



Code  
of Conduct  
& Business  
Ethics

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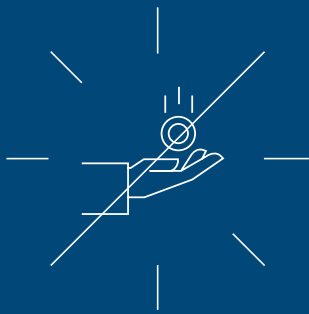
Our aim is to be a key component in a responsible, world-wide supply chain for the source and supply of diamonds. Promoting trust and transparency in the diamond, gemstone, gold, silver, PGM and fine jewellery industries.

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# 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, worldwide supply chain for the sourcing and supply of diamonds. We promote trust and transparency in the diamond, gemstone, gold, silver, PGM and fine jewellery industries. Pala Diamond Co. are subject to the UK's legal requirements and as an international business, we also meet prevailing legal requirements in any other countries where we have business partnerships. This **Code of Conduct & Business Ethics** document sets out our most significant, overarching commitments to responsible business practices, and outlines our duty of care to operate legally and ethically, including our policies for:



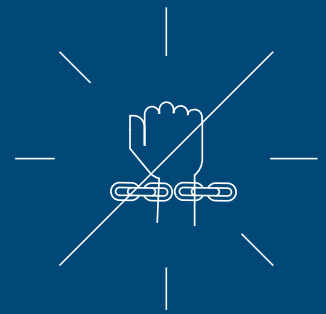
01.

Anti Bribery &  
Corruption & Anti  
Facilitation Payments



02.

Anti Money  
Laundering & Anti  
Terrorist Financing

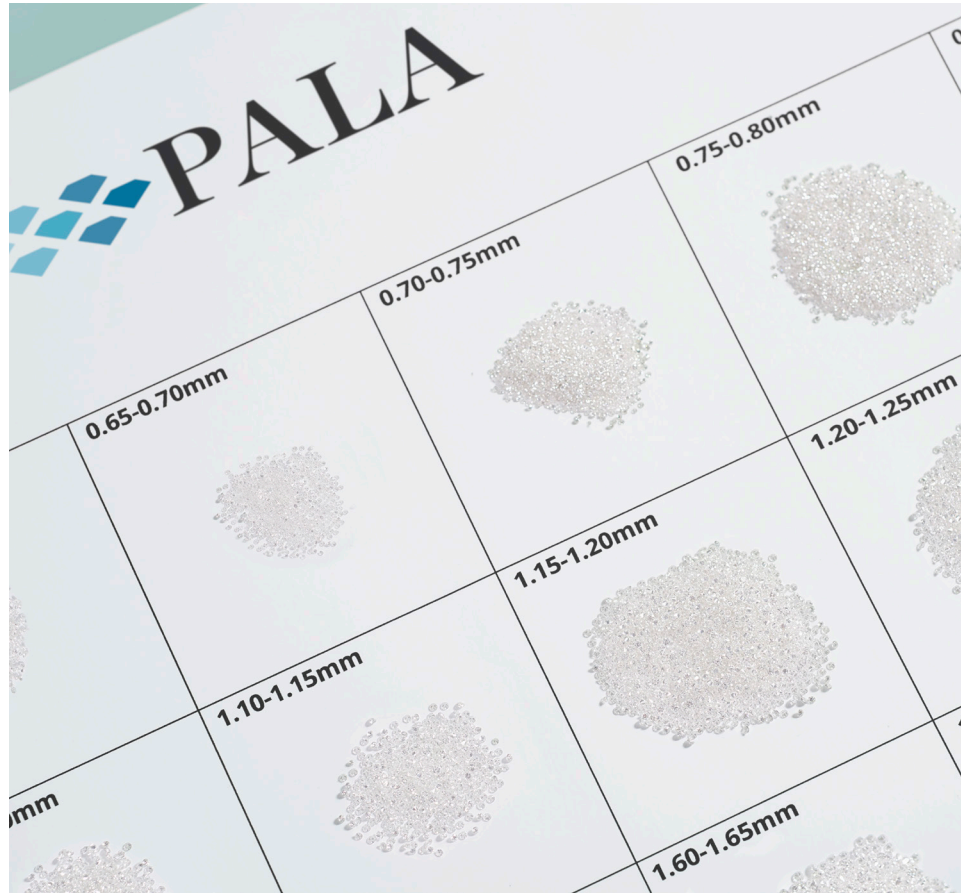


03.

Modern Slavery &  
Human Trafficking

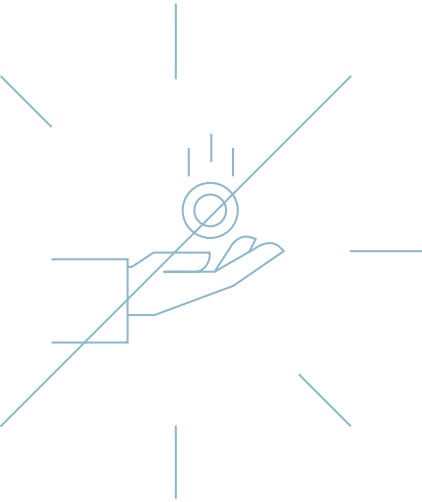
Other policies are held by the company and provide additional details to key responsible business practices. This includes our policy on responsible sourcing which sets out specific commitments regarding the buying and selling of goods, including our requirements for sale. This policy should be read in conjunction with those, most significantly regarding our requirement to perform due diligence on our business partners.

# 01. Anti- Bribery & Corruption, & Anti- Facilitation Payments



We commit to ensuring that the company, all of its employees and everyone who conducts business on our behalf does so in an honest and ethical manner and with a zero-tolerance approach to bribery and corruption.

For Pala Diamond Co. employees' own legal protection as well as protecting the business itself from risk, we commit to taking action regarding Anti-Bribery and Corruption (ABC) & Anti-Facilitation Payments, and these considerations must be adhered to.



- In broad terms, and without prejudice to the specific provisions of applicable law, Pala Diamond Co. considers bribery and corruption to include: offering, promising or giving (or requesting, agreeing to receive or accepting) a financial or other advantage, no matter how small or incidental, with the intention and/or effect of improperly influencing a decision-making process in order to obtain business or an advantage in the conduct of business, whether directly or indirectly.
- Pala Diamond Co. operates on the assumption that all acts of bribery and corruption are illegal in every area in which we operate. Moreover, these acts may also be offences under laws within an international reach, such as the United States' Foreign Corrupt Practices Act 1977 or the United Kingdom's Bribery Act 2010.
- Acts of bribery and corruption go against the moral and ethical standards with which we conduct our business. Therefore, it is of no defence for any employee to show specific corrupt acts would not be punishable by law if such an act were still contrary to this policy.
- The company subscribes to the description of a "facilitation payment" (sometimes also referred to as a "speed" or "grease" payment) as a small payment made with intention or effect of speeding up obtaining something that you would, in any event, be entitled to.
- We understand that, in certain countries and industries, the solicitation of facilitation payments is commonplace and seen by some as a normal part of business. Nevertheless, it is our policy that facilitation payments should not be made by any of our employees or third parties on Pala Diamond Co.'s behalf.
- Not only do we consider facilitation payments to be contrary to our ethical principles, they are illegal and may result in criminal penalties for both the company and employee or third party.

## 02. Anti- Money Laundering & Anti- Terrorist Financing



We commit to ensuring that the company, all of its employees and everyone who conducts business on our behalf does so in an honest and ethical manner. We have a zero-tolerance policy for money-laundering or financing of terrorist activities.

For Pala Diamond Co. employees' protection, as well as protecting the business itself from risk, we commit to taking action in regards to Anti-Money Laundering (AML) and Anti-Terrorist Financing (ATF), and these considerations must be adhered to.

- Pala Diamond Co. subscribes to a broad description of money laundering as making criminal proceeds appear to have originated from a legitimate source. For example, by concealing their origin, ownership and/or purpose so that their true origin cannot be traced.
- AML legislation differs around the world; however, we recognise that common money laundering offences that could apply to the company include:

**Concealing, disguising, converting or transferring criminal property**

For example, if the company sells diamonds which it purchased from a third party who obtained them illegally, then those gemstones may constitute criminal property and the company may be liable for converting or transferring criminal property.

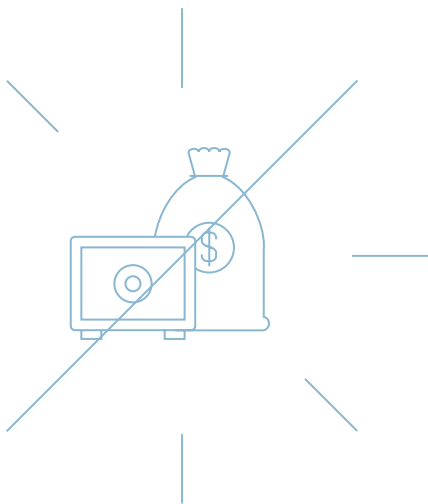
**Acquiring, using or possessing criminal property**

For example, if the company purchases diamonds which were obtained through illegal mining, or other criminal activity, or receives funds from a customer that are the proceeds of crime, then it may be liable for acquiring, using or having possession of criminal property.

**Entering into an arrangement that facilitates (by whatever means) the acquisition, retention, use or control of criminal property by or on behalf of another person**

For example, if the company enters into a financing arrangement with a customer or intermediary that facilitates the use of funds that come from criminal activity, then the company may be liable for entering into arrangements which facilitate the acquisition, retention, use or control of criminal property.

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- Under UK law, property (such as diamonds or funds from a customer) will constitute "criminal property" if it represents a person's benefit from criminal conduct (in whole or in part, directly or indirectly) and any employee of the company knows or suspects that it constitutes or represents such benefit. Pala Diamond Co. also recognises the EC Directive on Prevention of the use of the Financial System for the purpose of Money Laundering (EC Directive 2001/97) (as transposed into national legislation of Member States of the European Union) and that this legislation may relate to entities domiciled in Member State countries with whom Pala Diamond Co. may transact.
  - Pala Diamond Co. subscribes to a general description of terrorist financing as involving the use of legitimately obtained income and/or criminal proceeds for terrorist related activities.



- ATF legislation differs around the world, however, common terrorist financing offences which could apply to the company include:

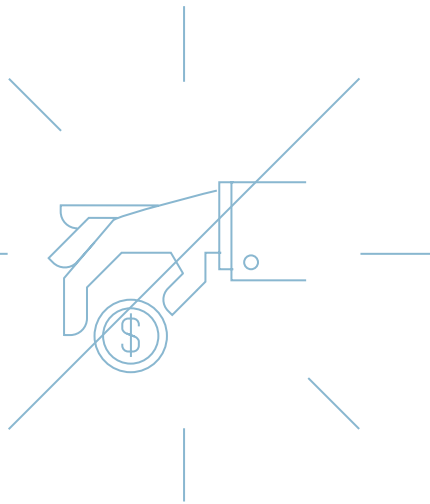
Inviting another person to provide, or receiving from another person, any money or property intended to be used (or having reasonable cause to suspect that it may be used) for the purposes of terrorism.

Using or possessing any money or property (or having reasonable cause to suspect that money or property may be used or possessed by another person) for the purposes of terrorism.

Entering into an arrangement as a result of which money or other property is made available to another knowing (or having reasonable cause to suspect) that it may be used for the purposes of terrorism.

Examples of situations in which the company could be liable for these offences include:

- where the company sells diamonds to a customer in a high-risk jurisdiction that it knows or has reasonable cause to suspect may be involved in terrorist activities; and
- where the company purchases diamonds from a supplier in a high-risk jurisdiction that it knows or has reasonable cause to suspect may be involved in terrorist activities.



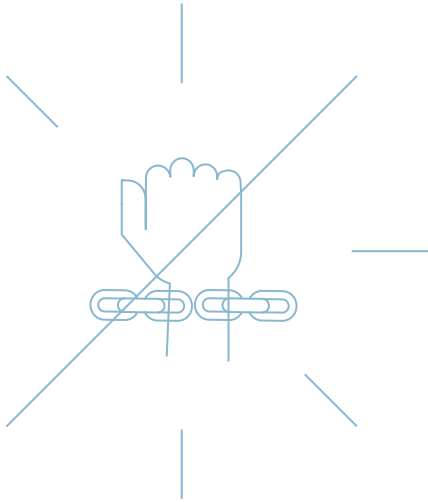


## 03. Modern Slavery & Human Trafficking



We commit to ensuring there is transparency in our own business and in our approach to tackling modern slavery throughout our supply chains. In the UK, the Modern Slavery Act (2015) provides companies of a certain size with requirements to disclose efforts made to identify and manage modern slavery risks in their supply chains.

Whilst this legislation does not apply to Pala Diamond Co., we expect high standards from all of our contractors, suppliers and other business partners in regards to identifying and mitigating the risks associated with modern slavery and human trafficking.



- Pala Diamond Co. subscribes to definitions of modern slavery and human trafficking as broadly including activities such as indentured servitude, forced and compulsory labour and forced movement, sub-standard worker accommodation and working conditions, by someone or an entity, in order to exploit another person for personal or commercial gain, all of which have in common the deprivation of a person's liberty.
- The prevention, detection and reporting of modern slavery in any part of our business or supply chains is the responsibility of all those working for us or under our direct control. All employees are required to avoid any activity that might lead to, or suggest, a breach of this policy.
- We are committed to openness and will support employees, suppliers, contractors and business partners who raise genuine concerns in good faith, even if they turn out to be mistaken.
- Our commitment to addressing the issue of modern slavery in our business and supply chains is communicated to all suppliers, contractors and business partners at the outset of our business relationship with them and reinforced as appropriate thereafter.
- We require our suppliers and business partners to adhere to the same standards regarding modern slavery and human trafficking, and reserve the right to ask for assurances and evidence of compliance. We will terminate business relationships with suppliers and partners working with us or on our behalf if they breach this policy.

# Compliance with our Code of Conduct & Business Ethics



The Code of Conduct & Business Ethics is a commitment made by Pala Diamond Co. to uphold responsible business practices, but it is also a guide to other stakeholders and should serve as a key requirement of any business partnership that the company may have.

The company achieves this with the following:

- **The company has established frameworks, policies and procedures (a “system”)** that prohibit a breach of the above policy considerations across its business practices and transactions conducted directly by itself and by agents acting on its behalf.

- **The company has a due diligence management system**, which is the system for coordinating commercial activities, commercial documents, and outputs across multiple, inter-related functions in order to satisfy itself that risks arising from the above considerations are not entering Pala Diamond Co. business interests.
- **The company system manages a range of code of conduct and business ethics risks via this system related to ABC, AML, ATF and Modern Slavery, collectively forming the core requirements of the Know your Counterparty (KYC) procedure. KYC requires us to collect the following information, or comply with the following disclosures or practices:**

1) The identity of the counterparty through government-issued identification

2) An understanding of the nature and legitimacy of their business

3) Warrants and disclosures from business partners to ensure they agree to comply with the above policy considerations

4) Record keeping of transactions, engagement with suppliers and a commitment to notify the authorities if the company suspects they are transacting with an entity at risk of breaching any of the above considerations

- Our enhanced KYC process requires additional information from business partners to fulfil the obligations set out in external standards of due diligence such as in the RJC's Codes of Practice, the Kimberley Process of Certification Systems, the World Diamond Council Systems of Warranties and the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Area.
- Our KYC system is reviewed and kept up to date on an annual basis and includes the training of employees to ensure they understand their responsibilities to uphold the system.
- Document reviews and audit procedures are in place to ensure that KYC evidence provided by third-parties meets our transparency standards for business.
- We also have systems in place to ensure we:
  - 1) are aware of applicable laws and to abide by them
  - 2) monitor and register legal developments and identify key areas of risk
- The policies outline aims and objectives, set clear expectations of employees and business partners and function as the organisation's statement of intent, formally recognised by the Director.



# PALA

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