

## ***Modern Slavery and Human Trafficking Statement***

This Statement is made pursuant to section 54 of the Modern Slavery Act 2015 (the “Act”) and covers the financial year ending 31st December 2018. It provides an explanation of the steps that Gemfields Group Limited and its subsidiaries (“Gemfields” or “we”) take to combat the potential for modern slavery and human trafficking to occur in its business and supply chains.

### **Statement of commitment**

Gemfields has a zero tolerance policy with regards to slavery, human trafficking and any similar abuses across its operations and supply chains. We are committed to a range of procedures introduced to mitigate the likelihood of such abuses occurring and will continue to make improvements to these procedures.

### **Meaning of slavery and human trafficking**

We take our understanding of modern slavery and human trafficking from the Act and we refer to the UN Universal Declaration of Human Rights in our Human Rights & Security Policy (available on our website).

### **Our business model**

Gemfields is a mining company with its primary listing in South Africa (JSE: GML) and secondary listing on the Bermuda Stock Exchange (“BSX”). Gemfields’ core business is the mining and sale by auction of rough coloured gemstones; amethysts and emeralds in Zambia and rubies in Mozambique. Gemfields holds majority ownership in a currently non-producing exploration and mining joint venture operation in Ethiopia and also holds an exploration licence in Madagascar. Its subsidiary Gemfields Limited is the owner of the Fabergé jewellery brand.

Gemfields’ corporate headquarters is in London and we have sales and support offices in South Africa, India and Thailand. In total we directly employ nearly 2,000 people globally and this is supplemented by a labour-force of mainly mining and security contractors as well as outsourced, seasonal manual labour, as and when demand requires it. All our employment and related corporate policies, globally and locally, apply to full time equivalent (“FTE”) employees and contractors alike, but specific terms and conditions are set by the prevailing local laws in the countries of operation.

The majority of our revenue is derived from the sale of rough coloured gemstones sourced solely from our own mines. After mining, gemstones are sold directly in their natural form without processing. Our selling process is via an invite-only auction where, *inter alia*, jewellery manufacturers, gemstone processors and traders (collectively our ‘Authorised Auction Partners’ (“AAPs”)) are presented with a range of rough stones which they inspect and bid on.

Fabergé is a luxury brand specialising in high-end jewellery and watches. Fabergé has wholly owned boutiques in London, UK and Houston, USA, and an e-commerce website through which it retails to customers. Fabergé also has a wholesale business retailing to other third parties such as department stores. Fabergé outsources the manufacture of its jewellery and watches to artisan suppliers in the UK and Europe; commissioning the sourcing of stones and precious metals to the manufacturers themselves.

All Gemfields’ policies, including this statement, apply to our mining operations, joint-venture businesses and Fabergé.

## **Our supply chains**

Gemfields has a number of roles in the coloured gemstone and jewellery supply chain (i) principally as a miner of coloured gemstones (ii) as a trader of coloured cut & polished gemstones and (iii) as the owner of the Fabergé jewellery brand. As a miner, we own the direct means of production of approximately 30% - 50% of the world supply of rough rubies, emeralds and amethysts. As a trader of coloured cut & polished gemstones, we buy back cut & polished gemstones from our AAPs on behalf of retail jewellery brands who place a small number of orders with us each year. As the owner of the Fabergé jewellery brand we also participate in the same supply chain by using (though not limited to) platinum group metals such as gold and platinum as well as a range of gemstones such as diamonds, rubies and emeralds in the outsourced production of jewellery and watches.

For the purposes of this statement, we report on the steps taken within our primary and direct supply chains, we also refer to the steps taken in our own mining operations. By primary and direct supply chain we mean the mining and sale to customers of our rough coloured gemstones and the purchase of cut & polished gemstones. We also report on the steps that we are taking within extended supply chains and also refer to Fabergé's sourcing process.

## **Relevant policies and process**

Integrity and transparency are central to our corporate commitment. We have a variety of existing policies that are relevant. These include:

- Anti-Bribery and Corruption Policy & Code of Ethics
- Anti-money laundering & Counter-terrorism Policy
- Employment rules & relevant non-contractual employment policies
- Product Integrity & Stewardship Policy
- Human Rights Policy
- Health, Safety & Well-being Policy
- Whistleblowing & Grievance Procedures
- Anti-slavery and Human Trafficking Policy
- Modern Slavery Policy

Our FTE employees have been hired through a contractual and union-based collective bargaining process. Any seasonal or contract labour is sourced via known recruitment agents or local labour providers and all contractors are vetted for their legitimacy to work in our countries of operation.

Gemfields is committed to the benefits brought about by diversity and equal opportunity and therefore supports collective bargaining for employees. We are active in supporting employee engagement, representation, dialogue and provide mechanisms for employees to raise concerns and grievances. We work with international and local recruitment agents to identify hiring needs and apply our employment practices in line with, and in certain aspects exceeding the requirements of, local legislation. In countries where established recruitment practices are not possible (for instance in very remote areas), we work with vetted local recruitment firms to identify potentially skilled or semi-skilled individuals that are suitable to be hired and we carry out the same recruitment practices as with more established operations. For more skilled hires we carry out background checks, although human rights or slavery related questions are not an active part of this process.

We recognise there is a risk of slavery and human trafficking in the hiring of temporary or seasonal workforces at our mining operations. Our local human resources teams, working with local and international recruitment agents, are responsible for implementing local legally compliant applicable processes involving vetting of labour providers, carrying out background checks on relevant workers to ensure they have all the necessary

identification and documentation to prove their eligibility and legitimacy to work. We do not, under any circumstances, withhold documentation of either directly employed workforce or temporary/seasonal workers.

### **Risk assessment and due diligence**

We recognise that we operate in a number of countries where human rights are an issue of particular concern. Gemfields has adopted a global enterprise risk management process which ensures that risk across the business is assessed regularly and effectively mitigated. This process is managed at both a strategic and operational level to provide both a top-down and bottom-up view of risks. The operational level risks are managed by risk owners who are aware and responsible for identifying risks arising in their area of the operation. The risks are assigned controls and on a quarterly basis are reviewed and reported on; to identify whether the risk has increased, decreased or remained the same. Human rights risks are recorded as part of this process.

Due to our employment practices, the risk of slavery occurring directly in our operational activity is negligible, and modern slavery is not a separately recorded risk through this system. There are, however, mechanisms in place to recognise the risks of slavery arising indirectly from our operations.

Whilst we are not accountable for slavery occurring around our mining concessions, we address this risk through the introduction of risk controls (such as community engagement and security measures) which helps to prevent illegal smuggling of gemstones onto the international jewellery market. On a quarterly basis the Board, Senior Management and Department Heads are provided with a summary of the risk position of each operation. Annually the same process is carried out to assess risk across non-operational parts of the business. We assess country-level risk, based on a number of factors including geopolitical risk, financial control and corruption risk and external governance factors. Contextually and specifically related to human rights and slavery, we refer to the Human Rights & Business Country Guides for Zambia and Mozambique as well as the annual Global Slavery Index.

In addition, and in relation to the risk management process, we regularly review our operational policies in relation to topics including direct and indirect employment, procurement, security practices, community engagement, grievances, stakeholder engagement and government relations. We publish our group policies at each mining operation and, where necessary, do this in other languages such as Spanish or Portuguese. Procedures that relate specifically to security, human rights and community engagement are reviewed adhoc at each operation subject to latest evidence, failures/breaches and/or identified risks. As above, the risk of slavery occurring on our operations relating directly to our operational activity is negligible, however, procedures are reviewed regarding the indirect risk of slavery occurring around our operations.

We acknowledge there is a risk of slavery and human trafficking in the wider, wholesale coloured gemstone production and downstream supply chain from which Gemfields ultimately procures cut & polished stones for customers. As such, the risk arises that coloured gemstones or precious metals that have been mined in conditions that include forced labour will find their way into the supply chain. This mineral supply chain risk applies to outsourcing the manufacture of jewellery and watches by Fabergé.

We expect our direct suppliers to uphold the same policies with their suppliers and we will strengthen our communication of these policies to our suppliers going forward. In 2019 we will take further action in our supply chain by asking our primary suppliers to disclose more information about their suppliers. We are committed to ensuring that both Gemfields and Fabergé adhere to the highest industry sustainability and ethical standards by becoming certified members of the Responsible Jewellery Council by 2020 and part of this process will be to communicate all relevant policies to suppliers.

We audit our rough gemstone customers, the AAPs. Prior to becoming an AAP, customers are required to sign up to our business terms and policies and agree to be subject to know your customer checks. We carry out

third-party social and environmental audits via a risk-based due diligence tool that is aligned to the SA8000 standard and to the Responsible Jewellery Council's codes of practice. We then incorporate the findings into our risk management process and know-your-customer/supplier process by flagging up any concerns we have with wider human rights issues. To date we have no evidence of any human rights abuses or evidence of human trafficking or slavery in relation to our AAPs'.

### **Training and awareness**

We provide training to all our operational and security teams at our mining operations on Security and Human Rights, and on implementing the Voluntary Principles on Security and Human Rights. Training does not specifically address modern slavery but it meets the requirements to demonstrate that our operational colleagues are aware of human rights risks. Our operational community development teams raise awareness of human rights risks within the communities, most significantly the potential use of women and children in the wider gemstone mining industry, and such concerns are raised locally with relevant authorities if we witness such occurrences in our local communities. Our community development teams locally provide whistleblowing processes and grievance procedures for the community in line with recommendations and guidance from the IFC, World Bank and OECD. We provide training for all sales and support office staff on anti-money laundering and business ethics and also provide our AAPs with template policies to help them comply with policy principles relating to human rights abuses such as modern slavery.

### **Reviewing compliance and performance**

We outsource internal and external audit services for any investigations into control management and compliance. We work closely with service providers to ensure that controls exist and that we have the ability to provide evidence supporting claims made about such controls. This includes elements relating to security, community development, grievance and supplier performance.

Gemfields does not currently have Key Performance Indicators ("KPIs") that relate directly to slavery or human trafficking although we consider our risk assessment process and tracking of the operational control environment to act as a proxy-measure for how we manage slavery as a potential issue in our supply chain. Any incident involving our employees or recruitment agents would constitute grounds for breach of employment contract, breach of relevant policies, grounds for contract termination and possibly criminal investigation, and, as such, is likely to trigger severe disciplinary action or escalation to authorities. Whilst we do not have the ability to physically inspect our supply chain's operations, we do monitor broader data and practices that relate to the mitigation of slavery or human trafficking and these include:

- Number of employees who have completed human rights training
- Number of employees who have completed anti-money laundering and code of ethics training
- Investigating locally reported internal and external grievances
- Investigating whistleblowing
- Investigating and recording all security incidences
- Investigating, recording and reporting on all human rights related incidences, including those involving public security forces
- Analysis of customer social and environmental audit results, and performance management
- Compliance with our Product Integrity & Stewardship Policy

This statement was approved by the Chief Executive Officer of Gemfields in his capacity as a Director of Gemfields Limited and Gemfields Group Limited.



Sean Gilbertson  
CEO  
April 2019