



GLOBAL COMPACT ANNUAL COMMUNICATION ON PROGRESS

Company Name	Lazare Kaplan International Inc.	COP Date	April 3, 2014
Address	Headquarters 19 West 44 th Street New York, NY 10036	Membership date	May 1, 2001
Country	USA	Number of employees	41 in New York and 195 total globally
Contact Name Contact Position	Damian Gagnon Corporate Compliance and Social Responsibility Officer	Sector	Diamond Trading, Cutting, Polishing and Marketing
Contact Telephone	+1-212-857-7508		

Brief description / Nature of business

Since its founding in 1903, Lazare Kaplan International Inc. (LKI) has been an acknowledged leader among the world's top diamond cutting and polishing companies. LKI was the first U.S. company specializing in diamond manufacturing to become publicly listed on a major U.S. stock exchange (AMEX). By virtue of such listing, the firm is subject to the fullest oversight of U.S. securities and exchange laws and regulations. No other company in its field worldwide is subject to comparably stringent disclosure and compliance requirements.

In addition, LKI plays a leadership role in developing self-regulatory industry protocols and procedures to promote ethical conduct.

Every Lazare Diamond[®] is cut to produce the optimal balance of brilliance, scintillation, and fire. Likewise, LKI has consistently set and adhered to the highest ethical and professional standards in the industry. This tradition of excellence gives every LKI stakeholder the confidence to trust that they share in one of the richest and most honorable diamond traditions anywhere.

****LKI'S CORPORATE SOCIAL RESPONSIBILITY STATEMENT IS APPENDED TO THIS REPORT – [Attachment 1](#)

Statement of support

“Lazare Kaplan International Inc. is proud to be a founding member of the United Nations Global Compact which was launched in 2000 to “initiate a global compact of shared values and principles which will give a human face to the global market”. LKI firmly supports the Ten Principles of the Global Compact and remains committed to upholding the standards and values of transparency, accountability, and good corporate citizenship in our global business development program. Furthermore, in keeping with the Compact's 10th Principle, our Company has established binding policies against corruption and bribery that require all of our directors, managers, and employees around the world to behave ethically and in conformity with the law and these corporate guidelines. Our commitment to these principles has been recognized by the Responsible Jewelry Council's independent, third party auditor, and we are proud to be a certified Responsible Jewellery Council member.”

****FROM 'COMMITMENT TO HIGHER STANDARDS' PAGE AT THE COMPANY'S WEBSITE
WWW.LAZAREDIAMONDS.COM

Maurice Tempelsman
March 1, 2014

Chairman of the Board

PRINCIPLE 1	BUSINESS SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS
PRINCIPLE 2	BUSINESS SHOULD ENSURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES

Our Commitment and Policies

POLICY ON HUMAN RIGHTS

Human Rights is an overarching area of company policy that linked to a number of separate related policies including: equal opportunities, freedom of association, child labor, forced labor, non-discrimination, non-retaliation and working hours. (see specific policies within employee manual) LKI protects the fundamental human rights expressed in the Universal Declaration of Human Rights, the UN Global Compact and in relevant International Labor Organization Conventions. Human Rights abuses seen or reported in connection with work will be reported by LKI to the relevant authorities and followed up. Suitable arrangements will be put in place to ensure the security of all workers and facilities. Before hiring staff, LKI will check that there has been no previous involvement in human rights abuses.

LKI is committed to the respect of human rights as the basis for its overall approach to business. All of LKI's entities have specific policies that address discrimination, harassment, ethical conduct, confidential complaints and non-retaliation, and fair employment practices, including prohibitions against the use of child labor and forced labor as well as prohibitions against violence and use of weapons.

LKI protects the fundamental human rights of employees and stakeholders in communities where we operate around the globe as expressed in the Universal Declaration of Human Rights, the UN Global Compact's Principles I and II and in relevant International Labor Organization conventions. In addition, before hiring staff, LKI checks to ensure that each candidate for employment has no previous involvement in human rights abuses.

A brief description of our Processes or Systems

LKI will not tolerate the discrimination or harassment of employees or visitors to company premises. The company defines harassment as negative conduct focused on a person or group of persons including, but not limited to: physical or verbal abuse, unwelcome activity of a sexual nature, retaliation, and any behavior or action which interferes with an individual's ability to perform assignments or which creates a hostile or intimidating work environment.

LKI has provision for reporting work-related human rights abuses and maintains formal channels to encourage communications among all levels of supervisors and employees—without fear of reprisal—on issues that impact working conditions. This “open door policy” entitles all employees to freely discuss with management all matters relating to their welfare, terms and conditions of employment, questions, complaints, grievances and recommendations.

LKI maintains safe and healthy working conditions. The company actively works to prevent and reduce the risk of accidents and ensures that it has dedicated appropriate resources to identify, avoid and respond to potential health and safety risks and to effectively deal with emergencies and accidents. LKI co-operates fully with employee health and safety representatives and appropriate authorities to monitor existing conditions and to contribute positively to ongoing health and safety improvements. Employees may leave work situations in which they may reasonably judge that there is serious and imminent danger to life or health, without fear of consequence, until the danger has been removed.

The Company's Chief Financial Officer has overall responsibility for implementation of health and safety policy. Individual employees are themselves responsible to remain vigilant within their own sphere of operations. Employees undergo training (in the case of first aid this will be nominated individuals) and awareness building with respect to the issues covered in this policy - fostering an awareness of shared responsibility and accountability.

Measurable Results or Outcomes

There have been no reports of failure to support and respect the protection of internationally proclaimed human rights and no instance of human rights abuse at Lazare Kaplan, and this has been certified by the Responsible Jewelry Council's independent, third party auditor.

PRINCIPLE 3 BUSINESS SHOULD UPHOLD THE FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE BARGAINING

Our Commitment and Policy

POLICY ON FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

Freedom of association implies a respect for the right of all employers and all workers to freely and voluntarily establish and join organizations of their own choice. Each company employee has the right to associate, or not associate, with any legally sanctioned representative labor organization. LKI does not and will not issue threats, warnings or orders to any worker to refrain from engaging in activities that are enshrined in Article 20 of the Universal Declaration of Human Rights, elaborated under ILO Conventions 87 and 98, and protected under Section 8(a)(1) of the National Labor Relations Act of the United States.

LKI is committed to the principle that all workers have the right to (a) form and join a trade union of their choice without fear of intimidation or reprisal, in accordance with national law, (b) expect non-discriminatory policies and procedures with respect to trade union organization, union membership and activity in areas such as applications for employment and decisions on advancement, dismissal or transfer, and (c) expect non-interference with the activities of worker representatives should they choose to carry out union functions in ways that are not disruptive to regular company operations.

A brief description of our Processes or Systems

The Company's Chief Financial Officer has overall responsibility for implementation of LKI's Policy on Freedom of Association and Collective Bargaining. Through the Company's HR Director, LKI maintains formal channels of communications among all levels of supervisors and employees – without fear of reprisal – on issues that impact working conditions. This "open door policy" entitles all employees to freely discuss with management all matters relating to the welfare, terms and conditions of employment, including questions, complaints, grievances and recommendations.

Measurable Results or Outcomes

There have never been reported instances of interference with an employee's right to collective bargaining, and this has been certified by the Responsible Jewelry Council's independent, third party auditor.

PRINCIPLE 4 BUSINESS SHOULD SUPPORT THE ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOUR

Our Commitment and Policy

POLICY ON THE USE OF FORCED LABOR

LKI will not use or support the use of any type of forced or bonded labor, including slavery, prison labor that is required from prisoners without pay or to complete their sentence, labor as a punishment for expressing political views, or labor demanded of workers because of their debt to the company. All workers are free to leave the workplace at the end of the working day.

A brief description of our Processes or Systems

There is no forced or compulsory labor in Lazare Kaplan. We do not retain any employee documents or money, and we do not use hidden bonds.

The Company's Chief Financial Officer has overall responsibility for implementation of LKI's Policy on the Use of Forced Labor. The Company's HR Director is responsible for the day-to-day implementation of the policy and related processes. These include, but are not limited to: .standard

employment contracts including agreed terms, working hours and conditions; standard regular wage payments made directly to the individual worker; prohibition against use or threat of violence or intimidating practice, including bullying, by any employee; provision of a mechanism to anonymously report instances of threats, violence or infringements of the policy.

Measurable Results or Outcomes

There have been no reported instances of forced or compulsory labor in the history of Lazare Kaplan, and this has been certified by the Responsible Jewelry Council's independent, third party auditor.

PRINCIPLE 5 BUSINESS SHOULD SUPPORT THE EFFECTIVE ABOLITION OF CHILD LABOUR

Our Commitment and Policy

POLICY ON THE USE OF CHILD LABOR

LKI will not use or support the use of child labor as defined in the United Nations International Labor Organization Minimum Age Convention (138). Under no circumstances will LKI employ children below the age of sixteen (16).

A Brief Description of our Processes or Systems

The Company's Chief Financial Officer has overall responsibility for implementation of LKI's Policy on the Use of Child Labor. The Company's HR Director is responsible for the day-to-day implementation of the policy and related processes. LKI complies with all relevant standards regarding employment of minors under the Federal Fair Labor Standards Act (FLSA). The company will not hire minors under the age of 18 except as permitted under FLSA and New York State law. There are no children in our labor force. Documents providing proof of age are required of all new employees as a condition of employment. These documents are subject to validation. LKI management does not keep identity papers provided by workers as part of the recruitment process.

Measurable Results or Outcomes

There have been no incidents of child labor at Lazare Kaplan, and this has been certified by the Responsible Jewelry Council's independent, third party auditor.

PRINCIPLE 6 BUSINESS SHOULD SUPPORT THE ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION

Our Commitment and Policy

EQUAL OPPORTUNITY EMPLOYMENT

LKI is an equal opportunity employer. We utilize available human resources to the fullest, regardless of race, color, religion, sex, age, national origin, physical or mental handicap, veteran's status, marital status or sexual orientation.

AMERICANS WITH DISABILITIES ACT

Lazare Kaplan fully abides by the Americans with Disabilities Act (ADA) which prohibits discrimination in all employment practices, including job application procedures, hiring, firing, advancement, compensation, training, and other terms, conditions, and privileges of employment.

POLICY AGAINST HARASSMENT

At Lazare Kaplan, harassment is defined as unfavorable conduct that is focused on a person or group of persons that may include, but is not limited to: physical or verbal abuse, unwelcome activity of a sexual nature, and retaliation. In addition, any behavior or action which interferes with an individual's ability to perform assignments or which creates a hostile or intimidating work environment is considered harassment.

DISCRIMINATION/HARASSMENT COMPLAINT POLICY

Any employee who feels he or she is the victim of discrimination or harassment has a responsibility to immediately report the incident verbally and in writing to the Human Resource Director and/or the employee's direct supervisor. A written complaint should include the specific nature of the

incident, date and place of incident, names of all parties involved as well as a detailed report of all pertinent facts. Complaints of harassment will be promptly and carefully investigated. Investigations will include interviews with all relevant persons, including the accused and other potential witnesses.

NON-RETALIATION POLICY:

Any employee, who, in good faith, files a complaint of harassment, will be free from any and all reprisal or retaliation as a result of filing the complaint. Investigators will make every effort to balance the parties' desires for privacy and the need to conduct a fair and effective investigation.

A brief description of our Processes or Systems

Proven incidents of harassment shall subject an employee to disciplinary action up to and including termination of employment. Likewise, there will be disciplinary measures if in fact it is determined that the incident and thus the accusation were fabricated.

LKI will not tolerate discrimination against or harassment of employees and/or job applicants or visitors to the premises. Comments, conduct, and innuendoes or off color jokes that may be perceived as offensive or harassing are strictly prohibited and will not be tolerated. In addition, LKI will not tolerate the harassment of LKI personnel by non- LKI personnel on LKI premises.

Measurable Results or Outcomes

We apply these principles to our recruitment, advertising, tenure, layoff, leave, fringe benefits, and all other employment-related activities.

52% of LKI's global workforce is female, and 19 women are engaged at the supervisory or higher level (up from 17 in the last reporting period). At our New York headquarters, the Vice President of Marketing, the Director of Human Resources, the Director of HPHT Bellataire, and the managers of the polished diamonds and jewellery departments are all female. In Japan, the public relations, accounting and polished diamond departments are headed by females. The regional director of LKI's Far East operations is a female based in Hong Kong, and her Marketing/Product Manager and Operations Manager are both female. At LKI's NamGem factory in Namibia, eight females hold supervisory positions.

PRINCIPLE 7	BUSINESS SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES
PRINCIPLE 8	BUSINESS SHOULD UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY
PRINCIPLE 9	BUSINESS SHOULD ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES

Our Commitment or Policy

ENVIRONMENTAL POLICY

LKI conducts its businesses in an environmentally responsible manner. We assess and address any adverse environmental impacts resulting from our business activities, as appropriate. We will seek to contribute to the preservation of the natural environment in which we operate, as appropriate.

A brief description of our Processes or Systems

LKI's environmental management policy, particularly as practiced at our Namibian polishing factory, NamGem Diamond Manufacturing Co (Pty) Ltd., is guided by the principle of reuse, reduction and recycling of waste in order to minimize the impact of our operations on the environment. Procedures for the management of different waste streams encourage the separation of glass, plastics, metals and paper for recycling. At NamGem, procedures for the reduction of emissions to air and water are stipulated. These stipulations cover all employees and contractors of NamGem who work with or within close proximity to hazardous substances.

Measurable Results or Outcomes

There have been no incidents of non-compliance with environmentally friendly policies at Lazare Kaplan, and this has been certified by the Responsible Jewelry Council's independent, third party auditor.

PRINCIPLE 10 BUSINESS SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY

Our Commitment and Policies

ETHICS IN CONDUCT OF THE COMPANY'S BUSINESS

LKI's distinguished reputation has been earned through many years of observance of applicable law and adherence to ethical business standards. Each LKI employee is committed to these standards in the conduct of all aspects of LKI's business. In view of widespread public concern about best business practices, the Board of Directors has adopted a formal company ethics policy to reaffirm for all concerned LKI's standards of conduct for its global business.

Compliance with Laws – Zero Tolerance for Corruption

LKI shall conduct its affairs in accordance with all applicable laws and in adherence to the highest ethical business standards.

Foreign Corrupt Practices Act

The use of LKI's funds, services and assets for any unlawful or improper purpose is strictly prohibited. This prohibition covers, among other things, the purchase of privileges or special benefits through improper concessions or payments, such as bribes or pay-offs. The policy is consistent with the requirements of the U.S. Foreign Corrupt Practices Act of 1977 and applies to all activities of any person acting for, or on behalf of, LKI, even if such activities may be performed by the standards or customs of countries other than the United States in which such person may be doing business for the company.

Political Contributions

LKI has not contributed and will not contribute to political parties or candidates for office. The prohibitions cover not only direct contributions but also indirect support of candidates or political parties as for instance, the purchase of tickets for fund raising events, the loan of employees to political parties or committees, or the furnishing of transportation or other services. These prohibitions relate only to the use of corporate funds and facilities and are not in any way intended to discourage employees from making personal contributions to candidates or political parties of their choice. Employees must not, however, be influenced by LKI to do so, nor may they be reimbursed by LKI for such personal contributions.

Relationships with Public Officials

LKI's relationship with public officials should in all respects be of such a nature that neither the official's nor LKI's integrity or reputation would be impugned by public knowledge of the full details of the relationship.

Conflict Diamonds -- Zero Tolerance Policy

LKI has a "zero tolerance" policy regarding the trade in conflict diamonds. LKI requires that all employees undertake to help prevent the trade in conflict diamonds and, as a condition of continued employment, be bound

- Not to buy any diamonds from firms that do not include the Statement of Warranty on their invoices (see WDC, below);
- Not to buy any diamonds from suspect or unknown sources of supply and/or that originate in countries that have not implemented the Kimberley Process Certification Scheme;
- Not to buy diamonds from any source that after a legally binding due process system has been found to have violated government regulations restricting the trade in conflict diamonds;
- Not to buy diamonds in or from any region that is subject to an advisory by a governmental authority that conflict diamonds are emanating from or available for sale in such region unless such diamonds have been exported from such region in compliance with Kimberley Process requirements;
- Not to knowingly buy or sell or assist others to buy or sell conflict diamonds.

Zimbabwe Diamonds – Zero Tolerance Policy

Although the Kimberley Process Certification Scheme (KPCS) has approved exports of rough diamonds from Zimbabwe's Marange region, many western governments, including the United

States, have imposed sanctions on the trade in these goods. Therefore, we wish to reaffirm **LKI's long-standing, zero tolerance policy for the trade in diamonds from Zimbabwe**. To be clear, **until further notice, LKI will continue to avoid the purchase of rough diamonds known to have originated in Zimbabwe and we will not buy or sell polished diamonds known to have been cut from Zimbabwe rough**.

Product Integrity

LKI adheres to all applicable principles outlined in (a) US Federal Trade Commission Guides for Jewelry, Precious Metals, and Pewter Industries as published in April 2001 by the US Bureau of Consumer Protection at the Federal Trade Commission, (b) the De Beers Diamond Assurance Program's Requirements regarding full disclosure, and (c) the Responsible Jewelry Council's Guidance on product integrity. All relevant staff members are fully trained to effectively describe our products, and they do so prior to the completion of any sale. In addition, all our Bellataire division's stones which have undergone the HPHT process are accompanied by conspicuous and prominent disclosure including specific wording on promotional material, the product sales invoice, the GIA certificate, the laser inscription on the outer perimeter of each individual stone, in our Annual Report and in filings with the Securities and Exchange Commission of the United States Government. These policies are effectively communicated to relevant workers through training programs for all Bellataire sales staff. Furthermore, Bellataire staff train sales personnel employed by their retail customers in all of these matters. <http://www.bellataire.com/>

POLICY REGARDING CONFIDENTIAL INTERNAL ACCOUNTING AND AUDITING COMPLAINTS

As part of our ongoing effort to ensure compliance with all lawful and ethical business practices consistent with recently passed securities reform and legislation, LKI has adopted policies and procedures for reporting complaints and concerns regarding accounting, internal accounting controls and auditing matters. The Company encourages employees to promptly report all such complaints or concerns.

NON-RETALIATION POLICY:

While complaints and concerns regarding questionable accounting or auditing matters may be made on an anonymous basis, employees are encouraged to give their identity so that LKI can contact the employee in the event further information is needed to pursue an investigation. In any case, the identity of the employee making a report will be maintained in confidence in accordance with applicable legal requirements. LKI will not allow any form of harassment or retaliation to be made against any employee for any such reports made in good faith.

SECTOR-SPECIFIC INITIATIVES THAT LKI SUPPORTS, PARTICIPATES IN AND/OR COMPLIES WITH

1. Kimberley Process Certification Scheme

Compliance with Kimberly Process Protocols recognizing that the trade in diamonds that originate from areas controlled by forces or factions opposed to legitimate and internationally recognized governments (Conflict Diamonds) is a matter of serious international concern being addressed by governments, industry and civil society in the Kimberley Process. LKI is committed to doing its part to prevent suspect diamonds from entering into legitimate diamond trading channels. Visit the new KPCS web site at <http://www.kimberleyprocess.com> to learn more.

2. World Diamond Council (WDC) Industry System of Self Regulation

The Company has adopted the World Diamond Council's voluntary system of industry self-regulation to help prevent the trade of conflict diamonds. As a consequence, the Company will not purchase rough diamonds, polished diamonds, or diamond jewelry unless the supplier is able to credibly warrant those diamonds to be conflict free, and all Company invoices for sale of rough diamonds, polished diamonds, and jewelry containing diamonds must include our own warranty consistent with the World Diamond Council's Statement of Warranty (SOW) (below). The Company requires that all employees undertake to help prevent the trade of conflict diamonds and, as a condition of continued employment, be bound not to buy any diamonds from firms that do not include the WDC's SOW on their invoices, and not to buy any diamonds from suspect or unknown sources of supply and/or that originate in countries that have not implemented the Kimberley Process Certification Scheme or that have not been exported in compliance with Kimberley Process

requirements. See also [Essential Guide to The Kimberley Process](http://www.jvclegal.org/KimberleyProcess.pdf)
<http://www.jvclegal.org/KimberleyProcess.pdf>

Statement of Warranty

To the best of seller's knowledge, the diamonds herein invoiced have been purchased from legitimate sources not involved in funding conflict and in compliance with United Nations resolutions. Accordingly, seller hereby guarantees that to the best of its knowledge these diamonds are conflict free. With respect to diamonds herein invoiced, which were acquired by seller after December 31, 2002, seller guarantees them to be conflict free based on personal knowledge and/or written guarantees provided by the supplier of these diamonds.

3. USA PATRIOT Act

Under Financial Crimes Enforcement Network (FinCEN) of the United States Treasury Department rules, diamond dealers are required to establish Anti-Money Laundering (AML) programs under the USA PATRIOT Act. The regulations ensure that relevant provisions of the Bank Secrecy Act are applied appropriately to the diamond industry.

At a minimum, the AML program must include the following elements:

- Written policies, procedures and internal controls, based on the dealer's assessment of the money laundering and terrorist financing risk associated with its business;
- Appointment of a compliance officer who is responsible for ensuring that the program is implemented effectively;
- Provision for ongoing training of relevant persons concerning their responsibilities under the program; and
- Independent testing to monitor and maintain an adequate program.

LKI is defined as a dealer under these rules and has implemented all relevant USA PATRIOT Act provisions as required under the law.

4. Diamond Assurance Program Best Practice Principles (BPPs)

Lazare Kaplan International Inc. has been a Sightholder (client) of the Diamond Trading Company (DTC) since 1946. The DTC is the rough diamond sales and distribution arm of the De Beers group and is the world's largest supplier of rough diamonds, handling more than 40% of the world's supply by value. As a DTC client, LKI is required to abide by a strict ethical code of conduct known as the De Beers Best Practice Principles and to use our best endeavors to ensure that our customers and suppliers adhere to these principles.

The BPPs define standards of conduct for Sightholders in three critical areas:

- Best Business Responsibilities require Sightholders to prove that their every operation and every employee abide by the highest ethical and legal compliance standards in their overall business relationships including sourcing of diamonds, supply chain management, sales transactions and general management practices.
- Best Social Practices require Sightholders to develop practices and policies to provide value to their employees and the communities where they do business.
- Best Environmental Principles require Sightholders to ensure sustainability by operating under the highest standards required by law to minimize their impact on the natural environment.

The Best Practice Principles are supported by the 'Diamond Assurance Programme' to assess Sightholder compliance with the BPPs. In the first instance, the Sightholder's "self-assessment" is reported in the form of a workbook submission to the De Beers' independent third party "verifier", Swiss-based multinational Société Générale de Surveillance (SGS), on an annual basis. Sightholder compliance is audited by the verifier through monitoring and annual onsite verification visits to one or more of the Sightholder's world-wide operating locations. Compliance is measured, instances of breach are noted, and a compliance report submitted by the verifier to the DTC. Infringements must be immediately corrected in order for a Sightholder to remain in good standing, and material breaches of the Principles may lead to termination of the Sightholder relationship. Learn more at <http://www.debeersgroup.com/Sustainability/ethics/Best-practice-principles/>

5. Responsible Jewelry Council (RJC)

In January 2011, Lazare Kaplan International Inc. joined the RJC, a not-for-profit membership organization founded to advance responsible ethical, social and environmental practices throughout the diamond and gold jewelry supply chain, from mine to retail. The RJC's Principles and Code of Practices, developed through multi-stakeholder consultations, were first promulgated in 2006. The Code of Practices is directly aligned with the Principles and provides objective and verifiable standards against which RJC members are measured. While companies must be certified compliant by independent, third party audit within two years of becoming members, LKI was certified within nine months of joining the Council.

http://www.responsiblejewellery.com/files/Certification_Information1_-_Lazare_Kaplan_International.pdf

6. Jewelers Vigilance Committee

The Jewelers Vigilance Committee was formed in 1912 to provide education and self-regulation to the jewelry industry. Members operate under the highest standards of business practice after pledging to comply with all laws applicable to the jewelry industry and make accurate representations about the products they sell. Lazare Kaplan International Inc. is a long time member of the JVC. LKI's Marketing Director, Ms. Marcee Feinberg, has served as a member of the Council's Board of Directors. <http://www.jvclegal.org/>

7. Botswana Business Ethics Code of Conduct

The Botswana Confederation of Commerce, Industry, and Manpower (BOCCIM), working closely with the Directorate on Corruption and Economic Crime, and with the assistance of the US Government's Southern Africa Trade Hub, launched Botswana's voluntary Business Code of Conduct for the private sector in September 2011. LK Botswana was one of the first companies to demonstrate its commitment to business ethics by signing and ratifying Botswana's Business Ethics Code of Conduct. http://boccim.co.bw/images/code_of_conduct-Final.pdf

8. Diamond Manufacturers and Importers Association of America (DMIA)

The Diamond Manufacturers and Importers Association of America (DMIA), established in 1931, is the leading organization of America's premier diamond manufacturers, importers, dealers and companies servicing the diamond trade such as banks, shippers, insurers, and grading laboratories. The DMIA is dedicated to advancing and ensuring consumer confidence in diamonds and diamond jewelry by promoting the highest standards of ethics, integrity and professionalism in the American marketplace. The DMIA stands together with other industry organizations, governmental bodies, and the diamond consuming public to address domestic and world diamond industry issues. LKI's Senior Vice President, Charlie Rosario, is a member of the DMIA. He participates regularly in DMIA affairs. <http://www.dmia.net/>

9. Diamond Dealers Club of New York

The mission of the Diamond Dealers Club of New York (DDC) is to foster the interests of the diamond, colored stone and jewelry industry by, *inter alia*: fostering just and equitable principles in trade; establishing and promoting industry-wide standards of disclosure; disseminating accurate and reliable information; and cooperating with governmental agencies, corporations, persons and partnerships to the betterment of ethical and economic conditions. LKI's Vice President, Preferred Diamonds Division is a long-time member of the DDC. <http://www.nyddc.com/>

10. World Diamond Council

The primary objective of the WDC is to represent the diamond industry in the development and implementation of regulatory and voluntary systems to control the trade in diamonds embargoed by the United Nations or covered by the Kimberley Process Certification Scheme. LKI's Compliance Officer, Damian Gagnon, participated as a member of the WDC's observer mission to the 2013 Kimberley Process Intersessional and Plenary meetings chaired by the United States (see below). <http://www.worlddiamondcouncil.com/>

11. United Nations Global Compact

Lazare Kaplan is proud to be an early supporter, having joined in early 2001 as the 78th private sector company to do so.

A BRIEF DESCRIPTION OF OUR PROCESSES AND/OR SYSTEMS

COMPLIANCE OFFICERS

LKI has appointed a compliance officer, Mr. Damian Gagnon, as per applicable provisions of the USA Patriot Act, who reports directly to the Chairman and Vice Chairman of the Board of Directors and has access to the Audit Committee of the Board. In addition to assuring compliance with the USA PATRIOT Act and ensuring group compliance with Kimberley Process protocols, Mr. Gagnon is responsible for securing third party assessment and verification of LKI group compliance with the sector-specific initiatives outlined in the previous section of this report, including De Beers Diamond Assurance Program's Best Practice Principles, the Responsible Jewelry Council's Principles and Code of Practices. Each of LKI's regional entities has compliance officers on staff who report to Mr. Gagnon.

As a publicly traded United States company, Lazare Kaplan is also subject to the "Company Accounting Reform and Investor Protection Act" (Sarbanes-Oxley Act of 2002). In accordance with provisions thereof, a financial compliance officer/internal auditor, Mr. Lennard Boodhoo, has been appointed for the purpose of ensuring compliance with Sarbanes-Oxley regulations.

KNOW YOUR CUSTOMER/KNOW YOUR SUPPLIER

The company runs a complete identification and credit check on all suppliers and customers before establishing new business relationships and again before significantly expanding the relationship or before recommencing business after a 24 month period without activity on the account. No transaction can be conducted unless the Corporate Credit Manager gives his approval to the transaction. A file is kept on each business partner, and we demand a Statement of Warranty guaranteeing conflict-free origin of every diamond purchased.

MONITORING CASH TRANSACTIONS

As a general rule, LKI discourages cash transactions. All personnel involved in buying, selling and accounting for diamond transactions are trained to recognize suspicious transactions, and in the event that a cash transaction is proposed by a prospective client and ultimately approved by the Compliance Officer, LKI sales staff know how to complete IRS Form 8300 for reporting cash transactions and to submit the completed form to the Corporate Credit Manager for onward transmission to the IRS.

ACTIONS IMPLEMENTED IN PAST YEARS / PLANNED FOR NEXT YEAR

TRAINING OF RELEVANT EMPLOYEES

The rules of the Kimberley Process Certification Scheme, the US Foreign Corrupt Practices Act, and the USA PATRIOT Act are effectively communicated to all relevant personnel on an on-going and recurrent (at least annual) basis. All new employees destined to be involved in the buying, selling, shipping, receiving and or accounting for diamond transactions are trained in these matters before they are permitted to take up their responsibilities. The Company's Compliance Officer, Mr. Gagnon, periodically trains all relevant members of staff in Corporate Responsibility, including, but not limited to, the AML and CFT provisions of the USA PATRIOT Act. New employees are likewise trained before they take up their duties.

ANNUAL REPORTING AND COMPLIANCE AUDITS BY THIRD PARTY ASSESSOR

In 2014, as in every year since inception of the De Beers BPPs in 2005, LKI will complete self-assessments covering all business, social and environmental practices at its New York headquarters and at all company entities throughout our global organization. The scope of the self-assessment incorporates the aligned DeBeers Diamond Assurance Program and Responsible Jewellery Council best practice standards. These systems measure compliance with all Ten Principles of the Global Compact, including human and labor rights, environmental practice, and anti-corruption policies, among others. The self-assessment workbooks are submitted to the independent, third-party auditor, SGS S.A. (formerly Société Générale de Surveillance) which conducts group assessments in the second half of each calendar year.

REPORTING ROUGH DIAMOND ACTIVITY TO US KIMBERLEY PROCESS AUTHORITY

Annually, since the promulgation of the US Treasury Department's Office of Foreign Assets Control (OFAC) Rough Diamonds Control Regulations that amended the Clean Diamond Trade Act in 2008, LKI has filed reports with the Special Advisor for Conflict Diamonds at the US State Department. These reports, due by April 1 and covering the preceding calendar year, must include: (1) contact information on the rough diamond importing and/or exporting company; (2) total import and/or export activity for each classification of rough diamond to include (a) total carats, (b) total value, and (c) total of all import and export shipments; and (3) information on rough diamond stocks held unsold, including carat weight and approximate dollar value, on December 31 of the previous calendar year. In this manner, LKI assists the US Government in the gathering of important statistical data relating to import and export of rough diamonds in the United States.

MEASURABLE RESULTS OR OUTCOMES

ANTI-MONEY LAUNDERING (AML) / COUNTER-FINANCING OF TERRORISM (CFT)

Lazare Kaplan International Inc. is fully compliant with the AML/CFT provisions of the USA PATRIOT Act.

LKI has comprehensive, written Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT) policies that were approved by the Board of Directors in compliance with relevant provisions of the USA Patriot Act. These policies contain procedures for addressing and dealing with suspicious transactions. All LKI employees have certified that they have received a copy and read these policies and procedures, and each employee involved in the buying, selling and/or accounting for diamonds and diamond jewelry transactions is trained and periodically (at least once/year) retrained in these AML and CFT policies and procedures. Under the rules, LKI is required, on an annual basis, to provide for "independent testing to monitor and maintain an adequate program".

**** A COPY OF THE AML/CFT AUDIT REPORT for 2013 IS APPENDED TO THIS COP - [Attachment 2](#)

SOCIAL ACCOUNTABILITY

July 7, 2005 Lazare Kaplan International Inc.'s Puerto Rico Factory became the First Diamond Factory Worldwide to be Certified to the Highest International Workplace Standards by Social Accountability International.

LKI's former diamond cutting and polishing facility in Caguas, Puerto Rico, the largest diamond cutting and polishing factory in the Americas at the time, was the first such factory in the world to be certified by Social Accountability International (SAI), for compliance with the highest standard of workplace norms as measured by SAI's internationally recognized social accountability measuring system (SA 8000). The SA 8000 standard and verification system provides a credible, comprehensive and efficient measure of humane workplace practices and public responsibility.

<http://www.sa-intl.org>

**** COPIES OF LKI's SA 8000 CERTIFICATE AND PRESS RELEASE ARE APPENDED - [Attachments 3 & 4](#)

RESPONSIBLE JEWELRY COUNCIL PRINCIPLES AND CODE OF PRACTICES

In keeping with the RJC Code of Practices requirements for members to develop and adopt policies in support of the Code of Practices, and to make the policy publicly available, Lazare Kaplan has adopted a written policy expressing a commitment to abide by the RJC Code of Practices. The policy is implicitly endorsed by senior management, has been communicated to relevant members of staff, and is available to the public as a part of this COP.

**** A COPY OF LKI's RJC POLICY AND THE RJC PRINCIPLES ARE APPENDED - [Attachments 5 & 6](#)

Lazare Kaplan is proud to be among the first diamond companies to have been Certified compliant by the RJC. In its *Member Report & Certification Recommendation Statement* for LKI dated September 5, 2011, the RJC's independent auditor, SGS, wrote "LKI has been proactive in facilitating the audit process across its audited facilities in 2011. The auditors received full cooperation from the senior management of the company who strongly believe in implementation of management systems to ensure compliance rather than quick fixes...The Company and all its subsidiaries have made a commitment to uphold the principles of the RJC since the company's very inception and strive to implement them systematically in all their efforts to achieve further compliance...No critical breach or major non-conformance

has been identified...”

<http://www.responsiblejewellery.com/member/lazare-kaplan-international-inc/>

****A COPY OF RJC’S PRESS RELEASE, STATEMENT OF CERTIFICATION SCOPE, AND LKI’S THREE YEAR MEMBER CERTIFICATE ARE ATTACHED TO THIS COP – [Attachments 7,8, & 9](#)

BEST PRACTICE PRINCIPLES (BPPS)

Lazare Kaplan International Inc. is 100% Compliant with Best Practice Principles

For the 2013-2014 reporting period, LKI has submitted or will submit BPP self-assessments on all of its global entities and facilities. SGS, the independent BPP verifier, monitored the assessments and conducted onsite verification visits at LKI’s world headquarters in New York, at Lazare Kaplan Belgium, and at LK Botswana.

In its BPP Assurance Program *Statement of Sightholder Best Practice Principles Compliance Status* dated March 26, 2014, SGS, the independent verifier writes:

“(LKI) has been actively involved in the De Beers Best Practice Principles since the initial cycle in 2005. As part of this cycle the Sightholders are required to submit self-assessment workbooks for all the owned facilities and for contractors with whom they represent 75% or more of their output. These workbooks are reviewed by SGS for completeness, and evidence is tested in relation to the compliance starts declared. Further, a sample of facilities is visited to conduct a full on-site verification.

In the 2013 cycle, a sample from the Sightholder’s submission of self-assessment workbooks was selected for a more in-depth review as well as one facility being selected for a 3rd party audit. No material breaches or major infringements have been found to date and they are compliant with requirements of this programme, having taken prompt action to close out any issues found in our sample assessments.”

****THE FULL LETTER FROM SGS, THE INDEPENDENT BPP VERIFIER, IS APPENDED TO THIS COP - [Attachment 10](#)

WORLD DIAMOND COUNCIL (WDC) INDUSTRY SYSTEM OF SELF REGULATION

Lazare Kaplan is 100% Compliant with the Industry System of Self-Regulation

All relevant staff (those staff members who are involved in buying, selling or accounting for rough diamond transactions) are trained to ensure that no exports or imports of rough diamonds are made without an accompanying KP Certificate, and all imports of rough diamonds are reported to the KP authority in the exporting country and to the US Bureau of the Census within 15 days of receipt. All documents related to rough diamond imports and exports, including the original KP Certificate, are kept together on file for a period of five years as per KP protocols. The Company is audited on an annual basis by an independent third party for compliance with KP and WDC guidelines. Last year’s audit revealed no abnormalities.

****A COPY OF THE AUDITOR’S LETTER IS APPENDED TO THIS COP [Attachment 11](#)

****A COPY OF A LETTER FROM THE US DEPARTMENT OF STATE’S SPECIAL ADVISOR FOR CONFLICT DIAMONDS IS APPENDED TO THIS COP - [Attachment 12](#)

MEMBERSHIP IN THE WDC’S OBSERVER MISSION TO THE KPCS ANNUAL MEETINGS

Lazare Kaplan’s Corporate Compliance and Social Responsibility Officer, Damian Gagnon, was invited by the WDC’s General Counsel to participate in Council’s Observer Mission to the 2013 Kimberley Process’ mid-year Intersessional and year-end Plenary meetings conducted in Washington, DC. Mr. Gagnon attended all of the 2013 KPCS’ general sessions and actively participated in meetings of the Working Group on Artisanal and Alluvial Production (WGAAP), the Friends of Côte d’Ivoire and breakout sessions concerning mining, natural resource governance.

JEWELERS VIGILANCE COMMITTEE STANDARDS COMPLIANCE PRACTICES

To become a member of the JVC, a company must commit in writing to abide by the Council’s Membership Standards and Compliance Practices. This affirmation of our commitment to comply with the JVC’s high standards and practices is our stakeholders’ assurance of our promise to

uphold the ethics and integrity of the jewelry industry through our own business practices.

****A COPY OF LKI's WRITTEN COMMITMENT TO COMPLY WITH JVC STANDARDS AND COMPLIANCE PRACTICES IS APPENDED TO THIS COP - [Attachment 13](#)

ACTIVE PARTICIPANT IN THE UN GLOBAL COMPACT'S FULL RANGE OF ACTIVITIES

LKI has fully supported the UNGC had the highest level of our organization and has participated in a number of the Global Compact's initiatives:

- LKI is an active member of the UNGC's US Network and participates in the Network's meetings as frequently as practicable.
- LKI completed the UNGC CEO Survey in May 2013
- LKI's Chairman attended and actively participated in the UNGC's Leader's Summit 2013: Architects of a Better World in September 2013.
- LKI's Chairman participated in the UNGC's Private Sector Forum: Africa in September 2013
- LKI completed the Annual Global Compact Implementation Survey in December 2013
- LKI reports its Communication on Progress at the advanced level.

GIVING BACK - ONGOMA NAMIBIA INITIATIVE and JEWELERS FOR CHILDREN FUND

Ongoma is a Namibian word meaning "a drum that is used to make sound".

The Lazare Ongoma Initiative was designed to make a sound – to raise awareness for education and to promote a number of important causes in Namibia where LKI is a 50/50 partner with the Government in the country's flagship diamond cutting and polishing company, NamGem Diamond Manufacturing Company (Pty) Ltd. The Five Rand Primary School in Okahandja, the home of NamGem, has been the beneficiary of our most recent efforts. The Lazare Ongoma Initiative goes hand in hand with The Lazare Diamond incentive program in the United States, which currently rewards retailers and their sales associates who sell and register Lazare Diamonds. LKI makes a matching donation to The Five Rand Primary School in the name of each sales associate for every registered Lazare Diamond. Through this initiative, Lazare Diamond retailers in the United States and their associates will play a part to support the school, while LKI employees participate through direct donations.

In 2013, Lazare Kaplan International Inc. celebrated its 110th anniversary by making charitable donations to multiple industry organizations. Lazare Kaplan launched its "Hearts for Hope" charitable donation campaign during the Luxury/JCK shows, May 28 to June 3, in Las Vegas. A custom-made heart pendant, featuring a Lazare Diamond laser-inscribed with "Hearts for Hope," was designed specifically for this charitable donation campaign. For every pendant sold during the show, a donation of \$110 is given to both Jewelers for Children (JFC) and The Lazare Ongoma Initiative (LOI).

Lazare Kaplan continues to donate to the LOI through The Lazare Diamond Incentive program whereby each sales associate's reward is be matched by LKI as a donation to the Five Rand Primary School in Okahandja, Namibia. [Attachment 14](#)

How do you intend to make this COP available to your stakeholders?

Elements of this COP will be referenced in our Annual Report, on the LKI Web Site, and in social media outlets including [Facebook.com/TheLazareDiamond](https://www.facebook.com/TheLazareDiamond). The COP will be referenced in our 2014 DeBeers Best Practice Principles Diamond Assurance Programme Workbook. A hyperlink to the full COP report at the UN Global Compact website (www.tinyurl.com/ethicalglobalsincere) is included in LKI's "**Our Responsibility**" brochure which is distributed to all of our current and prospective customers. [Attachment 15](#)

Attachments

- | | |
|----------------------|---|
| Attachment 1 | Corporate Social Responsibility Statement |
| Attachment 2 | AML Compliance Testing Results Letter –internal auditor |
| Attachment 3 | Social Accountability International - SA 8000 Certificate |
| Attachment 4 | SA 8000 Certification Press Release |
| Attachment 5 | LKI's Responsible Jewellery Council (RJC) Policy |
| Attachment 6 | RJC Principles |
| Attachment 7 | RJC Press Release – LKI Receives Three Year Certification |
| Attachment 8 | RJC Certification Scope |
| Attachment 9 | RJC Certificate |
| Attachment 10 | Statement of BPP Compliance – third party auditor SGS |
| Attachment 11 | Kimberley Process Audit Results Letter – external auditor BDO |
| Attachment 12 | KPCS Acknowledgement Letter from Special Advisor on Conflict Diamond Officer, US Department of State |
| Attachment 13 | Jewelers Vigilance Committee – Membership Standards and Code of Practices –LKI Compliance Agreement |
| Attachment 14 | Lazare Kaplan Commemorates 110th Anniversary by "Giving Back" |
| Attachment 15 | LKI's "Our Responsibility" Brochure |



LAZARE KAPLAN INTERNATIONAL INC. Corporate Social Responsibility Statement

Since its founding in 1903, Lazare Kaplan International Inc. (LKI) has become an acknowledged leader among the world's diamond cutting and polishing companies. Every Lazare Diamond[®] is cut to produce the optimal balance of brilliance, scintillation, and fire. Likewise, LKI has consistently set and adhered to the highest ethical and professional standards in the industry. This tradition of excellence gives every LKI stakeholder the confidence that they share in one of the richest and most honorable diamond traditions anywhere.

LKI is the only company specializing in diamond manufacturing that is publicly listed on a major stock exchange (AMEX), and by virtue of such listing is subject to the fullest oversight of U.S. law and regulation. No other company in its field worldwide is subject to more stringent disclosure and compliance requirements. LKI has, in addition, taken a leading role in developing self-regulatory industry protocols and procedures to promote ethical conduct.

LKI has been a committed partner of the people in those countries on five continents where it does business, pursuing policies and projects that yield tangible local benefits. The consistency of the company's commitment to local communities reflects LKI's operating philosophy of long-term dedication to its partners, within and without the industry.

LKI is proud of its record of leadership in promoting ethical, social, and environmental accountability in today's global diamond market place.

GOOD CORPORATE GOVERNANCE

Public Disclosure - Founded more than 100 years ago, LKI went public in 1972, becoming the first U.S. diamond-cutting firm to become a publicly listed corporation. U.S. public listing entails adherence to high reporting and ethical requirements, as well as maintenance of the institutional infrastructure necessary to meet these requirements.

Financial Transparency and Auditing – Being publicly listed, LKI is required by the Securities and Exchange Commission (SEC) to submit quarterly financial statements and to publish fully audited accounts every year. The requirement that auditors are independent, and the rule that audit staff be rotated every five years, yields further confidence in the transparency and probity of LKI's business.

Independent Board – To ensure transparency and integrity in their business activities, publicly listed U.S. companies must have boards containing a significant number of independent directors, who are neither employed by the company nor related to other board members.

Fair Trade and Practice Laws – Although much of American securities law is designed to protect the investor, an increasing body of U.S. legislation regulates the conduct of American corporations vis-à-vis other stakeholders such as employees, consumers and local communities. LKI fully supports, complies with, and routinely exceeds the standards set by legislation in all these areas.

Ethical Standards in All Commercial Relationships – A number of multinationals have faced intense public scrutiny in recent years because of sub-par standards in some of their offshore operations. By contrast, LKI's close involvement with its own operations outside America ensures that the highest ethical standards are maintained in all its commercial relationships, irrespective of where located.

Code of Ethics – LKI's Board has adopted and enforced a Code of Ethics for senior company officers, mandating adherence to a rigorous set of substantive and procedural safeguards.

PROMOTION OF DIAMOND INDUSTRY BEST PRACTICE

As a concerned leader of the global diamond industry, LKI has helped develop and fully supports policies which prohibit corruption and bribery, outlaw the trade in conflict diamonds, prevent money laundering, combat the financing of terrorism, and promote transparency, fair dealing and disclosure throughout the diamond pipeline. It is LKI's strict policy to clearly identify its prospective suppliers and its customers before entering into any business transaction.

Compliance with Laws – Zero Tolerance for Corruption - LKI shall conduct its affairs in accordance with all applicable laws and in adherence to the highest ethical business standards.

Zero Tolerance For Conflict Diamonds - LKI rough diamond traders are trained to recognize conflict diamonds as defined by UN Resolution 55/56 of 2001. The LKI system of controls was instituted even before the existence of this UN Resolution, and received special commendation from the UN for its contribution to stemming the flow of conflict diamonds. All of LKI's rough diamond buyers are required to sign and abide by a written code of ethical diamond trading conduct as a condition of continued employment.

Zero Tolerance for Zimbabwe Diamonds – Until further notice, LKI rough diamond traders are specifically precluded from trading rough diamonds known to have originated in Zimbabwe or polished diamonds known to have been cut from Zimbabwe rough diamonds.

Kimberley Process Certification Scheme (KPCS) - LKI actively participated in the inaugural meeting of diamond industry stakeholders in Kimberley, South Africa in May 2000 and participated in all subsequent deliberations that led to the January 2003 adoption of the KPCS and its system of controls over rough diamond trading. With over 75 participating countries, the KPCS has proved to be a significant tool for combating the trade in conflict diamonds, contributing to peace and security, and protecting the legitimate diamond industry. LKI will not import or export rough diamonds without an accompanying Kimberley Process Certificate of origin.

World Diamond Council (WDC) Industry Self-Regulation – Established in conjunction with the KPCS, the WDC has established a system of buyer-seller warranties to extend the reach and effectiveness of the KPCS throughout the entire diamond pipeline. LKI trades only with companies that provide such warranty statements, guaranteeing the conflict-free origin of all diamonds on their invoices. All sales and consignments of LKI diamonds are themselves accompanied by LKI's own warranty statement. This flow of warranties in and warranties out is audited and reconciled on an annual basis by LKI's financial auditors.

Leadership in Disclosure – Just as LKI has been an industry leader in technological breakthroughs relating to diamond enhancement; it has been the first to insist on full disclosure of all such treatments.

Corporate Compliance Officer - LKI has appointed a senior executive with full-time oversight responsibility in the areas of corporate social responsibility and KPCS/WDC/AML compliance. Under this executive's oversight, each of the company's employees engaged in buying, selling and/or accounting for diamonds and precious minerals has been trained, among other things, to recognize, prevent and report any attempt by prospective business partners to use LKI to further or engage in criminal activity, including illicit diamond trading.

Trade Association Membership – LKI and its officers are members of a wide variety of diamond and jewelry industry associations including, but not limited to, the American Gem Society, the Gemological Institute of America, the Jewelers Vigilance Committee, the Jewelers Board of Trade, the Diamond Manufacturers and Importers Association, the Jewelers Credit Interchange Group, the Jewelers Security Alliance, the New York Diamond Dealers Club, and the Council for Responsible Jewelry Practices.

Best Practice Principles Assurance Program - LKI fully subscribes to and is compliant with the DTC's BPP Assurance Program developed to demonstrate to supply chain partners, consumers and other interested stakeholders that the exploration, extraction, sorting, cutting and polishing of diamonds, and the manufacture and sale of diamond jewelry is undertaken in a professionally, ethically, socially and environmentally friendly and accountable way.

Responsible Jewelry Council Membership - LKI is a Certified member of the Responsible Jewelry Council (RJC), a standards-setting organization established to reinforce consumer confidence in the jewelry industry by promoting responsible ethical, human rights, social and environmental practices throughout the jewelry supply chain. The RJC has developed a platform of standards for verifying responsible business practices through third party auditing. We commit to operating our business according to the RJC Principles and Code of Practices.

GOOD CORPORATE CITIZENSHIP

LKI is committed to embracing, supporting and implementing, within the scope of its influence, a set of core values in the areas of human rights, development, labor standards and environmental sustainability.

Social Accountability International - LKI's former diamond cutting and polishing facility in Caguas, Puerto Rico, was the largest diamond cutting and polishing factory in the Americas and the first such factory in the world to be certified by Social Accountability International (SAI), for compliance with the highest standard of workplace norms as measured by SAI's internationally recognized social accountability measuring system (SA 8000). The SA 8000 standard and verification system provides a credible, comprehensive and efficient measure of humane workplace practices and public responsibility.

The UN Global Compact - In 1999, UN Secretary-General Kofi Annan challenged business leaders to join an international initiative – the Global Compact – that would bring companies together with UN agencies, labor and civil society to support universal ethical, social, human rights and environmental principles. In 2000, LKI became a founding member of the Global Compact, which by 2014 had grown to more than 10,000 participants, including over 7,000 businesses in 145 countries.

Leadership on Africa – LKI pioneered diamond beneficiation outside of apartheid South Africa, and apart from investing heavily in the continent the company and its principal shareholders have over the past half-century played a leading role in launching and sustaining numerous organizations and initiatives that have built bridges between Africa and the US, to Africa's developmental benefit. Prominent examples include :

- **The Corporate Council on Africa**, on which LKI's Chairman served two terms as Chairman and Chairman *Emeritus* as well as Executive Committee member of this leading organization dedicated to enhancing United States investment in and economic cooperation with Africa;
- **The Business Council for International Understanding (BCIU)**, which LKI's longstanding support (LKI's Chairman has served on BCIU's board since the 1960s) has helped become a principal forum for public-private partnership initiatives, particularly focused on Africa;
- **The Africa-America Institute (AAI)**, which over the years has promoted and financed higher education programs for more than 20,000 African students and of which LKI has been a leading sponsor, as symbolized by the five decades of service on AAI's Board by LKI's Chairman;
- **The National Democratic Institute (NDI)**, which works to strengthen and expand democracy around the globe and has acquired a special legitimacy in Africa due to its effective investments in peace and stability on the continent, with LKI's Chairman having served as Chair of NDI's Africa Subcommittee for over 20 years;
- **The Harvard AIDS Institute**, of which LKI's Chairman was a founder, and which has been introduced to Botswana and other African countries by LKI, resulting in the case of Botswana in establishment of a state-of-the-art medical research facility (the Botswana-Harvard AIDS Institute HIV Reference Laboratory) of a caliber and scale unmatched on the continent;
- **Namibia – Lazare Ongoma Initiative** – Ongoma is a Namibian word meaning "a drum that is used to make sound". The Lazare Ongoma Initiative was designed to make a sound – to raise awareness for education and to promote a number of important causes in Namibia where LKI is a 50/50 partner with the Government in the country's flagship diamond cutting and polishing company, NamGem Diamond Manufacturing Company (Pty) Ltd. The Five Rand Primary School in Okahandja, the home of NamGem, has been the beneficiary of our most recent efforts. The Lazare Ongoma Initiative goes hand in hand with The Lazare Diamond incentive program in the United States, which currently rewards retailers and their sales associates who sell and register Lazare Diamonds. LKI will make a matching donation to The Five Rand Primary School in the name of each sales associate for every registered Lazare Diamond. Through this initiative, Lazare Diamond retailers in the United States and their associates will play a part to support the school, while LKI employees participate through direct donations.
- **Angola - The Municipal Development Programme** – Angola's Municipal Development Programme (MDP) aims to assist local governments and communities to develop best practices for participatory municipal development and decentralization in Angola's 163 Municipalities. From July 2006 through June 2009, LKI partnered with USAID to extend the MDP project to the Chitato Municipality of Lunda Norte Province. <http://www.mdp-angola.org/>

In June 2005, LKI and the United States Agency for International Development (USAID), in cooperation with the Government of Angola, signed an agreement to promote increased economic opportunity at the community level in Lunda Norte Province. In February 2006, LKI, USAID and the Fundo de Apoio Social (FAS), in close cooperation with the Ministry of Territorial Administration (MAT), signed a Memorandum of Understanding to undertake a joint program of assistance to strengthen capacity and improve social service delivery in Lunda Norte. In July 2006, USAID signed an agreement with a consortium led by CARE-Angola and Development Workshop to implement the

project through the Municipal Development Program (MDP). LKI contributed U.S. \$1,000,000 to these efforts in Lunda Norte over the three years. FAS and USAID more than matched LKI's contribution.

At the Chitato municipal level, MDP created Community Based Organizations and trained members of municipal and community forums in project design and implementation and in navigating proposals through the municipal system to the Municipal Administrator's Integrated Development Plan for Chitato. Projects included micro enterprise development, vocational training, construction of schools, teacher housing, community centers, village water supply and sanitation units, adult literacy and support for local midwives.

What distinguished the MDP Program was its production of these deliverables through a participatory process, and – most importantly – the enhanced demand and value for participatory governance that resulted within local populations and municipal administrations.

Attachment 2

LAZARE KAPLAN INTERNATIONAL INC.

USA Patriot Act.

Re: Results letter- AML Compliance Testing

Ref: USA Pat. 01

02 11 2014

Damian Gagnon

Corporate Compliance and Social Responsibilities Officer

Lazare Kaplan Incorporated.

19 West 44th Street

New York, NY 10036

This document summarizes the results of testing procedures undertaken by The Internal Audit Department of Lazare Kaplan International which commenced on December 2013, to evaluate the degree of adherence by various levels of LKI's officers and employees of Lazare Kaplan International Inc., (The Company) , to procedures formulated by The Company; to address applicable provisions of the USA Patriot ACT with reference to the Anti-Money Laundering and Financing of Terrorism Program (AML).

Money laundering is described as “Conducts/Acts designed in whole or in part to conceal or disguise the nature, location, source, ownership or control of money, (currency or its equivalents [checks, electronic transfers]) to avoid a transaction reporting requirement under state or federal law, or to disguise the fact that the money was acquired by illegal means.”

The USA PATRIOT Act was enacted by Congress in 2001 in response to the September 11, 2001 terrorist attacks in the United States The Act imposed a number of AML obligations directly on companies during the course of doing business, including the following:

- AML compliance programs;
- Customer identification programs;
- Monitoring, detecting, and filing reports of suspicious activity;
- Due diligence on foreign correspondent accounts, including prohibitions on transactions with foreign banks;
- Due diligence on private banks mandatory information-sharing in response to requests by federal law enforcement); and
- Compliance with “special measures” imposed by the Secretary of the Treasury to address particular AML concerns.

AML Testing Procedures necessitated the interview of employees within Lazare Kaplan's group of companies, examination of company documents, and observation of system routine.

The following were noted:

All client sensitive information is secured by IT security measures that protect the integrity of the Company and its customers from the risk of fraud.

Relevant Know Your Customer, and "Know Your Supplier" information is obtained on all clients of the Company (new and existing) to mitigate the risk of money laundering being conducted through the Company.

The sales department sells the Company's products only to suitable customers, and there is a compliance function that is staffed, and governed by policies and procedures that adhere to the business plan of the Company.

There is an Internal Audit function in place that provides assurance to the Board of Directors and senior management on key risks faced by the Company.

- 1) A Compliance Officer (CO) is retained by the Company
 - a) Approved by senior management and BOD
 - b) Has requisite knowledge and authority in AML matters
 - c) Has access to necessary information and personnel
 - d) Performs the necessary documentation as follows:
 - I) Record of duties and responsibilities maintained
 - II) CO authority approved by senior management
 - III) Records maintained at (LKI) of risk assessment performed
 - IV) Records maintained at (LKI) of employee training
 - V) Written communications regarding AML compliance of customers and suppliers, copies are maintained
 - VI) For instances of suspicious activity, it is the policy of LKI to document action taken in each event

2) Customer and supplier identification program

- a) The company has functionality in the computer system that incorporates customers and suppliers identification information and procedures.
- b) The required identification information has been acquired:

All required identification information incorporated in required credit application for customers- information must be complete before any transaction is initiated.

Written responses to LKI's solicitation of identification information are maintained in paper form and on the information system. Transactions are suspended until appropriate identification information is received.

Suppliers are contacted to solicit identification information. Responses are maintained in the system and in written format. If identification information is not provided, business transactions are suspended.
- c) Identification information has been verified (including all third parties) any internal inconsistency is noted and resolved and all information is updated as necessary in a timely manner.
- d) If a customer or supplier has failed to provide the required information, it has been noted and risk assessment made.

Appropriate action taken, including but not limited to, refusal to engage in the transaction.

- e) Identification records for customers and suppliers (including check of JBT report, bank references) have been maintained using internal records, including computer data system, and internal credit information. In instances where the information is not acquired, follow up is undertaken, and if not adequate, deletion from the system if necessary.
- 3) Transaction monitoring
- a) Process is in place to identify red flag transactions on both receivable and payable transactions. Red flags are reported to the Compliance Officer along with actions taken and resolutions.
 - b) Red flag transactions are investigated and resolved in a timely manner, including, but not limited to inquiries to banks and customers. All third parties to transactions are subject to reasonable inquiries including but not limited to identification, and reasons for involvement in the transaction. All invoices are matched to purchases routinely. Cash receivables are discouraged, but in instances inquiries are reported to the Compliance Officer, and resolutions recorded.
 - c) Consideration of filing Suspicious Activity Reports is undertaken when appropriate. No SARs filed during the period being reviewed.
 - d) LKI's AML policy requires the filing of IRS Forms for cash transactions in excess of \$10,000.00.
- 4) Employee training
- a) All relevant employees are trained regarding AML program, including new hires.
 - b) All relevant employees are trained to recognize red flag transactions or other AML program violations (including failures of identification program requirements, unusual requests for secrecy, etc)
 - c) All relevant employees trained in information sharing policies, including reporting suspicious incidents to the head of their departments or Compliance Officer.
 - d) The Compliance Officer of LKI maintains records of employee training.
- 5) Special Measures
- a) All participants in AML compliance at LKI are aware of responsibilities to report, to whom to report, and what action is required and authorized.
 - b) The Compliance Officer documents all actions taken pursuant to LKI's AML policy.
 - c) All contacts with government agencies relevant to AML program will be documented when they occur.
There have been no contacts with government agencies regarding matters during the period under review.
 - d) "Watch lists" are appropriately periodically consulted and reviewed
- 6) Documentation and Record keeping
- a) Record retention policies are in place
 - b) Files are readily available upon request
 - c) AML Compliance documents are available in LKI's offices.

Lennard Boodhoo

Internal Audit Director
Lazare Kaplan International Inc.
19 west 44th Street, New York 10036

SA 8000 CERTIFICATE



Certificate of Registration

Certificate No.: LA-3/2008-13519

LAZARE KAPLAN PUERTO RICO
(A DIVISION OF LAZARE KAPLAN INTERNATIONAL INC)

The Social Accountability System of the above Company has been assessed and is verified to be in compliance with:

SA8000: 2001

The Social Accountability System of the above Company is applicable to:

Diamond cutting and polishing

Initial Certificate Date: 23 April 2008
Certificate Renewal Date: 24 April 2011



Authorized Signature

Title

SA80000 GLOBAL DIRECTOR

Date

23 April 2008

Intertek Central Office



Accredited by Social
Accountability Accreditation
Services

The approval is valid for three years from the initial certificate date to the certificate renewal date and subject to the organization maintaining their system in accordance with Intertek Testing Services' rules and regulations for certification.

SA 8000 PRESS RELEASE

CONTACT: LKI

**Marcee Feinberg
212-857-7610**

Lazare Kaplan International Inc.'s Puerto Rico Factory is the First Diamond Factory Worldwide to be Certified to the Highest International Workplace Standards by Social Accountability International.

New York – July 7, 2005 - Lazare Kaplan International Inc. (AMEX:LKI) announced today that its state of the art diamond cutting and polishing facility in Caguas, Puerto Rico has been certified by Social Accountability International (SAI) to be compliant with the highest international workplace standards.

SAI's first social accountability system, SA8000, offers retailers, brand companies, suppliers and other organizations an internationally recognized means to measure and maintain just and decent working conditions throughout the supply chain. The SA8000 standard and verification system is a credible, comprehensive and efficient tool for assuring humane workplaces and public reporting. SA8000 certified facilities are posted on the Social Accountability International (SAI) Web site.

Leon Tempelsman, Vice-Chairman of LKI, said, "Certification of our Puerto Rico factory to the highest standard of international workplace norms demonstrates the company's commitment to putting our values into action. SA 8000 is based on International Labor Organization conventions, the UN's Universal Declaration of Human Rights and Convention on Rights of the Child. This is in line with LKI's long standing leadership position in the diamond industry. It offers further assurance to our customers of LKI's commitment to implementing the very best workplace practices at a time when transparency and best practices play a welcome and increasingly important part in the transformation of the industry. We congratulate our management and workforce in Puerto Rico and share their pride in this achievement."

Lazare Kaplan International Inc. sells its diamonds and jewelry products through a worldwide distribution network. The Company is noted for its ideal cut diamonds which it markets internationally under the brand name, Lazare Diamonds®.

LAZARE KAPLAN INTERNATIONAL INC.

January 1, 2012

Responsible Jewellery Council Policy

Founded in 1963, Lazare Kaplan International Inc. is an acknowledged leader among the world's diamond cutting and polishing companies, consistently setting the standard for technical excellence while adhering to the highest ethical and professional standards in the industry. With locations in the Americas, Africa, Europe, Asia and the Middle East, LKI is a committed partner of the people in those countries where we do business, pursuing policies and projects that yield tangible local benefits. The consistency of the company's commitment to local communities reflects LKI's operating philosophy of long-term dedication to its partners, within and without the industry.

LKI is proud to be a certified Member of the Responsible Jewellery Council (RJC). The RJC is a standards-setting organization that has been established to reinforce consumer confidence in the Jewellery industry by promoting responsible ethical, human rights, social and environmental practices throughout the Jewellery supply chain.

The RJC has developed a common platform of standards for the Jewellery supply chain and credible mechanisms for verifying responsible business practices through third party auditing.

LKI is committed to operating our business according to the RJC Principles and Code of Practices which can be accessed at http://www.responsiblejewellery.com/downloads/boxed_ssr_2009/S001_2009_RJC_Principles_COP.pdf

Signed/endorsed:


Damien Gagnon
Corporate Compliance and Social Responsibility Officer



17 WEST 41TH STREET NEW YORK, NY 10018
212 972.9700 • 800.LK-IDEAL • FAX 212.972.8561
WWW.LAZAREDIAMONES.COM

Responsible Jewelry Council Principles

As Members of the Responsible Jewelry Council, we seek economic, social and environmental benefits from our business activities so that we contribute to Sustainable Development¹.

1 Business Ethics

1. We are committed to conducting our businesses to a high ethical standard, and to ensuring integrity, transparency and conformance with Applicable Law.
2. We will not engage in Bribery and/or corruption.
3. We will not tolerate Money Laundering and/or financing of terrorism.
4. We will adhere to the Kimberley Process Certification System and the World Diamond Council voluntary System of Warranties.
5. We will fully and accurately disclose the material characteristics of the products that we sell.
6. We will take reasonable measures to ensure the physical integrity and security of product shipments.
7. We will respect commercial confidentiality and data privacy.

2 Human Rights and Social Performance

1. We believe in and will respect the fundamental human rights and the dignity of the individual, according to the United Nations Universal Declaration of Human Rights.
2. We will not tolerate the use of Child Labour.
3. We will not use any forced, bonded, indentured or prison labour, nor restrict the freedom of movement of Employees and dependents.
4. We are committed to high standards of Health and Safety in our operations.
5. We will not prevent workers from associating freely. Where laws prohibit these freedoms, we will support parallel means of dialogue.
6. We will not discriminate based on race, ethnicity, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, marital status, physical appearance, age, or any other applicable prohibited basis in the workplace, such that all individuals who are "Fit for Work" are accorded equal opportunities and are not discriminated against on the basis of factors unrelated to their ability to perform their job.
7. We will not use corporal punishment under any circumstances and will prohibit the use of degrading treatment, harassment, abuse, coercion or intimidation in any form.
8. We will adhere to working hours and remuneration legislation, or, where no such legal requirements have been established by law, the prevailing industry standards.
9. We will support the development of communities where we operate, contributing to their social and economic welfare.
10. We will recognise and respect the rights of indigenous peoples and the value of their traditional, cultural and social heritage.
11. We will engage with artisanal and small scale miners who operate in our vicinity, and participate in multistakeholder initiatives to promote responsible and legal mining practices.

3 Environmental Performance

1. We will conduct our business in an environmentally responsible manner.
2. We will manage our environmental footprint by eliminating or minimising negative environmental impacts.
3. We will ensure the efficiency of our business operations by managing our use of resources and energy.
4. We will adopt practices to enhance Biodiversity and reduce negative impacts on Biodiversity.

4 Management Systems

1. We will comply with Applicable Laws and publicly state our commitment to the RJC Code of Practices.
2. We will assess our risks, including risks to our business from our business partners, and establish systems that manage and improve ethical, human rights, social and environmental business practices.

¹ The Council bases its understanding of Sustainable Development on the 1987 World Commission on Environment and Development (the Brundtland Commission) definition: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."



NEWS RELEASE

Embargoed until 22 September 2011

LAZARE KAPLAN INTERNATIONAL INC. CERTIFIED BY THE RESPONSIBLE JEWELLERY COUNCIL

LONDON – The Responsible Jewellery Council (RJC) today announced that New York-based Lazare Kaplan International Inc. (LKI), a diamond manufacturing company specializing in ideal cut diamonds, has achieved certification meeting the ethical, human rights, social and environmental standards as established by the RJC's Member Certification System.

"RJC is very pleased to congratulate Lazare Kaplan International Inc. on its certification. The successful verification assessment of Lazare Kaplan International Inc. was conducted by Vidhi Aggarwal from SGS, one of the independent third-party auditing firms accredited to the RJC's Member Certification System," says Michael Rae, RJC's Chief Executive Officer.

Lazare Kaplan's President, Leon Tempelsman, says, "LKI has consistently set and adhered to the highest ethical and professional standards in the industry. We are proud of our record of leadership in promoting ethical, social, and environmental accountability in today's global diamond market place."

"The RJC's public confirmation of LKI's commitment to the highest standards of business, social, and environmental best practice is truly gratifying. I congratulate my colleagues at our facilities worldwide for their dedication and continued commitment to a transparent, accountable, and responsible approach to business," says Damian Gagnon, LKI's Corporate Compliance and Social Responsibility Officer.

For further information please contact:

Mila Bonini, Communications Manager, Responsible Jewellery Council

Telephone +39 02 48002801, Mobile +39 334 5488723, Mila.bonini@responsiblejewellery.com

About RJC

The Responsible Jewellery Council is an international not-for-profit organisation bringing together more than 320 member companies committed to promoting responsible ethical, human rights, social and environmental practices in a transparent and accountable manner throughout the jewellery industry from mine to retail. Their commitment aims to reinforce consumer and stakeholder confidence in diamond, gold and platinum group metals jewellery products.

www.responsiblejewellery.com

The Responsible Jewellery Council is the trading name of the Council for Responsible Jewellery Practices Ltd.
The Council for Responsible Jewellery Practices Ltd, First Floor, Dudley House, 34-38 Southampton Street, London, UK, WC2E 7HF.
The Council for Responsible Jewellery Practices Ltd is registered in England and Wales with company number 05449042.

12 September 2011

RJC Certification Information – Lazare Kaplan International

Accredited Auditor:	SGS <u>Lead Auditor:</u> Vidhi Aggarwal <u>Auditing Team:</u> <ul style="list-style-type: none"> • Peter Warbrick • Chris Rankine
Certification Scope:	<ul style="list-style-type: none"> • Lazare Kaplan Belgium N.V., Belgium • Lazare Kaplan Botswana (PTY) LTD, Botswana • Lazare Kaplan Hong Kong, Hong Kong • Lazare Kaplan International Inc, USA • Preferred Diamonds, USA • Lazare Kaplan Japan Inc, Japan • Nozala Diamonds (Proprietary) Ltd, South Africa
Auditor Recommendation:	RJC Certification to be granted for 3 years
Date Summary Report & Certification Recommendation Received:	12 September 2011
Certification Period:	12 September 2011 – 12 September 2014
RJC Member Certification Number:	0000 0028

www.responsiblejewellery.com

The Responsible Jewellery Council is the trading name of the Council for Responsible Jewellery Practices Ltd, The Council for Responsible Jewellery Practices Ltd, First Floor, Dudley House 34-38 Southampton Street, London, United Kingdom WC2E 7HF. The Council for Responsible Jewellery Practices is registered in England and Wales with company number 05449042.



By the authority of the Council

Lazare Kaplan International

is a Certified Member of the
Responsible Jewelry Council

Certified Member: 0000 0028
Certified Until: 12 September 2014

Handwritten signature of Dr. M. A. Runci in black ink.

Dr. M. A. Runci
Chairman
Responsible Jewelry Council

Handwritten signature of M. I. Rae in black ink.

M. I. Rae
Chief Executive Officer
Responsible Jewelry Council

Performance | Accountability | Confidence

www.responsiblejewellery.com



**Statement of Sightholder Best Practice Principles
Compliance Status**

Sightholder: Lazare Kaplan International Inc
Address: 19 West 44th Street,
16th Floor
New York
10036
USA
Date: 26th March 2014

The above Group has been actively involved in the De Beers Best Practice Principles since the initial cycle in 2005.

As part of this cycle the Sightholders are required to submit self-assessment workbooks for all owned facilities and for contractors with whom they represent 75% or more of their output.

These workbooks are reviewed by SGS for completeness and evidence is tested in relation to the compliance status declared. Further, a sample of facilities is visited to conduct a full on-site verification.

In the 2013 cycle a sample from the Sightholders submission of self-assessment workbooks was selected for a more in depth review as well as one facility being selected for a 3rd party audit.

No material breaches or major infringements have been found to date and they are compliant with the requirements of this programme, having taken prompt action to close out any issues found in our sample assessments.

Signed:

A handwritten signature in black ink, appearing to read 'Effie Marinos'.

Effie Marinos
CSR Solutions Manager



Tel: 212 805-8000
Fax: 212 697-1299
www.bdo.com

100 Park Avenue
New York, NY 10017

To the Board of Directors and Management
of Lazare Kaplan International Inc.
New York, NY

We have performed the procedures enumerated below, which were agreed to by the Board of Directors and Management of Lazare Kaplan International Inc. ("LKI" or the "Company"). This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We examined the rough diamond transactions processed in the LKI New York office during the fiscal year ended May 31, 2010, which consisted of 8 export invoices and 10 import invoices, to ensure that they include Kimberly Process Warranties.

We noted no exceptions.

2. We have examined the Company's program change control log for the year ending May 31, 2010, relating to the Company's invoicing system to ensure that the required language of the World Diamond Council System of Warranties is printed on all invoices.

We noted no exceptions.

In addition, we examined, on a test basis, 14 sales invoices generated in the LKI New York office during the fiscal year ended May 31, 2010 to ensure that they include the required language of the World Diamond Council System of Warranties. The 14 invoices were selected at random from the total invoices generated by LKI New York throughout the year.

We noted no exceptions.

3. We examined, on a test basis, 40 purchase invoices processed by the LKI New York office during the fiscal year ended May 31, 2010 to ensure that they include the required language of the World Diamond Council System of Warranties. The 40 purchase invoices were selected at random from the purchases related to the Company's remaining inventory at May 31, 2010.

We noted no exceptions.

We were not engaged to, and did not, conduct an examination or a review, the objectives of which would be the expression of an opinion or limited assurance on the specified elements, accounts, or items. Accordingly, we do not express such an opinion or limited assurance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors and Management of Lazare Kaplan International Inc. and is not intended to and should not be used by anyone other than these specified parties.

BDO USA, LLP

June 30, 2011

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.



United States Department of State

Washington, D.C. 20520

Damian Gagnon
Corporate Compliance and
Social Responsibility Officer
Lazare Kaplan International Inc.
New York, NY 10036

January 26, 2010

Dear Damian:

Let me begin by wishing the staff of Lazare Kaplan Incorporated (LKI) a Happy New Year for 2010.

As I assumed the role of Special Advisor for Conflict Diamonds in January 2009, I met with Damian Gagnon from LKI at his initiative to discuss the diamond industry in general. Subsequently, I visited the LKI offices in New York to learn more about their Clean Diamond Trade Act (CDTA)/Kimberley Process (KP) compliance program. The company has in place a procedure by which they inquire about the origin of their rough diamond shipments and undertake additional due diligence efforts that track the requirements of the Kimberley Process Certification Scheme. I note that there have been no CDTA/KP related enforcement actions against LKI to date.

The State Department will continue to work with rough diamond trading companies such as Lazare Kaplan to ensure that the goals of the Kimberley Process Certification Scheme continue to be met.

Best Regards,

A handwritten signature in black ink, appearing to read "Brad Brooks-Rubin", with a long horizontal flourish extending to the right.

Brad Brooks-Rubin
Special Advisor for Conflict Diamonds
U.S. Department of State

JVC MEMBERSHIP STANDARDS AND COMPLIANCE PRACTICES

I. PREAMBLE

The commitments which form the foundation and goals for JVC are listed below. These values are accepted as basic by all sectors and at all levels of our industry. This document specifies the policies and procedures by which these values can be realized in routine business practices.

II. STANDARDS FOR MEMBERSHIP

As a member of the JVC, you undertake to:

- S.1. make reasonable efforts to educate self and staff as to the applicable current legal requirements;
- S.2. comply with all laws and regulations applicable to the jewelry industry;
- S.3. make accurate representations about the products you buy and the products you sell;
- S.4. communicate to business partners your commitment to compliance with the law;
- S.5. resolve all customer complaints promptly and fairly.

III. COMPLIANCE PRACTICES

The JVC recommends:

- P.1. each member organization maintain each of the JVC compliance publications at each of its business locations, readily accessible to all management and sales personnel;

- P.2. management personnel make reasonable efforts to confirm that the JVC compliance publications have been read, and that each employee has committed to compliance with the law;
- P.3. each member organization make reasonable efforts to conduct periodic training sessions on compliance requirements pertinent to its business functions and products with emphasis on current or common problems related thereto, and with regular emphasis on accurate and fair representation and disclosures;
- P.4. each member organization make reasonable efforts to remain current on changes in the law which pertain to their business, and make reasonable efforts to ensure that the most current information is communicated to all appropriate staff;
- P.5. the member organization's commitment to compliance be fully communicated to business partners, with a particular emphasis on requiring a similar declared commitment to compliance.

**** MEMBERSHIP PLEDGE ****

I have read this membership document carefully. To accept membership in the JVC, I have signed below where indicated. By this signature, I accept these legal standards and practices and pledge to implement them in my business life.

AGREEMENT CONCERNING USE OF THE JVC LOGO

- 1. We grant you the limited right to use the JVC logo as shown above to indicate your membership in the JVC.
- 2. You may use the logo only so long as you are in full compliance with the JVC Membership Standards and Compliance Practices ("Standards and Practices") which you sign annually to maintain your JVC membership.
- 3. The logo may only be used in advertising or on your letterhead. It may be used only in a non-prominent manner compared to other matter in the advertising or letterhead, and set apart from any other trademarks, service marks or other logos used on advertising or letterhead.
- 4. Your use of the logo must be in a manner so as not to confuse the purchasing public into thinking we sponsor your organization that we endorse or sell your products. All such use will be sent to us for approval before being published. We will also review your use once a year to confirm that it is in conformity with this agreement.
- 5. You agree to immediately cease all use of the logo if we instruct you to do so because of objectionable use or non-compliance by you with the Standards and Practices.
- 6. The logo may only be used exactly as set forth herein.
- 7. You agree to indemnify and hold JVC harmless from all claims, suits, damages, demands, monies, attorney's fees and similar subject matter including but not limited to product liability matters.
- 8. You shall have no right or license in the logo except as explicitly stated herein.
- 9. We shall have the right to sue infringers of the logo and at our option to assume all defense costs if you are sued for infringement of the logo.
- 10. We make no warranties or representations with respect to the logo or your use thereof.
- 11. This agreement is to be construed in the state of New York in accordance with New York state law and represents the complete understanding of the parties concerning the subject matter hereof.

YOU MUST COMPLETE AND SIGN TO ACTIVATE YOUR MEMBERSHIP.

I affirm to comply with the JVC membership Standards & Compliance together with the agreement for use of the JVC Logo

Authorized Signature: Marcee Feinberg Print Name: Marcee Feinberg
 Company Name (Please Print): Lazard Kaplan Int'l Inc. Number of Locations / Number of Employees: 1/50
 Address: 19 West 44th St City/State: N.Y N.Y Zip: 10136
 Phone: 212-857-7610 Fax: 917-464-8910
 Email: mfeinberg@idealcut.com Website (if Applicable): www.lazarddiamonds.com

Lazare Kaplan Commemorates 110th Anniversary by 'Giving Back'

May 28, 2013 4:38 PM By Jeff Miller

RAPAPORT... Lazare Kaplan International Inc. will celebrate its 110th anniversary this year by making charitable donations to multiple industry organizations. Lazare Kaplan will kick off its “Hearts for Hope” charitable donation campaign during the Luxury/JCK shows, May 28 to June 3, in Las Vegas. A custom-made heart pendant, featuring a Lazare Diamond laser-inscribed with “Hearts for Hope,” was designed specifically for this charitable donation campaign.

For every pendant sold during the show, a donation of \$110 will be given to both Jewelers for Children (JFC) and The Lazare Ongoma Initiative (LOI).

Lazare Kaplan created LOI in 2012 to raise awareness for a number of important causes in Africa, one of which is to improve and enhance every child’s educational experience in Namibia – one of the world’s largest gem diamond producing nations. Ongoma, meaning “drum” in an African language, is an instrument that is created to make sound and Lazare Kaplan designed the initiative to “make noise” about the LOI mission.



In addition, Lazare Kaplan will continue to donate to the LOI, which is tied with The Lazare Diamond Incentive program whereby each sales associate’s reward will be matched as a donation to the Five Rand Primary School in Okahandja, Namibia.



You know your diamond's future,
now discover its highly respected origin.



OUR VALUES
Lazare Fine International, LLC, LLC, lives by the importance of working with the highest ethical standards of diamonds of the Gemological Institute of America (GIA). Our commitment to our clients goes beyond the diamond itself, we ensure the highest quality diamonds are available to our clients. Our commitment to our clients goes beyond the diamond itself, we ensure the highest quality diamonds are available to our clients.

OUR PEOPLE
Lazare Fine International, LLC, lives by the importance of working with the highest ethical standards of diamonds of the Gemological Institute of America (GIA). Our commitment to our clients goes beyond the diamond itself, we ensure the highest quality diamonds are available to our clients.

SOCIAL RESPONSIBILITY & COMMUNITY ENGAGEMENT
Lazare Fine International, LLC, lives by the importance of working with the highest ethical standards of diamonds of the Gemological Institute of America (GIA). Our commitment to our clients goes beyond the diamond itself, we ensure the highest quality diamonds are available to our clients.

ETHICAL RESPONSIBILITY
Lazare Fine International, LLC, lives by the importance of working with the highest ethical standards of diamonds of the Gemological Institute of America (GIA). Our commitment to our clients goes beyond the diamond itself, we ensure the highest quality diamonds are available to our clients.

ENVIRONMENTAL RESPONSIBILITY
Lazare Fine International, LLC, lives by the importance of working with the highest ethical standards of diamonds of the Gemological Institute of America (GIA). Our commitment to our clients goes beyond the diamond itself, we ensure the highest quality diamonds are available to our clients.

OUR COMMITMENT TO OUR CLIENTS
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OUR LEADERSHIP & LAZARE'S LONG TERM OBJECTIVE
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