

# CODE OF BUSINESS ETHICS AND CODE OF CONDUCT FOR SUPPLIERS

POLICY #1015

## 1. Purpose

MHG believes that outstanding business performance must be supported by the highest standards of corporate behavior towards employees, customers and other stakeholders. As a member of the RJC, MHG is committed to operating its business in accordance with the RJC Code of Practices by integrating ethical human rights, social and environmental considerations into day to day operations, business planning activities and decision making processes.

This Code of Conduct reflects the basic operating principles and expectations of MHG in relation to its suppliers. It also sets out requirements which must be met by Suppliers, their contractors and subcontractors when dealing or having a business relationship with MHG.

## 2. Scope and application

This policy applies to all Suppliers of MHG.

## 3. Statement

### 3.1. Commitment by MHG

MHG is committed to:

- being a responsible global corporate citizen,
- being a reliable business partner;
- treating Suppliers fairly and with consistency;
- selecting Suppliers based on their own merits including their products, services and business practices. Competitive bidding processes and evaluations based on defined, objective criteria drive the decision-making process;
- respecting clear and mutually agreed commercial terms and conditions;
- taking a clear stand on working conditions;
- respecting different cultures;
- non-discrimination;
- respecting human rights and treating the workforce fairly and in accordance with applicable laws and principles as set out in this Code of Conduct;
- acting responsibly towards the environment; and
- monitoring and enforcing compliance with this Code of Conduct through provisions of the relevant agreements between the Suppliers and MHG as well as audits conducted by itself or by an independent third-party organisation on behalf of MHG. Results of such audits may be communicated to the Supplier.

## 3.2. Expectations from Suppliers

MHG expects its Suppliers to adhere to the relevant rules, laws and regulations which apply to their businesses. MHG expects Suppliers to conduct their business operations in accordance with both international best practices and best practices in the jewellery industry. Suppliers are required to adhere to the following minimum standards and to ensure that these standards are also observed by their contractors and sub-contractors. Suppliers are responsible for communicating the content of this document and ensuring that compliance measures are implemented accordingly.

### **Compliance with laws and policies**

Suppliers must comply fully with:

- i) all national laws and regulations that apply in the country in which the Supplier is headquartered and in which any production sites are located.
- ii) all national and international laws which restrict and/or prohibit hazardous substances in countries in which MHG sells its products; and
- iii) any MHG policy or regulation which applies and to which the Supplier has agreed to or which are communicated to and agreed upon between MHG and the Supplier at any time.

### **Bribery and corruption**

Suppliers must not engage in any form of corruption or bribery in any business practice or transaction carried out by them or on their behalf. Suppliers must not pay, offer, promise or authorise the payment or transfer of anything of value, directly or indirectly to any person or entity if such payments or transfers would violate any applicable laws.

Suppliers must not offer funding, donations, lavish gifts and extravagant entertainment to any employee or agent of MHG to influence business decisions.

### **Anti-money laundering and counter-terrorism financing**

Suppliers must strive to prevent the use of business operations for money laundering or any activity, which facilitates money laundering, or the funding of terrorist or criminal activities.

Suppliers must comply with all the applicable laws and regulations designed to combat money laundering activity and terrorist financing connected to the government in the regions in which the Supplier operates and all international laws that may apply.

### **Payment of taxes, fees and royalties due to governments**

Suppliers must ensure that all taxes, fees, and royalties related to mineral extraction, trade and export are paid to governments.

## Human rights

Suppliers must not tolerate or by any means profit from, contribute to, assist with or facilitate:

- i) any forms of torture, cruel, inhuman and degrading treatment
- ii) any form of forced labour
- iii) harmful forms of child labour
- iv) other gross human rights violations and abuses such as widespread sexual violence
- v) war crimes or other serious violations of international humanitarian law, crimes against humanity or genocide.

Suppliers will reflect the following principles in their own workplaces:

**i) Respect for human rights**

Fundamental human rights are respected in pursuing business activities and relationships in accordance with the UN Guiding Principles on Business and Human Rights.

**ii) No forced labour**

There will be no forced labour, including bonded or involuntary prison labour. Neither the Supplier nor any entity supplying labour to the Supplier will withhold any payments or benefits or retain any identity documents or other personal effects of value. Work will be by way of a recognised employment relationship established in accordance with national law and shall be voluntary.

**iii) No child labour**

No children younger than 15 years or below the legal national minimum age (if above 15) shall be employed or made to work. In some countries, the legal national minimum age may be 14 years particularly where International Labour Organisation developing country exceptions apply. Young employees or children between the applicable minimum age and 18 years shall not be employed at night, or in conditions which may compromise their health and safety or moral integrity or which may harm their physical, mental, spiritual, moral or social development. Suppliers shall obtain accurate documentation of the date of birth of each person employed by the Supplier and/or in the Supplier's facilities and maintain such documentation in the facilities for review and inspection.

**iv) No discrimination or harassment**

Ensuring that the workplace is free from discrimination, harassment, victimisation, vilification or other objectionable conduct of any kind. All employees, customers, clients or other persons at the workplace will be based solely on merit and genuine occupational requirements. Discrimination, harassment, victimisation, vilification or other objectionable conduct based on the following attributes will not be tolerated:

- A. sex;
- B. marital or relationship status;
- C. pregnancy or potential pregnancy;

- D. parental status including family responsibilities;
- E. race, ethics, background, nationality and social origin;
- F. religion;
- G. political belief or activity;
- H. trade union activity/inactivity;
- I. lawful sexual activity including sexuality or sexual preference;
- J. sexual orientation;
- K. irrelevant criminal record;
- L. disability or impairment;
- M. age;
- N. medical record; and
- O. relationship with or relation to, a person with any of the above attributes.

**v) Humane treatment**

Ensuring there is no harsh or inhumane treatment of any other forms of intimidation of workers.

**vi) Working hours and leave**

Ensuring that the applicable national or local law is complied with in relation to working hours and overtime for workers.

Employees must be provided with all legally mandated leave, including parental, compassionate and paid annual leave.

**vii) General employment terms**

All employment contracts will be in written form, understandable and legally binding. All workers must be provided with, or have access to their contract.

**viii) Fair compensation**

All employees are to be paid regularly and in a timely manner with the wage based on the higher of either the applicable legal minimum wage plus associated statutory benefits, or the applicable industry standards. All payments must be documented accordingly.

**ix) Collective bargaining and freedom of association**

All employees may engage in collective bargaining and be able to associate freely. Where these freedoms are prohibited by law, the Supplier will support similar means for independent and free association and bargaining.

**x) Health and safety**

The Supplier and any supply chain organisations must provide a safe and healthy working environment and conditions for all employees including, but not limited to protection against accidents, toxic substances and fire and otherwise in accordance with any applicable laws or relevant industry or building standards and regulations.

**xi) Grievance process**

The workplace must be free from discrimination, harassment, victimisation,

vilification and objectionable conduct, and all employees must be treated with dignity, courtesy and respect. All complaints must be treated in a sensitive, fair, timely and confidential manner. Any employee making a complaint it to be guaranteed protection from any victimisation or reprisals.

## **Non-state armed groups**

Suppliers must ensure that no direct or indirect support is provided to non-state armed groups through the extraction, transport, trade, handling or export of minerals. “Direct or indirect support” to non-state armed groups through the extraction, transport, trade, handling or export of minerals includes, but is not limited to, procuring minerals from, making payments to or otherwise providing logistical assistance or equipment to, non-state armed groups or their affiliates who:

- A. illegally control mine sites or otherwise control transportation routes, points where minerals are traded and upstream actors in the supply chain and/or
- B. illegally tax or extort<sup>6</sup> money or minerals at points of access to mine sites, along transportation routes or at points where minerals are traded and/or
- C. illegally tax or extort intermediaries, export companies or international traders

## **Public and private security forces**

Suppliers must ensure that no support is provided, directly or indirectly, to public or private security forces who illegally control mine sites, transportation routes and upstream actors in the supply chain; illegally tax or extort money or minerals at point of access to mine sites, along transportation routes or at points where minerals are traded; or illegally tax or extort intermediaries, export companies or international traders.

## **Environmental impacts**

Suppliers must continuously aim to improve energy efficiency across worksites, minimise waste and emissions to air, land and water to the best of its ability and treat all chemicals and hazardous waste in an environmentally safe manner. Any toxic substances which may be harmful to the environment must be disposed of in accordance with applicable laws and regulations governing the use of and handling of such substances. Where possible, products are to be recycled and reused.

## **Ensure that the Supplier’s employees, agents and sub-contractors abide by this Code of Conduct.**

Suppliers must provide MHG with a list of its production facilities, including the location of those facilities that are involved in the production or provision of goods or services provided by the Supplier to MHG. The Supplier will permit any duly authorised representative of Michael Hill to make unannounced visits, inspections and conduct an audit of the sites of the production facilities or other sites at which people work directly, or indirectly for the Supplier, during normal business hours.

Suppliers will take appropriate steps to ensure that the provisions of this Code of Conduct are communicated to their employees, including the prominent posting of a copy of this Code of Conduct, in the local language and in a place readily accessible to employees.

MHG expects Suppliers to have high ethical standards in their business practices and to ensure the principles within this Code of Practice are reflected in their upstream supply chain.

Where a Supplier breaches this Code of Conduct, MHG will have the option of continuing the business relationship. This may occur in situations where the Supplier has proven a willingness to remedy the breach with an agreed course of action in a timely manner moving forward. In any event, MHG reserves the right to terminate a relationship with a Supplier immediately in the event of a serious violation of this Code of Conduct.

### **Conflict Free Diamond Supply Chain**

MHG is committed to not buying or selling Conflict Diamonds or assisting others to do so. All Suppliers of diamonds, whether polished, loose or set in jewellery, are required to ensure the same through compliance with the KPCS, the WDC SOW and applicable national legislation and give a declaration to this effect on all their invoices.<sup>1</sup>

Each Supplier warrants (based on personal knowledge and/or written guarantees provided by the Supplier):

- i) the diamonds provided by the Supplier are natural and untreated (unless otherwise specifically requested by MHG);
- ii) the diamonds provided by the Supplier, unless otherwise specifically agreed, are exclusively of natural origin and have not been created or treated using CVD, HPHT or any other man-made process;
- iii) any and all diamonds, whether polished, loose or in finished goods, invoiced to MHG have been purchased/procured from legitimate sources not involved in the funding of conflict and in conformance with United Nations resolutions; and
- iv) the Supplier will adhere to all guidelines and maintain and collect all necessary warranties related to the KPCS and the WDC SOW.

### **Laboratory Created, Laboratory Grown, Simulant and Treated Diamonds**

MHG is committed to appropriate disclosure about the manner and method in which certain products sold by MHG are created. This means that customers are always made fully aware of the quality, origin and provenance of products at the time of purchase from MHG.

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<sup>1</sup> All invoices are to contain the following or equivalent WDC SOW declaration: *‘the diamonds herein invoiced have been purchased from legitimate sources not involved in the funding of conflict and in conformance with United Nations resolutions. The seller hereby guarantees that these diamonds are conflict free, based on personal knowledge and/or written guarantees provided by the supplier of these diamonds’.*

To that end, the Supplier must ensure that it implements ethical marketing and sales tactics which are not misleading or deceptive in relation to the supply of Laboratory Created Diamonds, Laboratory Grown Diamonds, Simulant Diamonds and Treated Diamonds to MHG.

The Supplier acknowledges and agrees that it would be misleading and deceptive to:

- i) Use the words “real”, “genuine”, “natural”, “precious”, “semi-precious”, or similar terms to describe any industry product sold by the Supplier (including wholesale, retail, or otherwise) that is not a Natural Diamond (ie. that is manufactured or produced artificially);
- ii) use the name of any other precious or semi-precious stone, or the words “stone”, “birthstone”, “gem” or “gemstone” to describe a Laboratory Created, Laboratory Grown, Simulant or imitation product unless such words or names are immediately preceded with equal conspicuousness by the word “laboratory created”, “laboratory grown”, or some other word or phrase of like meaning to disclose the nature of the product and the fact it is not a Natural Diamond;
- iii) make any statement or representation that a Simulant has the same characteristics, origin, quality or other features as that of a Natural Diamond; and
- iv) imply that Simulants have the same optical, physical and chemical properties of a Natural Diamond.

The Supplier agrees to implement responsible advertising and marketing guidelines with respect to Laboratory Created, Laboratory Grown, Simulant and Treated Diamonds in its business. MHG will not be liable for any damages, losses or any liability or penalties incurred as a result of the Supplier failing to adhere to responsible marketing and advertising practices with respect to the sale, supply or wholesale of these products.

The Supplier must ensure that each of the non-Natural Diamond products are laser marked with appropriate characterisation when supplied to MHG, and the Supplier acknowledges that MHG will resell the products with the same laser markings which form part of appropriate disclosure of the nature of the product to MHG's customers.

The fundamental principles set out in this Code of Conduct will not be compromised by MHG, however cultural and national differences and any other relevant factors will receive consideration where required.

Please complete and sign below to acknowledge your understanding of, and commitment to, this Code of Conduct.

Name of Supplier: \_\_\_\_\_

Name of Authorised Representative: \_\_\_\_\_

Signature of Authorised Representative: \_\_\_\_\_

Date: \_\_\_\_\_



## 4. Definitions

In this Policy, unless the context otherwise requires:

**Accountability** means the obligation to answer for an action; where an individual is held liable for meeting / not meeting agreed targets, objectives, their responsibilities, and the responsibilities for persons whom they are answerable for.

**MHJ** means Michael Hill International Limited including its subsidiaries and related bodies corporate.

**Responsibility** means the obligation to act; where an individual has been allocated a task to undertake, where a target or objective has been set in which the individual will be measured against.

**Site** means a site which is operated and controlled by MHJ.

**Code of Conduct** means this Code of Business Ethics and Code of Conduct for Suppliers.

**Conflict Diamonds** means rough diamonds used to finance wars against governments, as described in the relevant United Nations Security Council resolutions.

**KPCS, or Kimberley Process Certification Scheme**, means a joint government, international diamond industry and civil society initiative to prevent Conflict Diamonds from entering the supply chain.

**Laboratory Created and Laboratory Grown Diamonds** means diamonds that are not natural or mined stones but are grown from a natural diamond seed in a laboratory and have the same chemical composition, crystal structure and physical (including optical) properties of a diamond.

**MHG or MHG** means MHI including its subsidiaries and related bodies corporate.

**MHI** means Michael Hill International Limited ACN 610 937 598.

**Natural Diamond** means a diamond which is formed completely by nature without human intervention during the formation. A mineral consisting essentially of pure carbon crystallised in the isometric system, found in many colours and with the following characteristics:

- (a) its hardness is 10;
- (b) its specific gravity is approximately 3.52; and
- (c) it has a refractive index of 2.42.

**RJC** means the Responsible Jewellery Council.

**Simulant** means a product which is made from CZ, Moissanite, and other non-diamond products that are used in jewellery to simulate a Natural Diamond.

**SOW, or World Diamond Council System of Warranties**, means a voluntary system of industry self-regulation designed by the WDC that tracks diamonds, after the KPSC certifies them, through the supply chain via a warranty statement declaration.

**Suppliers** means suppliers, material vendors, indirect goods and service providers, consultants, contract manufacturers and anyone else who may provide a product or service to MHG.

**Treated Diamond** means a stone having undergone human intervention other than cutting, polishing, cleaning and setting to permanently or non-permanently change the stone's appearance. Some examples include coating, fracture filling, irradiation, laser drilling, HPHT treatment or any physical or chemical process.

**WDC** means the World Diamond Council.

## 5. Review

This Policy shall be reviewed as necessary and at least annually.

## 6. Policy information

<b>Date approved:</b>	10 February 2020
<b>Responsible Department:</b>	Executive Team
<b>Version</b>	2.0
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<b>Next review date:</b>	December 2020
<b>Approval body:</b>	Chief Executive Officer / Company Secretary
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