



GEMFAIR

THIRD-PARTY AUDITOR SPOT CHECKS

OF GEMFAIR MINE SITES,

SIERRA LEONE

Audit report

V1.1 Final Report Summary

September 2019

The GemFair programme

GemFair is a pilot programme of the De Beers Group to create a secure and transparent route to market for ethically-sourced artisanal and small-scale mined (ASM) diamonds. The GemFair programme uses dedicated technology to record artisanal mining (ASM) production at mine sites that meets demonstrable ethical standards, with the aim of purchasing rough diamonds from approved locations while helping improve working conditions and livelihoods for those working in the sector. The programme started to operate in Sierra Leone in March 2018.

Scope and objectives of assessment

Synergy Global Consulting (see endnote for further details) was appointed by De Beers to carry out an unannounced, third-party audit of a sample of GemFair mine sites in March 2019 and to provide an overall review of the GemFair programme implementation in Sierra Leone. The primary objectives of the audit were:

- Develop a questionnaire and observation protocol (Audit Protocol), based on the GemFair Supplementary Criteria for Programme Participation's Workbook.
- Carry out an unannounced spot check at 2-3 mine sites working with GemFair in order to assess mine site's compliance with GemFair's Standards (based on the Audit Protocol). The site assessment should cover a suite of issues, including the presence of any underage workers, human rights abuses, smuggling stones from other sites, working practices and observable environmental impacts.
- Provide analysis of the extent to which smuggling or fraudulent misrepresentation of diamonds has taken place.
- Provide recommendations to the GemFair Programme on how to manage and mitigate these risks, and, if relevant, recommend Corrective Action.

Assessment approach

The Audit Protocol for this audit was developed based on existing good practice standards for auditing, particularly: *ISO 19011:2018 - Guidelines for auditing management systems*; and assessment processes relating to the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*. The specific Site Assessment Template was developed based on key GemFair documentation, particularly the GemFair Supplementary Criteria for Programme Participation's Workbook (version November 2018). This was also supplemented with reference to other GemFair documentation, including the Mine Registration Form and Mine Site Spot Check Form, and with reference to the provisions of the Diamond Development Initiative (DDI) Maendeleo Diamond Standards (MDS). The GemFair ASM Standard was rolled out after the site assessments and the full details of the MDS standards were also published after the site assessments. Therefore, the sites are assessed against the GemFair and MDS requirements in place at the time of the audit.

Three sites were selected for the unannounced site visits based on criteria which included availability, proximity and accessibility, current activity and level of risk related to GemFair requirements. Site visits included interviews with the site manager and/or licence holder and site workers. Site assessments were complemented with review of relevant documentation and records, as well as interviews with selected stakeholders (including the GemFair Programme Manager, Location Manager, Site Criteria Officer, Outreach Officer and Buyer).

Assessment findings

On the **three mine sites** assessed in relation to alignment with GemFair's Supplementary Criteria, findings of the audit include:

- **For two of the sites assessed, no major or material infringements were identified and only a relatively small number of minor infringements and improvement opportunities were identified.** The main recommendations for the sites relate to the potential for formalised documentation or records of some areas in order to be aligned with GemFair requirements, even where these may be managed informally to an adequate level.
- **For another of the sites assessed, major infringements were identified, all relating to an individual's attempts to impede traceability and wilfully misuse GemFair equipment. A number of minor infringements and improvement opportunities were also identified. No material breaches were identified.** In addition, a few minor infringements were noted relating to the potential for more formalized documentation or records and appropriate management of pit wall stability and water.

GemFair is still a relatively new programme and is still in the process of establishing itself and rolling out and developing its management systems. Despite this, the programme's strengths (noted below) mean that these **practices are already generally robust**. Many of the areas for improvement identified related to further formalisation of existing practices (e.g. record keeping & documentation), improved alignment between aspects of the programme, and ongoing monitoring and improvement programmes (e.g. reporting, grievance management, etc). In terms of specific findings on the GemFair programme's

processes and systems (including relating to the incident involving major infringements mentioned above) these include:

- The incident relating to attempts to log and sell stones from other mine sites tested these systems and demonstrated that the **GemFair programme and its staff are already effective** at ensuring a traceable supply chain, rapidly identifying potential risk factors, to record, report and investigate incidents, and to take actions to mitigate these risks. It is also important to note that the incident appeared to be related to the behaviour of a single individual and other sites do not appear to present similar risks.
- Several **strengths** that were identified, including GemFair outreach and site support/buyer team capacity, training opportunities, an innovative approach to traceability and an alternative access to markets.
- Areas where **some measures exist but where there are opportunities for improvement** such as actions tracking and follow up; ongoing contextual risk assessment; ongoing site risk assessment; incident reporting and investigation; grievance mechanism; and performance reporting.
- One area which was **inadequately implemented** at the time of the assessment was the lack of transparency and information sharing with GemFair of DDI's processes, particularly relating to certification. The reliance of the GemFair pilot programme on DDI certification therefore presented a potential risk area. However, the subsequent publication of DDI's Maendeleo Diamond Standards and roll out of GemFair's ASM standard have substantially mitigated this risk area.

The assessment also noted two areas which are not currently covered by either programme and where there are potential opportunities for improvement:

- Whilst the programmes do consult and engage with relevant stakeholders, the programmes may benefit from the establishment of a **multi-stakeholder monitoring mechanism**. As recommended in the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, a community monitoring network and/or multi-stakeholder information unit would provide a formal mechanism to help to feed information into the assessment team on a regular ongoing basis.
- Neither DDI nor GemFair currently provide miners with **access to finance** - this was repeatedly raised as a challenge and barrier for miners.

Opportunities for improvement

Generally, GemFair now has an opportunity to shift from establishment and focus on critical core areas and move to an approach which more effectively supports monitoring the effectiveness and risks of ongoing operations and covers a fuller breadth of responsible mining issues. Recommendations related to the above findings are detailed in the audit report. Some of the key recommendations include:

- In relation to the infringements involving an individual's attempts to impede traceability and wilfully misuse GemFair equipment, to i) permanently exclude the individual from the GemFair

programme, and also to ii) consider readmission of the other individuals and the site under specific conditions to provide for heightened due diligence; and iii) to consider establishing additional due diligence measures for all sites.

- The assessment identified a range of areas where there are opportunities for improvement, particularly in relation to three broad areas:
 - a) improved alignment and coordination between GemFair and DDI/MDS including through effective roll out of the GemFair ASM Standard;
 - b) ensuring adequate resourcing of the programme as the programme expands, particularly staffing and capacity development;
 - c) improving formalisation of processes for tracking and monitoring performance, risks, grievances & incidents, including engagement with other stakeholders in this.
- Additionally, there is potential for the GemFair programme to further enhance its impact through enabling wider support to improvement of working conditions and livelihoods, such as through support to improved access to finance, and incentivising higher performance standards for responsible mining by supporting working towards the Aspirational Criteria in the GemFair ASM Standard.



Lead Assessor:

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Audit limitations

The audit evidence is based on samples of the available information. There is an element of uncertainty in auditing, and those acting upon the audit conclusions should be aware of this uncertainty (ISO 19011:2018). Any conclusions and recommendations contained in this report are made in good faith and based on the information available to the auditors at that time and the limits of the time available to conduct the site assessments. In some cases, it is only possible to determine, if any, evidence of non-compliance, rather than ascertain compliance.

About Synergy Global Consulting

Over two decades, Synergy Global Consulting has been helping companies, governments, donors, civil society and community-based organisations enhance the social impacts of large-scale and artisanal mining in complex environments. Synergy has helped assess and manage the human rights risks and the impacts of mining operations including land and resettlement, indigenous peoples, employment, migration, and conflict. Today, we apply our long-standing expertise in social performance in the mining sector to drive responsible change along global mineral supply chains. Building on an unrivalled experience of over 200 upstream due diligence audits and assessments conducted around the world according to international standards, we are committed to applying our

expertise in mineral supply chain risk assessment to provide sustainable solutions for improved supply chain risk management and due diligence practices. As a trusted partner in responsible mineral supply chains, Synergy designs and conducts independent third-party audits aligned with international standards and industry best practice, such as ISO standards and IFC Performance Standards. Our supply chain due diligence audits evaluate whether upstream companies involved in the production and trade of mineral commodities have the necessary management systems in place to follow international guidelines and standards, such as the OECD Due Diligence Guidance, London Bullion Market Association (LBMA) guidance, and the Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains. Our approach to audits is externally oriented: as well as assessment of internal systems, we also rely on site observations, and understanding complex local contexts. We engage local stakeholders to make sure that social performance challenges can be effectively identified.