in a manner that may reasonably be regarded as relating to the substance
- "Selling" includes offering for sale, exposing for sale, displaying in such a manner as to lead to a reasonable belief that the product so displayed is intended for sale. For avoidance of doubt this includes the accepted industry practice of 'memo', the practice of consigning goods, normally polished, to clients for pre-arranged periods for potential sale
- "Advertising" includes directly or indirectly promoting the sale or use of a product
- We do not deliberately or knowingly make any representation of our products that do not conform in all respects to full disclosure in the selling, advertising or distribution of any gold, diamond, treated diamond, synthetic diamond or diamond simulant
- We do not deliberately or knowingly make any misleading or deceptive statement, representation or illustration relating to the origin, formation, production, condition, quality or fineness of any gold, diamond, treated diamond, synthetic diamond or diamond simulant



- We do not use the word 'diamond' unless it is used to describe or identify any object or product meeting the following definition:  
"A natural mineral consisting essentially of pure carbon crystallised with a cubic structure in the isometric system. Its hardness in the Mohs scale is 10; its specific gravity is approximately 3.52; it has a refractive index of 2.42 and it can be found in many colours"
- The words 'real' and 'genuine' will not be used to describe:
  - Any treated diamond
  - Any diamond simulant
- The word 'natural' will not be used to describe any diamond simulant if the diamond simulant is not a naturally occurring mineral or compound
- The words 'brilliant', 'brilliant cut' and 'full cut' will only be used to describe a round diamond that has at least 32 facets plus the table above the girdle and at least 24 facets below it
- We do not use the word 'gold' unless it is used to describe or identify any object or product meeting the following definition:  
"Gold is a chemical element with the symbol Au, an atomic number of 79 and a mineral with specific hardness of 2.5-3 on the Mohs scale of hardness"





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