



Context

In March 2018, a third-party auditor from Synergy Global Consulting visited GemFair's operations in Koidu, Sierra Leone to perform an exceptional audit on a Member mine site we suspected of breaching a material requirement on maintaining traceability. The auditor also visited several other Member sites to assess them against our Responsible ASM Assurance Programme Requirements and performed a review of our due diligence management systems more generally. The auditor concluded that one of the miners at the Member mine site had breached one of our material requirements, but the licence holder and other workers at the site were not implicated in the breach. The auditor recommended that GemFair disengage from the individual, but reinstate the membership of the mine site, under increased monitoring. We were pleased that the auditor noted the robustness of GemFair's current systems and processes in enabling the breach to be quickly identified.

The assessment of the latter objective of the assignment 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. We have taken all of the auditor's recommendations on board, having immediately implemented a formalised way for GemFair stakeholders and employees to report incidents and complaints, as well as scaling up our training programme on responsible mining standards. Our Responsible ASM Assurance Programme training curriculum has also been developed to include the auditor's topical suggestions. Likewise, our first report to society, called the GemFair Way, was published on our website in December 2019, just 18 months into our operations in Sierra Leone.

The table below details the auditor's recommendations and how GemFair has addressed them.



POTENTIAL RISK AREA	AUDITOR RECOMMENDATION	MEASURES WE ARE TAKING
MANAGEMENT SYSTEMS		
Whistleblowing and incident reporting	Improve formalisation of processes for tracking and monitoring performance, risks, grievances and incidents, including engagement with other stakeholders in the process.	<p>GemFair staff and any interested or impacted stakeholders are encouraged to use our free and confidential whistleblowing service.</p> <p>In addition, GemFair Sierra Leone staff have built a strong rapport with our Members and their workers. All GemFair stakeholders are provided with our contact information and they are encouraged to make an in-person or telephone report (confidentially, if they so choose) on any issues that contravene the Responsible ASM Assurance Programme.</p>
Contextual risk assessment	Some measures exist, but there is room for improvement on contextual risk assessments.	We are undergoing more field and desk-based research on each prospective member, ensuring that we learn more about the different value chain actors with whom the prospective Member engages, such as financiers, other licenses belonging to the prospective Member and nearby mine sites. We have since implemented a policy to conduct initial and ongoing screening of not just the license holder but also his or her mine manager and financier, if possible. All of this information gives us a clearer picture of the activities and risk factors of our ASM suppliers, which then determines the frequency of us monitoring their mine sites with announced and unannounced spot checks.



<p>Actions tracking and follow up</p>	<p>Some measures exist, but there is room for improvement on actions tracking and follow up.</p>	<p>We have evolved our digital solution to track not only the logging of stones from approved member sites, but to also track their license validity period, progress with onboarding, due diligence screening status and automated reminders for actions to take on our part, such as when further research is required on an applicant as part of the onboarding process.</p> <p>In the future, we will be working with an analytics and visualization tool to monitor Member progress in the Assurance Programme so we can become more reactive in developing key milestones and improvement plans.</p>
<p>Improvement of reporting and ongoing risk management systems</p>	<p>Conduct detailed due diligence on all of the key individuals involved on the site (Licence Holder, managers, all supporters, etc.) – particularly to determine the extent to which they may have been involved in or have access to other mine sites (adjacent sites or otherwise) and those potentially involved in e.g. smuggling, close connections with other buyers, access to stones from other sites, etc.</p>	<p>We have nearly completed a desk and field-based review of all 94 of our Members to understand the context surrounding each Member mine site better. We will then rank our sites by level of risk and, as a result of that ranking, assess the frequency of monitoring visits required. This system will increase the strength of our existing ongoing risk management processes.</p>
<p>Impeding traceability and wilful misuse of GemFair equipment</p>	<p>Permanently exclude the individual responsible from the GemFair Programme. Consider readmission of the other individuals and the site under specific conditions to provide for heightened due diligence.</p>	<p>The individual who violated our traceability standard was permanently excluded from the GemFair Programme. The other miners involved in the site have been allowed re-entry into the programme, under certain strict conditions.</p>
<p>The resourcing and capacity development</p>	<p>Ensure adequate resourcing of the programme as it expands, particularly staff and capacity development</p>	<p>Where required, we recruit and train a new field staff member for every new cohort of 20-25 members we onboard.</p> <p>The GemFair Programme Manager leads staff training sessions on a quarterly basis to build the team's</p>



		capacity to implement our due diligence management systems.
Establishment of a multi-stakeholder monitoring mechanism	GemFair 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.	The OECD Guidance recommends that upstream programme contribute to the establishment of a multi-stakeholder monitoring mechanism. While no such mechanism exists in Sierra Leone in that explicit form, but GemFair has recently joined the Kimberley Process Multi-stakeholder Group, which is a working group comprised of civil society, government and companies and funded by GIZ. Since this audit, GemFair joined the Group, and is looking to work extensively with its membership, including, but not limited to, implementing recommendations from the group on its own responsible sourcing activities.
Alignment and coordination between GemFair and DDI	There is an opportunity for improvement in alignment and coordination between GemFair and DDI/MDS, including through effective roll-out of the GemFair ASM Standard.	<p>GemFair and DDI have developed a data sharing agreement with data points and the frequency of reporting required by each party concerning mine sites that are participating in MDS and selling diamonds to GemFair.</p> <p>Last year, DDI increased the number of mine sites participating in the MDS Programme. GemFair is currently collecting information from DDI on the progress of new sites toward MDS certification.</p> <p>GemFair recognizes that onboarding, training, monitoring and certifying ASM miners, as DDI is doing with MDS, is no easy feat. As such, a mine site that is part of the MDS Programme is welcome to sell to us.</p> <p>With that in mind, and to ensure maximum positive impact for as many licensed sites in Kono as possible, we only run our Responsible ASM Assurance Programme, with mine sites that are not participating</p>



		in MDS. Sites that are participating in MDS are required to align with the Core Requirements of GemFair Assurance Programme at all times as they work toward certification under MDS.
TRAINING NEEDS FOR GEMFAIR MEMBERS		
Improvement of working conditions and livelihoods	Consider providing miners with access to finance to incentivise higher performance standards, such as working toward the Aspirational Criteria of the GemFair ASM Standard.	<p>GemFair is rolling out a pilot initiative to provide forward purchase funding to a group of mine sites participating in the GemFair Programme. Results will be analysed once the pilot wraps up.</p> <p>GemFair designed the ASM Standard Requirements to be implemented in a phased approach: The first two sections of the Requirements – Legitimacy and Core Requirements—must be in place before a Member joins and at all times during his or her membership with GemFair. Each GemFair Member must also align with the General Requirements, but where there are improvement opportunities’, so-called Yellow Cards—GemFair will work with the Member on an improvement plan.</p> <p>The Aspirational Criteria, on the other hand, are longer-term goals that we would want each Member to meet after he or she has demonstrated alignment with the other Requirements. Incentivizing a Member to meet our Aspirational Criteria via offering financing is certainly a suggestion that we will take on board, should we choose to provide financing to Members in the future.</p>
Record-keeping, site-based organization	Improve the means for miners to implement more formalised documentation or records, such as site activities (e.g. digging, washing, etc.).	GemFair is rolling out a training programme on logbooks for members to record their worker registers, work agreements, wages paid out, visitors to the site and any health and safety incidents. This training is



		ongoing, but GemFair is seeing successful uptake with the members who have received the training thus far.
Management of pit wall stability	Pit walls observed to be too high and pose a safety risk.	GemFair is carrying out baseline assessment visits of all member sites to ascertain which sites have structural integrity risks. All sites with this risk identified will be subject to a risk management plan requiring the licence holder to implement terracing. If terracing is not in place within one month, the member will be suspended from the GemFair Programme unless and until the risk is mitigated.