

# National Chain Company Supply Chain and Human Rights Annual Report

Published 2/7/2024

For the period of January 1<sup>st</sup>, 2023 through December 31<sup>st</sup>, 2023

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# Company Management Systems

## NATIONAL CHAIN COMPANY SUPPLY CHAIN POLICY

1. NATIONAL CHAIN COMPANY is a manufacturer of jewelry and precious metals products, specializing in chain. By combining the talents and skilled craftsmanship of chain manufacturing experts, we have developed proprietary techniques and equipment, making National Chain one of the most progressive, innovative, and respected manufacturers in our industry. This policy confirms NATIONAL CHAIN COMPANY's commitment to respect human rights, avoid contributing to the finance of conflict and comply with all relevant UN sanctions, resolutions, and laws.
2. NATIONAL CHAIN COMPANY is a certified member of the Responsible Jewellery Council (RJC). As such, we commit to proving, through independent third-party verification, that we:
  - a. Respect human rights according to the Universal Declaration of Human Rights and International Labour Organization Declaration on Fundamental Principles and Rights at Work;
  - b. Do not engage in or tolerate bribery, corruption, money laundering or finance of terrorism;
  - c. Support transparency of government payments and rights-compatible security forces in the extractives industry;
  - d. Do not provide direct or indirect support to illegal armed groups;
  - e. Enable stakeholders to voice concerns about the jewellery supply chain; and
  - f. Are implementing the OECD five-step framework as a management process for risk and Supplement on Gold) for risk-based due diligence for responsible supply chains of materials from conflict-affected and high-risk areas.
3. We also commit to using our influence to prevent abuses by others.
4. Regarding serious abuses associated with the extraction, transport, or trade of gold, silver, platinum, diamonds, rubies, emeralds, and sapphires: We will not tolerate, profit from, contribute to, assist, or facilitate the commission of:
  - a. Torture, cruel, inhuman, and degrading treatment;
  - b. Forced or compulsory labor;
  - c. The worst forms of child labor;
  - d. Human rights violations and abuses; or
  - e. War crimes, violations of international humanitarian law, crimes against humanity or genocide.
5. We will immediately stop engaging with upstream suppliers if we find a reasonable risk that they are committing abuses described in paragraph 4 or are sourcing from, or are linked to, any party committing these abuses.

6. Regarding direct or indirect support to non-state armed groups: We will not tolerate direct or indirect support to non-state armed groups, including, but not limited to, procuring precious metals<sup>1</sup> or diamonds, rubies, sapphires, or emeralds from, making payments to, or otherwise helping or equipping non-state armed groups or their affiliates who illegally:
  - a. Control mine sites, transportation routes, points where precious metals and gemstones<sup>2</sup> are traded and upstream actors in the supply chain; or
  - b. Tax or extort money or precious metals or gemstones at mine sites, along transportation routes or at points where precious metals and gemstones are traded, or from intermediaries, export companies or international traders.
7. We will immediately stop engaging with upstream suppliers if we find a reasonable risk that they are sourcing from, or are linked to, any party providing direct or indirect support to non-state armed groups as described in paragraph 6.
8. Regarding public or private security forces: We affirm that the role of public or private security forces is to provide security to workers, facilities, equipment, and property in accordance with the rule of law, including law that guarantees human rights. We will not provide direct or indirect support to public or private security forces that commit abuses described in paragraph 4, or that act illegally as described in paragraph 6.
9. Regarding bribery and fraudulent misrepresentation of the origin of precious metals or gemstones: We will not offer, promise, give or demand bribes, and will resist the solicitation of bribes, to conceal or disguise the origin of precious metals or gemstones, or to misrepresent taxes, fees and royalties paid to governments for the purposes of extraction, trade, handling, transport and export of precious metals and gemstones.
10. Regarding money laundering: We will support and contribute to efforts to eliminate money laundering where we identify a reasonable risk resulting from, or connected to, the extraction, trade, handling, transport or export of precious metals and gemstones.
11. Regarding sourcing of diamonds: We confirm that all diamonds in our supply chain are sourced within the guidelines of the Kimberly Process Certification Scheme (KPCS), World Diamond Council System of Warranties (WDC SoW), and national law. We ensure our diamond suppliers also adhere to KPCS, WDC SoW, and all legal requirements and that they in turn source exclusively from actors operating under these guidelines.

Date of effect: February 7, 2024

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<sup>1</sup> The term “precious metals” encompasses gold, silver, platinum, and palladium within this policy statement.

<sup>2</sup> “Gemstones” specifically refers to natural diamonds, rubies, sapphires, and emeralds for this policy statement.

## CAHRA Identification Protocol for Suppliers

NATIONAL CHAIN COMPANY follows the OECD's definition of Conflict-Affected and High-Risk Areas, which is as follows:

Conflict-affected and high-risk areas are identified by the presence of armed conflict, widespread violence or other risks of harm to people. Armed conflict may take a variety of forms, such as a conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation, or insurgencies, civil wars, etc. High-risk areas may include areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure and widespread violence. Such areas are often characterized by widespread human rights abuses and violations of national or international law.<sup>3</sup>

On a quarterly basis, the Compliance Department will evaluate the CAHRA (Conflict-Affected and High-Risk Areas) status of all suppliers using a qualitative analysis of the local, national, and industrial circumstances affecting the company, its beneficial owners, and the communities in which they operate. This will rely upon five principal resources:

- 1.) An evaluation of the supplier's operational locations against the European Union's CAHRA list.
- 2.) A search of the company name, its parent company's name (if applicable), and beneficial ownership on the OFAC SDN International Sanctions List.
- 3.) A consultation of Amnesty International's reporting on the country or countries within which the supplier operates to examine if there are national, regional, or local developments that may affect or be affected by the supplier's operations.
- 4.) An examination of the Crisis Group International's monitoring of conflict, synthesizing information from its reporting on the country-level and regional level to determine whether there is conflict relevant to the supplier's operational activity.
- 5.) A review of the U.S. Department of State's Annual Country Report on Human Rights to search for specific cases of state corruption, human rights abuses, or other risk factors that may provide direct information on the supplier's operational impact or provide context on areas of vulnerability within local or national governance that could pose a risk for violations of human rights, finance of armed conflict, or other intended or unintended consequences of the supplier's business activity in that community.

After completing the evaluation of the supplier with the five tools, if there is an identifiable **direct** relationship between business activity and a country/region/city location on any single reporting tool, this constitutes a CAHRA and requires a halt to business with the supplier pending an additional Red Flag investigation. As an example, a direct relationship might entail a

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<sup>3</sup> OECD (2013), *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Second Edition*, OECD Publishing. <http://dx.doi.org/10.1787/9789264185050-en>

beneficial owner's name or company name appearing on an international sanction list, reporting of abuses at a mine or refinery site where they are operating, or some other definitive and obvious connection between their operations and human rights abuses or relationship to armed conflict. In this case, National Chain will take firm action by ceasing business activity with the supplier until a Red Flag Investigation is completed.

If there is evidence of an **indirect** relationship on any single reporting tool, this is considered a potential CAHRA and requires an additional investigation to determine the level of risk and necessary response. An example of an indirect relationship that would require further investigation would be a report of protests or civil conflict in a nearby area that doesn't directly implicate the company but may have some crossover between company personnel and the activity. Alternatively, if there was any report of corruption of local/regional/political figures that could potentially tie to the business operations, this would also be seen as an indirect relationship requiring further information.

### Red Flag Investigations

If there is information discovered in any of these resources that indicates a *direct* or intentional relationship between a supplier and human rights violations, finance of armed conflict or terrorism, or any other egregious violation of responsible business practices, the Compliance Department will notify all purchasing personnel to immediately cease business with the supplier pending a Red Flag review. This Red Flag Investigation entails communication with the supplier to collect additional information on the circumstances of the Red Flag.

If this quarterly review discovers information suggesting an *indirect* relationship between the supplier and adverse activity within a CAHRA, the Compliance Department will notify purchasing personnel that the supplier is under review for a potential Red Flag and that further instruction will be provided after additional investigation to determine whether business with the supplier must be halted or may continue during a process of remediation. As part of the investigation, the Compliance Department will contact the supplier for additional information to assess the potential impact. Purchasing personnel will be notified of an ongoing investigation but it does not require an immediate halt to business.

For all Red Flag Investigations, the initial investigation must be completed within 7 days of discovery. In the case of a potential CAHRA, identified above as an indirect relationship between the supplier and adverse activity within a CAHRA, business with the supplier will be halted if the investigation is not completed after 7 days and will not be resumed until after the conclusion of the investigation.

# Supply Chain Risk Identification and Assessment

## Identification of Suppliers of Precious Metals and Gemstones

As part of its due diligence procedures, National Chain has collected information on all suppliers of precious metals and gemstones for the period of January 1, 2023 to December 31, 2023. This entails Know Your Counterparty information that establishes beneficial ownership, banking information, anti-money laundering compliance, and locational information on the suppliers' operations. Ownership and company information is cross-referenced against objective evidence, such as government-issued identification, public financial filings, business licenses, and other relevant documentation. National Chain also requires its suppliers have a supply chain policy consistent with the OECD Guidance on Supply Chain Due Diligence as a condition of the ongoing business relationship and that any diamond vendors comply with the Kimberly Process Certification Scheme (KCPS), World Diamond Council System of Warranties (WDC SoW), and national law.

## Assessment of Suppliers' Due Diligence Practices

All of National Chain's active suppliers of precious metals and gemstones conform to or exceed National Chain's requirements for KYC information and Supply Chain Due Diligence and transparency. In all cases, KYC information is complete and verified with additional evidence to support the veracity of the information collected. Furthermore, all suppliers of precious metals and gemstones have a Supply Chain Due Diligence policy and procedures in conformance with the OECD, including the requirements of Third-Party audit and Annual Reporting on their ongoing due diligence, which are reviewed by National Chain's Compliance Department alongside its CAHRA identification protocol.

## Risks Identified

No risks have been identified for the period of January 1, 2023 to December 31, 2023. This marks National Chain's first year of rigorous engagement with the Due Diligence program outlined in this report, and it will continue to review and assess its own due diligence practices for continued improvement.

## Strategy to Respond to Identified Risks

As there are no identified risks based on KYC, AML, and CAHRA Identification protocols for this period, this section is not applicable, but will be included in subsequent Annual Reports as necessary based on any identified risks for that period.