



**LEO SCHACHTER DIAMONDS, L.L.C.  
SCHACHTER DIAMONDS COMPLETE  
SUPPLIER PROTOCOL**



## KYC Checklist

- ❖ Cover letter with RJC/BPP undertaking sign-off
- ❖ Customer information sheet
  - Requires passport or driver's license photocopy
  - Includes required information for consignment agreement/UCC filing
- ❖ Credit check information
  - Includes bank release signature
- ❖ Leo Schachter Diamonds Supplier Protocol



To Whom It May Concern:

As a Sightholder of The Diamond Trading Company (DTC) and as a certified member of the Responsible Jewellery Council, we have undertaken to implement the requirements as described in the Diamond Best Practice Principles (BPP) Assurance Program and the RJC's guide for responsible sourcing and social responsibilities.

This letter will formally advise you of Leo Schachter Diamonds' (LSD) social responsibility policies with respect to diamonds, gemstones, gold, platinum and silver. Please recognize and comply with these important requirements related to prohibitions against conflict gold, diamonds and gemstones as well as the anti-money laundering program requirements.

We have undertaken compliance to these standards so as to enhance confidence regarding the standards of the Diamond Industry. These standards oblige RJC members and all DTC Sightholders to abide by the highest professional, ethical, social, environmental and legal standards to ensure that we adequately fulfill our responsibilities to all stakeholders. By complying with the RJC/BPP guidelines, we believe that the value of diamonds will not be diminished or tarnished in the eyes of the consumer.

The following is a brief summary of RJC/BPP guidelines:

- ❖ Compliance with all rules of the Kimberley Process and all requirements of the World Diamond Council
- ❖ Full compliance with international best practice and the related regulatory framework with respect to the environment, social responsibilities and labor standards.
- ❖ A documented AML program and policy

We are fully committed to complying with the guidelines and are making best endeavors to ensure that our suppliers, vendors and customers comply as well. Please feel free to contact our offices for a detailed explanation regarding RJC/BPP guidelines.

Attached you will also find a copy of the Leo Schachter Diamonds Sourcing Protocol. Please review this and sign where indicated in three places.

Please sign this page to indicate compliance to the RJC/BPP Program, as noted above and return to us by email scan, fax (+1 212-688-3345) or mail as soon as possible.

We appreciate your participation and cooperation.

Sincerely,

**Leo Schachter Diamonds, L.L.C / Schachter Diamonds Complete**

Jerry Blugrind  
Controller



Undertaking to comply with RJC/BPP:

[Company Name] Hereby commit to comply with the requirements of Best Practice Principles as mandated by the Diamond Trading Company.

Date: \_\_\_\_\_

By: \_\_\_\_\_

Name and title: \_\_\_\_\_



## Customer Information

<b>COMPANY NAME AND REGISTERED ADDRESS:</b>
<b>STATE OF INCORPORATION: (PLEASE INCLUDE COPY OF FILING RECEIPT)</b>
<b>BUSINESS REGISTRATION YEAR:</b>
<b>EIN (FEDERAL TAX ID):</b>
<b>PRINCIPAL OR OFFICER:</b>
<b>TELEPHONE #:</b>
<b>EMAIL:</b>
<b>SOCIAL SECURITY #:</b>
<b>PASSPORT OR DRIVER'S LICENSE: (PLEASE INCLUDE COPY OF DOCUMENT)</b>
<b>DATE OF FIRST SALE:</b>
<b>BANK REFERENCES:</b>
<b>MARKET REFERENCES:</b>
<b>INDUSTRY ASSOCIATION MEMBERSHIPS:</b>
<b>IS COMPANY A MEMBER OF RESPONSIBLE JEWELLERY COUNCIL (RJC)?</b>



<b>CREDIT INFORMATION – PLEASE PROVIDE THE FOLLOWING:</b>			
<b>COMPANY NAME:</b>			
<b>OWNER/BUYER:</b>			
<b>COMPANY ADDRESS:</b>			
<b>CITY:</b>	<b>STATE:</b>	<b>ZIP CODE:</b>	<b>COUNTRY:</b>
<b>TELEPHONE:</b>	<b>FAX:</b>		
<b>ACCOUNTS PAYABLE CONTACT:</b>	<b>NAME:</b>	<b>TELEPHONE (IF EXT):</b>	
<b>EMAIL ADDRESS:</b>	<b>MOBILE:</b>		
<b>INCORPORATED IN:</b>	<b>(STATE)</b>	<b>JBT #:</b>	<b>D&amp;B#:</b>
<b>BANK NAME:</b>			
<b>BANK CONTACT: NAME:</b>		<b>TELEPHONE:</b>	
<b>ACCOUNT #:</b>			
<b>REFERENCES:</b>			
<b>COMPANY NAME:</b>		<b>CONTACT NAME:</b>	
<b>TELEPHONE:</b>		<b>FAX:</b>	
<b>COMPANY NAME:</b>		<b>CONTACT NAME:</b>	
<b>TELEPHONE:</b>		<b>FAX:</b>	
<b>COMPANY NAME:</b>		<b>CONTACT NAME:</b>	
<b>TELEPHONE:</b>		<b>FAX:</b>	



INSURANCE INFORMATION	
DO YOU HAVE JEWELERS BLOCK INSURANCE FOR > THEFT	FIRE LOSS
NAME OF INSURANCE COMPANY:	COVERAGE LIMIT (US\$):
SHOULD CREDIT BE APPROVED DO YOU HAVE AMPLE COVERAGE FOR YOUR INVENTORY AS WELL AS MERCHANDISE ENTRUSTED TO YOU BY LEO SCHACHTER?	
DO YOU HAVE A UL APPROVED SAFE WHERE GOODS ARE KEPT WHEN PREMISES ARE CLOSED?	
DO YOU HAVE CENTRAL STATION ALARM SYSTEMS?	NAME OF ALARM SERVICE:
WILL YOU LIST LEO SCHACHTER AS AN ADDITIONAL LOSS PAYEE AND PROVIDE SUCH CERTIFICATE TO LSD?	



## Bank Release

I hereby authorize my bank, \_\_\_\_\_ to provide financial information regarding my account and banking history to Leo Schachter Diamonds, L.L.C.

Company Name: \_\_\_\_\_

Principal/Owner: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_





## **Leo Schachter Diamonds, LLC Supply Chain Policy Document**

Leo Schachter Diamonds, LLC (LSD) is a USA based jewelry and diamond manufacturing dealer. This policy confirms LSD's commitment to respect human rights, avoid contributing to the finance of conflict and comply with all relevant UN sanctions, resolutions and laws.

**1. LSD is a certified member of the Responsible Jewellery Council (RJC). As such, we commit to proving, through independent third-party verification, that we:**

- respect human rights according to the Universal Declaration of Human Rights and International Labour Organization Fundamental Rights at Work
- do not engage in or tolerate bribery, corruption, money laundering or finance of terrorism
- support transparency of government payments and rights-compatible security forces in the extractives industry
- do not provide direct or indirect support to illegal armed groups
- enable stakeholders to voice concerns about the jewellery supply chain
- are implementing the OECD 5-Step framework as a management process for risk based due diligence for responsible supply chains of minerals from conflict-affected and high-risk areas
- commit to using our influence to prevent abuses by others as well as to educate others

**2. Regarding serious abuses associated with the extraction, transport or trade of diamonds/coloured gemstones**

- We will neither tolerate nor profit from, contribute to, assist or facilitate the commission of:
  - torture, cruel, inhuman and degrading treatment
  - forced or compulsory labour
  - illegal and abusive child labour
  - human rights violations and abuses
  - war crimes, violations of international humanitarian law, crimes against humanity or genocide.

*We will immediately stop engaging with upstream suppliers if we find a reasonable risk that they are committing abuses as described, are sourcing from or linked to any party committing these abuses.*



### **3. Regarding direct or indirect support to non-state armed groups**

- We sell or purchase only diamonds/coloured gemstones that are fully compliant with the Kimberley Process Certification Scheme and will not tolerate direct or indirect support to non-state armed groups, including, but not limited to, procuring diamonds/coloured gemstones from, making payments to, or otherwise helping or equipping non-state armed groups or their affiliates who illegally:
  - control mine sites, transportation routes, points where diamonds/coloured gemstones are traded and upstream actors in the supply chain
  - tax or extort money or diamonds/coloured gemstones at mine sites, along transportation routes or at points where diamonds/coloured gemstones are traded, or from intermediaries, export companies or international traders.

*We will immediately stop engaging with upstream suppliers if we find a reasonable risk that they are sourcing from, or are linked to, any party providing direct or indirect support to non-state armed groups as described above.*

### **4. Regarding public or private security forces**

- We affirm that the role of public or private security forces is to provide security to workers, facilities, equipment and property in accordance with the rule of law, including law that guarantees human rights. We will not provide direct or indirect support to public or private security forces that commit abuses described in paragraph 2 or that act illegally as described in paragraph 3.

### **5. Regarding bribery and fraudulent misrepresentation of the origin of diamonds/coloured gemstones**

- We will not offer, promise, give or demand bribes, and will resist the solicitation of bribes, to conceal or disguise the origin of diamonds/coloured gemstones, or to misrepresent taxes, fees and royalties paid to governments for the purposes of extraction, trade, handling, transport and export of diamonds.

### **6. Regarding money laundering**

- We will support and contribute to efforts to eliminate money laundering where we identify a reasonable risk resulting from, or connected to, the extraction, trade, handling, transport or export of diamonds/coloured gemstones.

Signed/endorsed:

Date of effect:



## Supplier Protocol

### Responsible Sourcing and Business ethics

#### ***Bribery and Facilitation Payments***

- Suppliers will prohibit bribery in all business practices and transactions that are carried out by them, or on their behalf by business partners. They will not offer, accept or countenance any payments, gifts in kind, hospitality, expenses or promises as such that may compromise the principles of fair competition or constitute an attempt to obtain or retain business for or with, or direct business to any person to influence the course of the business or governmental decision-making process.
- Suppliers will consider bribery risk as it applies to their organization (including agents) to identify which areas pose high risks and will develop appropriate methods to monitor conduct of employees and agents and eliminate bribery based on this understanding.
- Suppliers will facilitate the reporting of incidences of attempted bribery or inappropriate gifts within their organization and will apply the appropriate sanctions for bribery and attempted bribery in all forms.
- Suppliers will clearly communicate to their employees that no employee will suffer demotion, penalty or other adverse consequences for voicing a concern, or for refusing to pay a bribe or facilitation payment even if this action may result in the enterprise losing business.
- Where Suppliers have not yet been able to eliminate facilitation payments, they will implement appropriate controls to monitor, oversee and fully account for all facilitation payments made. They will work to ensure that they are of limited nature and scope, with an ultimate objective to eliminate all facilitation payments.

#### ***Money Laundering and Finance of Terrorism***

As part of the implementation of Section 352 of the USA Patriot Act, the United States Department of the Treasury and the Financial Crimes Enforcement Network (FinCEN) issued an interim regulation (31 C.F.R. 103,140) ("AML Regulation") requiring certain dealers of precious metals, precious stones or jewels to establish anti-money laundering (AML) programs and procedures to detect money laundering and the finance of terrorism.

Leo Schachter Diamonds expects that all suppliers subject to the AML Regulation will in fact have a compliant anti-money laundering program in place and that the program will include:

- Written policies, procedures and controls
- The designation of a compliance officer
- An ongoing employee training program
- An independent audit function to test the AML program



For further information please refer to the guidance issued by FinCEN regarding AML programs for dealers in precious stones ([www.fincen.gov](http://www.fincen.gov)) or the Jewelers Vigilance Committee's USA Patriot Act Compliance Kit ([www.jvclegal.org](http://www.jvclegal.org)).

- Suppliers must maintain financial accounts of all business transactions where required by applicable law and in accordance with national or international accounting standards.
  - These accounts must be independently certified and/or audited, by a properly qualified auditor who is appointed free of any bias or influence.
- Suppliers should be aware that international transactions may be subject to more than one jurisdiction. Where no applicable law exists, Suppliers will comply with the provisions in the Financial Action Task Force (FATF)<sup>1</sup> 40 Recommendations and 9 Special Recommendations as applicable to dealers in Precious Metals and gemstones under the Designated Non-Financial Business Professions (DNTBP).
- Cash or cash-like transactions should always take place in compliance with applicable law. Where they occur above the relevant defined financial threshold, records need to be kept and maintained with the relevant designated authority.
- Suppliers must operate according to the principles of **"Know Your Counterparty"** so as 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. A standard KYC process requires the identification of the beneficial owners of the supplier company and the maintenance of documentary records and evidence of this information. This includes supplying a copy of a government accepted photo ID of the principals of the company or organization, such as a passport or driver's license.

### ***Diamond Sourcing***

Conflict diamonds/gemstones are those illegally traded to fund conflict in war-torn areas, particularly in Central and Western Africa. The United Nations defines conflict diamonds as "...diamonds that originate from areas controlled by forces or factions opposed to legitimate and internationally recognized governments and are used to fund military action in opposition to those governments, or in contravention of the decisions of the Security Council." These diamonds are sometimes referred to as "blood diamonds." Leo Schachter diamond sourcing utilizes the common Responsible Sourcing Protocol implemented by major companies (D-SRSP). The D-SRSP for Leo Schachter applies to all diamonds supplied to Leo Schachter including loose, rough or polished, and diamonds set in finished jewelry.

- Suppliers must not knowingly buy or sell conflict diamonds or assist others to do so
- Suppliers, where involved with the international trade of rough diamonds, must apply the rough diamond export and import verification system and controls as laid out by the Kimberley Process Certification Scheme and relevant national legislation.

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<sup>1</sup> Financial Action Task Force (FATF) – an international policy making organization established to counter criminal use of financial systems



- Suppliers must keep records of Kimberley Process Certificates for rough diamonds. Kimberley Process certificates must be independently audited and reconciled by a company's own independent auditor on an annual basis. If asked for by a duly authorized government agency, these records must be able to prove compliance with the Kimberley Process.
- Suppliers, where involved in buying and selling diamonds, whether rough, polished or set in jewelry, must fully adhere to the principles of the "World Diamond Council Resolution on Industry Self-Regulation" and are required to have systems in place ensuring that all invoices for diamonds supplied, whether rough, polished or set in jewelry, contain the World Diamond Council warranty statement. Suppliers must keep records of all such invoices.
- Suppliers must have systems in place so that they do not purchase from sources that do not provide the World Diamond Council warranty statement on their invoices.
  - The World Diamond Council warranty statement:
    - ***The diamonds herein invoiced have been purchased from legitimate sources not involved in the funding of conflict in conformance with United Nations resolutions. The seller hereby guarantees that these diamonds are conflict free, based on personal knowledge and/or written guarantee provided by the supplier of these diamonds."***
- Suppliers will inform all employees who buy or sell diamonds of the government restrictions on the trade in conflict diamonds, the Kimberley Process Certification Scheme and the WDC system of warranties.
- Suppliers must take practical and documented steps to avoid the inclusion of laboratory grown, laboratory created or synthetic diamonds or diamond simulants in parcels provide to Leo Schachter Diamonds.
- By signing this, the Supplier warrants, represents and covenants that:
  - any diamonds supplied to Leo Schachter Diamonds do not infringe on the intellectual property rights of any third party and were not manufactured (which includes but is not limited to scanning, windowing, mapping, planning or marking the rough diamonds, cleaving, sawing, laser cutting, shaping, bruting, coning, treating, faceting, brilliantteering and polishing) using any process, machine, equipment, tool, software, or technology that infringes on the intellectual property rights of any third party.
  - Supplier is in compliance with the Signet Responsible Sourcing Protocol for Diamonds <http://www.signetjewelers.com/corporate-responsibility/responsible-sourcing/> and available here in PDF format <https://signetresponsiblesourcing.com/Webinars/Ensuring%20The%20Integrity%20Of%20The%20Natural%20Diamond%20Supply%20Chain.pdf>
  - Supplier will include the two foregoing requirements and this flow down requirement in all contracts entered into by it for the supply of diamonds or for the supply of services, machines, equipment, tools, software or technology that are used to manufacture diamonds that are sold to Leo Schachter



## Diamonds.

- Suppliers must obtain written warranties from their suppliers to corroborate and demonstrate compliance.
- Suppliers must employ a due diligence process to identify and minimize supply chain risks.

D-SRSP CATEGORIES	
Category 1 - Single Stone Tracking	Individual diamonds supplied by, or sourced from identified and verified diamond producers such as DeBeers, ALROSA, Rio Tinto or Dominion.
Category 2 - Parcel Tracking	Parcels of diamonds supplied by or sourced from identified and verified diamond producers such as DeBeers, ALROSA, Rio Tinto or Dominion, not individually tracked but verified to have derived from all or any of these producers.
Category 3 - Mixed Sources	This category allows for the mixing of diamonds deriving from a number of 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 a producer country or particular mine, originally sourced from other than DeBeers, ALROSA, Rio Tinto or Dominion.

- Regarding the table above, please note the documentation that should be maintained for due diligence warranty:
  - All categories must be supported by a documented inventory system and purchase documents
  - Categories 1 & 2 require inventory records, sale or purchase documents
  - Category 3 requires additional documents identifying provenance or best efforts KYC documentation. Where the source is returns from markets, records should be kept to document this.
  - Category 4 requires documentary evidence of sourcing, purchase invoices, in addition to relevant warranty or certification such as RJD Certification or Kimberley Protocol Certificates as well as documented evidence of KYC and due diligence steps.

### **Product Security**

- Suppliers will ensure that the security of people is prioritized when establishing product security measures to protect against product theft, damage or substitution within the premises and during shipments. The security and well-being of employees, visitors and other relevant business partners will be prioritized when establishing product security measures.

### **Product Integrity**

- **General:** Suppliers will at all times comply with relevant trading standards legislation



and, where they exist, specific national and/or local regulations applicable to Diamond and Gold Jewelry products. Where no specific trading standards or product integrity regulations apply, Suppliers must comply with the requirements listed below.

- **Proper Disclosure:** Suppliers must make all reasonable efforts to properly disclose all relevant information on the physical characteristics, such as mass/weight, cut, color, clarity or fineness, of a diamond or gold jewelry product.
- **Misrepresentation:** Suppliers will not make any untruthful, misleading or deceptive statement, representation or material omission in the selling, advertising or distribution of any diamond, treated diamond, synthetic or simulant, or any gold product, in any medium, including the Internet.

**Gold:**

- Suppliers will accurately disclose the fineness of the gold used in their products
- When applying gold quality marks to articles wholly or in part composed of gold, Suppliers will apply a mark authorized to be applied thereto under applicable law that correctly indicates the quality of the gold of which the article is in whole or in part composed. The mark will be applied in a manner authorized by applicable law or relevant international standards.



***Treated Diamonds:***

- A treated diamond must be disclosed as either "Treated" or with specific reference to the particular treatment. The description must be as equally conspicuous and placed immediately preceding the word(s) "Diamond" or "Synthetic", as the case may be.
  - Specifically: Any term that is designed to disguise that treatment has occurred, or to imply that a treatment is part of the normal polishing process or that misleads the consumer in any way must not be used.
    - For example, the term "improved" must not be used to describe a treated diamond.
    - Any special care requirements that the treatment creates must be disclosed.
- Names of firms, manufacturers or trademarks are not to be used in connection with treated diamonds, unless such names are clearly succeeded by the word "Treated" as defined in this section or are otherwise equally conspicuously and prominently disclosed as treated.

***Synthetic Diamonds:***

- A wholly or partially synthetic diamond must always be disclosed as "laboratory created", "laboratory grown", "man-made", "[Manufacturer's name] created", and/or "synthetic" and the description must be equally as conspicuous and immediately preceding the word "diamond" <sup>2</sup>
- Suppliers will not use the words "real", "genuine" or "natural" to describe any synthetic, or any terms that may disguise the fact that a diamond is synthetic or that mislead the consumer in any way.

***Diamond Simulants:***

- Suppliers must always disclose a simulant either as the mineral or compound that it is, or as a "diamond simulant" or "imitation diamond". The unqualified word "Diamond" must never be used with simulants.
- Suppliers will not use the words "real" and "genuine" to describe any simulant.
- Suppliers will not use the word "natural" to describe any simulant if the simulant is not a naturally occurring mineral or compound.

***Intellectual Property and Design***

- Suppliers must warranty and represent that any diamonds supplied to Leo Schachter Diamonds were not manufactured using processes, machines, equipment, tools, software, or technology that infringe on the intellectual property rights of any third party.

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<sup>2</sup> International Diamond Council Rules for grading polished diamonds (2008)





***Diamond Quality — Cut and Polished Diamonds:***

- Suppliers, when describing the weight, color, clarity or cut of diamonds will at all times do so in accordance with the recognized guidelines appropriate to the particular jurisdiction.
- Suppliers will not use the word "flawless" or "perfect" to describe either:
  - A diamond that discloses flaws, cracks, inclusions, carbon spots, clouds, internal lasering, or
  - A diamond that has blemishes or imperfections of any sort when examined under a corrected magnifier at 10-power, with adequate illumination by a person skilled in diamond grading; or
  - Any article of Jewelry that contains any diamonds that do not meet the definition of "flawless" or "perfect".
- Suppliers will not use the terms "brilliant", "brilliant cut" or "full cut" to describe, identify or refer to any diamond except a round diamond that has at least 32 facets plus the table above the girdle, and at least 24 facets below it.

\_\_\_\_\_ is committed to implementing policies that promote responsible sourcing and business ethics throughout the diamond and gold jewelry supply chain, from mine to retail. We are committed to serving as a leader within our sector, not only through manufacturing and purchasing practices, but also by encouraging our peer companies to do the same.

\_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
Date



## Gold and Platinum Sourcing Protocol

This document outlines the procedures which are required by Leo Schachter Diamonds, L.L.C. and Schachter Diamonds Complete (LSD) for suppliers, to ensure that supplies of all products including gold are conflict-free, such that LSD will comply with the “Dodd Frank Act” (H.R. 4173), the Wall Street Reform and Consumer Protection Act’s Amendment referred to as the Conflict Mineral, Section 1502 Amendment. This document notes LSD’s sourcing requirements for gold supplies and is intended for use by all Vendors.

### PRINCIPLES

- The Dodd-Frank Act final rules were confirmed by the SEC on 22nd August 2012 (see [www.sec.gov/news/press/2012/2012-163.htm](http://www.sec.gov/news/press/2012/2012-163.htm) ), based significantly on the “Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas” supplement for gold issued by the Organization for Economic Cooperation and Development (“OECD”). The main focus in the OECD guidance is an ability to identify the refinery source of gold used in production of jewelry and other products.
- Research conducted by LSD has shown that LSD suppliers have multiple sources of gold and therefore suppliers will need to verify and certify the source of gold through all these sources, including subcontractors.
- In accordance with LSD’s Supplier Code of Conduct, suppliers will need to pass on the same sourcing requirements to all subcontractors, who will in turn need to assess this protocol, ensure due diligence is undertaken on their own supply chain, and confirm a capability to certify and independently audit against the protocol.
- LSD recognizes several global industry guidance and standards as applicable to the protocol, and identifies these at relevant points in the supply chain, especially refineries. In particular, LSD recognizes and supports the following:
  - Leo Schachter Diamonds is a certified member of the Responsible Jewellery Council (RJC), with a provenance Bolt-on and recognizes the RJC’s Chain of custody (see [www.responsiblejewellery.com/chain-of-custody-certification/](http://www.responsiblejewellery.com/chain-of-custody-certification/)) and will accept gold from any source which is certified to this standard, as it certifies gold through the supply chain. As a point of clarification, LSD recognizes certified membership of the RJC for refineries only, as certified RJC membership applies to the member company, not to the supply chain. However, LSD will recognize RJC Membership certification which includes statements relating to sources and/or supply of conflict-free gold under “Provenance Claims” in the RJC’s Code of Practices revised 2013.
  - LSD recognizes the Organization for Economic Cooperation and Development’s (OECD) Due Diligence Guidance Supplement for Gold as a core reference:  
[www.oecd.org/corporate/guidelinesformultinationalenterprises/goldsupplementtotheduediligenceguidance.htm](http://www.oecd.org/corporate/guidelinesformultinationalenterprises/goldsupplementtotheduediligenceguidance.htm).



- LSD recognizes the London Bullion Market Association (LBMA) Responsible Gold Guidance as a core reference for supplies of gold from refineries ([www.lbma.org.uk/pages/index.cfm?page\\_id=137](http://www.lbma.org.uk/pages/index.cfm?page_id=137)). The LBMA now requires that all LBMA “Good Delivery” Gold Refiners comply with the LBMA Responsible Gold Guidance, and has produced an Audit Guidance document to add further transparency and consistency to the Responsible Gold Program. Suppliers to Leo Schachter Diamonds are recommended to ensure their gold supplies are from current LBMA “good delivery” refineries (see gold list at [www.lbma.org.uk](http://www.lbma.org.uk)).
- Additional certification to the international guidance and standards set out above may be available in individual countries and in individual circumstances.
- Any additional certification will be assessed and confirmed on a case-by-case basis by LSD. Suppliers requesting such certification must in all cases be able to identify and certify the sources of gold, preferably to the refinery, and validate why these sources should be determined as conflict-free. An external audit of this validation may be required.
- LSD suppliers will be required to define in detail which criteria are being used to certify all gold supplies as compliant (from the list of requirements below), and will remain responsible and accountable for certification and external audit of supplies to LSD, based on this protocol.
- Suppliers will be required to declare compliance with the protocol in commercial documentation as defined by LSD, such as supplier agreements, invoices, delivery notes etc.
- All new suppliers to LSD will be expected to certify all gold supplies are in compliance with the protocol before any commercial activity related to the supply of gold between the companies begins.

LSD suppliers will be required to validate, certify and audit supplies of gold from every source used, including subcontractors; the protocol is intended as a guide for suppliers to enable this certification.

***LSD Requirements for Conflict-Free Gold:***

The LSD protocol is a guide for LSD suppliers to ensure that gold provided to LSD is conflict-free. The requirements in the protocol apply to all gold products (finished and components), and to all products containing gold.

Suppliers will commit to the responsible sourcing of gold and gold jewelry products, and do what they can, within their spheres of influence, to ensure that the gold they supply has not originated from conflict sources, including the Democratic Republic of the Congo.

Suppliers are required to certify that gold supplied to LSD, either by certification of all gold manufacture and supply, or, if this is not possible, by segregating manufacture and supply of gold to LSD from manufacture and supply of gold to other customers, is in fact conflict free.

The protocol identifies the requirements for conflict-free gold at all levels in the supply chain, as below:

## **Refineries**

- The Protocol only accepts gold from Refinery sources as follows:
  - Gold refiners on the current LBMA good delivery list (see [www.lbma.org.uk](http://www.lbma.org.uk) , “Good Delivery”, “Gold List”), or
  - Gold refiners on the EICC/GeSI/CFSI conflict-free compliant smelter list (see [www.conflictreesmelter.org](http://www.conflictreesmelter.org)), or
  - Gold refiners on the DMCC “Dubai Good Delivery” list for gold (see [www.dmcc.ae/jltauthority/gold/the-dubai-good-delivery-list-gold/](http://www.dmcc.ae/jltauthority/gold/the-dubai-good-delivery-list-gold/) ), or Gold refiners which are certified Members of the Responsible Jewellery Council (RJC) (see [www.responsiblejewellery.com/members/certified-members](http://www.responsiblejewellery.com/members/certified-members)), or
  - Gold refiners which certify and independently audit that all gold supplies are conflict-free, in accordance with one of the following guidelines/standards;
    - RJC Chain of Custody Standard for Precious Metals (see [www.responsiblejewellery.com/chain-of-custody-certification](http://www.responsiblejewellery.com/chain-of-custody-certification))
    - RJC Membership certification which includes statements relating to sources and/or supply of conflict-free gold under “Provenance Claims” in the RJC’s Code of Practices revised 2013.
    - OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas, Supplement on Gold (see [www.oecd.org](http://www.oecd.org), search “conflict minerals”), or
    - Gold refiner which are certified under SCS Global Services’ “Responsible Source” Standard for Precious Metals ([www.scsglobalservices.com/certified-responsible-source](http://www.scsglobalservices.com/certified-responsible-source)), or
    - Gold refiners which certified that all supplies to the refinery are from mines which comply with the World Gold Council Conflict-free Standard (see [www.gold.org/about\\_gold/sustainability/conflict\\_free\\_standard](http://www.gold.org/about_gold/sustainability/conflict_free_standard))

## **Banks**

- The Protocol only accepts gold from Banks as follows:
  - Banks which certify and independently audit that all gold is supplied from refineries which fulfil the PROTOCOL criteria under “Refineries” as above, or
  - Banks which certify and independently audit that all gold supplies are conflict-free, in accordance with one of the following guidelines/standards;
    - RJC Chain of Custody Standard for Precious Metals (see [www.responsiblejewellery.com/chain-of-custody-certification](http://www.responsiblejewellery.com/chain-of-custody-certification))
    - RJC Membership certification which includes statements relating to sources and/or supply of conflict-free gold under “Provenance Claims” in the RJC’s Code of Practices revised 2013
    - OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas, Supplement on Gold (see [www.oecd.org](http://www.oecd.org), search “conflict minerals”)



### ***Precious Metals Trading Companies/Alloy Suppliers***

- The Protocol only accepts gold from Precious Metals Trading Companies and Alloy Suppliers as follows:
  - Companies which certify and independently audit that all gold is supplied from refineries, and/or
  - banks which fulfil the Protocol criteria under “Refineries” and “Banks” as above, or
  - Companies which certify and independently audit that all gold supplies are conflict-free, in accordance with one of the following Guidelines/standards;
    - RJC Chain of Custody Standard for Precious Metals (see [www.responsiblejewellery.com/chain-of-custody-certification](http://www.responsiblejewellery.com/chain-of-custody-certification))
    - RJC Membership certification which includes statements relating to sources and/or supply of conflict-free gold under “Provenance Claims” in the RJC’s Code of Practices revised 2013
    - OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas, Supplement on Gold (see [www.oecd.org](http://www.oecd.org), search “conflict minerals”)
    - SCS Global Services’ “Responsible Source” Standard for Precious Metals ([www.scsglobalservices.com/certified-responsible-source](http://www.scsglobalservices.com/certified-responsible-source))

### ***Subcontractors of Component Parts or Finished Products***

- **Note:** In accordance with LSD Supplier Code of Conduct, the same obligations and criteria will apply to subcontractors as apply to LSD direct suppliers. Suppliers will therefore need to pass on the requirements of the protocol to all subcontractors.
- The protocol only accepts gold from Subcontractors of Component Parts or Finished Products as follows:
  - Subcontractors which certify and independently audit that all gold is supplied from refineries, banks and/or precious metals trading companies which fulfil the protocol criteria under “Refineries”, “Banks” and “Precious Metals Trading Companies” as above, and scrap/recycled gold as below, or
  - Subcontractors which certify and independently audit that all gold supplies are conflict-free, in accordance with one of the following guidelines/standards;
    - RJC Chain of Custody Standard for Precious Metals (see [www.responsiblejewellery.com/chain-of-custody-certification](http://www.responsiblejewellery.com/chain-of-custody-certification))
    - RJC Membership certification which includes statements relating to sources and/or supply of conflict-free gold under “Provenance Claims” in the RJC’s Code of Practices revised 2013
    - OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas, Supplement on Gold (see [www.oecd.org](http://www.oecd.org), search “conflict minerals”)
    - SCS Global Services’ “Responsible Source” Standard for Precious Metals ([www.scsglobalservices.com/certified-responsible-source](http://www.scsglobalservices.com/certified-responsible-source))



### ***Scrap and Recycled Gold***

- The Protocol only accepts scrap and/or recycled gold as follows:
  - Suppliers which certify and independently audit that all scrap and recycled gold is identifiable as its own production and supply, i.e. that the scrap gold is;
    - Returned product from customers
    - Faulty inventory
    - Scrap and waste gold arising during manufacturing, or
    - Suppliers which certify and independently audit that all scrap and recycled gold is acquired according to Know Your Customer/Counterparty principles (“KYC”), 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;
      - Collection and analysis of basic identity information.
      - Name matching against lists of known parties.
      - Determination of the supplier's risk in terms of propensity to supply gold from an area of conflict
      - An expectation of a customer's transactional behavior.
      - Monitoring of a customer's transactions against their expected behavior and recorded profile, or
    - Companies which certify and independently audit that all gold supplies are conflict-free, in accordance with one of the following guidelines/standards;
      - RJC Chain of Custody Standard for Precious Metals (see [www.responsiblejewellery.com/chain-of-custody-certification](http://www.responsiblejewellery.com/chain-of-custody-certification))
      - RJC Membership certification which includes statements relating to sources and/or supply of conflict-free gold under “Provenance Claims” in the RJC's Code of Practices revised 2013
      - OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas, Supplement on Gold (see [www.oecd.org](http://www.oecd.org), search “conflict minerals
      - SCS Global Services’ “Responsible Source” standard for Precious Metals ([www.scsglobalservices.com/certified-responsible-source](http://www.scsglobalservices.com/certified-responsible-source))



### ***“Grandfathered” Gold***

- The Protocol accepts gold in any form from any of the sources listed above which is held by suppliers, banks, refiners, metals trading companies, scrap suppliers or subcontractors and which has a verifiable date prior to 1 January 2012, in accordance with OECD, LBMA and RJC guidelines.
- It is noted that the US “Dodd-Frank” Act Section 1502 rules have an equivalent “grandfathered” date of 1 January 2013: however the protocol verifiable date remains 1 January 2012, to remain in accordance with the OECD, LBMA and RJC guidelines. A verifiable date is one which can be verified through inspection of physical date stamps on products such as gold bars, Jewellery hallmarks and/or auditable inventory lists which are specific to the individual item of gold, the component, subcomponent or finished item of jewelry.

### ***Exceptions***

- Exceptions to protocol standards listed above may be made on a case-by-case basis. In all such cases, suppliers will be expected to identify and certify the sources of gold, preferably to the refinery, and validate why these sources should be determined as conflict-free. All exceptions must be confirmed in advance and in writing by Leo Schachter Diamonds or Schachter Diamonds Complete, and an external assessment and/or independent audit of this validation may be required.

\_\_\_\_\_ is committed to implementing policies that promote responsible sourcing and business ethics throughout the diamond and gold jewelry supply chain, from mine to retail. We are committed to serving as a leader within our sector, not only through manufacturing and purchasing practices, but also by encouraging our peer companies to do the same.

\_\_\_\_\_  
Name:

\_\_\_\_\_  
Date

Title:





## Human Rights and Social Performance

### **Human Rights**

- Suppliers will at all times respect the fundamental human rights and the dignity of the individual, according to the United Nations Universal Declaration of Human Rights.

### **Child Labor and Young Persons**

- Suppliers will not engage in or support the employment of children (younger than 15 years, or 14 years where the law of the country permits) beyond those circumstances defined in ILO Convention 138 and Recommendation 146 unless sanctioned by national and/or local government or as part of a recognized apprentice scheme, in accordance with the guidelines laid down in the Global Compact.<sup>3</sup>
- Where any children are found to be in employment, Suppliers will provide adequate support to enable them to attend and remain in school until no longer a child. Child Labor Remediation processes will include steps for the continued welfare of the child and consider the financial situation of the child's family. Children found to be in employment contrary to minimum age requirements may remain in partial employment during a phased remediation process. Suppliers will provide a minimum period of night time rest of 12 hours, with customary weekly rest days and ensure that overtime is prohibited and the child receives fair payment for the work he or she is undertaking.
- Suppliers will promote education for children covered under ILO recommendation 146 and young persons who are subject to local compulsory education laws or attending school, including means to ensure that no such child or young person is employed during school hours and that combined hours of daily transportation (to and from work and school), school and work time does not exceed 10 hours a day.
- Suppliers will not expose a child or young person to work, which by its nature or the circumstances in which it is carried out, is likely to jeopardize the health, safety or morals of persons younger than 18 years (or 16 years subject to authorization in applicable law and the receipt of adequate and specific instruction or vocational training in the relevant branch of activity).

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<sup>3</sup> Global Compact Guidelines for minimum age:

Developed Countries:		Developing Countries	
Light work	13 years	Light work	12 years
Regular work	15 years	Regular Work	14 years
Hazardous work	18 years	Hazardous work	18 years





### ***Forced Labor***

- Suppliers will not use forced labor (including bonded, indentured or prison labor), nor restrict the freedom of movement of employees.
- Suppliers will not retain original copies of Employee personal documentation, such as identity papers, nor require any form of deposit, recruitment fee, or equipment advance from Employees either directly or through recruitment agencies.

### ***Freedom of Association and Collective Bargaining***

- Suppliers will not prevent Employees from associating freely. Where laws prohibit these freedoms Suppliers will support parallel means for independent and free association and bargaining.
- Suppliers will not prevent collective bargaining and will adhere to collective bargaining agreements, where such agreements exist.

### ***Discrimination***

- Suppliers will not practice or condone any form of discrimination in the workplace in terms of hiring, remuneration, overtime, access to training, promotion, termination or retirement based on race, ethnicity, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, marital status, pregnancy status, physical appearance, HIV status, or age, or any other applicable prohibited basis, such that all individuals who are "Fit for Work" (see definitions) are accorded equal opportunities and are not discriminated against on the basis of factors unrelated to their ability to perform their job.

### ***Health & Safety***

- Suppliers will provide safe and healthy working conditions for all employees in accordance with applicable law and other relevant industry standards. These conditions include:
  - Minimizing, so far as reasonably practicable, the causes of workplace hazards. Appropriate safeguards and isolation between employees and all machinery including mobile equipment
  - Adequate and appropriate labeling and storage of all chemicals and cleaning materials.
  - Methods to protect employees from exposure to airborne particles and chemical fumes
  - Providing appropriate Personal Protective Equipment (PPE) free of charge and verify that it is current, worn correctly and used as necessary
  - Providing work stations that are designed as appropriate to the task performed, to minimize occupational health risks such as repetitive strain.
  - Adequate lighting, ventilation and air quality; safe noise levels and temperatures.
  - Maintaining adequate workplace hygiene at all times by conducting regular



routine cleaning, providing safe and accessible potable water and sanitary facilities for food storage, and clean and hygienic washing and toilet facilities commensurate with the number and gender of staff employed.

- Providing adequately constructed and maintained workplaces to meet local building regulations.
- Ensuring that if employees are provided with on-site housing by Supplier, such housing will be maintained to a reasonable standard of safety, repair and hygiene; and provided with sufficient and proper sanitation facilities, potable water and access to adequate power supply.
- Suppliers will provide employees with a mechanism, such as a joint health and safety committee, by which they can raise and discuss Health and Safety issues with management.
- Suppliers will make clear information about Health and Safety available to employees in an understandable form and in an appropriate language. Material Safety Data Sheets (or equivalent necessary information) will be accessible where all hazardous substances are in use, and the risks associated with use of hazardous substances must be clearly communicated to all employees who work with them.
- Appropriate procedures must be in place to prevent accidents and injury to health arising from, or linked to, the course of work-related activities and operations at a facility.
- Suppliers will provide access to adequate on-site Health and Medical facilities, including clearly marked first aid provisions, and develop procedures for transportation of more serious health concerns to local hospitals or medical facilities.
- Suppliers will install appropriate alarms, warning devices and fire safety mechanisms. This includes firefighting equipment; clearly marked, unlocked and unblocked emergency exits and escape routes; and emergency lighting in all facilities.
- Suppliers will establish emergency procedures and evacuation plans for all reasonably foreseeable emergencies and ensure that the procedures and plans are accessible or clearly displayed throughout their facilities, are maintained, regularly tested including the conduct of evacuation drills, and are updated.
- Suppliers will provide training so that employees are aware of specific role-related health and safety risks and hazards, and methods for appropriate protection from such hazards, including proper use of PPE and appropriate action to take in the event of an accident or emergency.
  - Training will include first aid training to designated employee representatives and appropriate training in fire Safety and emergency procedures for all employees.
  - Training undertaken must be recorded and repeated for new and re-assigned employees.
- Suppliers will ensure that serious health and safety incidents, as well as the business's response and outcome from such incidents, are formally documented and



investigated with the results of the investigation feeding into regular health and safety reviews and improvement plans.

- Suppliers will ensure that employees and contractors understand that they have the right and responsibility to stop work or refuse to work in situations that have uncontrolled hazards, and to immediately bring these situations to the attention of those at imminent risk and to management.
- Diamond or Gold jewelry products sold by Suppliers to end consumers will be compliant with the applicable regulations for product health and safety.

#### ***Discipline and Grievance Procedures***

- Suppliers will not use corporal punishment under any circumstances, and will ensure that employees are not subjected to harsh or degrading treatment, sexual or physical harassment, mental, physical or verbal abuse, coercion or intimidation in any circumstances.
- Suppliers will clearly communicate the business's disciplinary process and related standards on appropriate disciplinary procedures and Employee treatment and apply these equally to all management and staff
- Suppliers will provide clear grievance procedures and investigation processes and clearly explain these to all employees. Records of Employee grievances raised, investigation processes and outcome will be maintained.

#### ***Working Hours***

- Suppliers will apply normal working hours that comply with applicable law. Where no specific laws and regulations exist, working hours will not exceed, on a regular basis, a maximum of 48 hours per working week in accordance with ILO Convention 1. Weekly rest and paid annual leave will be provided in accordance with ILO Conventions 14 and 132. Where these limits are required to be exceeded in special circumstances (for example on fly-in, fly-out sites), this should be in compliance with applicable law and should be planned so as to provide safe and humane working conditions.
- If overtime is required for business needs, Suppliers will compensate overtime to their employees according to applicable law. Overtime will be voluntary and except in special circumstances (for example fly-in fly-out sites) be limited to a maximum of 12 hours in a week.
- Suppliers will provide employees with all legally mandated leave, including maternity and paternity, compassionate and annual leave. Where no applicable law exists, paid annual leave will be provided in accordance with ILO convention 132.
- Suppliers will provide all employees with at least one rest day in seven consecutive working days. Where these limits are required to be exceeded in special circumstances (for example on fly-in, fly-out sites), this will be in compliance with applicable law, or where no specific laws exist, the prevailing industry standards. All exceedances should be planned so as to provide safe and humane working conditions.

***Remuneration***

- Suppliers will pay all employees a wage based on the higher of either applicable legal minimum wage plus associated statutory benefits, or the prevailing industry standards.
- Suppliers will make payment to the employee on a regular and pre-determined basis.
- Suppliers will provide payment by bank transfer or in cash or check form, in a manner and location convenient to the employees.
- Suppliers will accompany all payments by a wage slip which clearly details wage rates, benefits and deductions where applicable.
- Suppliers will not make deductions from wages without following due process.
- Suppliers will not force employees to buy provisions from the Supplier's own business or facilities.

***General Employment Terms***

- Obligations to employees under applicable law relating to labor or social security arising from the regular employment relationship will not be avoided through the use of labor-only contracting, sub-contracting, or home-working arrangements; or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment; or through the excessive use of fixed-term contracts of employment.
- Suppliers will maintain appropriate employee records, including records of piece rate and wage payments as well as working hours, for all staff employed, whether on a full time, part time or seasonal basis.

***Use of Security Personnel***

- Suppliers will use armed security personnel only when there is no acceptable alternative to manage risk or to ensure the personal safety of employees, contractors and visitors to the facility.
- Suppliers will ensure that all security personnel respect the human rights and dignity of all people and use the minimum force proportionate to the threat.
- Suppliers will ensure that, in situations of ongoing unrest or conflict, security personnel will receive appropriate training in, and operate in accordance with, the standards and principles defined in the Voluntary Principles on Security and Human Rights (2000).



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\_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
Date