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Bombay Jewellery Manufacturers

Rasiklal and Sons

Aura Jewellery Pvt. Ltd.

OECD Supply Chain Policy (Diamond & Gem stones)

Policy Statement

- These policies relate to this sourcing of conflict free Diamonds & Gem Stones by M/s Bombay Jewellery Manufacturers, Rasiklal and Sons, Aura Jewellery Pvt. Ltd.
- This policy shall elaborate due diligence requirements for its Diamonds & Gem Stones suppliers to know the origin and conflict free source of product in line with OECD 5 step frame work.
- The organization has adopted five-step frame work for risk based due diligence of sourcing Diamonds and Gem stone in the supply chain.

OECD 5 step frame Work

1. Establish strong company management System
2. Identify and assess risk in the supply chain
3. Design and implement a strategy to respond to identified risks
4. Carry out independent third-party audit of supply chain due diligence at identified points in the supply chain.
5. Report on supply chain due diligence

- "The Company shall act in accordance with the OECD guideline, RJC guidelines for ensuring ethical supply chain for its Diamonds and Gem stone supply chain.
- It is the responsibility of Compliance officer & Senior Management jointly to know and understand the relevant legislations, financial offences related legal,



regulatory and internal requirements for CAHRA's as applicable for the precious metal source by the organization.

- Compliance officer shall follow all 5 steps of OECD and ensure Red flags are raised wherever applicable and necessary corrective actions are taken as per company Risk Management programs."

8.2 Management Commitment (Sourcing policy Governance structure)

- The Company is fully committed to ensure that OECD frame work is followed across all entities for sourcing of Diamond & Gem Stone for its Jewellery business.
- The Company has identified the applicable national and international legislations / regulations relating to Ethical Sourcing of diamonds and gem stones and have appointed a compliance officer with sufficient seniority and competence to ensure effective implementation of this policy (Appointment letter is issued to compliance officer with details roles and responsibility).
- Management has developed its sourcing policy, which is communicated to all Diamonds & Gem Stone suppliers and it has been published on company web site. This policy has demonstrated the commitment of organization and has provided guidance to suppliers about the OECD requirements and day to day compliance expected from the supply chain, such that the ethical sourcing is ensured.
- Detailed step by step implementation of sourcing policy is defined at organization level for effective implementation of OECD sourcing policy and its ongoing suitability shall be ensured by conducting periodic review(Every 12 months).
- This policy shall be approved by senior management after each change as a token of highest level of commitment for ethical sourcing.

General Procedure To Be Followed By Compliance Officer

- a. List of approve suppliers shall be maintained and necessary information of upstream supply chain& Declaration from vendors to be obtained and updated on at least on annual basis.
- b. Compliance officer will have to review ongoing compliance by scrutinizing all the supply documents and wherever practically possible origin/source of metal shall be obtained by way of document trail or self-declaration from vendor.



- c. Compliance officer shall raise red flags where needed and will obtain the necessary clarifications and if not satisfied will take suitable actions as per companies risk management plan. Records of red flags and actions thereof shall be discussed with management from time to time.
- d. Management shall appoint accredited/ authorized third party agency to conduct the due diligence at least on an annual basis. Recommendations of this agency shall be incorporated in companies sourcing policy.
- e. Management shall maintain the annual compliance report based on input from compliance officer and inputs received from third party due-diligence. This report shall be shared with customers and external agency bases on request and on conformation from senior management.

8.3 Systems and Procedures

A) Following OECD compliance shall be adhere always

1. Establish strong company management System & Companies should :

- Adopt, and clearly communicate to suppliers and the public, a company policy for the supply chain of minerals originating from conflict-affected and high-risk areas. This policy should incorporate the standards against which due diligence is to be conducted, consistent with the standards set forth in the model chain policy in Annex II.
- Structure internal management to support supply chain due diligence.
- Establish a system of controls and transparency over the mineral supply chain. This includes a chain of custody or a traceability system or the identification of upstream actors in the supply chain. This may be implemented through participation in industry-driven programs.
- Strengthen company engagement with suppliers. A supply chain policy should be incorporated into contracts and/or agreements with suppliers. Where possible, assist suppliers in building capacities with a view to improving due diligence performance.
- Establish a company-level, or industry-wide, grievance mechanism as an early-warning risk-awareness system.

2. Identify and assess risk in the supply chain & Companies should:

- Identify risks in their supply chain as recommended in the supplements.
- Assess risks of adverse impacts in light of the standards of their supply chain policy consistent with Annex II and the due diligence recommendations in this Guidance.

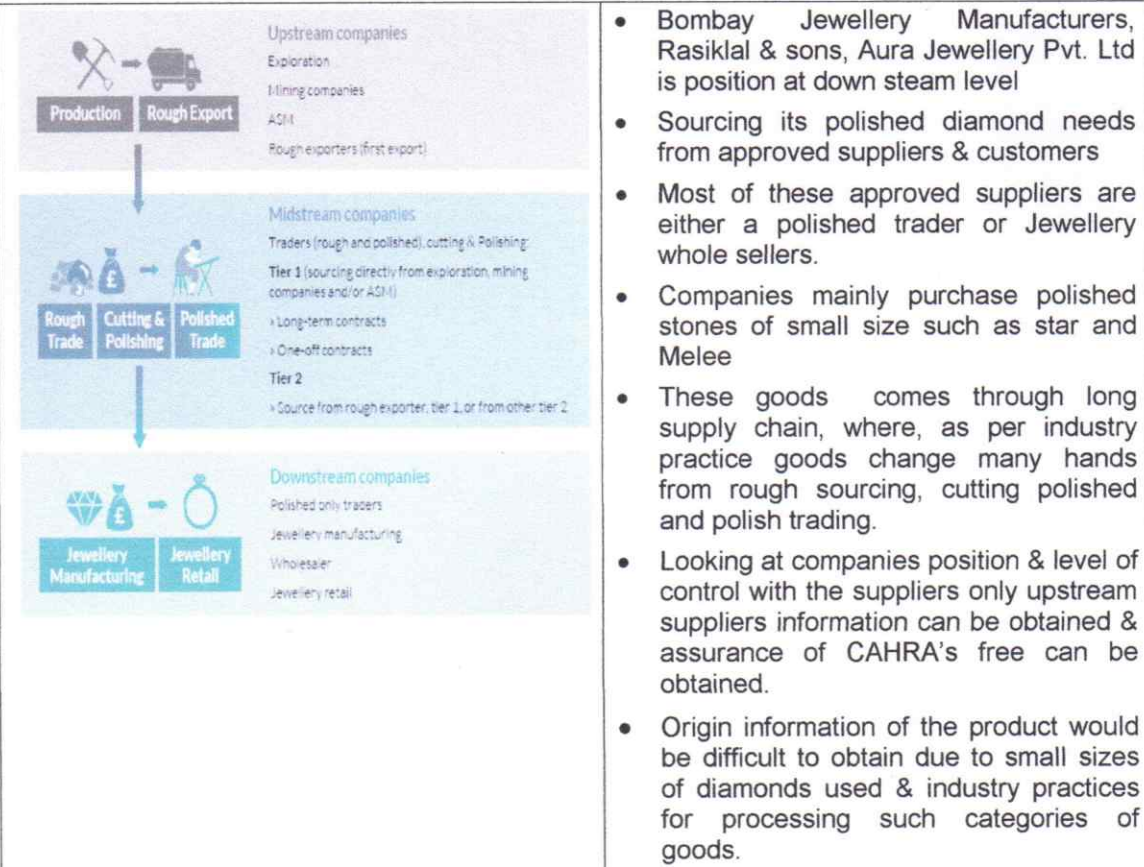


3. Design and implement a strategy to respond to identified risks & Companies should:

- Report findings of the supply chain risk assessment to the designated senior management of the company.
 - Devise and adopt a risk management plan. Devise a strategy for risk management by either i) continuing trade throughout the course of measurable risk mitigation efforts; ii) temporarily suspending trade while pursuing ongoing measurable risk mitigation; or iii) disengaging with a supplier after failed attempts at mitigation or where a company deems risk mitigation not feasible or unacceptable. Consider their ability to influence, and where necessary take steps to build leverage, over suppliers who can most effectively prevent or mitigate the identified risk. If companies pursue risk mitigation efforts while continuing trade or temporarily suspending trade, they should consult with suppliers and affected stakeholders, including local and central government authorities, international or civil society organizations and affected third parties, where appropriate, and agree on the strategy for measurable risk mitigation in the risk management plan. Companies may draw on the suggested measures and indicators under Annex III of the Due Diligence to design conflict and high-risk sensitive strategies for mitigation in the risk management plan and measure progressive improvement.
 - Implement the risk management plan, monitor and track performance of risk mitigation efforts and report back to designated senior management. This may be done in cooperation and/or consultation with local and central government authorities, upstream companies, international or civil society organization and affected third – parties where the risk management plan is implemented and monitored in conflict-affected and high-risk areas.
 - Undertake additional fact and risk assessments for risks requiring mitigation, or after a change of circumstances.
- 4. Carry out independent third-party audit of supply chain due diligence at identified points in the supply chain.** Companies at identified points (as indicated in the Supplements) in the supply chain should have their due diligence practices audited by independent third parties. Such audits may be verified by an independent institutionalized mechanism.
- 5. Report on supply chain due diligence.** Companies should publicly report on their supply chain due diligence policies and practices and may do so by expanding the scope of their sustainability, corporate social responsibility or annual reports to cover information on mineral supply chain due diligence.



Mapping companies position in Supply chain as per OECD



B) Position in supply chain category as per OECD and implementation strategy

- Company has undergone the detailed study of OECD guideline and COP Provision for sourcing of Diamond & Gem Stone supplies based on the study and our understanding, we concluded that position in supply chain is downstream (Jewelry manufacturing as per table above).

C) Brief of companies diamond and gem stone supply chain.

- Roughly 30 % supplies are sourced from our Fellow subsidiary where we buy category 3 mixed & category 4 identified and verified sources.



- Roughly 30 % supplies of diamonds are from marketing associated, who place orders for jewellery and also supplies diamonds for studding in their own jewellery (It also has combination of category 3 & category 4)
- Remaining 40 % is supplied by multiple suppliers from industry.

D) Following procedure shall be adopted for due diligence of diamond supply chain.

- List of all Diamonds & Gem Stone suppliers shall be maintained and regular compliance form them shall be monitored as per their position in supply chain.
- Companies' policy on ethical sourcing shall be communicated to all the suppliers and as a part of supplier's involvement /engagement training and awareness sessions will be carried out in groups and individual levels.
- Records of one to one meetings and training shall be maintained and necessary hand holding shall be carried out for small article supplier and other similar vendors.
- If required updated mailers and literature shall be provided and vendors shall be motivate to bring up the ethical compliance in entire supply chain.
- Vendor upstream supply chain information shall be collected and reviewed for improvement actions.
- Ongoing compliance shall be monitored on day to day basis by compliance officer.
- Compliance officer shall ensure that vendor comply with other financial elements such as AML/CFT ,Kimberly, SOW, Anti- Bribery & Anti-facilitation payment.
- We will work to ensure that the diamond and gems stone we purchase come from sources that meet the highest human right, social and environmental criteria at all stages in the supply chain (mining, processing, trading, recycling etc.) this criteria includes but not limited to following
 - Taking a signed declaration from diamond suppliers.
 - Obtained the further supply chain information through diamond supplier questionnaire and take suitable improvement actions with the vendors to ensure ethical sourcing of diamonds.
 - Compliance officer to review the origin information provided by suppliers,



specifically in case of pointers and big size stones and confirm that the origin is conflict free by a desktop review of available information.

- Ensuring that basic human rights (as outlined in international conventions and declaration such as the UN "Universal Declaration of Human rights," and others) are being respected by all parties involved in mining, processing and manufacturing of products we trade.
- We shall ensure that workers' right and labor standard (including the eight core ILO conventions) are respected by all trade parties.
- We shall ensure that diamond and gem stone are sourced from mines that are built and are operated with free, prior and informed consent of local communities.
- We will begin to work with our suppliers of diamonds and gem stones and to introduce them to our goal of purchasing ethical compliance and conflict free stones, if they wish to continue business with us they have to adopt the conflict free supply chain policy.
- We shall ensure compliance of all applicable national and international legislation for diamonds and gem stones.

E) Following Documents and records shall be reviewed by compliance office as a part of Due Diligence required from suppliers to ensure conflict free precious metals

1. Mid Stream Tier -1 & Tier -2

- Basic KYC shall be obtained and shall be monitored on regular basis.
- Suppliers awareness shall be carried out in line with OECD requirements and necessary support shall be extended on need basis
- Supplier to provide the undertaking of social compliance
- Supplier to fill up the vendor questionnaire and submit to our compliance officer, which shall be reviewed to understand the further details of supply chain and sources of their rough supplies, conflict sourcing area if any etc.
- Supplier is expected to develop their ethical sourcing policy and provide annual compliance report on the same. Management and Compliance officer shall carry out engagement with them to ensure conflict free supply chain of the company.
- Wherever possible specially in case of pointers and big stone origin and product information to be shared along with the product invoice.



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- To provide annual compliance report on metal sourcing policy (applicable from April 2022)
- To provide company sourcing policy (Applicable from April 2021)

2. Down Stream trader of Polished Diamonds

- Basic KYC shall be obtained and shall be monitored on regular basis.
 - Suppliers awareness shall be carried out in line with OECD requirements and necessary support shall be extended on need basis
 - Supplier to provide the undertaking of social compliance
 - Supplier to fill up the vendor questionnaire and submit to our compliance officer, which shall be reviewed to understand the further details of supply chain and sources of their rough supplies, conflict sourcing area if any etc.
 - Supplier is expected to develop their ethical sourcing policy and provide annual compliance report on the same. Management and Compliance officer shall carry out engagement with them to ensure conflict free supply chain of the company.
 - To provide annual compliance report on metal sourcing policy (applicable from April 2022)
 - To provide company sourcing policy (Applicable from April 2021)
3. For each of the above category compliance officer shall review ongoing compliance as per each category wise minimum document required and based on the same he/she shall approve the transaction or raise the Red Flags.

F) Back Ground of Conflict Affected areas:

What Are "Conflict Diamonds"?

Blood Diamonds, also known as "Conflict Diamonds," are stones that are produced in areas controlled by rebel forces that are opposed to internationally recognized governments. The rebels sell these diamonds, and the money is used to purchase arms or to fund their military actions.

Blood Diamonds are often produced through the forced labor of men, women and children. They are also stolen during shipment or seized by attacking the mining



operations of legitimate producers. These attacks can be on the scale of a large military operation.

The stones are then smuggled into the international diamond trade and sold as legitimate gems. These diamonds are often the main source of funding for the rebels; however, arms merchants, smugglers, and dishonest diamond traders enable their actions. Enormous amounts of money are at stake, and bribes, threats, torture, and murder are modes of operation. This is why the term "blood diamonds" is used.

G) IDENTIFIED CAHRA'S AFFECTED DIAMOND PRODUCING NATIONS:

Sierra Leone, Liberia, Angola, the Republic of Congo, Côte d'Ivoire, the Central African Republic, and the Democratic Republic of Congo. *These are currently identified countries and regions for CAHRA's, compliance officer shall do the desktop review for changes to this list from time to time.*

H) Suspicious Transaction Identification Procedure(Red Flag / CAHRA's):

- Compliance officer shall obtain the required clarification/ explanation.
- If not satisfied risk management procedure shall be implemented.
- Decision of stop supply, put vendor on hold Or Supplier Engagement shall be taken base on risk management action plan as mentioned below.
- The Compliance Officer of the Company is responsible to ensure that all the applicable regulations with respect to reporting cash and non-cash equivalents to the relevant Regulatory Bodies are fully adhered to.

Risk Management Table		
Position of supplier in supply chain	Possible Hazard	Risk Management Action
Tier 1 & Tier 2 Mid-Stream Suppliers (Pointers/Big stones)	Lack of information which is one of the case and not leading to CAHRA's risk(<ul style="list-style-type: none"> • Discuss the issue with the Senior management of supplier & Send communication • Ensure all suppliers have information of source from refiner and origin of metal. • Follow up and obtained the third party audit report on sourcing compliance



Risk Management Table

Position of supplier in supply chain	Possible Hazard	Risk Management Action
	Lack of information leading to potential risk of supply from CAHRA's	<ul style="list-style-type: none"> • Do further investigation and take action as per possible hazardous reported below • If required conduct one to one meeting with suppliers senior management • Keep records of communication with the suppliers. • Follow up and obtained the third party audit report on sourcing compliance
	In complete or no information of source or Origin of diamonds.	<ul style="list-style-type: none"> • Discuss the issue with the Senior management of supplier & Send communication • If no improvement and repeated hold the supply after 3 such instance (hover communication at each instance is required) • Keep supplier on hold for further supplies, till actions are satisfactory
	Origin information available , which is from a CAHRA's (<u>serious abuse of associated with extraction transport or tare of mineral</u>)	<ul style="list-style-type: none"> • Discuss the issue with the Senior management of supplier & Send communication • Instruct supplier to take up the matter with refiner • Refuse to accept bullion from such refining in future → up till mater compliance is not improved.(information from media or other reliable sources)
	Origin information available , which is from a CAHRA's (<u>Risk Management serious Abuse</u>)	<ul style="list-style-type: none"> • Obtained the further information for internet and other sources to confirm potential risk • Discuss the issue with the senior management of supplier & Send communication, if not action in 1 month Dis-Engaged with the supply chain.
	Origin information available , which is from a CAHRA's (<u>Regarding direct or indirect support to non-state armed forces</u>)	<ul style="list-style-type: none"> • Obtained the further information for internet and other sources to confirm potential risk • Discuss with supplier about possible efforts and steps to engage with central and local authority to contribute to workable solution on how trans
	Origin information available , which is from a CAHRA's (<u>Regarding public and private security forces</u>)	<ul style="list-style-type: none"> • Immediately discontinue with such vendors
	Not from CAHRA's area, However (<u>Regarding bribery, Mis-representation of the origin minerals</u>)	<ul style="list-style-type: none"> • Discuss the issue with the senior management of supplier & Send communication. • Work closely with the suppliers to identify improvement steps to close this effectively.



Risk Management Table		
Position of supplier in supply chain	Possible Hazard	Risk Management Action
	Product information and origin details are provided however (Regarding Money Laundering)	<ul style="list-style-type: none"> We are ensuring full compliance of AML/CFT, however upstream supplier's non-compliance is reported we will take up the matter with the supplier for taking up further action. Work closely with the suppliers to identify improvement steps to close this effectively.
	Product information and origin details are provided (Regarding payment of taxes, fees and royalties)	<ul style="list-style-type: none"> Discuss the issue with the senior management of supplier & Send communication. Work closely with the suppliers to identify improvement steps to close this effectively

Retention of records:

- To ensure traceability of its financial transactions, each of the entities follows a policy of maintaining all relevant documents for a minimum period of Eight years, or higher period, if required by national regulations.
- All relevant business records shall be retained for 8 (Eight) years and further it may be kept for further period

8.4 Cross Reference Of Other Financial Policies

- Policy on Money laundering and terrorism
- Policy on Kimberly & SOW compliance
- Policy on Bribery and Facilitation payment

8.5 Cross Reference Of Other Financial regulations :

RJC COP 2019- COP-7

https://www.responsiblejewellery.com/files/RJC_COP-Guidance-V1.1-June-2019.pdf

OECD

http://www.oecd.org/daf/inv/mne/EasytoUseGuide_English.pdf

Policy on Kimberly & SOW compliance

<http://www.worlddiamondcouncil.com/>

Responsible mining initiative approved list

A. <http://www.responsiblemineralsinitiative.org/gold-refiners-list/>



8.6 Training of Personnel

Training and Development: The Compliance Officer is responsible for maintaining a list of personnel (depending on their job responsibilities) who are required to be familiar with all aspects relating to combating money laundering, terrorism financing and other financial offences. The above personnel are required to undergo the following training programs:

On joining the Company:

- Self-study of training material followed by interview with Compliance Officer. Independent charge / responsibilities will be given only after approval by Compliance Officer.

Six Monthly Programs

- The Compliance Officer is responsible for conducting Six Monthly refresher training programs for all concerned personnel on various aspects relating to changes in regulations, updates to 'red flags' lists, updates to Government lists, changes in systems / procedures, etc.

- In addition to the above formal programs, the Compliance Officer also ensures that relevant information updates are communicated to concerned personnel by way of internal memos or electronic mail.

12th Monthly Programs

- Compliance officer shall circulate training material and literature to all Diamonds & Gem Stone supplier's on ethical sourcing as per OECD requirements.
- Annual declaration & undertaking shall be obtained.



8.7 Terminology

Abbreviation/ Terminology	Definition and Meaning
OECD	Organization of Economic Co-operation and Development's
Conflict Diamond	Is rough diamonds user by rebel movements or their allies to finance conflict aimed at undermining legitimate government.
CAHRA's	Conflict –Affected and High Risk Area's
Red Flag	Is a warning or indication of Potential risk
Red flag Location	The material originates from or has been transported through CHAHRA's
Origin	The origin of mined material is the mine, company, region or geographic location where the mine is located. Wethere an artisanal and small- scale mine or a medium or large- scale
Diamond Upstream company	Miner, exploring company, ASM (Rough Exporter -1 st)
Midstream Tier-1	Sourcing directly from exploring , mining companies, ASM or First exporter of Rough
Midstream Traders	Trader of rough and polished diamonds,
Midstream Tier-2	Sourcing from rough export, Tier-1 or other Tier-2
High Risk Supply chain	Are those red flags which has adverse impact to supply chain of minerals
Mined Material (Diamond)	Rough and polished diamonds and gemstones comes from mines
Recycled Material(Diamond)	Polished diamond and gem stone that has prior used by a consumer and have re-entered the supply chain to be re cut/polished or re sold.
Grand Father Material	Existing stock of diamonds /colored gem stone purchase before 23 rd ,April ,2019

Prepared By:  Compliance Officer	Approved By:  CEO
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