

CONFLICT DIAMONDS

September 5, 2006 - As part of its recently announced campaign to educate both consumers and the trade about important diamond-related issues, the diamond industry announced today the launch of a new informational web site, (www.diamondfacts.org) along with a major advertising effort that includes full-page print ads in ten major U.S. and international newspapers including The New York Times, USA Today, Los Angeles Times, The Times (UK), International Herald Tribune and Financial Times.



Our Diamond Sourcing Policy

You as a customer can be confident that concrete and comprehensive measures are being taken to ensure the products we sell do not include Conflict Diamonds.

The source of our diamonds is something that we take very seriously.

In African countries where rebel forces sometimes have control of diamond mines, proceeds from the sales of rough diamonds produced from those mines are often used to finance weapons purchases. Such diamonds were estimated in 2005 to account for less than 1% of the world diamond production.

We are appalled by the violence in countries where proceeds from the sale of diamonds and other natural resources (e.g., oil, timber) are being used to fund rebel activities.

All nations with significant involvement in the diamond trade agreed on a global certification system to control the export and import of rough diamonds mined from January 1, 2003. This system is aimed at preventing criminals from introducing contraband diamonds mined in African combat zones into the legitimate supply chain. Since 2003, the Kimberley Process Certification Scheme (KPCS), supported by national and international legislation, has sought to certify the legitimate origin of uncut diamonds.

We welcomed this important development and are actively supporting the system designed to safeguard our products' integrity.

Role of Governments

As of October 2005, 42 countries plus the European Union (as a single participant) had adopted the KPCS. It requires that each shipment of rough diamonds - before stones are cut and polished - be in a tamper-resistant container and accompanied by a government-validated certificate. Each certificate is uniquely numbered and contains data describing the shipment's contents.

Participating countries have pledged to turn back or impound shipments of rough diamonds from any nation that fails to subscribe to the KPCS standards. Shipments lacking proper certification will be treated in a similar way.

The KPCS is designed so that rough diamonds are packaged with a certificate of origin soon after they are mined. At later stages of the diamonds' journey to market, rough diamonds also carry a certificate describing the shipment's contents and confirming that the stones are coming from a Kimberley Process participant. Any country declining to participate is effectively barred from the international diamond trade. Learn more at www.kimberleyprocess.com.

Role of Industry

To supplement the government program, the International Diamond Manufacturers Association (IDMA) and the World Federation of Diamond Bourses (WFDB) - representing virtually all significant processors and traders - have established a regimen of self-regulation. Its principal element is a system of warranties that will accompany invoices covering the sale of rough diamonds, polished diamonds and diamond jewelry. The requirement applies to rough diamonds mined after December 31, 2002 and products fabricated from them.

Participants in the KPCS must have internal controls to prevent conflict diamonds from entering the supply chain of legitimate diamonds and must carry out annual audit compliance. Furthermore, participants only trade with counterparts who themselves have met the minimum requirements of the certification system.

Role of the Retailer

This page outlines the steps we and the industry have been taking to address conflict diamonds. All of the diamonds we buy are warranted to be sourced from KPCS compliant countries. Retailers who support the Kimberley Process must buy diamonds and diamond jewelry from dealers and manufacturers who adhere to the System of Warranties. We follow this policy. We required all of our suppliers of diamonds and diamond jewelry that merchandise we buy that is derived from rough diamonds must be accompanied by a warranty. This warranty assures us that the supplier vouches for the legitimacy of the merchandise and that the supplier, in turn, has required the same warranty from their sources of merchandise.

Our Source of Diamonds

We comply with the Kimberley Process and require all our trade suppliers of diamonds and diamond jewelry to provide us with a warranty that they do not supply us with conflict diamonds. The warranty is as follows:

"For any product fabricated from rough diamonds mined from January 1, 2003 onward, the seller warrants that the diamonds have been purchased from legitimate sources not involved in funding conflict and are in compliance with United Nations Resolutions. The seller hereby guarantees that the diamonds are conflict free, based on personal knowledge and/or written guarantees provided by the supplier of these diamonds.

For any product fabricated from rough diamonds mined prior to January 1, 2003, the seller warrants that conflict diamonds will not be knowingly sold and that, to the best of their ability, will undertake reasonable measures to help prevent the sale of conflict diamonds in this country."

KPCS certificates for rough diamonds and warranties for polished diamonds received from suppliers are kept at our central office. Compliance with KPCS regulations, the World Diamond Council, the Diamond Manufacturers and Importers Association, and the World Federation of Diamond Bourses is reviewed annually by our company's internal audit department. The results are reported to the Corporation's Audit Committee.

You can be confident that concrete and comprehensive measures are being taken to ensure the products we sell do not include conflict diamonds.

If you have further questions, please contact us.