

NOVEMBER 2016

WORLD DIAMOND COUNCIL ASSN.

BYLAWS

2016 Amendments Consolidated

## **ARTICLE 1 Name and Purpose**

The World Diamond Council Assn. (WDC) is a tax-exempt, not for profit trade association, established in 2001 pursuant to Section 501 (c)(6) of the Internal Revenue Code, US Department of the Treasury.

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.

The WDC:

- Has established the System of Warranties which extends the effectiveness of the Kimberley Process beyond the export and import of rough diamonds;
- Assists the Kimberley Process by managing the resources of the diamond industry to provide technical, financial and other support;
- Represents the industry in the Kimberley Process, the committees of the Kimberley Process and other relevant forums;
- Serves as the central point of communication regarding the actions taken to ensure compliance with the regulatory and voluntary systems to prevent the trade in conflict diamonds; and

Conflict diamonds are rough diamonds used by rebel movements or their allies to finance conflict aimed at undermining legitimate governments, as described in relevant resolutions by the UN Security Council and UN General Assembly.

## **ARTICLE 2 Governing Law**

The WDC was created pursuant to the Delaware General Corporation Law. The governing law of these Bylaws is the law of the State of Delaware.

## **ARTICLE 3 The Bylaws, and Amendment of the Bylaws**

These bylaws constitute the internal rules, regulations and procedures of the WDC. No member, director or officer who may benefit from compensation from the corporation may be present at or participate in any Board or Committee deliberation or vote concerning the compensation. These bylaws may be amended or replaced by a 75% majority vote of the those Members present and constituting part of the quorum and voting in person or by proxy at any regular meeting or special meeting called for that purpose, provided that written notice of the proposed replacement, alteration, revision or amendment shall be given to Members (via e-mail or fax, and posted on the web site) in the notice of such meeting or fully set forth in such ballot, the notice of which shall include a summary of the proposed changes and action.

## **ARTICLE 4 Membership**

- 4.1 “Member”: Any commercial or not-for-profit organization or any individual engaged in any sector of the diamond trade, from producer to retail, or any entity (commercial or not-for-profit) or individual engaged in providing professional services to the diamond industry who has applied and meets the membership criteria as outlined in the Membership Kit and has been approved by the Board of Directors is a Member.
- 4.2 Applications for Membership in accordance with Article 4.1 shall be made in writing and addressed to the office of the WDC via e-mail, fax or hard copy.
- 4.3 All Members shall pay an annual subscription fee, the quantum of which shall be established by the Board of Directors from time to time upon consideration of the recommendations of the Finance Committee pursuant to Articles 5.8.5 and 7.3.2.3 of these bylaws. WDC Membership is conditioned upon payment in full of all financial obligations required for Membership.
- 4.4 All Members are invited to attend the annual Membership meeting of the WDC.

## **ARTICLE 5 Board of Directors**

5.1 The governance of the WDC shall be vested in a Board of Directors consisting of twenty (20) individuals (the “Directors”), each of whom must be a Member in good standing of the WDC and none of which may be an employee of the WDC. Those 20 members constitute the entire Board of Directors. It is a core value of the WDC that the Board of Directors should represent the geographical diversity of the entire diamond supply chain.

5.2. A permanent seat on the Board of Directors is assigned to a representative of the World Federation of Diamond Bourses, a representative of the International Diamond Manufacturing Association and a representative of CIBJO, all of whom shall be a Director from a category as described in Article 5.3. Criteria for consideration as a nominee for the remaining positions of Director requires Membership in the WDC, and those who hold leadership positions in industry organizations.

5.3 The 5 categories of the Board membership are as follows: Four (4) Directors representing organizations engaged in the business of extraction (mining) of diamonds, four (4) Directors representing organizations engaged in the business

of the retail sale of diamonds or diamond jewelry, four (4) Directors representing organizations engaged in wholesale trading of diamonds; four (4) Directors representing organizations engaged in the manufacturing of diamonds and four (4) Directors selected "at large" representing other diamond industry stakeholders or Board membership categories, such as banks, individuals, private organizations and service providers. Directors hold their position on the Board in their representative, not personal capacity. Directors receive no compensation for their services but may receive, if approved in advance by a vote of two thirds of the entire Board of Directors, reimbursement of reasonable expenses. All reasonable expenses of the President, Corporate Secretary (if not a Board member), General Counsel and the Executive Director made in connection to the work of the WDC and the KP will be reimbursed.

5.4 All Directors shall be nominated in writing by the Nominating Committee, in accordance with Article 7.5 below. The Members of the WDC shall elect Directors by majority vote in a general or special meeting called for that purpose in accordance with Article 8 below.

5.5 Directors may serve a maximum of three (3) consecutive two (2) year terms (each a "Term"), except as provided in Article 6 for so long as they act as officers of the WDC. In any event, in order to maintain an orderly rotation and continuity of experience of the Board of Directors, at least five (5) of the Directors will be elected every two years by a vote of all Members of the WDC, which number shall include those new Directors required to fill the vacancies of any retiring or resigning Directors.

5.6 The Board of Directors shall meet a minimum of once per year. In addition, six (6) Directors may call a Directors' meeting by giving reasonable notice in writing (not less than two weeks and by fax or e-mail, and posted on the web site) to each other Director. Attendance at a meeting may be via video screen or telephone.

5.7 Any Director may be removed, with cause, at any time by a vote of a two-thirds majority of the Members at a duly convened general or special meeting with required quorum called for that purpose in accordance with Article 8, the notice of which shall set forth the purpose thereof. Grounds for removal include unexplained absence from three consecutive duly constituted meetings of the Board of Directors. The Board of Directors may fill a vacancy created by removal or resignation of a Director by selecting a representative from the company or association from which the vacancy occurred or a representative from the particular sector from which the vacancy occurred, by a majority vote of the Board of Directors and that person shall hold office until the end of the next following General Meeting and shall be eligible for election at that meeting.

5.8 The powers, duties and authorities of the Board of Directors are:

- 5.8.1 To oversee the activities of the WDC and the Executive Director.
- 5.8.2 To establish, administer and execute the affairs, directives and policies of the WDC, including the appointment of an Executive Director, as may be required.
- 5.8.3 To elect the President and other officers of the WDC as provided in Article 6.2 of these bylaws.
- 5.8.4 To approve the annual operating budget proposed by the Finance Committee and to approve any expenditure of the WDC which exceeds the approved annual budget by 5% or more.
- 5.8.5 To monitor and control all aspects of finances, including operational costs and revenue generation, subject to the remaining provisions of these bylaws.
- 5.8.6 To propose changes to these bylaws or the purpose and mission of the WDC for approval by the Membership in general or special meeting.
- 5.8.7 To select and appoint members of Standing Committees, as provided in Article 7, and to establish the policies for Standing Committees as necessary.
- 5.8.8 To create, as needed, other special committees as are deemed necessary by the Board from time to time based on written terms of reference developed by the Executive Director.
- 5.8.9. To take any decision regarding any claim for indemnification pursuant to Article 10 of these bylaws.
- 5.8.10. To take any other decision that furthers the interests of the WDC from time to time.
- 5.8.11. Actions of the Board may be taken without a meeting if all members of the Board consent to the adoption of the resolution authorizing such action. All actions taken without a meeting must be approved unanimously. Such consent may be transmitted via fax or e-mail or other electronic means, as long as it can be reasonably determined that transmission was authorized by a voting director.

## **ARTICLE 6 Officers**

- 6.1 The officers of the WDC shall be the President, the Vice President from a category other than that the President represents and who will succeed

the President at the end of the President's term, the Secretary, and the Treasurer. The President shall be elected for a non-renewable term of two years.

- 6.2 The officers shall be elected by the Board of Directors from among their number at the first meeting of a term, by a secret ballot by majority vote of those present and constituting part of the quorum and voting in person or by proxy. They shall take office immediately upon election and shall serve for two years or until their successors are elected. Notwithstanding any other provision contained herein, Officers' terms of service on the Board of Directors will be extended for as long as they serve in their capacity as an Officer.
- 6.3 In the case there is no candidate from within the Board of Directors for the Secretary position, the Board of Directors may, by a majority vote, appoint a non-Board member to fulfill this position.
- 6.4 Any vacancy occurring among the Officers shall be filled for the unexpired term in a manner consistent with Section 5.7 of these bylaws, by the Board of Directors by a majority vote at a duly convened meeting for that purpose.
- 6.5 The powers, duties and authorities of the Officers are as follows:
  - 6.4.1. The President shall preside at all meetings of the Members and the Board of Directors. In case of a voting deadlock at a meeting of the Board of Directors, the President will have a casting vote.
  - 6.4.2. The President shall represent the WDC externally.
  - 6.4.3. The President will, on behalf of the Board of Directors, oversee the work of the Executive Director and any other professional staff in a manner consistent with Board of Directors approved policies.
  - 6.4.4. The President and Executive Director shall be ex-officio members of all Standing Committees. The Executive Director will not have voting privileges.
  - 6.4.5. The Vice President shall, in the absence of the President, fulfill the powers and duties of the President.
  - 6.4.6. The Secretary shall notify each Member of every meeting of the Members, issue notices to Members and make and keep a true record of the proceedings of all meetings of the corporation. The Secretary shall similarly notify the Directors of their respective meetings, keep a true record of the proceedings of its meetings,

and perform such other duties as the Board of Directors may provide.

6.4.7. The Treasurer shall be the chair of the Finance Committee.

## **ARTICLE 7 Standing Committees**

It is a core value in the selection of membership of all Standing Committees and all working groups of the WDC to ensure equal representation of geographical and membership categories of the WDC. All Standing Committees must have no fewer than three (3) members of the Board on the Committee.

7.1 The Standing Committees shall be the Executive Committee, the Finance Committee, the Audit Committee, the Nominating Committee, the Technical Committee and the Kimberley Process Task Force.

7.2 Executive Committee

7.2.1 The members of the Executive Committee shall be selected by and from the Board of Directors and will consist of the Officers of the WDC, including the President, Vice President, the Secretary, the Treasurer, the representatives of WFDB, IDMA and CIBJO, and one to three Director(s) proposed by the President, preferably from membership categories not already represented by the officers or permanent members of the Executive Committee.

7.2.2. The Executive Committee shall have all of the powers and duties of the Board of Directors, but needs the approval of the Board of Directors for the following actions:

7.2.2.1 Approval of the annual operating budget;

7.2.2.2 Approval of the appointment or removal of the Executive Director

7.2.2.3 Amendment of these bylaws, which can only be done in accordance with Article 3 of these bylaws;

7.2.2.4 Amendment of the mission statement or statement of purposes of the corporation;

7.2.2.5 Approval or amendment of any long-range plan of the corporation;

7.2.2.6 Removal of any member of the Board of Directors of the WDC;

### 7.3 Finance Committee

7.3.1 The Finance Committee shall consist of up to four (4) members drawn from the Board of Directors and elected by the Board of Directors by majority vote. The Chair of the Finance Committee is the Treasurer.

7.3.2 The powers, duties and authorities of the Finance Committee are:

7.3.2.1 To oversee daily revenue and expenses of the WDC.

7.3.2.2 To develop an annual operational budget for approval by the Board of Directors.

7.3.2.3 To develop proposals for generation of revenue to support the activities of the WDC, including the quantum of annual Membership fees for approval by the Board of Directors; and

7.3.2.4 The Finance Committee will meet a minimum of once per year.

### 7.4. Audit Committee

7.4.1 The Audit Committee shall consist of a minimum of three members drawn from the Board of Directors and elected by the Board of Directors by a majority vote.

7.4.2 The power, duty and authority of the Audit Committee are to review, on a quarterly basis, the financial status of the WDC.

7.4.3 The Audit Committee will meet a minimum of two (2) times per year. The independent external auditor may be present at each Audit Committee meeting.

7.4.4 An independent external auditor will be appointed annually and participate as a member of the Audit Committee and prepare an annual audited financial statement.

### 7.5 Nominating Committee

7.5.1 For the purpose of Nominating Directors, The Secretary after January 4<sup>th</sup> of each election year shall consult with the Board members from each membership category to select the Board members that will serve as their representative on the Nominating Committee. 21 days after the start of the consultations the President shall appoint a Nominating

Committee of 5 Board members representing all sectors, including the immediate past President as Chair, representing one of the sectors. In case the immediate past President is not a Board member than the Nominating Committee will consist of 6 members – 5 Directors representing the sectors and the immediate past President as Chair. Notice of the formation of the Nominating Committee will be provided to the WDC Membership by the Secretary via e-mail or fax, and posted on the WDC web site. This Nominating Committee shall meet and prepare a report, not later than one month after they convene, submitting nominations for the Board of Directors for election. Such report will be filed with the Secretary. After receiving the report, the Secretary shall notify the Nominees of such nominations. Should any nominee decline to serve or become ineligible, the Nominating Committee may nominate another person to fill such vacancy, and, thereupon, the Secretary shall promptly notify all Nominees as to such change and tabulate the list of Nominees.

7.5.2 Notice of the list of Nominees selected by the Nominating Committee will be provided to the WDC Membership via e-mail or fax, and posted on the WDC web site. Additional nominations to those made by the Nominating Committee may be made when presented (via e-mail or fax) in writing and signed by not less than twenty-one (21) WDC Members and received by the Secretary not later than two weeks after the notification of Nominees by the Secretary, and in any case, no later than one month before ballots are sent to the WDC members.

7.5.3 Upon the request of the President, the Secretary will call for a special meeting of the Members as provided in Article 8 of these Bylaws. The Secretary shall prepare a ballot showing the names of those nominated as Members of the Board of Directors and the number of Members to be selected, and shall mail (electronically or otherwise) the ballot to each Member no later than one month after the Report to the Secretary is sent by the Nominating Committee.

7.5.4 All ballots must be returned (electronically or otherwise) to the office of the association within two weeks of the date they are sent to the members in order to be counted. Two tellers of election appointed by the Chairman of the Nominating Committee shall tabulate them. The tellers of the election may include the secretary and executive director of the organization. The tellers of the election shall make announcement of results of the balloting to the full membership as soon as possible following the submission of a written report to the Board.

7.5.5 The nominees receiving the majority of votes shall be certified elected as a Director of the Board by the tellers of election.

## 7.6 Technical Committee

7.6.1 The Technical Committee members shall be elected by a majority vote of the Board of Directors and shall consist of up to 6 members of the WDC representing the different categories of the industry and who have particular technical skills concerning the diamond value chain, diamond classification and evaluation and other knowledge particular to the category they represent.

7.6.2 The Technical Committee is tasked to advise and assist the Kimberley Process Task Force, the Executive Committee and the Board of Directors on the application of the System of Warranties and other technical topics and proposals concerning their particular knowledge and skills. The Technical Committee may also provide technical assistance to the Kimberley Process, its bodies, participants and observers in domains where the particular knowledge and skills of the diamond sector are required.

## 7.7 Kimberley Process Task Force

7.7.1 The Kimberley Process Task Force shall consist of a minimum five (5) members selected by the Board of Directors, and which will include the Chair of the Technical Committee. Members of this committee can be drawn from Board members and/or non-Board WDC members, each of them nominated due to their KP expertise and elected by the Board of Directors by majority vote. The President of the WDC is the Chair of the Kimberley Task Force.

7.7.2 The powers, duties and authorities of the Kimberley Task Force are:

7.7.2.1 To attend and participate in the working groups and meetings of the Kimberley Process Certification Scheme, and volunteer to fulfill WDC tasks allocated by and within the KP working groups. Members of the KP Task Force acting in this capacity may only represent the industry through the WDC, and in no other capacity.

7.7.2.1.a While participating in the KP working groups and meetings, members of the KP Task Force may only express the points of view of the WDC, as formulated by the Board and/or KPTF as a whole, not the views of their company or organization, if different from those of the WDC.

7.7.2.2 On behalf of the WDC, to consider and act on matters of policy pertaining to the Kimberley Process Certification Scheme.

7.7.2.3 The Kimberley Process Task Force shall meet a minimum of twice per year.

## **ARTICLE 8 Meetings, Voting and Quorums**

- 8.1 An annual meeting of the Members shall be held each year as designated by the President. Special meetings of the Members or any other body of the WDC can be held virtually and may be called by the President and must be called by the President upon receipt of a written petition (sent via e-mail or fax) signed by nine (9) Directors or a written petition signed by thirty (30) WDC Members. Notice of general or special meetings shall be sent in writing, via e-mail, fax or by electronic means, to the Members or to the members of the relevant body of the WDC at least 30 days prior thereto. Such notice will be posted on the WDC web site.
- 8.2 A notice of a general or special meeting must:
- 8.2.1 Specify the place, date and time for the meeting;
  - 8.2.2 State the general nature of the business to be transacted at the meeting;
  - 8.2.3 If a resolution requiring the approval of 75% of the Members is to be proposed at the meeting, set out an intention to propose the resolution and state the resolution; and
  - 8.2.4 Contain a statement of:
    - 8.2.4.1 Each Member's right to appoint a proxy; and
    - 8.2.4.2 The fact that a proxy needs to be a Member of the WDC.
- 8.3 Unless otherwise stated in the bylaws, any action of the Members or of any committee or body of the organization shall be authorized by a simple majority vote of Members present and constituting the quorum as provided in article 8.6, and voting in person or by proxy at any duly authorized and quorate meeting of the Membership, committee or body convened pursuant to these bylaws. Members are entitled to one vote per member at any duly authorized meeting of the Membership or of any committee or body of the WDC.
- 8.4 All Members shall be entitled to receive notice of (via e-mail or fax, and posted on the web site) and attend any general or special meeting of the

Members of the WDC and shall be entitled to cast one vote on a show of hands or a poll at a general or special meeting of the WDC.

8.6 Quorums for meetings of the various bodies of the WDC will be:

8.6.1 Eight (8) Directors shall constitute a quorum at a meeting of the Board of Directors, which number must include one Director in each of the sectors as follows: one (1) mining, one (1) retail (1) industry association one (1) jewelry manufacturing and one (1) industry stakeholder (as previously defined in article 5.1).

8.6.2 Thirty (30) Members of the entire Membership of the WDC shall constitute a quorum at a meeting of the entire Membership of the WDC.

8.6.3 A majority of the members of any standing or special committee shall constitute a quorum at meetings of such committees.

## **Article 9 Proxies**

9.1 A Member who is entitled to attend and vote at a WDC membership general or special meeting may appoint by fax or e-mail a person as that Member's proxy to attend and vote for that Member at that meeting of the WDC. A proxy needs to be a Member of the WDC.

9.2 An instrument appointing a proxy:

9.2.1 May be contained in a facsimile;

9.2.2 Must be in writing under the hand of the appointer or of an attorney duly authorized in writing or, if the appointer is a body corporate, either under seal or under the hand of an officer or attorney duly authorized;

9.2.3 May specify the manner in which the proxy is to vote in respect of a particular resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the resolution except as specified in the instrument;

9.2.4 Must, as nearly as the circumstances permit, be in the format as provided by the Secretary.

## **ARTICLE 10 Indemnification, Insurance, and Execution of Contracts**

10.1 To the full extent permitted by the applicable law, the WDC shall reimburse, indemnify and hold harmless each agent of the WDC who is or

has been a party or is threatened to be made a party to any proceeding, except as prohibited by law, by reason of the fact that such person is or has been an agent of the WDC, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding if such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the WDC and, in the case of criminal proceedings, had no reasonable cause to believe that the conduct of such person was unlawful. The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in the best interest of the organization or that the person had reasonable cause to believe that his conduct was unlawful. There shall be no indemnification pursuant to this Article in respect of any claim, issue, or matter as to which the person shall have been adjudged to be liable to the WDC unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, and in view of all the circumstances of the case, such person is fairly and reasonable entitled to indemnity for such expenses which the court shall deem proper.

- 10.2 Indemnification as provided in Article 10.1 shall be made by the WDC only if authorized in a specific case, upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in title 8, Section 145 (a) and (b) of the Delaware General Corporation Law, by a majority vote of the Board of Directors with a quorum consisting of Directors who are not parties to such proceedings (and with Directors who are parties to such proceedings not being entitled to vote thereon), or by the court in which such proceeding is or was pending upon application made by the WDC or the agent or the attorney or other person rendering services in connection with the defense.
- 10.3 The right of indemnification provided in this Article shall inure to each person referred to in this Article and, in the event of such person's death, shall extend to such person's legal representatives. The right of indemnification provided in this Article shall not be exclusive of any other rights to which such person, or any other individual, may be entitled as a matter of law (including, without limitation, such person's rights under Section 145 of the Delaware General Corporation law), or under any agreement, vote of the Board of Directors or otherwise.
- 10.4 The Board of Directors, except as otherwise provided in these bylaws, may authorize any officer or agent to enter into any contract or execute any instrument in the name of the or on behalf of the WDC, up to and

including the amount of \$10,000. Unless specifically authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the WDC by any contract or engagement to pledge its credit or to render it liable for any purpose or in any amount in excess of \$10,000.

These bylaws were adopted by a vote of the Members of the WDC at a duly authorized meeting via electronic communications dated NOVEMBER 2, 2016.