

# BVLGARI

## CORPORATE STATEMENT

The Bulgari Group is aware of the issue of Conflict Diamonds, and takes it very seriously, actively cooperating with its suppliers to prevent conflict diamonds from becoming part of the inventory.

### WHAT ARE CONFLICT DIAMONDS

Conflict Diamonds are diamonds whose trade funds conflict, civil wars and human rights abuses as well as bloody conflicts in Africa. Conflict Diamonds have also been used by terrorists groups to finance their activities and for money laundering purposes.

### WHAT HAS BEEN DONE TO PREVENT THE TRADE OF CONFLICT DIAMONDS

In 1998, Global Witness and Partnership Africa Canada, two non-governmental organisations (NGOs) from the United Kingdom and Canada respectively, brought to the attention of the diamond industry and the world media that the illegal trade of rough diamonds was funding the activities of rebel organisations in Angola and Sierra Leone. The diamond industry immediately began cooperating with the United Nations and engaged with government and leading NGOs to seek ways to halt trade in conflict diamonds.

In May 2000, the South African Government convened a meeting in Kimberley for all interested parties to meet and discuss a way forward. These meetings have come to be known as the Kimberley Process. Over a period of two years following the meeting in Kimberley, an agreement on an International Certification Scheme was reached. The Kimberley Process Certification Scheme requires that each shipment of rough diamonds being exported and crossing an international border be transported in a tamper-resistant container and be accompanied by a government-validated certification stating that the diamonds are not Conflict Diamonds (the "Kimberley Process Certificate"). Based on information provided by Global Witness in March 2004, the certification scheme was implemented by a wide majority of countries participating to the Kimberley Process (61 countries) starting from January 1, 2003.

European Community, which has implemented the Kimberley Process Certification Scheme on December 20, 2002 with its Council Regulation No. 2368/2002, is among members of the Kimberley Process.

The diamond industry reacted immediately, and in July 2000 the Federation of Diamond Bourses and the International Diamond Manufacturers Association - two entities representing the most important manufacturing and trading centres on a worldwide basis - created the World Diamond Council. This organisation gathers manufacturers, traders, governments and relevant international organisations and is aimed at controlling that the restrictions for trade in conflict diamonds are applied.

In February 2003, the World Diamond Council published an "Essential Guide to Implementing the Kimberley Process" in order to promote a self-regulation system for the whole diamond industry aimed at restricting the trade in conflict diamonds. According to this guide, all jewellery retailers should:

Require that all of their suppliers provide warranties for all polished diamonds;

Inform suppliers in writing that they will require a warranty;

Retain these warranties for at least five years.

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## WHAT BULGARI DOES

Bulgari buys polished diamonds only, and works on a continuous basis with highly selected diamond suppliers;

Bulgari does rarely effect one-off type purchases. This kind of selected purchases helps Bulgari control the integrity of diamonds purchased;

Bulgari only buys diamonds from suppliers based in countries which have adhered to the Kimberley Process;

All Bulgari suppliers are members of trade associations which adhere to a self- regulation system aimed at preventing trade in conflict diamonds;

Bulgari has notified all of its suppliers that all diamonds polished after January 1, 2003 must be accompanied by a warranty stating that they do not sell conflict diamonds;

Bulgari retains the warranties received for a five-year term and, starting from 2004, has implemented an audit over its records of warranties;

In 2004 Bulgari has entered into a Joint Venture agreement with the Leviev Group, one of the world's largest diamond producers, for the supply of polished diamonds. The Leviev Group, through its Chairman Lev Leviev, is a member of the World Diamond Council, and has contributed to the establishment of the verification system. It also continues to play an active role by participating to the World Diamond Council Meetings (the last of which took place in Dubai in March 2004).

The Bulgari Group through its USA subsidiary, Bulgari Corporation of America, is a member of Jewellers of America (JA), a trade association based in the USA, which is active in making all possible efforts to eliminate the trade in conflict diamonds;

Starting from July 2004 the current standard training package designed for all employees includes a dedicated session on conflict diamonds issue and the Kimberley Process.