



**GemFair Due Diligence Management System**  
**Assessment of Alignment with the OECD Due Diligence Guidance**  
**for Responsible Mineral Supply Chains**

<b>Programme Name:</b>	GemFair
<b>Location:</b>	Remote assessment only Virtual Interviews conducted in UK and Sierra Leone
<b>Contact Person:</b> <b>Name, Title:</b> <b>Email:</b> <b>Phone:</b>	Ruby Stocklin-Weinberg PhD, Programme Manager ruby.weinberg@debeersgroup.com
<b>Lead auditor and audit team members</b>	Peter Warbrick, SGS United Kingdom Limited
<b>Report Reviewer</b>	Effie Marinos, SGS United Kingdom Limited
<b>Dates and places where the assessment activities were conducted</b>	<ul style="list-style-type: none"><li>• 18 September 2020: Select a sample (20%) of assessment survey files</li><li>• 24 September 2020: Review of relevant policies and procedures on due diligence management system</li><li>• 25th September: GemFair Interviews</li><li>• 28th September: GemFair Interviews</li><li>• 1st October 2020: Records review of assessment survey</li> <li>• 5th October 2020: Review of programme and to finalise outstanding issues</li></ul>

**Peter Warbrick**  
**Lead Auditor**  
**3 November 2020**

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## ***Executive Summary***

SGS was commissioned by GemFair to conduct a 3<sup>rd</sup> party audit of their due diligence management system to review its alignment with the OECD Due Diligence Guidance for Responsible Mineral Supply Chains (OECD Guidance).

The scope of this audit was defined in the Terms of Reference document from GemFair dated June 2020. In particular, the auditor will assess the level of alignment of GemFair's systems with the OECD Guidance, verify that all questions within Section A.6 in the BPP workbook are included and confirm that GemFair's report provides a fair representation of the programme.

The audit was undertaken in accordance with recognized global standards, including ISO 19011 and ISAE 3000.

## ***Overall Compliance Statement***

The GemFair programme was assessed based on the ISAE3000 Assurance Engagements including tri-partite relationship (between company management, auditor and intended users of the report) and is designed to: enhance the confidence of intended users; evaluate the subject matter against the suitable criteria; risk assessment, plan and perform assurance procedures to obtain sufficient appropriate evidence to form a conclusion. The output is an independent assessment report, and addresses all areas covered by the OECD due diligence guidance and De Beers Best Practice Principles section A6.

This assessment of the GemFair Programme covers all diamonds controlled and received by the auditee within the audit period.

GemFair demonstrated a robust risk management system and its performance during this assessment is satisfactory and no corrective actions are requested. Several items are documented as improvement opportunities to further strengthen the GemFair programme.

A handwritten signature in black ink, appearing to read 'P. Warbrick', enclosed in a thin black rectangular border.

Peter Warbrick  
Lead Auditor  
SGS United Kingdom Ltd.

3 November 2020

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## **Assessment Details**

### **Methodology**

The assessment methodology is comprised of three main phases as follows:

a) Pre-assessment planning of the assessment strategy

Request basic information about the programme and its operations related to mined diamonds from artisanal mines in Sierra Leone; development of an assessment plan with additional instructions and information requested prior to the virtual assessment; arrangement of interviews and document review.

b) Execution of the onsite assessment

Work with the Programme management to conduct a virtual opening meeting; complete a document review of the programme materials; sample 20% of the GemFair spot checks and base line assessments conducted at the mine sites, virtual interviews with the programme management team in the UK and in Sierra Leone regarding the process and procedures of the GemFair ASM Assurance Programme; prepare an assessment conclusion and conduct a closing meeting.

c) Assessment conclusion and reporting

The audit period covers the twelve (12) months prior to August 2020.

### **Key Controls and Areas of Compliance**

- **Step 1: Establish strong company management systems**

The GemFair ASM Assurance Programme draws its structure, scope and intent from the following:

- OECD's Due Diligence Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk Areas
- De Beers Group's Best Practice Principles Assurance Programme
- The Alliance for Responsible Mining
- RESOLVE's CRAFT Code
- Diamond Development Initiative's Maendeleo Diamond Standards™

Drawing on the above, the GemFair ASM Assurance Programme is designed to enable GemFair to build the miner's capacity to improve business and working practices through long-term engagement, corrective action, training and user-friendly reporting. It further includes a manual, assessment surveys, a comprehensive training programme, policies, procedures, etc.

The standard has been made publicly available at <https://GemFair.com/standards.html>.

The company has created an internal management structure to support supply chain due diligence activities. This consists of:

- Assigning responsibility for responsible sourcing to the company Programme Manager who reports directly to the General Manager of GemFair.
- The establishment of a Due Diligence Assessment Committee with members consisting of relevant functional departments including purchasing, logistics, Site Criteria inspections, Outreach, Training and administration department who participated in the implementation of due diligence practices.

The GemFair supply chain requirements , which are published on the website; [https://gemfair.com/static/files/GemFair\\_CAHRA\\_policy.pdf](https://gemfair.com/static/files/GemFair_CAHRA_policy.pdf) are incorporated into contracts and agreements with the mine management, supporter and or licence holder. GemFair also assists suppliers in building capacities with a view to improving due diligence performance with the outreach programme and education presentations conducted locally by the GemFair field officers or Training Officers.

A Management Review of due diligence practices is conducted on an ad-hoc basis. The latest review meeting was conducted on 27th January 2020. The next scheduled meeting will be later in 2020.

**There is an improvement opportunity to formally document the scheduled meetings to formally review the Due Diligence programme and their outcomes.**

Annual refresher training has been developed and delivered. The latest internal training sessions on internal due diligence procedures, CAHRA Policy, assessment surveys and a refresher on the whistleblowing procedure and policy were held in August and September 2020.

Field officer training is also comprehensive and conducted by the GemFair training officer.

Awareness training is also conducted as part of the GemFair outreach programme to potential ASM miners, managers and mine licence holders. Once miners have been accepted into the programme, after vetting, further training is provided which covers the main aspects of the OECD requirements to prohibit human right abuses, forced labour and child labour. Moreover, further important information concerning direct or indirect support of non-state armed groups, violence-free operations and discrimination, sexual and gender-based violence, conflict-affected and high-risk areas, money laundering and terrorism financing, impeding traceability, otherwise bringing the industry into disrepute, involvement of public and/or private security forces, bribery, corruption and facilitation payments, non-payment of taxes, royalties or fees, wilful misuse of GemFair equipment, fair wage and work agreements, occupational health and safety, environmental impact management, community consent, and whistleblowing are also included in the training. The training was found to be comprehensive and well presented in video and verbal formats.

Training materials and attendance lists were maintained.

The interview with the management team revealed that its members were familiar with the GemFair responsible sourcing guidance. Moreover, the teams are encouraged to review behaviours so they can improve their implementation progress or suppliers' relationship.

The GemFair Artisanal and Small-Scale Mining Standard 2019 v1 defines the scope, organization structure, identification and assessment risks, criteria for Low-risk/Medium-risk/High-risk/Prohibit-trading supply chain, Know Your Counterparty process, management review, training, etc.

The GemFair Responsible Artisanal and Small-Scale Mining Assurance Programme Manual 2019 defines the monitoring and verification process for mined diamonds.

The GemFair App is utilized for logging and to trace diamonds back to the location of the find whilst storing information about the mine location, miner, date of discovery, weight and approximate size and colour. All diamonds are logged individually and assigned a unique reference number with a QR code. The app also has data regarding the onboarding of miners, a log of the due diligence checks, the buying process material and export information.

From review of the app functionality, it is noted that if there is no GPS signal at the mine location then the GPS is recorded when a GPS signal is next acquired thus the region the diamond was acquired from is logged. The GemFair programme relies on the recording of the location of where the diamond is mined. The app data that is stored highlight that this GPS location is within the region of the mine (if on the occasion a GPS signal is not acquired at the time of logging).

The Document Control policy defines that due diligence records will be maintained for a period of at least 5 years.

Payment through cash was implemented to miners. Payments of over 3500 USD cash are reported to the AML office under the GemFair programme for cash monitoring purposes. The Auditor did not review, invoices or bank remittance receipts as part of this assessment.

**Sourcing requirements aligned to the GemFair Artisanal and Small-Scale Mining Standard must be acknowledged as part of the initial contractual arrangements with GemFair and the counterparty. However, governance could be further improved if there was also a requirement to formally confirm that each logged diamond is in compliance with GemFair's ASM standard when logging it with the App.**

GemFair subscribes to World Check, through which GemFair has access to search for suspicious suppliers or beneficial owners or Mine managers.

A grievance mechanism is in place for both internal employees and external parties with supporting procedures documented in the Grievance and Whistleblowing Policy. Based on management interviews and the document review, there have been no complaints received through the audit period.

- **Step 2: Identify and assess risk in the supply chain**

GemFair defined supply chain risks in accordance with Annex II of the OECD Guidance, and OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD DDG) Annex II Risk Assessment. Regular reviews are noted to have taken place in the past 12 months and thorough research undertaken for risks in the area.

GemFair defined the conflict-affected and high-risk areas (CAHRAs) criteria based on (1) Heidelberg Conflict Barometer; (2) Control Risk World Map; and (3) Transparency International.

GemFair require KYS information to be completed and checked, including the completion of:

- GemFair's Onboarding Form,
- World Check & PEP Check
- Company Profile if applicable,
- Mining licence or proof of application for a licence
- The licence holder and mine manager's photo ID
- Beneficiary or supporters' details, verified with photo ID such as National voting card, passport or driving licence

GemFair identifies and assesses risks in the supply chain and has established the criteria for high, medium or low-risk categories and systematically applies them to all the diamond supplying counterparties. In order to determine conflict-affected, human rights abuse and money laundering high-risk areas, GemFair uses several reliable external data sets as basis of the analysis. Supply chains are assessed against their location in high risk areas and the profile of the counterparty.

GemFair conducts due diligence following a risk-based approach and allocate a risk according to the risk profile criteria. This process is a formal requirement before entering into any business relationship with a diamond supplying counterparty.

It is well noted that the on-boarding PEP check for Licence holders is thorough and well executed.

**Implementation of the supply chain risk assessment:**

Each counterparty was assessed based on the noted methods, and the assessment score was used to decide whether the counterparty was Low-risk/Medium-risk/High-risk or Prohibit-trading with counterparty.

The pre-site checks covered the criteria defined in GemFair Artisanal and Small-Scale Mining guidance.

20% of spot checks covering the different mines were sampled for verification. However, it is noted that from the list of 27 sites, only 9 were currently active. This is due to mines not currently operating due to COVID 19 and/or the cost of licence renewal. It is also noted GemFair Buyers are not currently in-country to purchase diamonds at this time due to the Coronavirus pandemic.

Based on the risk assessment document review, there were no Prohibit-trading with counterparty supplier, supporter or artisanal mines in the year 2020.

The field team conducts baseline and spot checks on all the GemFair registered mines. These spot checks report on site observations for forced labour, child labour and other associated risks and are currently taking place on site every 3 weeks on average.

The spot checks are then uploaded to the database and a technical review carried out by the programme manager.

The reports meet the requirements of the programme, however, some suggestions for further enhancements were provided separately.

GemFair has maintained and filed traceability records for each diamond purchase transaction including the rough diamond photo, mine site recorded, purchased carat weight and colour, Kimberley declaration and transportation records for both lots of diamonds sent to De Beers Singapore in 2018 and to the UK in 2019.

Purchases of the diamonds are usually in cash and made at the GemFair office in Serra Leone. Cash payments made to the counterparty above \$3500 are reportable to the Bank and the AML officer of GemFair to check against the GemFair AML red flag indicators. The mine should hold a current licence and the counterparty checked against the PEP list.

No red flags were identified in the diamond sourcing supply chain in either lot.

GemFair maintains and updates the risk assessment criteria, list of mines and miners and the risk rating following spot checks.

Furthermore, the programme manager has prepared a reputational risk matrix and risk assessment, including Key Performance Indicators used to review the effectiveness and performance of the supply chain due diligence procedure which is approved by the General Manager.

- **Step 3: Design and implement a management strategy to respond to identified risks**

GemFair has devised a strategy for risk management of an identified risk by either (i) mitigation of the risk while continuing to trade; (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk.

There were 4 red flags identified where diamonds were attempted to be logged that had not been mined from the declared locations in GemFair's supply chain; each mine or counterparty was categorised as high-risk for these suppliers identified for the year 2020, thus risk mitigation was triggered.

In the above cases, the risk mitigation activities included a full investigation and review of the incident with the Due Diligence Assessment Committee. Further steps to address the risk were then promptly put in place which included warning letters and reminders of the GemFair ASM standard, increased spot checks, further attention by the field officers and buying teams in regards the supply of diamonds and a monthly review meeting with the counterparty.

These mitigation actions align with the suggested measures and indicators in the due diligence guidance.

The tracking record of risk mitigation measures was reviewed and up to date with the monitoring activities in these cases.

- **Step 4: Arrange for an independent third-party audit of the supply chain due diligence**

In March 2018 Synergy conducted an audit referenced as a review of the due diligence management systems generally. The assessment of the objective was largely positive. Recommendations were made relating to external reporting, incident reporting and whistleblowing, as well as general suggestions for the ways in which GemFair could support ASM miners in adhering to stronger ethical standards. In addition, the overall management system was reviewed against the OECD Due Diligence Guidance. The recommendations were taken on board and further improvements made to the ASM programme as a result.

This is the second year for GemFair to have an audit against the due diligence management system aligned to the OECD Due Diligence Guidance. GemFair has engaged the services of SGS United Kingdom Ltd to conduct their independent assessment report for 2020.

- **Step 5: Report on supply chain due diligence**

GemFair has posted information on its ASM programme on its website with appropriate regard for security, proprietary information and the legal rights of other supply chain actors. In conclusion, GemFair has implemented effective management systems, procedures, processes and practices to conform to the requirements of the OECD's guidance for due diligence of mineral supply chains, as explained above for the reporting year ended 1st September 2020.

### ***Gaps against OECD Alignment (if any)***

The GemFair programme has met the requirements and no gaps have been identified.



### **Alignment to BPP Section A6**

The GemFair programme is currently fully aligned to the De Beers Best Practice Principles Requirements Section A6 “Sourcing from Conflict-Affected and High Risk Areas”. Recommendations have been provided separately for additional guidance that could be provided in the BPP Manual to clarify the applicability of the requirements to different types of organisations.

### **Summary Recommendations**

***The following items recommendations are to enhance the programme to assist in ongoing compliance with the ASM assurance programme.***

Ensure that 2 meetings per year continue to be scheduled and conducted to formally review the Due Diligence programme and that the meetings and their outcomes are fully documented.

Formally log a confirmation that each registered diamond is in compliance with GemFair’s ASM standard when logging diamonds with the App.

### **Conclusions**

Overall, the Programme Manager prepared well for the audit. Documentary evidence was available to support the programme management systems and support the comments made in the interviews. All the staff and management adopted an open attitude to the SGS auditor. All the requirements have been met and, in many cases, exceed the expectations of the OECD guide for the mineral supply chain.

A particular note is made as GemFair have provided support in the way of food parcels, hygiene provisions and personal protective equipment (PPE) to the Covid affected regions where they operate in Sierra Leone. The field officers regularly visit each mine and region and are there to provide care in any way possible.

The auditor thanks Ruby Stocklin-Weinberg, PhD and the management teams for their cooperation and preparation for the audit. There were no conflicts or issues encountered during the conduct of this assessment.



Peter Warbrick  
Lead Auditor  
SGS United Kingdom Ltd.

3 November 2020