

INDEPENDENT ASSURANCE REPORT

Assessment of GemFair's management systems against the OECD's guidance for due diligence of mineral supply chains

Date 24th March 2022

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REPORT SUMMARY

Implementing firm	SGS United Kingdom Limited
Type of assessment	ISAE 3000 Limited Assurance Assessment
Client	GEMFAIR
Assessed Timeframe	The assessment reporting period covers 26th October 2020 to 25th February 2022 for all new ASM miners who have joined GemFair

1. INTRODUCTION

SGS were engaged by GemFair to provide limited assurance on its Compliance Report for the period 26th October 2020 to 25th February 2022

The assurance scope consists of the Clients Compliance Report 2020-2022.

2. RESPONSIBILITIES

The Programme Manager of the Client is responsible for the preparation and presentation of GemFair's Compliance Report in accordance with the *OECD's guidance for due diligence of mineral supply chains*. This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived. The criteria identified by the Client as relevant for demonstrating compliance with the *Guidance(s)* are the activities described within the Client's Compliance Report.

SGS responsibility is to carry out an assurance engagement to express a conclusion based on the Client's activities described within the Client's Compliance Report. Within the scope of the engagement SGS did not perform an audit on external sources of information or expert opinions, referred to in the Client's Compliance Report. The assignment is limited to the historical information that is presented and does not cover future-oriented information.

The procedures performed depend on the judgment as auditor, including the assessment of the risks of material misstatement in the Client's Compliance Report, whether due to fraud or error. In making those risk assessments, SGS consider internal controls relevant to the preparation of the Client's Compliance Report to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Client.

SGS conducted the assurance engagement in accordance with International Standard on Assurance Engagements *ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board and the guidance set out in the *OECD's guidance for due diligence of mineral supply chains*.

This report has been prepared for the Client for the purpose of assisting the Programme Manager in determining whether the Client's Compliance Report has complied with the *Audit Guidance* and for no other purpose. The assurance report is made solely to the Client in accordance with the terms of the engagement. SGS do not accept or assume responsibility to anyone other than the Client for the work, or for the conclusions SGS have reached in the assurance report.

3. INHERENT LIMITATIONS

Non-financial information, such as that included in the Client's Compliance Report, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The methods used by Clients to comply with the *Guidance(s)* may differ. It is important to read the Client's supply chain policy available on their website: <https://gemfair.com/standards.html>. Such information and methods do not fall within the scope of the *Audit Guidance* and SGS have not undertaken any assessment in this regard.

4. INDEPENDENCE AND COMPETENCY STATEMENT

In conducting the engagement, SGS have complied with the applicable requirements of the Code of Ethics for Professional Auditors issued by IRCA Ethics Standards for Certification Bodies.

In conducting the engagement, SGS confirm that we satisfy the criteria for assurance providers as set out in out in the *Audit Guidance* to carry out the assurance engagement.

5. OPPORTUNITIES FOR IMPROVEMENT

- a) Strengthen the onsite visit reporting tool, report data and methodology

Review the scope of baseline assessments and spot check assessment questions. Consider carefully what can be answered comprehensively or what conditions can be verified during the on-site visits by the GemFair field team.

- b) Ensure audit evidence from the field team reports can be supported:

Reliable audit evidence is crucial in coming to the right conclusions about conformity with the GemFair criteria. It is therefore important to ensure that unsubstantiated evidence, such as verbal evidence gained through interviewing workers, is carefully reported and if their testimonies were corroborated. Ideally this would be via an additional type of supporting evidence such as document review which would then also need to be carefully documented. In cases where it might only be possible to gather one type of evidence it is important to ensure that sufficient evidence is gathered from different sources, for example by interviewing different individuals, to support reaching the right conclusion

Include data showing how the interview was conducted – who was interviewed, if it was an individual or group interview (if so, how many in the group).

- c) Introduce a procedure for peer reviews amongst field team

Peer reviews are intended to serve two primary purposes. Firstly, it acts as an internal procedures check. Secondly, a peer review is intended to improve the quality of site visits. Peer reviewers can then provide suggestions to the field team on how to improve their procedures and techniques and can be used as a method to assess the effectiveness of a field visit.

6. CONCLUSION

GemFair has devised a strategy for risk management of an identified risk.

Supplier Risk Matrix for 2020 and 2021 which is constantly updated in an excel format confirm no red flags in the supply chain and no risks identified.

GemFair only sources diamonds from Sierra Leone. Based on the red flags set out in Annex II of the OECD Guidance, GemFair has determined that Sierra Leone's ASM does have a risk of bribery and child labour in the mining sectors. However, a review of the GemFair on site reports which are conducted regularly and un-announced has not observed child labour at artisanal diamond sites.

For direct mineral suppliers, GemFair conducts in-depth and on-going due diligence on their financial and material links to political groups or armed groups. Moreover, GemFair provides training on bribery, corruption, and business integrity issues to all ASM suppliers. For the training on bribery and facilitation payments, GemFair has adopted De Beers and Anglo-American policies and ensures that all staff receive regular Business Integrity training.


GemFair has implemented effective management systems, procedures, processes, and practices to conform to the requirements of the OECD Due Diligence Guidance for all its diamond material supply chain for the reporting year. All the requirements have 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 continued to provide support in the way of finance packages, free PPE where required on sites, corrective action training and law guidance when needed. The field officers regularly visit each mine and region and are there to provide care in any way possible to the miners and site management.

Moreover, an independent Livelihood Assessment for the GemFair Programme by Axiom commented "GemFair miners have more house assets; enjoy a better access to land; incur less debt less frequently; spend less on food or mining and more on house assets, children or family obligations. They work more throughout the year but their working conditions –

especially their working hours – are better. They attract more investment and are more likely to register their mine site legally, even when they do not work on a GemFair-approved site anymore. They are more faithful to their supporter, including GemFair. Self-perception results would also suggest that they are more optimistic than the average.”

In our opinion, the Client’s Compliance Report for period covers 26th October 2020 to 25th February 2022 for all new ASM miners who have joined GemFair, in all material respects, describes fairly the activities undertaken during the year to demonstrate compliance, and management’s overall conclusion contained therein, is in accordance with the requirements of the *OECD’s guidance for due diligence of mineral supply chains*.

Signature	
Assurance Firm	SGS United Kingdom Ltd
Date	24 th March 2022
City, Country	London, United Kingdom