



Memo in response to SGS United Kingdom Ltd.'s GemFair Management Report

Context

In September 2020, GemFair engaged an auditor from SGS United Kingdom Ltd. to carry out a third-party assessment of GemFair's due diligence management system against the [OECD's due diligence guidance for responsible mineral supply chains](#). The auditor was tasked with reviewing a sample of GemFair's due diligence documentation, including, but not limited to:

- A self-assessment of GemFair's due diligence practices;
- Previous audit report findings and GemFair's public reporting;
- GemFair's documentation of due diligence and traceability measures gathered through the GemFair digital solution;
- Risk assessments carried out by GemFair on the OECD Due Diligence Guidance Annex II risks in Sierra Leone; records on ASM mineral suppliers, internal memos and due diligence reports; and
- Memos and correspondence on risk management and mitigation with ASM mineral suppliers, among other relevant documentation at the auditor's discretion.

The auditor was also tasked with verifying a sample of up to 20% of the assessment surveys that GemFair carried out on the working standards of participating ASM miners.

Given the context of the global COVID-19 pandemic and resulting self-isolation requirements when traveling, GemFair elected to have the auditor carry out a remote assessment and made management and field team available to the auditor for interviews.

We are pleased to note that the auditor found that GemFair's management system has met the OECD's requirements for due diligence of mineral supply chains. The auditor made two recommendations to further enhance GemFair's due diligence programme, which are listed, along with our planned response, in the table on the following page.



The table below details the auditor’s recommendations and how GemFair plans to address them.

IMPROVEMENT OPPORTUNITY	AUDITOR’S RECOMMENDATION	GEMFAIR RESPONSE
MANAGEMENT SYSTEM		
Review of due diligence practices	There is an improvement opportunity to formally document the scheduled meetings to formally review the Due Diligence programme and their outcomes.	Due diligence practice reviews will be documented moving forward.
DIAMOND LOGGING		
Confirmation of ASM Standard compliance during diamond logging.	Formally log a confirmation that each registered diamond is in compliance with GemFair’s ASM standard when logging diamonds with the App.	<p>In addition to the requirements already acknowledged in initial contractual arrangements between GemFair and participating mine sites, and at the point where GemFair makes a diamond purchase, we will also require that the miner confirm that he or she complies with the GemFair ASM Standard Core Requirements as each diamond or batch of diamonds is being logged.</p> <p>This feature will be built into the diamond logging interface of the GemFair App with an audio function as well for those individuals who are illiterate.</p>