

# GEMFIELDS

## Modern Slavery and Human Trafficking Statement

Year ending 31<sup>st</sup> December 2021

This Statement is made pursuant to section 54 of the Modern Slavery Act 2015 (the “Act”) and covers the financial year ending 31<sup>st</sup> December 2021. It provides an explanation of the steps that Gemfields Group Limited and its subsidiaries (“Gemfields”, “we”, “Group”) take to combat the potential for modern slavery and human trafficking in its business and supply chains.

In the previous reporting period (2020), due to the impact of COVID-19, the Group’s revenues were USD 34.5 million (and after deductions its net loss was USD 93.2 million). 2021 was an “annus mirabilis” for the Group, in which we generated revenues of USD 257.7 million with, after deductions, a net profit of USD 65.0 million.

### Public 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.

### Our understanding of modern slavery and human trafficking

We take our understanding of modern slavery and human trafficking from the offences set out in the Act and we refer to the UN Universal Declaration of Human Rights and “human rights” more generally in our Human Rights Policy as well as a range of other Group policies that address, inter alia, communities, employees, security and grievance systems. We understand that forced, bonded or indentured labour is a form of slavery and includes debt bondage and the restriction of a person’s freedom of movement, whether that be physical, non-physical or, for example, by the withholding of personal documents such as passports or identity cards.

### Overview of our business model

#### *Company structure and operations*

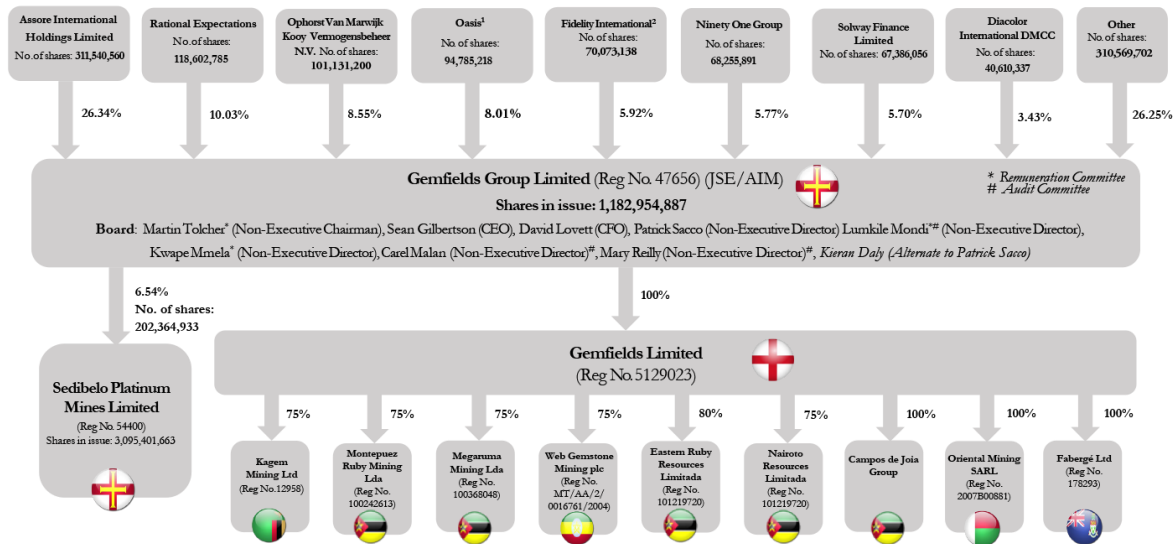
Gemfields is principally a mining company with its primary listing on the Johannesburg Stock Exchange (“JSE”) and secondary listing on the UK’s Alternative Investment Market (“AIM”). Gemfields’s core business is the mining and sale by auction of rough coloured gemstones; emeralds from the Kagem mine in Zambia and rubies from the Montepuez mine in Mozambique. Gemfields also holds majority ownership in currently operational but non-producing exploration and mining joint venture operations in Mozambique and non-operational licences in Ethiopia and Madagascar. Gemfields’ main subsidiary, Gemfields Limited, is also the 100% owner of the Fabergé jewellery brand. Gemfields also has a minority stake in a platinum mine, Sedibelo. A structure diagram is provided below.

# GEMFIELDS

## Gemfields Group Limited

CORPORATE STRUCTURE

## GEMFIELDS



1 The Oasis shareholding includes interests held by Oasis Asset Management and Oasis Crescent Capital.

2 Fidelity International's interest includes a Contract for Difference (CFD) over 831,281 shares, totalling 0.07%.

3 Shareholdings accurate as of 31 March 2022 other than any direct shareholder updates since - Source: Nasdaq.

Gemfields' corporate headquarters are in London and we have sales and support offices in South Africa, India and Thailand. In total, we employ approximately 2,300 staff globally and this is made up of employees and contractors, as well as the occasional use of outsourced, seasonal manual labour, when demand requires it. All employment and related corporate policies, globally and locally, apply to full time equivalent ("FTE") employees and contractors (collectively "staff") alike, but specific terms and conditions are set by the prevailing local laws in the countries of operation and individuals employment terms.

### Source of revenues

The majority of Gemfields' revenue is derived from the sale of rough coloured gemstones mined solely from our own mines. We do not acquire any rough gemstones from other sources, be they artisanal miners or supply chain traders. After mining, our gemstones are sold via an auction process directly in their natural form without further enhancement, alteration or processing. The selling process is via an invitation-only auction where assorted jewellery manufacturers, gemstone processors and rough gemstone traders (collectively called "Auction Customers") are presented with a range of rough stones which they inspect and bid on over the course of typically a one-week period.

Fabergé is a luxury brand specialising in high-end jewellery, accessories and watches. Fabergé has a small number of "own brand" retail outlets which directly employ a small number of people, and an e-commerce website through which it retails to customers. Fabergé also has a wholesale business selling goods to third-party multi-brand retailers such as department stores. These points of sale are staffed exclusively by employees of

# GEMFIELDS

those retailers. Fabergé outsources the manufacture of its jewellery to artisan suppliers in the UK and Europe who commission the sourcing of stones and precious metals.

All Policies and Procedures (defined below), including this Statement, apply to the mining operations, joint-venture businesses and Fabergé. Given the size of Gemfields's investment in the Sedibelo platinum mine, at only 6.54%, the Company has no oversight of Sedibelo's policies or processes.

## Impact of COVID-19

COVID-19 had a significant impact on the Group in 2020 due to the complete shut-down of mining operations and ancillary services in light of the various lockdowns and national border restrictions. During the shut-down the operations were limited to a small number of senior staff and security personnel with only limited gemstone grading and sorting taking place. Since then, the Group's operational teams restarted the Group's mining operations after almost a year of suspended activities.

## COVID-19 related modern slavery risks

### *The health and safety of workers*

- Gemfields principal mining operations, the Kagem and Montepuez mines, were shut down for most of 2020 which led to the effective furloughing of the majority of employees. Employees continued to be paid in line with applicable local laws and employment contracts, and the mining operations have since re-opened.
- Offices and other facilities (which were closed as a result of the COVID-19 pandemic) were re-opened when it was safe to do so in line with the applicable government guidance and with appropriate safety measures in place.
- Subject to local employment law, employees are eligible for statutory sick pay.
- UK based staff were placed on a 4-day working week, receiving 80% of pay with emergency loans available. Following the resumption of mining operations, all UK staff members, including the Board of Directors, returned to their contractual salaries from 1 April 2021.

### *Supporting suppliers*

Gemfields continued to engage with suppliers. Payment terms have been honoured, or in some cases extended, subject to negotiation with the suppliers concerned.

## Our supply chains

Gemfields has a number of roles in the coloured gemstone and jewellery supply chain:

- principally as a miner of coloured gemstones from producing mining sites under its operational control (Gemfields also has non-producing exploration licences);
- as a limited trader of cut & polished rubies and emeralds; and

# GEMFIELDS

- as the owner of the Fabergé jewellery brand.

As a mining company, Gemfields is a point of origin for coloured gemstones in the jewellery supply chain. Gemfields own the direct means of production of approximately 30% - 50% of the world supply of rough rubies and emeralds.

Gemfields buys back a small number of cut & polished gemstones from Auction Customers on behalf of retail jewellery brands (not more than 1% of revenues). Fabergé sources platinum group metals as well as gemstones such as diamonds, rubies and emeralds for the production of jewellery and watches.

For the purposes of this Statement, we report on the steps taken within the primary and direct supply chains (the mining and sale to Auction Customers of rough coloured gemstones and the very limited trading of cut & polished gemstones). We also refer to the steps taken at our mining operations and at Fabergé.

## **Relevant policies and process**

Integrity and transparency are central to our corporate commitment. We have a variety of policies and procedures (“Policies and Procedures”) that are relevant to identifying and combatting modern slavery. These include:

- Modern Slavery Policy;
- Anti Bribery & Corruption and Code of Ethics Policy;
- Anti Money-Laundering & Counter Terrorist Financing Policy;
- Enterprise Risk Management Policy & Procedure
- Whistleblowing Policy & Procedure
- HSE & Grievance, Incident & Accident Reporting Procedures;
- Employment rules & relevant non-contractual employment policies;
- Product Integrity & Stewardship Policy;
- Diamond Sourcing Policy (in reference to the Kimberley Process)
- System of Warranties Policy (in reference to the Kimberley Process)
- Human Rights Policy;
- Health, Safety & Well-being Policy;
- Know your Customer Policy & Procedure
- Procurement standard operating procedures.

We regularly review and update our Policies and Procedures subject to latest evidence, failures/breaches and/or identified risks.

Relevant Policies and Procedures are incorporated by reference into supplier and employee contracts. Our FTE employees all enter employment agreements with Group companies through a contractual and, in relevant countries, via a union-based collective bargaining process. Any seasonal or contract labour is sourced via known

# GEMFIELDS

recruitment agents or local labour providers and all contractors are vetted for their legitimacy to work in our countries of operation.

Gemfields works with international and local recruitment agents to identify hiring needs and applies employment practices in line with, and in certain aspects exceeding the requirements of, local legislation. For skilled hires we carry out thorough background checks to ascertain any employment risks, although human rights or slavery related questions are not an active part of this process.

We recognise there is a risk of modern slavery, bonded/forced labour and human trafficking in the hiring of contractors at the mining operations (gardeners, cleaners, kitchen staff) although the use of this type of labour is limited to less than 10% of operational staff. 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 where practically feasible and ensuring they have all the necessary identification and documentation to prove their eligibility and legitimacy to work. We do not, under any circumstances, withhold any documentation of either directly employed workforce or contracted staff.

## **Risk assessment and management**

We recognise that we operate in a number of countries where human rights, modern slavery and trafficking are an issue of particular concern. Gemfields has an Enterprise Risk Management framework (“ERM”), which includes a risk register to determine and describe the major risks and uncertainties that could have a material impact. Due to our direct employment practices, the risk of slavery occurring on our operations relating directly to our operational activity is low, and modern slavery is not currently a separately registered risk in the ERM, though this will be kept under review.

We recognise that modern slavery or bonded/forced labour may occur outside and around the mining concessions, notably in relation to the criminal gangs that exploit artisanal miners to illegally extract gemstones. We address this risk through community engagement, grievance channels, and human-rights risk related security measures.

There is a supply chain risk in relation to the limited trading of gemstones and the procurement by Fabergé of materials for the jewellery manufacturing process. We mitigate this risk by conducting due diligence on all suppliers. Such due diligence requires suppliers to commit to complying with our Policies and Procedures.

Since 2017 there has been a well-publicised insurgency that has affected the Cabo Delgado province in which the Group’s Montepuez Ruby Mine (“MRM”) is situated. The escalation of this insurgency carried on throughout 2021. Whilst we are not aware of a specific escalation in risk related to modern slavery or bonded/forced labour, the conditions associated with the insurgency (c.700,000 internally displaced people, the forced ‘recruitment’ of primarily young men to the insurgency and the possibility that young women are forced to marry or become victims of sexual crime) are such that there is a general increased risk province-wide. The Group is aware of the wider security threat to its operations and its staff. Contingency planning for possible evacuation scenarios are updated as circumstances change, including in relation to the mandatory movement of staff away from danger. Staff will not be required to surrender their personal identification or passports, but their movement may be strictly limited and controlled should the operation and general safety be at risk.

# GEMFIELDS

## **Due Diligence Processes**

Due diligence to identify and verify identity as well as identify red flags is conducted on all suppliers and customers, including Auction Customers.

Fabergé achieved certified member status of the Responsible Jewellery Council (“RJC”), the highest jewellery, gemstone and watch industry sustainability standard, in February 2020. The certification is valid for three years. To comply, a third-party auditor conducted an audit of Fabergé’s due diligence of suppliers to meet the RJC’s supply chain requirements, including seeking clarity regarding:

- Serious abuses associated with the extraction, transport or trade of minerals;
- Direct or indirect support to non-state armed groups;
- Direct or indirect support to public or private security forces who illegally control, tax or extort money from mine sites, transportation routes and upstream actors;
- Bribery and fraudulent misrepresentation of the origin of minerals; and
- Money laundering and non-payment of taxes and royalties due to governments.

## **Training and awareness**

We provide training to operational and security employees at the mining operations on security and human rights, and on implementing the VPSHR, although training does not specifically address modern slavery.

From time to time, our operational Sustainability & Community Engagement teams will raise awareness of human rights and security risks within the communities, most significantly in relation to artisanal mining. Such concerns are raised locally with relevant authorities if we witness such occurrences in the local communities. Our teams provide local grievance access points and publicly communicated procedures for the community to raise grievances in line with recommendations and guidance from the UN Guiding Principles on Human Rights (“UNGPs”), IFC/World Bank and OECD. The engagement with the community may be verbal/face to face but also be provided via leaflets and posters placed around the community to warn of risks, as well as by an MRM-funded local radio station in Namanhumbir, Mozambique.

We also provide training for all sales and support office staff on anti-money laundering, anti-bribery and corruption and business ethics.

## **Grievance procedures**

We made improvements to a number of existing systems for both the internal and external raising of grievances. These include:

- Employment-related channels that employees may use to raise concerns (typically via their line manager or escalated to more senior staff if required);
- A third-party whistleblowing service which receives and investigates grievances (available in all our countries of operation);

# GEMFIELDS

- External grievance channels (including community offices, community grievance boxes and free hotlines) located close to our mining operations for local communities to raise grievances.

These grievance channels remained open and available during the COVID-19 pandemic. To date and to our knowledge, we have not received any grievances, internal or external, related to modern slavery, through our established reporting channels. However, we will continue to monitor and report as necessary. On 10<sup>th</sup> December 2021, a claim against Gemfields Group Limited, Gemfields Limited and Kagem Mining Limited was filed in the English High Court on behalf of 11 individuals for personal injury and associated claims, including one claim in respect of forced labour. Gemfields and Kagem take allegations of this nature very seriously and are thoroughly investigating the allegations. However, they will not hesitate to defend themselves robustly against unmeritorious claims. On 1<sup>st</sup> April 2022, a related similar claim was filed on behalf of a second tranche of an additional 17 claimants.

Gemfields has also implemented a ground-breaking Operational Grievance Mechanism (“OGM”) at MRM in Mozambique. The OGM has been developed with wide-ranging stakeholder consultation, in a manner compliant with the UNGPs. Whilst the OGM is focused on resolving cases of personal injury and human rights abuses, it will perform a wider function of supporting the identification of adverse human rights impacts as a part of MRM’s ongoing human rights due diligence.

## **Reviewing compliance and performance**

We outsource external audit services and have an internal audit team that is independent on any line-management responsibility, who undertake investigations. 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. From time to time, depending on capacity, the internal audit function may be tasked with undertaking site visits for investigations, and this may include investigating the procurement process. Should any suspicions regarding supplier practices be raised, internal audit may be called upon to investigate by conducting site visits. However, the internal audit team is not qualified to carry out social & environmental audits or undertake audits relating specifically to human rights or modern slavery issues. At this point in time, the Group does not have a dedicated supply chain audit programme.

An independent audit carried out in April 2022 by one of the leading audit companies, commissioned by a major luxury player in Switzerland, concluded that the ESG performance of Kagem Mining Limited and Montepuez Ruby Mining Limitada met expectations.

Gemfields does not currently have key performance indicators that relate directly to slavery or human trafficking. Furthermore, whilst we do not have the ability to physically inspect our supply chain’s operations with regularity, we do have the ability to monitor grievance systems and channels for the reporting of any modern slavery or bonded/forced labour incidents that may be raised. We will therefore monitor:

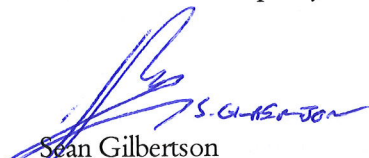
- Number of employees who have completed human rights training (if available and undertaken);
- Number of modern slavery or bonded/forced labour grievances raised through grievance channels; and
- Number of modern slavery or bonded/forced labour reported incidences reported through our internal whistleblowing system.

# GEMFIELDS

Supplier audits will become an increasingly important function of our internal compliance, led by our Internal Audit team. In addition to monitoring modern slavery risk in our countries of operation, subject to the availability of resources, and wherever possible, further monitoring actions may include:

- Keeping a record of the adoption of third-party audit rights in our standard contractual terms whenever possible and the number of occasions Internal Audit has exercised these clauses when required.
- Number of local procurement site visits to suppliers considered a high-risk of modern slavery.

This statement was approved by Board of Directors of Gemfields Group Limited and signed by Sean Gilbertson in his capacity as a Director of Gemfields Limited and Gemfields Group Limited.



Sean Gilbertson  
CEO  
June 2022