

## Our Approach: Environmental, Social, Governance

### Overview

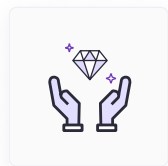
As the creator of the first regulator-approved diamond commodity, Diamond Standard Co. had a unique opportunity to influence and improve the ESG attributes of this and similar assets, and the natural diamond supply chain. The goals of our operating processes include the advancement of ethical, societal, governance and transparency values. We call for the participation of our employees, customers, suppliers, partners, regulators and shareholders (all together our stakeholders) to achieve these goals.

Diamond Standard Co. collaborated with stakeholders throughout our development and launch. We sought to understand what **Environmental, Social, and Governance (ESG)** issues most closely align with our strategic direction and values. These conversations shed light on both our areas of opportunity and our leverage. We believe in maintaining an ongoing **constructive** and **respectful** dialogue as we strive to address these important issues.

We have included **highlights** of our ESG efforts below. As we move forward, we will continue to assess business risks and opportunities to ensure our strategy evolves in today's fast changing world.

## Our ESG Pillars

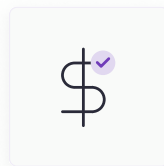
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### Natural Capital

Nature determines scarcity, making diamonds among the most densely valuable natural resources, and a very special store of wealth.

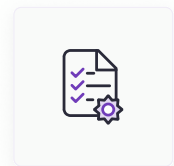
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### Economic Integration

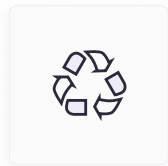
The Diamond Standard Exchange creates a new playing field – an online market accessible to all vendors.

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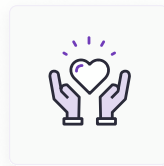
### Industry Leadership

As the first regulator-approved diamond commodity, Diamond Standard Co. set the standard for best practices for other commodity token producers.



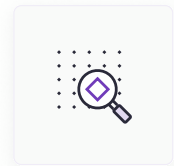
### Recyclable Resource

Converting consumer diamonds into commodities can provide much-needed liquidity, spurring global economic activity.



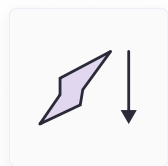
### Ethical Responsibility

Transparent business practices and preventing criminal activity are among Diamond Standard Co.'s top priorities.



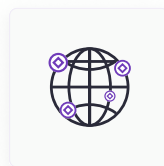
### Regulatory Oversight

Diamond Standard Co. raises the bar for business practices among stakeholders.



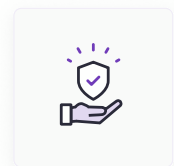
### Energy Efficient

Above ground, natural diamonds are a far more Earth-friendly than Bitcoin.



### Strategic Partnerships

Manufacturing, grading, certification, transportation, and storage partners are industry leaders



### Business Practices

Price discovery, not price fixing. We improve business operations through best practices.





## Environmental



Natural  
Capital

**Nature determines scarcity, making diamonds among the most densely valuable natural resources, and a very special store of wealth.**

With scarcity predetermined by nature – not by human decisions or computer algorithms – natural diamonds should continue to be a reliable store of value over time.

No significant new diamond mines have been discovered for 20 years. Geological surveys and expert projections indicate that perhaps 85 percent of accessible diamonds have already been mined. Rough diamond production peaked in 2017 at 152 million carats, and has since fallen, as mines closed and others scaled back production due to the COVID-19 pandemic. Twenty percent fewer diamonds were produced in 2020 than in 2019.

**Consumers are our mine.** We expect over time that the majority of diamonds incorporated into Diamond Standard commodities will be sourced from consumers, or their descendants, who purchased diamonds years ago. The prices we will pay for consumer diamonds must incentivize such sales, and we expect the prices to rise as a result. The production of the Diamond Standard commodities stands to benefit everyone who owns a diamond, worldwide. We estimate that to total nearly one billion people.

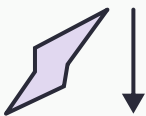


Recyclable  
Resource

**Converting consumer diamonds into commodities can provide much-needed liquidity, spurring global economic activity.**

Diamonds can be recycled indefinitely. A significant part of our multi-pronged commitment to environmental sustainability, we expect to source most of our diamonds from consumers over time. Through **Diamond Standard Recycling**, consumers can sell diamonds or jewelry directly to Diamond Standard, a win-win, providing unprecedented liquidity for individuals and a vast potential pool of diamonds for investors. This reduces our reliance on newly mined diamonds. Brand names have no bearing on our jewelry buying. We base our offers on the market value of diamonds including: carat weight, clarity, cut, and color.

Consumers who are ready to sell their diamonds or diamond jewelry simply [fill out a form](#) for us to qualify the diamond(s) or jewelry. We then send a prepaid shipping waybill, and the consumer sends us their items for valuation. Upon inspection (generally within 24 hours), we make a competitive offer, and upon acceptance the consumer gets immediate payment via bank transfer or online methods. Otherwise they decline and receive their items back. Whether the seller offers us one stone or a necklace with dozens, we pay a fair market price, which in turn generates a “society dividend,” spurring cash flow and helping local families and economies.



Energy  
Efficient

**Above ground, natural diamonds are a far more Earth-friendly than Bitcoin.**

Because of their dense economic value, diamond commodities generate little carbon footprint over time. The energy required to maintain, store, and trade them is a fraction of that for gold or Bitcoin, which uses wasteful “proof of work” computing to create and transact tokens. Diamonds create actual work, and jobs. Our physical commodities are generally held by a custodian and transacted with an ERC20 digital token for efficient blockchain trading. Diamonds require little energy or space to transport and store relative to their precious metal commodity counterparts. Once housed with a custodian (i.e., Brinks), they never have to leave that location. We are committed to delivering efficient stakeholder value over time relative to the energy required to manufacture, distribute, and house our diamond commodities.

**We minimize environmental impact.** Although we expect the majority of our natural diamonds to come from recycled sources, diamond mining has much less of an environmental impact than precious metals mining, which often utilize harmful chemicals in the extraction process. Diamond mining is generally concentrated in smaller areas and away from populated areas.





## Social



### Economic Integration

#### **The Diamond Standard Exchange creates a new playing field – an online market accessible to all vendors.**

Diamond Standard Co. is committed to leading the industry in social responsibility and equity across the diamond supply ecosystem. In short, we are cleaning up the diamond supply chain.

As we built our company, we aimed to eliminate harmful or unfair practices from the beginning. We enforce true price discovery and transparency in our acquisition, quality control, and ESG practices. By making our exchange accessible to all vendors, we level the playing field for small diamond producers and sellers, around the world. We take delivery of diamonds in all major diamond markets, eliminating geographic barriers that would prevent small vendors from benefitting from the financialization of diamonds. And we pay quickly, generally within in three days of inspection, reducing the vendor's requirement for capital.

And because diamonds are a physical asset, involving mining, manufacture, recycling, transportation, storage, assembly and administration, Diamond Standard Co.'s purchasing and production supports thousands of jobs. As an uncorrelated hard asset, the commodity may also reduce the risk of investment portfolios, as well as support jobs in the financial industries.

The contribution of diamonds, to increase social equity, stands to benefit vast numbers of people, rather than simply increase the value of a resource in the hands of an elite few. We intend to unlock value and liquidity in the global diamond market, to the benefit of suppliers, consumers, and investors, worldwide.



### Ethical Responsibility

#### **Transparent business practices and preventing criminal activity are among Diamond Standard Co.'s top priorities.**

Diamond Standard Co. believes it can make the world a better place. We incentivize our suppliers to achieve higher industry standards in all areas of the diamond trade, from sourcing and labor to fairness and transparency. We buy only diamonds from partners who fully abide by the Kimberley Process, ensuring diamonds used in our commodities did not finance conflict. The Kimberley Process is a multilateral trade regime comprising 59 member countries, including the U.S., and every country in the European Union. Members trade only among other member countries, all of which are committed to meeting labor, safety, transparency, and anti-conflict standards.

We pay only by regulated bank wire, and have zero tolerance for child labor, illicit trading, violence, forced labor, and price manipulation among our suppliers, all of whom are members of the Diamond Standard Exchange, a self regulating organization. Violators can be fined, and even forfeit their membership, losing access to sell to us.

All of the larger diamonds we buy are GIA graded. Smaller diamonds can be graded by either the GIA or the IGI. Both of our grading partners adhere to the Kimberley Process. This ensures the integrity of our diamond commodity products, protecting partners and investors.



### Strategic Partnerships

#### **Manufacturing, grading, certification, transportation, and storage partners are industry leaders**

Diamond Standard Co. is proud to work with the best in the business. Our vendor-partners are no less important than any of our in-house operations, so we only work with companies that meet or exceed our ESG standards. For diamond grading and certification, we work closely with IGI and GIA, respectively. IGI and GIA are worldwide industry leaders in ensuring natural diamonds are appropriately valued for their cut, color, clarity, and carat weight.

We engage only CME and LBMA approved (i.e. for gold bullion) transport and storage vendors to deliver and custody Diamond Standard commodities for our clients, and offer custody administration through our affiliate DS Admin Trust, a Delaware statutory trust.



## Governance



### Industry Leadership

**As the first regulator-approved diamond commodity, Diamond Standard Co. set the standard for best practices for other commodity token producers.**

Diamond Standard Co. is the producer of the world's only regulator-approved diamond commodity. As the first of a kind, we were determined to establish a higher standard to ensure fairness, transparency, and value for a for tokenized commodity product. We adopted regulatory oversight when it was not required, and actively enforce the ESG standards we discuss here.

Now we are inviting other financial tech industry leaders to join a Tokenized Commodities Council. Council member companies will establish and share best practices and encourage investors and regulators to adopt them as standards.



### Regulatory Oversight

**Diamond Standard Co. raises the bar for business practices among stakeholders.**

Although it was not required, Diamond Standard applied for and received regulatory approval to issue the diamond commodities. Our commodity and token offerings are overseen by the Bermuda Monetary Authority and our production is internally audited by Deloitte.

The Bermuda Monetary Authority (BMA) is a globally respected regulator, and Bermuda passed new legislation in 2019 allowing it to regulate digital assets. The BMA reviews and licenses the Diamond Standard token offerings, and reviews the audits by Deloitte, as well as our KYC, anti-money laundering, information security, insurance, and compliance activities.

Bermuda is one of the only governments to establish clear laws for digital asset offerings, and it took us two years to get their approval. The BMA is a leader in establishing and enforcing a regulatory framework for the benefit of the global blockchain and investment industry.

Further shoring up our commitment to regulatory compliance, the Diamond Standard board employs a Chief Compliance Officer, who is an expert at ensuring our operations meet or exceed our own values and standards, as well as those of all relevant governmental regulatory agencies.

Our partners submit to a rigorous KYC process. To do business with Diamond Standard Co., a partner must be committed to preventing criminal access, and take anti-money laundering due diligence steps. We require strict adherence from our vendors to the Kimberley Process to prevent "conflict diamonds" from making it into our supply chain. Partners cannot engage in improper practices.



### Business Practices

**Price discovery, not price fixing.**

We don't set the prices of loose diamonds, or the prices of the diamond commodities — we force the markets to "price discover." All of our loose diamond purchasing is via a transparent reverse auction process on the Diamond Standard Exchange. We bid on millions of types of diamonds, and raise those bids until we acquire a statistically valid sample of all diamonds. We then sell the commodities at a market fix, established by independent trading, or auction the commodities to dealers.

***We improve business operations through best practices.*** Our position as a regulated entity, operating the exchange that sources all diamonds enabled us to set a higher standard. Diamond Standard LTD is regulated and overseen by the Bermuda Monetary Authority (BMA) and is internally audited by Deloitte. Katten and Perkins Coie are our key legal counsel. Our strongly held belief in third-party accountability extends to our physical products and digital tokens. All Diamond Standard commodities are intended to enable the development of CFTC-regulated derivatives and SEC-regulated securities, and their global equivalents.

All production and offerings are internally audited by Deloitte, for reporting to our regulator, the BMA.