



LEO SCHACHTER DIAMONDS, LLC
SCHACHTER DIAMONDS COMPLETE
PURCHASE POLICY

Please note the following purchase protocols for diamonds received at Leo Schachter Diamonds, LLC

1. Purchase invoices are reviewed for proper pricing and carat weight and signed off by the salesman/buyer who has purchased the goods.
 2. Purchase invoice reviewed for required warranty statement made by Vendor noting, in variation, the following (based on accepted World Diamond Council Statements):
 - a. Diamonds are natural
 - b. Diamonds are not treated
 - c. Diamonds are conflict free
 3. Purchase invoice signed off by Inbound Team to ascertain that in addition to the required statements as number 2 above, the necessary Supplier Protocol and KYC have been received from the Vendor.
 4. Purchase invoices are signed off by purchase department
 - a. When doubtful or questionable, escalate to Inbound Team Manager
 5. Protocol requests will be made periodically
 6. Protocol requests unanswered by Vendor after three attempts will result in those Vendor payments being held
 - a. Where a Vendor has a special need or request we will entertain those on a case by case basis
 7. Open Vendors, meaning those for whom we have not yet received satisfactory compliance of KYC and Protocol documentation, will be reviewed after December 31 of each year and determinations made as to if and how to proceed with the Vendor.
- It is the goal of Leo Schachter Diamonds to remain fully compliant with the SRSP-D protocols as set forth by Signet and the requirements of our RJC certification. We recognize that not all vendors in international venues are willing to be compliant and at the same time we recognize our responsibility in helping those uncomfortable with these policies and procedures to become compliant. As a sitting board member of the RJC, we have taken part in many conversation regarding compliance and we recognize that non-compliance does not indicate wrongdoing. Many international vendors need certain comfort levels to realize the benefits of compliance. To aid vendors with whom we have long term relationships and to help ease their way into compliance we have undertaken the following:
 - LSD has requested the Company protocols (the **Leo Schachter Supplier Protocol**) be reviewed and signed.
 - We have offered discussions to explain these clearly and have removed some non-applicable pages as necessary (for example we do not require a sole diamond vendor to sign a gold compliance document)
 - LSD provides what we consider to be fair timetables for receipt of the completed protocols and will make several requests before implementing the following,
 - LSD will hold payments of invoices for which we have not yet received the protocols after three requests.

- After a given time, as determined by the Compliance Officer, LSD will issue instructions to its buyers not to procure goods from Vendors who have not responded and submitted the required protocols.
- LSD will continue to monitor the markets and Signet direction for further improvements in implementing these policies. Indeed, LSD's ULGD Risk Management Protocol has expanded to a point where it is a severe hindrance on general production. LSD is currently testing all diamonds below .20 for synthetic. In many cases diamonds are being tested more than once since the labs being used at Signet's direction are inconsistent in their own results.
 - In fact diamonds have been rejected for being synthetic by one lab even while two other labs have provided documentation that those diamonds are natural and mined,
- LSD uses GIA diamond, IIDGR, HRD CVD, and JSecure testing machines. Results remain consistent across the board.
- It should be noted that stones that are in fact 'caught' as part of the internal processes in place are then submitted to the diamond laboratories for final determination.
- The Labs are a part of product submission, testing and, in many cases, sealing prior to delivery to customers.

LSD continues to study the market and equipment being developed. The GIA process of testing was done in conjunction with GIA when they developed their machine and process, and Leo Schachter is proud to have been a part of that process with GIA.

Please note the following purchase protocols for gold and platinum received at Leo Schachter Diamonds, LLC

Leo Schachter is not a provider of gold nor is the Company involved in casting. As such we do not purchase raw material of either platinum or gold.

Risk mitigation for gold and platinum products is applicable in any case and is reviewed based on the accepted system of warranties as described and accepted by Signet Responsible Sourcing Protocols (SRSP) and the Responsible Jewellery Council Code of Practices (RJC COP 2019)

Leo Schachter requires that any and all suppliers of gold or platinum product, whether providing semi-mounts or castings, abide by and submit the Leo Schachter Source Protocol forms so that the Company can vet and ascertain compliance.

Personal knowledge of the vendors and contractors is also a strong part of our risk mitigation and we will not accept purchases from unknown sources.

Any new vendors will be reviewed in detail and will be signed off on by senior management and both the Director of Product Development and the Production Manager. When possible-only after on-site visits will be conducted and-with a review of the vendors processes and procedures.

Assays will be performed for initial product receipts to ascertain that the product meets the karat standards and quality standards required. Supplier Protocols and KYC implementation will ascertain the vendor's compliance with the LSD requirements for sourcing and source protocols. Assay failures of more than a quality control issue (porosity, damage) will be reviewed with senior management and an egregious failure will result in immediate stoppage of that vendor's services and supply.

DIAMOND PURCHASE SUPPLY CHAIN

Intake of Diamonds / Risk Level (Low, Medium, High)

- Direct rough diamond purchase from DeBeers/Alrosa and other direct mining sources **Low**
- Direct rough diamond purchase from Sightholders **Low**
- Direct rough diamond purchase from market in original sealed bags(non-Sightholder) **Low**
- Direct rough diamond purchase from market (non-Sightholder) **Medium**
- Direct polished non-certified diamond purchase from Market **High**
- Direct polished certified diamond purchase from Market **Low**
- Receipt from LSD polishing factory **Low**
- Receipt from any LSD office of polished diamonds **Low**
- Receipt from Labs of graded diamonds **Low**

Risk Mitigation

- Direct rough diamond purchase from DeBeers **Low**
 - Standard sales invoice with World Diamond Council and Natural Diamond claim
 - Not applicable in NY office as no rough is purchased
- Direct rough diamond purchase from Sightholders **Low**
 - Standard sales invoice with World Diamond Council and Natural Diamond claim
 - Not applicable in NY office as no rough is purchased
- Direct rough diamond purchase from market (non-Sightholder) **Medium**
 - Standard sales invoice with World Diamond Council and Natural Diamond claim
 - Not applicable in NY office
- Direct polished non-certified diamond purchase from Market **High**
 - Standard sales invoice with World Diamond Council and Natural Diamond claim Receipt from LSD factory of polished diamonds
 - LSD Supplier Protocol documentation from Vendor
- Receipt from an LSD office of polished diamonds **Low**
 - Standard intercompany invoice

DIAMOND PURCHASE SUPPLY CHAIN

I acknowledge that as an employee of Leo Schachter, I have been informed of the above protocols and have reviewed the LSD Supplier Protocol document and when in the market purchasing goods am fully aware of the requirements of the Company. I also acknowledge that when necessary I will take an active role in obtaining the necessary warranties and documentation from vendors and suppliers so as to meet the standards required by the Company.

Signature: _____.

Name: _____.

Date: _____.