

APPROVED

By the resolution of the
Executive Committee of
PJSC ALROSA
20 March 2020
(Resolution № 01/289-ИП-И)

PJSC ALROSA
REGULATIONS ON RESPONSIBLE DIAMOND
SUPPLY CHAIN MANAGEMENT

1. GENERAL PROVISIONS

1.1. Introduction

Assuming the need to ensure sustainable development of the diamond industry and the importance of enhancing consumers' trust in diamond products, PJSC ALROSA (hereinafter – ALROSA or the Company) places special emphasis on ensuring compliance with the responsible business principles and disclosure of complete and reliable information on rough and polished diamonds produced by the Company at all stages of its supply chain from exploration and mining to sorting, cutting and polishing and trading.

As a member of the World Diamond Council (WDC), co-founder of the Diamond Producers Association (DPA) and certified member of the Responsible Jewellery Council (RJC), ALROSA assumes obligations and strictly complies with the key international and industry regulations on responsible business practices.

These Regulations have been developed in accordance with the applicable Russian laws, ALROSA internal regulations, as well as international standards and guidelines and best practices in diamond supply chain management on major markets.

These Regulations are based, inter alia, on the following

International regulations, standards and initiatives

- UN Guiding Principles on Business and Human Rights (2011),
- Sustainable Development Goals (SDGs) / Transforming our world: the 2030 Agenda for Sustainable Development (2015),
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (2016) and other regulations, as well as

Industry standards and initiatives

- Kimberley Process Certification Scheme (KPCS) (2003),
- World Diamond Council System of Warranties (2018),
- RJC Code of Practices (2019) and other regulations, as well as

ALROSA internal policies and regulations

- Policy on Sustainable Development and Corporate Social Responsibility;
- Social Policy,
- Environmental Policy,
- Policy on Occupational Health and Safety,
- Anti-Bribery and Anti-Corruption Policy,
- Corporate Governance Code,
- Code of Corporate Ethics,
- ALROSA ALLIANCE Guidelines on Responsible Business Practices.

1.2. General Purpose

1.2.1. These Regulations set forth the Company's approach to responsible diamond supply chain management, define key goals and objectives and guiding principles of the diamond supply chain management system.

1.3. Goals and objectives

1.3.1. The goals of these Regulations include:

- Presentation of the Company’s position on responsible diamond supply chain management and its communication to the stakeholders,
- Implementation of responsible business principles and recommendations set forth in OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas in ALROSA management systems to ensure compliance with the commitments made as an RJC certified member,
- Strengthening the Company’s reputation as a responsible business partner.

1.3.2. The objectives of these Regulations include:

- Defining general approaches and principles of diamond supply chain management and due diligence applicable in the Company, its subsidiaries (hereinafter – ALROSA Group), joint ventures and other suppliers,
- Supporting industry initiatives aimed at development and implementation of diamond supply chain management systems at all stages from mining to retail.

1.4. Scope

1.4.1. These Regulations are mandatory and apply to the employees of the Company’s business units and departments involved in operations with rough diamonds and engagement within the ALROSA Group and with joint ventures.

1.4.2. These Regulations apply to the diamond supply chain management systems of ALROSA Group, its joint ventures, as well as all potential suppliers of rough diamonds irrespective of their location.

1.4.3. All stages of ALROSA Group diamond supply chain shall be assessed against the principles set out in these Regulations and applicable requirements of the national law. In case the national law sets out stricter requirements than those defined in there Regulations, the national law requirements shall prevail.

1.4.4. These Regulations provide assurance to the clients of ALROSA Group that due diligence procedures for responsible supply chains have been conducted as part of implementation of the OECD Guidance as set out in the RJC Code of Practices and adherence to the principles set forth in ALROSA ALLIANCE Guidelines.

1.5. Validity period and amendment procedure

1.5.1. These Regulations are to be approved, amended or deemed invalid by the resolution of the ALROSA Executive Committee.

2. ALROSA'S PRINCIPLES OF RESPONSIBLE SUPPLY CHAIN MANAGEMENT

2.1. ALROSA Group shall comply with the provisions and requirements of the international regulations, standards and initiatives, industry standards and initiatives, corporate policies and regulations mentioned in clause 1.1. of these Regulations within the framework of the ALROSA Group diamond supply chain management system.

2.2. ALROSA Group implements an internal supply chain management system in order to ensure consumer confidence in the ethical and natural origin of its diamond production. In support of this diamond supply management system and these Regulations ALROSA Group:

- Exercises internal due diligence based on risk assessment and mitigation,
- Provides complete and accurate information confirming that the diamond production is responsibly sourced,
- Regularly engages with customers, suppliers and industry associations on implementation and dissemination of responsible business practices,
- Ensures transparency in the implementation of these Regulations by disclosing information to the stakeholders.

2.3. ALROSA Group implements an internal diamond tracking and traceability system in all the segments of ALROSA Group supply chain which enables ALROSA to provide its clients with the information not only on the country of origin (the Russian Federation) but the region of origin (the Republic of Sakha (Yakutia) and Arkhangelsk region) of its rough and polished diamond production. Furthermore, rough diamonds mined by ALROSA Group in different regions are not mixed during sorting, valuation, cutting and polishing, and trading.

2.4. Management and due diligence of internal diamond supply chain of ALROSA Group and assessment of their integrity shall be based on the following key principles:

2.4.1. Countering misconduct in conflict-affected and high-risk areas

ALROSA Group shall fully comply with the Kimberley Process Certification Scheme, KP administrative decisions and resolutions, relevant resolutions of the United Nations General Assembly and Security Council, and shall not operate in conflict-affected regions.

When managing the diamond supply chain, in case the Company identifies in its operations a number of diamond mining regions as high-risk areas, the Company will conduct additional due diligence procedures as per World Diamond Council System of Warranties, RJC Code of Practices and OECD Guidance in order to neither tolerate nor by any means profit from, contribute to, assist with or facilitate the commission by any party of any forms of torture, cruel, inhuman and degrading treatment, any forms of forced or compulsory labour, child labour, war crimes or other serious violations of international humanitarian law, crimes against humanity or genocide.

2.4.2. Countering support to illegal armed groups

When managing the diamond supply chain, ALROSA shall not tolerate, contribute to, assist with or facilitate direct or indirect support to illegal armed groups or their affiliates who illegally control mine sites, transportation routes, points where diamonds are traded and upstream actors in the supply chain, or tax or extort money or diamonds at mine sites, along transportation routes or at points where diamonds are traded, or from intermediaries, export companies or international traders.

2.4.3. Countering misconduct of security forces

When managing the diamond supply chain, ALROSA shall not tolerate, contribute to, assist with or facilitate direct or indirect support to state or private security forces that commit abuses described in paragraph 2.4.1. or that act illegally as described in paragraph 2.4.2.

2.4.4. Countering bribery and corruption

When managing the diamond supply chain, ALROSA in accordance with ALROSA Anti-Bribery and Anti-Corruption Policy, provisions of the World Diamond Council System of Warranties and RJC Code of Practices shall counter any forms of corruption, including prohibition to directly or indirectly, in person or through a mediation promise, offer, give, extort, ask, give consent or receive any bribes to conceal or disguise the origin of diamonds, or to misrepresent taxes, fees and royalties paid to governments for the purposes of extraction, trade, handling, transport and export of diamonds.

2.4.5. Countering money laundering

When managing the diamond supply chain, ALROSA in accordance with ALROSA Code of Corporate Ethics, provisions of the World Diamond Council System of Warranties and RJC Code of Practices shall not allow and shall make necessary efforts to eliminate money laundering and financing of terrorism connected to the extraction, trade, handling, transport or export of diamonds.

2.4.6. Ensuring transparency of taxes, fees and royalty payments to governments

When managing the diamond supply chain, ALROSA in accordance with the Russian law shall disclose complete and credible information on payments to treasuries at all levels in countries of operation.

3. SUPPLIERS' COMPLIANCE REQUIREMENTS

3.1. ALROSA seeks to enter into commercial relations only with those suppliers of rough diamonds that source diamonds from operations where ALROSA is a shareholder, can influence the corporate governance system and who are able to demonstrate the necessary level of compliance with legal requirements and international standards and guidelines regarding financial stability and transparency, corporate governance, business ethics, labour rights and human rights, health and safety, environmental protection and other aspects of responsible business practices.

3.2. When engaging with such suppliers and joint ventures, over which ALROSA has direct or indirect control, the Company shall make necessary efforts to ensure adherence to the abovementioned principles in order to demonstrate their compliance with the highest standards of business, corporate ethics and governance at all stages of the diamond supply chain.

3.3. To ensure compliance with the requirements of these Regulations, ALROSA assumes that suppliers and joint ventures, over which ALROSA has direct or indirect control, when supplying diamonds shall:

- Inform its employees, subsidiaries and affiliates within the supply chain on the requirements of these Regulations,
- Promptly inform ALROSA of any incompliance with the requirements of these Regulations,
- Provide an opportunity for ALROSA to perform due diligence and assess compliance with the requirements of these Regulations, which do not contradict the requirements of applicable law, including visits to the production facilities.

3.4. In case of sourcing diamonds from other suppliers ALROSA implements the procedure on supply chain due diligence in accordance with the Regulations.

3.5. ALROSA implements a risk-based approach to assess whether a supplier complies with the applicable requirements. In case any potential risk (“red flag”) is identified, a risk management plan shall be developed, approved by the Company senior management and implemented. Additional monitoring and risk assessment shall be conducted in relation to such suppliers.

3.6. In case of non-compliance with these requirements, ALROSA reserves the right not to enter into, suspend or terminate the diamond supply contract.

4. EXECUTION AND FINAL PROVISIONS

4.1. ALROSA shall conduct due diligence of its diamond supply chain management system and of its suppliers and joint ventures on an annual basis to ensure adherence to these Regulations.

4.2. ALROSA reserves the right to evaluate the supplier's compliance with these Regulations by requesting relevant information as part of the negotiation of a rough diamond supply contract (for new suppliers) and / or as part of the annual due diligence of ALROSA diamond supply chain (for existing suppliers).

4.3. ALROSA welcomes the membership of its rough diamond suppliers in the Responsible Jewellery Council to confirm their commitment to the principles of responsible business. The RJC certified membership will be considered as a confirmation of compliance with the requirements of these Regulations.

4.4. As a certified member of the RJC, ALROSA shall conduct an independent third-party assurance of its supply chain due diligence practices as a part of the RJC certification assurance.

4.5. ALROSA will disclose information on its supply chain due diligence practices in the Company's annual sustainability reports.

4.6. Diamond supply chain management system risk assessment due diligence shall be conducted by the International Relations Department in collaboration with other relative divisions of the Company and its subsidiaries, when necessary.

4.7. In case of any questions and suggestions regarding this document or ALROSA supply chain, all stakeholders may send them to ExternalRelations@alrosa.ru.