

# Annual Slavery and Human Trafficking Statement for Financial Year ended 30<sup>th</sup> June 2016

This Statement is made pursuant to section 54 of the Modern Slavery Act 2015 (the “**Act**”) and covers the financial year ending 30<sup>th</sup> June 2016. It provides an explanation of the steps that Gemfields plc and its subsidiaries (“**Gemfields**” or “**we**”) take to combat the potential for modern slavery and human trafficking to take place in its business and supply chains.

## Statement of commitment

Gemfields has a zero tolerance policy with regards to slavery, human trafficking and any similar abuses across our operations and supply chains. We are committed to a range of procedures we have introduced to mitigate the likelihood of such abuses from occurring and will continue to make improvements to these processes aimed at encouraging all of the participants within our sector to ensure that modern slavery and human trafficking does not occur and is wholly unacceptable.

## Meaning of slavery and human trafficking

Gemfields takes its understanding of modern slavery and human trafficking from the offences set out in the Act and we refer to the UN Universal Declaration of Human Rights in our Human Rights & Security Policy (available on our website). We understand that forced, bonded or indentured labour are forms of slavery and include debt bondage and the restriction of a person’s freedom of movement whether that be physical, non-physical or, for example, by the withholding of personal documents such as passports or identity cards.

## Our business model

Our core business is the mining, marketing and sale by auction of rough coloured gemstones. The gemstones are mined from our amethyst and emerald deposits in Zambia and ruby deposits in Mozambique. We are also committed to further expanding our operating footprint by way of exploration and the acquisition of new projects in diverse locations. Gemfields, in addition owns the Fabergé jewellery brand which has retail boutiques in a variety of countries including the UK, US, Switzerland, Australia, Kiev and Malta.

Gemfields’ corporate headquarters is situated in London, United Kingdom and we currently also have sales and support offices in South Africa, USA, India and Thailand. In total we directly employ in excess of 1000 people globally and this is further supplemented by a labour-force of mainly mining and security contractors as well as outsourced, seasonal manual labour, as and when demand requires it. All our employment and related corporate policies both globally and locally, apply to full time employees and contractors alike, but specific terms and conditions are determined by the prevailing local country laws.

The majority of our revenue is derived from the sale of rough coloured gemstones sourced from our own mines. After mining, our gemstones are either further processed (sorted, graded and

sometimes treated) and then sold via our auction process, or on the odd occasion, a small percentage of production is sold out of auction. Our preferred selling platform is an auction process where specially invited jewellery manufacturers, gemstone processors and traders are presented with a range of rough gemstones which they inspect and bid upon. We have also established a 'cut & polished sales' division where cut & polished (finished) gemstones are sourced from the market for some of our jewellery customers. These gemstones are sourced from the open market but, where possible, we prefer to buy back cut & polished gemstones that were first sold to our suppliers by us via our rough auction platform.

Fabergé is a luxury retail brand that manufactures, via specialist jewellers and work-masters, high-end hard luxury goods and sells these products through e-commerce and physical boutiques.

## **Our supply chains**

There are three components of our supply chain.

1. We sell rough rubies, emeralds and amethyst at auctions to authorised auction partners. These partners sign up to our terms of business in order to participate in the auction process, and as part of that agreement, our partners will be subject to physical inspection of their facilities. For the purposes of this statement we restrict our response to our direct rough gemstone customers.
2. We purchase cut & polished amethyst, emerald and rubies from the wholesale market for jewellery customers who place varying sizes of orders with us. These gemstones come from a variety of sources and we have sourcing and sales teams based in the USA, UK, South Africa, Thailand and India to service the needs of our customers. Fabergé either sources the gemstones and precious metals directly or lets its work-masters source the gemstones and precious metals themselves. Gemfields' policies also apply to Fabergé and Fabergé's procurement documentation also features the same warranties. For the purposes of this statement we restrict our response to meaning those suppliers of cut & polished stones to Gemfields or Fabergé with whom there is a direct commercial relationship.
3. We procure operational mining goods and services from local and international businesses. These suppliers provide us with consumable products that enable us to run our business. Goods and services include but are not limited to the purchase of electricity, diesel, food, capital mining equipment, building construction services, medical, security services, logistics partners and a variety of technical consultants.
4. We procure a small amount of rough emeralds and sapphires from the open market in Zambia and Sri Lanka. These are bought through licensed trading offices and are procured to help us understand the local market dynamics and support smaller-scale producers.

## **Relevant policies and employment process**

Integrity is a central part of our corporate commitment as a publicly listed business. We have a variety of existing policies that are relevant. These include:

- Anti-corruption Policy & Code of Ethics
- Fairness at Work Policy
- Employment Policy and employee handbook

- Product Integrity & Stewardship Policy
- Human Rights & Security Policy
- Health & Safety Policy
- Whistleblowing Procedure
- Cut & Polished Supplier Code of Conduct

We recognise that we operate in a number of countries where historically, human rights abuses has been an issue of particular concern to international businesses. Gemfields has embedded a risk management process which provides oversight for enterprise risk across the business, ensuring it is assessed regularly, and effectively mitigated. We regularly review our mining-related operational procedures in relation to topics such as direct and indirect employment, procurement, security practices, community engagement, grievances, stakeholder engagement and government relations. We publish our group policies at each mining operation and, where necessary, do this in other languages such as Spanish or Portuguese.

Gemfields is committed to the benefits brought about by diversity and equal opportunity and therefore supports collective bargaining for our employees. We are active in supporting employee engagement, representation, dialogue and provide mechanisms for employees to raise concerns and grievances. We work with international and local recruitment agents to identify hiring needs and apply our employment practices in line with, and in certain aspects exceeding the requirements of, local legislation. In countries where established recruitment practices are not possible (for instance in very remote areas), we rely on local agencies to recommend individuals that are suitable to be hired and we carry out the same recruitment practices as with more established operations.

We recognise there is a risk under the broader definition of slavery and human trafficking in the hiring of temporary or seasonal workforces at our mining operations. Our local HR teams, working with local and international recruitment agents, are responsible for implementing local, legally compliant and applicable processes involving background checks to ensure that the relevant workers have all the necessary identification and documentation to prove, as far as possible, their eligibility and legitimacy to work. We do not, under any circumstances, withhold the documentation of any person either directly employed by the Company or our temporary/seasonal workers.

## **Risk assessment and due diligence**

The risk of slavery and human trafficking within our own organisation is mitigated as a result of our strict employment policies and procedures as well as the establishment of control functions and a control environment that is built into our enterprise risk management process. We assess country-level risk, based on a number of factors including geopolitical risk, financial control and corruption risk and external governance factors. On a quarterly basis we assess strategic risk across the business at a Board level, with senior management and among department heads and we assess operational risk on a monthly basis within each mining operation.

We acknowledge there is a risk of slavery and human trafficking in the wider, wholesale coloured gemstone supply chain from which Gemfields procures both traded rough material and cut & polished gemstones for customers as well as the work-masters that Fabergé procures from for the manufacture of its goods. Whilst the application of our Cut & Polished Supplier Code of Conduct can address the risk of human rights and slavery in the cut & polished procurement process and our '*Gemfields Authorised Auction Partner*' process within our own auction partners

network can address risks in the rough sales process, we currently do not assess or address such specific risks with rough traded suppliers or indirect cut & polished suppliers in the supply chain either from a Gemfields or Fabergé perspective. We do require, however, our direct suppliers to sign warranties during the procurement process that references our policies and this is a stated requirement in our procurement process documentation and we expect our direct suppliers to uphold the same policies with their suppliers. We are continuously evaluating ways to further improve our levels of confidence within this sector of the market.

We also undertake activities to audit our rough gemstone customers. Prior to auction we invite key customers to join our '*Gemfields Authorised Auction Partner*' process which requires customers to sign up to our business terms and policies and agree to be subject to both paper-based and physical inspection audits. We have a social & environmental audit programme whereby we audit our authorised partners using SA8000 Standard and the Responsible Jewellery Council Codes of Practice Standard as guides with the help of qualified external auditors. We incorporate the findings into our risk management process as well as providing improvement recommendations to customers.

Whilst each of our mining operations has financial limits to procurement and established procurement processes, we do not currently audit our suppliers of consumable goods and services regarding slavery or human trafficking, however we do have a Know Your Supplier process in place.

## **Training and awareness**

We provide training to our operational and security teams at our mining operations in accordance with the Voluntary Principles for Security & Human Rights. We also provide training for all of our management, sales and support office staff on anti-money laundering and business ethics. We do not currently provide specific slavery and human trafficking training within the organisation although we do intend to implement a programme which covers this in the coming financial year.

## **Reviewing compliance and performance**

Gemfields outsources internal audit services to recognised and accredited service providers. We work closely with these providers to ensure that the stated controls exist within our company and that we have the ability to provide evidence supporting the claims we have made about such controls.

While Gemfields places a significant degree of importance on the fundamentals of Health, Safety and Sustainability, it does not have any Key Performance Indicators that relate directly to slavery or human trafficking. Any incident involving our employees or recruitment agents in such practices would constitute grounds for breach of employment contract and/or invoke the relevant policies and, as such, it is likely to trigger immediate disciplinary action. We do, however, monitor the broader data and practices that relate to the mitigation of slavery or human trafficking and these include:

- Number of employees who have completed human rights training
- Number of employees who have completed anti-money laundering and code of ethics training
- Investigating locally reported internally and externally grievances

- Investigating whistleblowing
- Investigating security incidences
- Analysis of customer audit results



Signed: \_\_\_\_\_

Ian Harebottle, CEO Gemfields

Date: 07/06/2016