

# **ETHICAL BUSINESS PRINCIPLES**

## **1. BACKGROUND**

- At MASSIMO CAVALLI 1883 SRL, our philosophy is to measure success by not only the results we achieve, but also how we achieve them.
- This Business Principles document, adopted by MASSIMO CAVALLI 1883 SRL sets forth the basic internal standards to be observed by all Directors, officers and employees of the Company with respect to conducting business in a legal, ethical, professional and accountable manner.
- The Company is required to take appropriate steps to ensure that the same is understood and put into practice by all of its Directors, officers and employees.
- Also appropriate steps are taken to assure adherence to the Business Principles document, including establishing appropriate disciplinary procedures where violations of this document will result in sanctions up to and including discharge.

## **2. LEGISLATION AND REGULATIONS**

- MASSIMO CAVALLI 1883 SRL shall operate in compliance with relevant national and international legislations / regulations as applicable in the countries in which they operate.
- All personnel are expected and directed to comply with all applicable laws and regulations as well as all internal Company rules and policies relating to their business activities.
- It is the responsibility of personnel to know and understand legal, regulatory and internal requirements as they apply to their jobs.
- Compliance team maintains the list of applicable legal and regulatory requirements and same is followed for compliance on day to day basis. Necessary records of requirements and its compliance is maintained.

## **3. MONEY LAUNDERING, TERRORISM FINANCING, OTHER FINANCIAL OFFENCES**

- MASSIMO CAVALLI 1883 SRL recognizes the fact that entities in the gems and jewellery sector have to take on the onus of analyzing their potential vulnerabilities to money laundering and implement specific steps that are required for protection against abuse by criminals.
- Strict compliance is required at all times, with all applicable national and, where appropriate, international laws / regulations with respect to money laundering, terrorism financing, bribery, facilitation payments, corruption, smuggling, embezzlement, fraud, racketeering, transfer pricing and tax evasion.
- MASSIMO CAVALLI 1883 SRL shall act in accordance with national laws with respect to auditing of its financial accounts and maintaining internal controls as guided by various regulations.

- It is the responsibility of concerned personnel to know and understand the relevant money laundering / financial offences related legal, regulatory and internal requirements as they apply to their jobs. Ignoring or not reporting suspicious activity that appears to be questionable may also be considered as a violation of the Business Principles, depending on the seriousness of the non-conformance.
- Compliance officer ensure all the critical steps such as obtaining KYC, identification of suspicious transaction, reporting to management and record keeping as required by the local act and legislations are complied with.

#### **4. KIMBERLEY PROCESS AND SYSTEM OF WARRANTIES**

- MASSIMO CAVALLI 1883 SRL is fully committed to complying with all the requirements specified in the Kimberley Process Certification Scheme and World Diamond Council's (WDC) System of Warranties Declaration.
- The definition of 'Conflict Diamonds' as agreed by the Kimberley Process Certification System:

“Rough diamonds used by rebel movements or their allies to finance conflict aimed at undermining legitimate Governments, as described in relevant United Nations Security Council (UNSC) resolutions insofar as they remain in effect, or in other similar UNSC resolutions which may be adopted in the future, and as understood and recognized in United Nations General Assembly (UNGA) Resolution 55/56, or in other similar UNGA resolutions which may be adopted in the future.”

- Wherever applicable, the following affirmative statement as recommended by the World Diamond Council's System of Warranties should be printed on all the invoices:

“The diamonds herein invoiced have been sourced / purchased from legitimate sources not involved in funding conflict, in compliance with United Nations resolutions and corresponding national laws. The seller hereby guarantees that these diamonds are conflict free and confirms adherence to the WDC SoW Guidelines.”

- Entering into transactions involving 'conflict diamonds' or not following the System of Warranties Declaration in invoices, either knowingly or unknowingly, will be considered as a violation of the Business Principles.

#### **5. ANTI-BRIBERY AND FACILITATION PAYMENT POLICY:**

- MASSIMO CAVALLI 1883 SRL shall ensure complete prohibition of Bribery and facilitation payment across organization and in all the group entities.
- Company will not offer, accept or countenance any payment, gift in kind, hospitality, expense or promises as such that may compromise promises of fair competition.
- The company shall prohibit bribery and facilitation payment and shall comply with various rules and regulations of the land.

- Periodic training and awareness shall be carried out to educate employees about various types and ways of bribery and facilitation payments.

## **6. DISCLOSURE OF TREATED DIAMONDS, SYNTHETICS AND SIMULANT**

- The following essential principles will be applicable in all the transactions involving treated diamonds, synthetics and simulant
- Full disclosure i.e. the complete and total release of all available information about a Diamond and all material steps it has undergone prior to sale to the purchaser, irrespective of whether or not the information is specifically requested and regardless of the effect on the value of the diamond.
- No misuse of terminology or misrepresentations or attempts to disguise the product will be made in the selling, advertising and distribution of treated diamonds, synthetics and simulant.
- The word 'diamond' will not be used in the case of names of firms, manufacturers or trademarks; in connection with treated diamonds or diamond simulant or synthetic diamonds.
- MASSIMO CAVALLI 1883 SRL has adopted the following definitions:
  - **Diamond:** A diamond is a natural mineral consisting essentially of pure carbon crystallized with a cubic structure in the isometric system.
  - **Synthetic:** A synthetic is any object or object that has been either partially or wholly crystallized or re-crystallized due to artificial human intervention such that, with the exception of being non-natural, the product meets the requirements specified in the definition of the word 'diamond' above.
  - **Treated Diamond:** A treated diamond is any object or product that meets the requirements specified in the definition of the word's 'diamond' and 'synthetic' above, but has been subject to some form of treatment i.e. any process, enhancement changing, interfering with and/or contaminating the natural appearance or composition of a diamond other than historically accepted practices of cutting and polishing.

*Note:* Necessary declaration is provided on invoice in case of CZ are used in jewellery and same is communicated verbally prior to execution of sale.

## **7. SUPPLY CHAIN MANAGEMENT / BEST ENDEAVOURS**

- The management of MASSIMO CAVALLI 1883 SRL is committed to taking appropriate action to use best endeavours to ensure the commitment of Tier 2 & Tier 3 entities to comply with the Best Practice Principles.

## **8. CONFLICT MINERALS POLICY STATEMENT (DIAMOND & GEMSTONE) AS PER OECD**

MASSIMO CAVALLI 1883 SRL is committed to trade in conflict free supply chain and as a part of its compliance strategy majority of our upstream supplies are coming from Primary (Mine suppliers) and Secondary suppliers (auctions purchase and sale from Tier -1 rough suppliers) where origin of diamonds is known and easily established that it is conflict free.

- OECD sourcing policy has been published on company website
- Sourcing policy has been communicated to all the suppliers and vendor questions to Tier-2 suppliers have been circulated to seek information for their upstream supply chain.
- Ongoing monitoring by compliance officer is carried out to ensure compliance of these sourcing policy.
- 90 % plus products are sourced directly or indirectly from mine on a long-term contract
- We have necessary infrastructure and testing facility for polish purchase, records of testing and screenings are maintained.

## **9. EMPLOYMENT**

- Compliance is required at all times, with applicable national and, where appropriate, international laws / regulations with respect to employment and labour.
- The Company shall not require workers to work for more than the national limit of working hours.
- The Company shall ensure that wages and benefits for a standard working week shall meet at least national minimum standards and shall be sufficient to meet the basic needs of workers and provide some discretionary income.
- It is the responsibility of concerned personnel to know and understand the relevant employment and labour related legal, regulatory and internal requirements as they apply to their jobs.
- When required, due recognition will be given to the existence, membership and lawful activities of worker representative bodies, and worker representatives will be given access to carry out their responsibilities / functions.
- The procedures detailed in the Employee Manual should be followed for dismissal of employees, in case the need for the same arises and arbitrary dismissal procedures should be avoided.
- Information regarding applicable employment policies and working practices is communicated in a transparent manner to all employees.

## **10. HEALTH AND SAFETY**

MASSIMO CAVALLI 1883 SRL recognizes the need to provide safe and healthy working conditions to all its employees:

- Any adverse impact of our business processes on those who carry it out shall be identified and eliminated. Towards this end, we will systematically review our operations to identify sources of health and safety related risks.

- This review will use appropriate standards as required by prevailing laws, expert opinion and our knowledge of best practices.
- The review will lead to formulation of clearly described work practices and drills.
- All our staff will be trained in the manner required to adhere to these work practices and drills.
- Workers shall not be under the influence of or abusing, drugs, alcohol and/ or other illegal substances.
- We will seek to substitute the use of material, which are known to cause an adverse impact on the health of workers or health of consumers in the course of its manufacture or use.
- All workplaces will be constructed to meet safety standards with local regulations as the minimum standards that will be applicable.
- Wherever requires and applicable, individual entities will nominate a Health, Safety and Environment Committee, headed by a senior management representative, which will have its fullest support in executing operational changes required to carry out these policies.

## **11. NON DISCRIMINATION, DISCIPLINARY PRACTICES**

- Discrimination can mean distinction, exclusion or preference.
- Any form of discrimination relating to the hiring, discharge, pay, promotion and training of employees on the basis of race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, HIV status, Migrant status, membership of worker representative bodies, political affiliations, or any criteria that are unlawful is strongly discouraged by the Company and any such reported incidents will be viewed as a serious violation of this Business Principles.
- MASSIMO CAVALLI 1883 SRL will ensure that employees who have certain life threatening diseases or illnesses are not treated differently from other employees, and will continue to employ such personnel, as long as they are physically and mentally fit to attend to their normal job responsibilities.
- MASSIMO CAVALLI 1883 SRL shall at no time condone the use of corporal punishment or other forms of mental or physical coercion
- MASSIMO CAVALLI 1883 SRL encourages all personnel to voice concerns promptly, if they have a genuine reason to believe that a policy, Company operation or practice is or will likely be in violation of any law, regulation or internal Company rule or policy, including this Business Principles. MASSIMO CAVALLI 1883 SRL shall assure all employees who come forward in good faith to report issues, that they will be treated fairly and respectfully.

## **12. CHILD LABOUR**

- No form of child labour should be employed at any of the facilities of MASSIMO CAVALLI 1883 SRL
- As per our company policy no child labour or adolescent child labour will be employed.

- Company will implement suitable policy and procedures to verify the age proof all new employees joining the organization.

### **13. FORCED LABOUR**

- The management of MASSIMO CAVALLI 1883 SRL is fully committed to ensuring that forced or involuntary labour is not practiced in any form at any of its facilities. Any reported incidents relating to forced labour will be considered as a serious violation of this Business Principles.
- The following definitions will be applicable:
  - The Universal Declaration of Human Rights that states that 'No one shall be held in slavery or servitude'
  - ILO Convention 29, which defines forced or compulsory labour as “all work or service which is extracted from any person under the menace of any penalty, and for which the said person has not offered himself voluntarily”

### **14. HUMAN RIGHTS**

- MASSIMO CAVALLI 1883 SRL recognizes that human rights are universal and adheres to the principles concerning fundamental rights as set out in the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work.
- The company, as well as our business partners, will strive to create an inclusive environment, in which human rights are promoted and respected.

### **15. ENVIRONMENT PROTECTION**

- MASSIMO CAVALLI 1883 SRL shall ensure that the company is committed to the protection of the environment and is compliant with all the applicable environmental laws and regulations in the country of operation.
- The company shall encourage its employees to adopt and promote environmental protection practices and shall provide employees with adequate training to do so.
- The company shall strive to reduce the adverse environmental impact of its business operations and improve its environmental performance continually.
- MASSIMO CAVALLI 1883 SRL will promote activities that help reduce greenhouse gases, such as increasing efficiency of energy use and using sustainable resources.

### **16. PRODUCT SECURITY**

- We have stringent policies and practices as per our security requirements, which are aligned to global practices. Physical and IT security systems are updated periodically to ensure we are aligned to global security environment.

### **17. COMPANY’S ANTI MONEY LAUNDERING POLICY**

- MASSIMO CAVALLI 1883 SRL condemns all forms of money laundering and will ensure compliance with all applicable laws enacted to prevent money laundering.
- The company will conduct business only with reputable customers who are involved in legitimate business activities and whose funds are derived from legitimate sources.
- Employees of MASSIMO CAVALLI 1883 SRL shall ensure that all financial transactions are accurately recorded and are supported by necessary documentation that is accurate and consistent with applicable accounting standards.
- All international transactions shall be carried out in conformity with applicable export control laws and regulations.

## **18. COMPLIANCE TO KIMBERLEY PROCESS**

- MASSIMO CAVALLI 1883 SRL has adopted a Zero-Tolerance policy towards any violation of the Kimberley Process and mandates all its suppliers to comply with the provisions of Kimberley Process as part of our Supply Chain Policy.

Yours faithfully,

Massimo Cavalli 1883 Srl

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