

AKOSTAR

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DIAMOND & GEM STONE SOURCING POLICY AS PER OECD			

19.1 Policy statement

- This policy pertains to the sourcing of conflict-free diamond & gem stone by AKOSTAR BV.
- This policy outlines due diligence requirements for its diamond & gem stone suppliers to ensure the origin and conflict-free nature of the products, in alignment with the OECD's five-step framework.
- The company has adopted this five-step framework to conduct risk-based due diligence across its diamond & gem stone supply chain.
- The company shall comply with the OECD Due Diligence Guidance, De Beers Best Practice Principles (BPP), and the Responsible Jewellery Council (RJC) Code of Practices to ensure an ethical and transparent supply chain.
- It is the responsibility of compliance officer and senior management to understand and adhere to all applicable legislation, financial, legal, and regulatory obligations, as well as internal requirements related to CAHRAs (Conflict-Affected and High-Risk Areas) for precious metal sourcing.
- Compliance officer shall implement all five steps of the OECD framework, identify any red flags, and ensure that appropriate corrective actions are taken in accordance with the Company's risk management procedures.

19.2 Management commitment (sourcing policy governance structure)

- The Company is fully committed to ensure that OECD frame work is followed for sourcing of diamond & gem stone.
- The Company has identified the applicable national and international legislations / regulations related to ethical sourcing of diamond & gem stone and has appointed a compliance officer with sufficient seniority and to oversee the effective implementation of this policy. (An appointment letter has been issued outlining the Compliance Officer's roles and responsibilities.)

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- Management has developed its sourcing policy, which is communicated to all diamond & gem stone suppliers and it has been published on company website. This policy demonstrates the company's commitment and provides guidance to suppliers on OECD requirements and the day-to-day compliance expected across the supply chain to ensure ethical sourcing.
- A detailed, step-by-step implementation of the sourcing policy is defined for effective implementation of OECD sourcing policy and its ongoing relevance and its effectiveness shall be ensured through periodic reviews (every 12 months).
- This policy must be approved by senior management upon each revision as a demonstration of the highest level of commitment to ethical sourcing.

GENERAL PROCEDURE TO BE FOLLOWED FOR SUPPLY CHAIN RISK EVALUATION

1. A list of approved suppliers shall be maintained, and the necessary upstream supply chain information and declarations from vendors shall be obtained and updated annually, or whenever a new vendor is added.
2. Internal risk assessments shall be conducted using references such as EU Sanctions, US Sanctions, CAHRA status, and social compliance indicators. (This ensures alignment with AML/CFT, the Kimberley Process, anti-bribery standards, facilitation payment regulations, and other financial risk controls.)
3. Risk assessment shall be performed based on the aforementioned attributes, and suppliers shall be classified as "High," "Medium," or "Low" risk. Risk-based actions shall be identified accordingly, and their compliance reviewed by the compliance officer.
4. The compliance officer shall monitor ongoing compliance by reviewing all the supply chain documents and wherever practically possible origin or source of the material shall be verified through a documented trail or vendor self-declaration.
5. The compliance officer shall raise red flags where necessary and seek clarifications and if responses are unsatisfactory, take appropriate action in accordance with the

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Company's risk management plan. Records of red flags and corresponding actions shall be periodically reviewed with Management.

6. Management shall appoint an accredited and authorized third-party agency to conduct due diligence at least once per year. Recommendations provided by this agency shall be incorporated into the Company's sourcing policy. The audit shall be performed in accordance with OECD guidelines.
7. Management shall maintain an annual compliance report based on input from the compliance officer and findings from the third-party due diligence process. This report shall be shared with customers and external agencies upon request and with the approval of Senior Management.
8. The compliance officer shall register the supplier only after receiving written assurances from the supplier on the following areas:
 - No involvement in torture, cruel, inhuman, or degrading treatment.
 - No use of forced or compulsory labour.
 - No employment of child labour, along with a clearly defined policy prohibiting child labour.
 - Full compliance with human rights laws and regulations as per applicable national law, and no involvement in human rights violations or abuses.
 - Not being engaged in war crimes, violations of international humanitarian law, or crimes against humanity.
 - Compliance with AML/CFT guidelines, including a written anti-money laundering policy and procedure.
 - Implementation of written policies and procedures on product security, anti-bribery, and anti-facilitation payments, with regular monitoring to ensure compliance.

The Company shall immediately cease engagement with any upstream supplier where there is a reasonable risk of the aforementioned violations being committed or if the supplier is sourcing from, or linked to, any party involved in such violations.

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19.3 Systems and procedures

A) Following OECD compliance shall be adhered and for that companies should:

1) Establish strong company management system

- Adopt and clearly communicate to suppliers and the public a company policy for the supply chain of materials originating from conflict-affected and high-risk areas. This policy should incorporate the standards against which due diligence is to be conducted, in line with OECD ethical sourcing requirements.
- Structure internal management systems to support supply chain due diligence efforts.
- Establish systems of control and transparency over the material supply chain. This includes implementing a chain of custody or traceability system and identifying upstream actors in the supply chain. This may be achieved through participation in industry-driven initiatives.
- Strengthen the company's engagement with suppliers. The supply chain policy should be incorporated into contracts and/or agreements with suppliers. Where feasible, support suppliers in developing capacity to improve 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

- Identify potential risks within the supply chain as recommended in the OECD Guidance and relevant supplemental documents.
- Assess the risk of adverse impacts in alignment with the OECD supply chain policy, consistent with Annex II and the due diligence recommendations outlined in the RJC Guidance.
- Conduct a step-by-step risk assessment of suppliers and maintain an updated record of their risk classification.
- Perform supplier risk assessments on an annual basis.

3) Design and implement a strategy to respond to identified risks

- 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) Continue trade while undertaking measurable risk mitigation efforts;

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- ii) Temporarily suspend 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 is unfeasible or unacceptable.
- Evaluate the company's ability to influence suppliers and, where necessary, take steps to enhance leverage over those who are best positioned to prevent or mitigate identified risks.
- If risk mitigation is pursued during continued or suspended trade, companies should consult with suppliers and affected stakeholders—such as local and national authorities, civil society organizations, and impacted third parties—where appropriate. Agreement on a strategy for measurable mitigation should be included in the risk management plan.
- The company should refer to the indicators suggested in Annex III of the OECD Due Diligence Guidance to formulate conflict-sensitive and high-risk-specific mitigation strategies and to measure progressive improvement.
- Implement the risk management plan, monitor the effectiveness of mitigation efforts, and report progress to senior management. This process may involve cooperation or consultation with relevant authorities, upstream entities, civil society groups, and impacted parties, especially in conflict-affected and high-risk areas.
- Undertake additional fact and risk assessments for risks requiring further mitigation, or after any significant change in circumstances.
- Supply chain risk assessment must be completed as follows:
 - a. An updated list of suppliers, along with their percentage contribution to the total supply during the completed base year, is maintained. This provides insight into each supplier's influence on the company's ethical sourcing policy.
 - b. Each supplier is classified based on their position in the metal supply chain—Upstream, Midstream, or Downstream. This classification helps determine their control over their own supply sources and their ability to provide accurate upstream and metal origin information.
 - c. The KYS (Know Your Supplier) status of each supplier is reviewed. Where applicable, enhanced KYC requirements are assessed. This also helps determine the supplier's overall compliance with the company's Anti-Money Laundering (AML) policy.
 - d. CAHRA status is verified with the online tools. In addition, sanctions from the EU, USA, and country-specific lists are reviewed. This forms a critical component in evaluating the risk associated with each supply chain partner.
 - e. The social compliance status of each supplier is assessed.
 - f. Based on the above combined information, a risk evaluation is performed, and suppliers are categorized into three risk levels: High, Medium and Low

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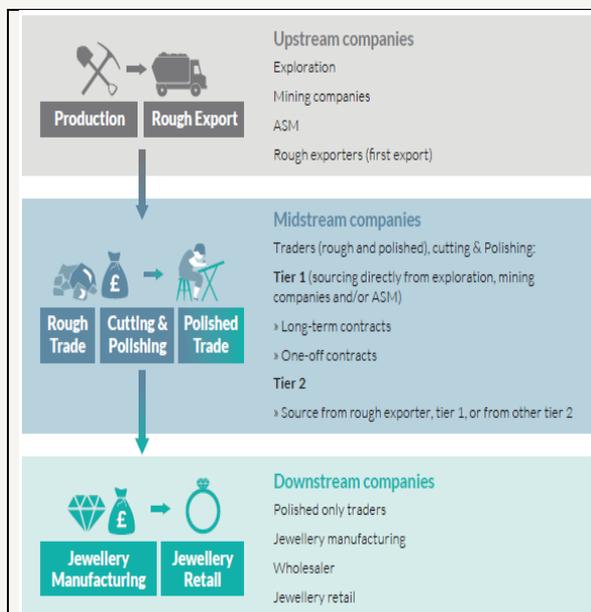
4) Carry out independent third-party audit of supply chain due diligence at identified points in the supply chain.

Companies operating at designated points in the supply chain (as outlined in the OECD supplements) should undergo audits of their due diligence practices by independent third-party auditors. These audits may be validated through an independent institutional mechanism.

5) Report on supply chain due diligence.

Companies should publicly disclose their supply chain due diligence policies and practices. This can be achieved by expanding the scope of their sustainability reports, corporate social responsibility (CSR) reports, or annual reports to include relevant information on due diligence efforts.

Mapping companies' position in supply chain as per OECD



- AKOSTAR BV operates at the downstream level of the supply chain.
- The company sources its polished diamond requirements from approved suppliers and customers.
- These approved suppliers fall into two categories:
 - i) Approximately 85% of supplies come from Tier 1 and Tier 2 midstream suppliers who can provide source information for their products.
 - ii) The remaining 15% are sourced from downstream polished diamond traders, who may lack upstream source information due

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	<p>to the nature of the trade and the frequent change of hands involved.</p> <ul style="list-style-type: none"> • We primarily purchase small-sized polished stones, with limited procurement of larger pointers • Due to the long and complex supply chain, where goods frequently change hands from rough sourcing to cutting and trading—it remains challenging to trace the precise origin of small-sized diamonds. However, given our in-house manufacturing capabilities, we maintain greater control over the production process, thereby limiting the potential adverse impact and ensuring better traceability and compliance. • Considering the company’s position and level of control, origin assurance can primarily be obtained from upstream suppliers, and we ensure sourcing from Conflict-Affected and High-Risk Areas (CAHRAs) is avoided wherever possible. • We mandate origin declaration from all our suppliers.
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B) Position in supply chain category as per OECD and implementation strategy

- Based on a thorough review of OECD guidelines and the Code of Practices (COP) provisions for sourcing diamond and gem stone, AKOSTAR BV has identified its position in the supply chain as a downstream polished diamond trader.

C) Brief of companies’ diamond & gem stone supply chain.

- Approximately 85% of our supplies are procured from De Beers/De Beers Sight holders and companies sourcing directly from mines (Tier 1 and Tier 2 midstream suppliers).

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- The remaining 15% are obtained from polished diamond traders operating in the downstream segment.

D) Following procedure shall be adopted for due diligence of diamond supply chain & supplier engagement

- A comprehensive list of all diamond & gem stone suppliers shall be maintained. Their compliance will be regularly monitored according to their respective positions in the supply chain.
- The company's ethical sourcing policy shall be clearly communicated to all suppliers. As part of supplier engagement, training and awareness sessions will be conducted at both group and individual levels.
- Records of one-to-one meetings and training sessions shall be maintained. Where applicable, dedicated support will be provided to small-scale suppliers and similar vendors to assist in meeting compliance expectations.
- Updated mailers and educational materials will be shared with vendors annually. Suppliers will be encouraged to continuously improve their ethical compliance standards within their own organizations.
- Information regarding the upstream supply chain of each vendor shall be collected and reviewed periodically to identify potential improvement areas.
- Day-to-day monitoring of ongoing compliance will be performed by the Compliance Officer, particularly for medium- and high-risk suppliers, or those lacking recognized social compliance certifications.
- The compliance officer shall ensure that suppliers adhere to all financial and ethical obligations, including but not limited to Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT), Kimberley Process Certification Scheme, Statement of Warranties (SOW), and policies on anti-bribery and anti-facilitation payments.
- We are committed to ensuring that the diamonds and gem stones we purchase originate from sources that uphold the highest standards in human rights, social responsibility, and environmental stewardship across all stages of the supply chain

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(mining, processing, trading, recycling, etc.). This includes, but is not limited to, the following measures:

- Obtaining a signed origin declaration from all diamond suppliers.
- Collecting detailed upstream supply chain information through a supplier questionnaire and implementing corrective actions where needed to ensure ethical sourcing.
- Compliance officer to review the origin information provided by suppliers, specifically in case of pointers and certified stones and confirm that the origin is conflict free.
- Ensuring the respect of fundamental human rights as defined in key international frameworks, such as the United Nations Universal Declaration of Human Rights.
- Ensuring that labour rights and standards - including the eight core conventions of the International Labour Organization (ILO) - are respected throughout the supply chain.
- Verifying that diamond & gem stone is sourced from mining operations established and operated with the free, prior, and informed consent of local communities.
- Engaging with suppliers to promote our commitment to ethical, conflict-free sourcing. Continued business relations will be contingent upon their willingness to adopt and align with our conflict-free supply chain policy.
- Ensuring adherence to all relevant national and international laws and regulations concerning diamond & gem stone trade.

AKOSTAR BV maintains a zero-tolerance approach toward any direct or indirect involvement in:

- Torture, cruel, inhuman and degrading treatment;
- Forced or compulsory labour;
- Child labour;
- Human rights violations and abuses; or

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- War crimes, breaches of international humanitarian law, crimes against humanity, or genocide.

E) Documents and records for supplier due diligence - ensuring conflict-free precious materials

As part of our ongoing due diligence efforts to ensure a conflict-free and ethically responsible supply chain, the following documents and procedures shall be reviewed and monitored by the Compliance Officer, based on the supplier's position within the supply chain:

1. Mid-stream Tier - 1 & Tier - 2

These suppliers source rough materials and are expected to maintain a higher level of traceability and transparency in their operations. Mandatory documentation and compliance requirements:

- Basic KYC documentation to be obtained and updated regularly.
- Supplier awareness and capacity-building to be conducted in alignment with OECD due diligence guidance; support provided as needed
- Supplier to provide the undertaking of social compliance
- Vendor Questionnaire to be completed and submitted, enabling the Compliance Officer to assess the supplier's upstream supply chain and the potential presence of conflict-affected sourcing areas.
- For uncertified diamonds, often received in mixed parcels, suppliers are required to provide complete and accurate origin and source documentation to the extent feasible.
- Development and submission of an ethical sourcing policy, including an annual compliance report detailing their efforts, implementation, and results.
- Where feasible, especially in the case of certified stones, origin and product information must accompany the product invoice.
- Annual Compliance Report on diamond sourcing policy

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- Formal Sourcing Policy of the supplier.

2. Down-stream trader of polished diamonds

These suppliers are further removed from the origin point of the diamonds but are still expected to demonstrate ethical practices. Mandatory documentation and compliance requirements:

- Basic KYC documentation to be obtained and updated regularly.
- Supplier awareness and capacity-building initiatives in line with OECD guidance; support offered where necessary.
- Signed declaration confirming commitment to social compliance.
- Vendor Questionnaire to be completed and submitted, with detailed supply chain information to help evaluate upstream sourcing and risk exposure to conflict areas.
- For uncertified diamonds, suppliers must provide as much accurate source documentation as possible.
- Suppliers are required to develop their own ethical sourcing policies and submit an annual compliance report.
- Annual Compliance Report on precious material sourcing policy
- Formal Sourcing Policy of the supplier.

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 a red flag.

F) Background of conflict affected areas:

What are "Conflict Diamonds"?

- "**Conflict Diamonds**," also known as **Blood Diamonds**, refer to gemstones mined in areas controlled by rebel forces that are in opposition to internationally recognized governments. The revenue generated from the sale of these diamonds is often used to fund armed conflict, purchase weapons, and support insurgent military activities.

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- These diamonds are frequently extracted under inhumane and coercive conditions, involving forced labor of men, women, and even children. In many cases, they are stolen during transit or seized through violent raids on legitimate mining operations—sometimes on a scale equivalent to full-scale military assaults.
- Once acquired, these illicit diamonds are smuggled into the legitimate global diamond supply chain, often indistinguishable from ethically sourced stones. They are then sold on the open market, masking their origins and financing continued violence and exploitation.
- The proliferation of conflict diamonds is sustained by a network of arms dealers, smugglers, and unethical traders, with corruption, bribery, threats, torture, and even murder being common tools of their operations. Due to this direct connection to severe human rights abuses and violent conflict, these diamonds are termed "**blood diamonds.**"

G) Identified conflict-affected and high-risk areas (CAHRAs) in diamond-producing nations:

The following countries and regions are currently recognized as Conflict-Affected and High-Risk Areas (CAHRAs) in relation to diamond sourcing:

- Sierra Leone
- Liberia
- Angola
- Republic of Congo
- Côte d'Ivoire
- Central African Republic
- Democratic Republic of Congo

These areas are identified based on historical and ongoing conflicts linked to unethical diamond mining and trade practices. The compliance officer shall conduct regular desktop reviews and consult credible international databases to monitor and update this list as necessary, ensuring it reflects the most recent developments and emerging risks.

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H) Suspicious transaction identification procedure (Red flag / CAHRAs):

- The compliance officer shall seek clarification and/or a written explanation from the supplier to address the identified concern.
- If the explanation is unsatisfactory or if the risk is deemed substantial, the matter shall be escalated for implementation of the company's Risk Management Procedure.
- 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 is responsible for ensuring full adherence to all applicable regulations concerning the reporting of cash and non-cash transactions, in accordance with the guidelines specified by relevant regulatory authorities.

Risk management table based on red flag

Position of supplier in supply chain	Possible hazard	Risk management action based on red flag
Tier 1 & Tier 2 Mid-stream suppliers	Lack of information - which is one of the cases 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
	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
	Incomplete 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 (however communication at each instance is required)

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		<ul style="list-style-type: none"> Keep supplier on hold for further supplies, till actions are satisfactory
	Origin information available, which is from a CAHRA's (<u>Serious abuse associated with extraction, transport or trade of the 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 → Until compliance is not improved (information from media or other reliable sources)
	Origin information available, which is from a CAHRA's (<u>Risk management related abuse</u>)	<ul style="list-style-type: none"> Obtain 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 supplier.
	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"> Obtain further information from relevant authorities, desktop review, and other sources to confirm potential risk Discuss with supplier about possible efforts and steps to engage with central and local authority to contribute towards a workable solution.
	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 transactions with such vendors
	Not from CAHRA's area, however material sourced through bribery or mis-representation	<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 resolve this effectively.
	Product information and origin details are provided however	<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

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	(Regarding money laundering)	<p>the matter with the supplier for taking up further action.</p> <ul style="list-style-type: none"> • Work closely with the suppliers to identify improvement steps to close this effectively.
	<p>Product information and origin details are provided</p> <p>(Regarding payment of taxes, fees and royalties)</p>	<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, the company should follow a policy of maintaining all relevant documents for a minimum period of eight years or higher, if required by national regulations.

19.4 Risk based action based on risk status of suppliers:

High risk supplier:

- Generally, supplier will fall under this category if supplier is from a CAHRA region. In such case additional due diligence shall be carried out as below.
 - Enhance KYC to review company’s social & financial compliance with digital search and other KYC tools. Also details up to UBO (ultimate beneficiary owner) shall be carried out.
 - Supplier questionnaire shall be obtained to know more about the supplier’s upstream supply chain.
 - Suppliers’ engagement and regular meetings are held to improve their ethical sourcing compliance.
 - Ongoing monitoring to review the origin information, transportation route, payment proof for duties, taxes, royalties etc. Also, country of origin declaration shall be obtained from suppliers.

Medium risk supplier:

- This classification arises if the supplier is not compliant/certified to any social programs.
 - Supplier will be pushed to acquire a recognized social compliance status within 1 year.

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- Supplier upstream information will be gathered through the supplier's questionnaire, and an annual declaration of social compliance will be secured.
- The information obtained through suppliers' questionnaire shall be analyzed and further line of actions are decided.

Low risk supplier:

- These supply chain partners are safe, and no further action is needed.

19.5 Cross reference of other financial policies

- A. Policy on Money laundering and terrorism
- B. Policy on Kimberly & SOW compliance
- C. Policy on Bribery and Facilitation payment

19.6 Cross reference of other financial regulations

- RJC COP 2039- COP-7 https://www.responsiblejewellery.com/files/RJC_CO P-Guidance-V1.1-June-2039.pdf
- OECD http://www.oecd.org/daf/inv/mne/EasytoUseGuide_E nGLISH.pdf
- Policy on Kimberly & SOW compliance <http://www.worlddiamondcouncil.com/>
- Responsible mining initiative approved list <http://www.responsiblemineralsinitiative.org/gold-refiners-list/>

19.7 Training of personnel

Training and development: The compliance officer is responsible for maintaining a list of employees (depending on their job description) 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 the compliance officer. Independent charge/responsibilities will be given only after approval by Compliance Officer.

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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 email.

12th Monthly Programs

- Compliance officer shall circulate training material and literature to all Diamonds and gem stone suppliers on ethical sourcing as per OECD requirements.
- Annual declaration and undertaking shall be obtained.

19.8 Terminology

Abbreviation/ Terminology	Definition and meaning
OECD	Organization of Economic Co-operation and Development's
Conflict Diamond	Rough diamond's use 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 CAHRA's
Origin	The origin of mined material is the mine, company, region or geographic location where the mine is located. 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 Tier-2
High Risk Supply chain	Supplies with red flags which has adverse impact to supply chain of minerals
Mined Material (Diamond)	Rough and polished diamonds and gem stone comes from mines

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Recycled Material (Diamond)	Polished diamond & gem stone that has been previously 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 1 st January 2012

Prepared by:  Compliance Officer	AKOSTAR BV	Approved by: Director
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