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RESPONSIBLE SOURCING DUE DILIGENCE

This report outlines the due diligence process undertaken by TACORI in alignment with OECD Guidance and RJC Guidelines to assess and address sourcing risks in our supply chain. TACORI's process also implements aspects of the Due Diligence Playbook outlined by the Responsible Minerals Initiative, found [here](#).

As a member of the Responsible Jewellery Council (RJC 0000 4469) TACORI is required to perform due diligence to ensure that diamonds and colored gemstones are sourced responsibly and in a way that respects human rights and does not contribute to conflict. The TACORI Supply Chain Policy, the TACORI Supplier Due Diligence Grievance Mechanism, and the TACORI Responsible Sourcing Due Diligence Report can be found at www.TACORI.com/responsible-sourcing.

Part 1: Mapping the Supply Chain

TACORI maps the supply chain to understand if our company utilizes materials that require due diligence under conflict mineral regulations, due diligence laws or market-supported standards.

We engage internal departments (procurement, supply chain, operations) and our primary co-located manufacturers to help map the materials in the products or intermediate products.

This process consists of:

- Assessment and identification of applicable compliance requirements
- Utilized **Tool 2.1.B.1 – Know your supply chain (checklist below)** to identify and map Tier 1 suppliers, production sites, and processes.

Tool 2.1.B.1 – Know your supply chain (checklist)

TIER ONE SUPPLIERS (Direct)

- Names and addresses of immediate (Tier 1) suppliers.
- Names and addresses of production sites where purchase orders are fulfilled.
- Tier 1 3rd party manufacturing attestations of processes performed on site.
- Verification that Tier 1 suppliers have the capabilities (i.e., equipment and skilled workers) to perform these processes on site.

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- Understanding if any processes integral to production may take place outside of Tier 1 suppliers' production sites.
 - If so, name and addresses of additional processing sites and owners.
- Attestation collection from Tier 1 suppliers that they will systematically inform if and when they have to sub-contract production to another supplier (subject to approval).
 - If approved, supplier must systematically disclose the name and address of the additional/new supplier(s) performing the work and where production takes place.

TIER TWO SUPPLIERS (Suppliers who provide materials and components to Tier 1 suppliers)

- Names and addresses of tier two suppliers.

BEYOND TIER TWO SUPPLIERS (e.g. sites where raw materials are extracted, transformed, etc. before being sold to Tier 1 or 2 suppliers)

- Names and addresses of production sites where purchase orders are fulfilled.

- Application of **Tool 2.1.B.2 – Know your supply chain (team activity & template)** for a comprehensive team-based supply chain mapping activity.

Supplier details

- Overview of the business and ownership structure
- List of all production sites/units, including name and address
- List of external production sites/units where production may occasionally be sub-contracted
- Code of Conduct/Integrity policy documentation

Evidence of HRDD carried out

- Overview of processes and procedures to manage human rights risks or impacts on site (e.g. H&S, working hours, discrimination, etc.)
- Risk assessment documentation for each owned units and, if any, sub-contracted units
- Evidence of social compliance audits carried out for owned units and, if any, sub-contracted units
- Evidence of Corrective Action Plans (CAPs) issued for owned units and, if any, sub-contracted units together with evidence of actions completed
- Evidence of supplier participation in relevant industry programmes and initiatives

Source of product components/materials

- List of producing companies, including name, address, parent company, and where components/materials originate
- Any certificates in relation to these components/materials

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Part 2: Identifying Business Relationships and Risks

2.1 Business Relationship Identification & Engagement:

- Identified major customers and suppliers with a key role in supporting human rights commitments.
- Evaluated influence and leverage over these relationships.
- Engage suppliers:
 - To work collaboratively to map the supply chain.
 - To understand what materials are found in sourced components.

2.2 Risk Identification:

- To encourage them to take the RRA, a self-reporting tool that will indicate how they are performing against commonly used voluntary sustainability standards.
- Utilized RJC COP Guidance for identifying and prioritizing salient human rights issues.
- Identified the following sourcing lists:
 - Current sourcing countries of origin (Tier 1 suppliers)
 - Belgium
 - Israel
 - India
 - Additional Approved Locations
 - Canada
 - United States
 - Hong Kong
 - South Africa
 - Botswana (for Botswana sort only)
 - CAHRA Countries/Locations List (TACORI strives to refrain from sourcing from these locations under any circumstances.)
 - Angola
 - Brazil
 - Central African Republic (C.A.R.)
 - Democratic Republic of Congo
 - Ghana
 - Guinea
 - Guyana
 - Ivory Coast (Côte d'Ivoire)
 - Lesotho
 - Liberia

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- Namibia
- Sierra Leone
- South Africa
- Tanzania
- Zimbabwe
- Russia* (added in 2019 per US federal requirement)

2.3 Risk Level Assessment:

- Referred to RJC COP Guidance page 34 Table 5.1 for guidance on assessing the level and nature of risks.
- Conducted a comprehensive review of business relationships, identifying areas with the greatest risk through a Supplier Risk Assessment Matrix. Elements include but are not limited to:
 - TACORI Human Rights Due Diligence Supplier Self-Assessment completion.
 - TACORI Supply Chain Due Diligence Self-Assessment.
 - CAHRA and Annex II risk identification and communication.
 - OFAC Red Flag identification
- Undertook due diligence on these identified risk areas and developed action plans to address non-conformance.

Part 3: Stakeholder Engagement and Prioritization

3.1 Internal Stakeholder Engagement:

- Identified business functions regularly encountering human rights impacts.
- TACORI's Senior Vice President of Operations is responsible for overseeing the supply chain due diligence program and risk management design and implementation.
 - This includes management of the due diligence program and coordinating the related work of the relevant departments: Sourcing, Finance, Inventory Management, Quality Control and Logistics
 - Additionally, the SVP of Operations is responsible for training key staff from all relevant departments annually
- TACORI requires that all records relating to the due diligence program are maintained and properly stored for at least five (5) years.

3.2 External Stakeholder Engagement:

- Implemented the Know Your Counterparty (KYC) and Anti-Money Laundering (AML) due diligence with all external supplier stakeholders

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- Communicated enhanced reporting requirements for suppliers in 2023
 - Will follow up and work collaboratively to resolve inconsistencies, errors or incomplete information
- Allocated sufficient resources to research stakeholder groups and developed an engagement approach.
- Identified and engaged with stakeholder representatives, addressing barriers such as language and culture.
- Communicated all supply chain policies and sourcing requirements to all diamond, gemstone and 3PL manufacturing suppliers.
 - TACORI has incorporated due diligence requirements into legally binding agreements with direct suppliers.
- TACORI created a grievance mechanism with external stakeholders to collect any concerns and to initiate additional due diligence procedures

3.3 Use of Credible Proxies:

- Identified credible proxies and allocated resources for engaging them, where direct stakeholder engagement was not possible.

3.4 Focused Issue Prioritization:

- Applying RJC **Tool 2.1.D – Risk register** to prioritize specific countries or parts of the business for initial human rights risk mitigation.
 - What individuals or groups may be affected?
 - Which of their right(s) are threatened?
 - What do you know about the risk? Are there any mitigation measures in place?
 - How severe would the effect be on the quality of life of those affected (very high, high, medium, or low)?
 - Given the context, how likely is the risk to occur? (high, medium, or low)? Are there any mitigation measures in place? If there are, the likelihood may be reduced.
 - What is your relationship to the risk (cause, contribute, or linked to)?
 - Considering the severity, likelihood, and relationship. How urgently should we respond to this risk?
- Established a structured approach for continuous learning and expansion of due diligence scope.

Conclusions and Recommendations:

The TACORI Sourcing Due Diligence process has provided valuable insights into our supply chain, identified potential risks, and engaged stakeholders effectively.

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Recommendations for mitigating identified risks and ongoing monitoring are outlined in action plans below.

Action Plans:

- Implement risk mitigation strategies for identified high-risk areas.
- Establish ongoing monitoring mechanisms for continuous due diligence.
- Engage in capacity-building initiatives for suppliers in identified high-risk regions.

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