

# GEMFIELDS

## **Modern Slavery and Human Trafficking Statement for Financial Year ended 30<sup>th</sup> June 2016/17**

This Statement is made pursuant to section 54 of the Modern Slavery Act 2015 (the “Act”) and covers the financial year ending 30th June 2017. 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**

We are committed to opposing slavery, human trafficking and similar abuses in our operations and supply chains. We are committed to a range of processes we have introduced to mitigate the likelihood of such abuses from occurring and will continue to make improvements to those processes aimed at ensuring that modern slavery and human trafficking does not occur as our business grows.

### **Meaning of slavery and human trafficking**

We take our 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**

Gemfields is wholly owned by Pallinghurst Resources Limited, a specialist natural resources investment company listed in South Africa (JSE: PGL). Gemfields’ core business is the mining and sale by auction of rough coloured gemstones, amethysts and emeralds in Zambia and rubies in Mozambique. We hold majority ownership in currently non-producing exploration and mining joint venture operations in Ethiopia and we hold an exploration licence in Madagascar. Gemfields is also the owner of the Fabergé jewellery brand.

Gemfields’ corporate headquarters is in London and we have sales and support offices in South Africa, India and Thailand. In total we directly employ nearly 2,000 people globally and this is 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, globally and locally, apply to full time equivalent (“FTE”) employees and contractors alike, but specific terms and conditions are set by the prevailing local laws in the countries of operation.

The majority of our revenue is derived from the sale of rough coloured gemstones sourced from our own mines. After mining, gemstones are either further processed (treated) via our offices in India and then sold via our auction process, or sold via our auction process directly in the natural form without processing. In both cases we disclose any treatments at the point of sale. Our selling process is an invite-only auction process where, inter alia, jewellery manufacturers, gemstone processors and traders (collectively these are our ‘Authorised Auction Partners’, “AAPs”) are presented with a range of rough stones which they inspect and bid on. We have a

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secondary market which is our cut & polished sales division where we source cut & polished stones for jewellery customers. These stones are sourced from the AAPs in order to provide our customers with greater assurances on chain of custody than can be achieved by buying from the open market.

Fabergé is a luxury brand specialising in high-end jewellery and watches. Fabergé has wholly owned boutiques in London, UK and Houston, USA and an e-commerce website through which it retails to customers. Fabergé also has a wholesale business retailing to other third parties such as department stores. Fabergé outsources the manufacture of its jewellery and watches to artisan suppliers in the UK and Europe; commissioning the sourcing of stones and precious metals to the manufacturers themselves.

All Gemfields' policies including this statement apply to our mining operations, joint-venture businesses and Fabergé.

## Our supply chains

Gemfields has a number of roles in the mining and trading of coloured gemstones, and as a jeweller, via Fabergé. As a miner, we own the means of production of approximately 30% of world supply of rough rubies, emeralds and amethyst; we have nearly 2,000 FTE employees globally, that have been hired through a contractual and union membership-based employment process. Any seasonal or contract labour is sourced via known recruitment agents or local labour providers and all contractors are vetted for their legitimacy to work in our countries of operation.

As a coloured gemstone trader, we buy back cut & polished gemstones from our AAPs. We purchase cut & polished amethyst, emerald and rubies for jewellery customers who place varying sizes of orders with us. As a jeweller, Fabergé participates in the same supply chain by using (though not limited to) platinum group metals such as gold and platinum as well as a range of gemstones such as diamonds, rubies and emeralds in the outsourced production of jewellery and watches.

For the purposes of this statement, we report on the steps taken primarily within our primary and direct supply chains. However, for the avoidance of doubt, we also refer to the steps taken in our own mining operations. In terms of supply chain, we primarily mean those suppliers of cut & polished stones to Gemfields with whom we directly deal although we also report on the steps that we are taking within extended supply chains and also refer to Fabergé's sourcing process.

## Relevant policies and 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
- Anti-money laundering & Counter-terrorism Policy
- Employment handbook and relevant employee conduct policies
- Product Integrity & Stewardship Policy
- Human Rights & Security Policy
- Health & Safety Policy
- Whistleblowing & Grievance Procedures
- Coloured Gemstone Supply & Sourcing Responsibility Standard

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We recognise that we operate in a number of countries where human rights is an issue of particular concern. Gemfields has embedded a global enterprise risk management process which ensures that risk across the business is assessed regularly and effectively mitigated. We regularly review our mining-related operational policies and 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 work with vetted local contacts to identify potentially skilled or semi-skilled 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 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 applicable processes involving vetting of labour providers, carrying out background checks on relevant workers to ensure they have all the necessary identification and documentation to prove their eligibility and legitimacy to work. We do not, under any circumstances, withhold documentation of either directly employed workforce or temporary/seasonal workers.

## **Risk assessment and due diligence**

The risk of slavery and human trafficking arising directly within our own organisation is mitigated as a result of strict employment policies and procedures, background checking and the establishment of control functions and a control environment that is built into our enterprise risk management process. On a quarterly basis we assess strategic enterprise risk across the business with the Board, Senior Management and Department Heads and we assess operational risk with each mining operation. We assess country-level risk, based on a number of factors including geopolitical risk, financial control and corruption risk and external governance factors. Contextually and specifically related to human rights and slavery, we refer to the Human Rights & Business Country Guides for Zambia and Mozambique as well as the 2016 Global Slavery Index.

We acknowledge there is a risk of slavery and human trafficking in the wider, wholesale coloured gemstone production and downstream supply chain from which Gemfields ultimately procures cut & polished stones for customers. As such the risk arises that coloured gemstones or precious metals that have been mined in conditions that include forced labour will find their way into the supply chain. This mineral supply chain risk applies to materials supplied to the manufacturers of jewellery and watches that Fabergé outsources to for its goods.

Whilst the application of our own Product Integrity & Stewardship Policy and Supplier Code of Conduct can address the risk of human rights and slavery with our direct suppliers, we currently do not have the ability to carry out risk assessments beyond our primary suppliers either for Gemfields' or Fabergé. Nevertheless we require our direct suppliers to sign warranties during the procurement process that references our policies and

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this is a stated requirement in our procurement process documentation. We expect our direct suppliers to uphold the same policies with their suppliers. In 2018 we are committing to take further action in our supply chain by asking our primary suppliers to disclose more information about their suppliers including requiring them to acknowledge the importance of the UK's Modern Slavery Act. We are committed to ensuring that both Gemfields and Fabergé adhere to the highest industry sustainability and ethical standards by becoming certified members of the Responsible Jewellery Council by 2020.

We also undertake activities to audit our rough gemstone customers since the AAPs make up our supplier base for cut & polished gemstones. Prior to becoming an AAP, customers are required to sign up to our business terms and policies and agree to be subject to both paper-based and physical inspection audits of their facilities. We carry out third party social & environmental audits via a risk-based due diligence tool that is aligned to SA8000 standard, to the Responsible Jewellery Council's codes of practice and we incorporate the findings into our risk management process and know-your-customer/supplier process by flagging up any concerns we have with wider human rights issues. To date we have no evidence of any human rights abuses or evidence of human trafficking or slavery in those AAPs' factories.

## **Training and awareness**

We provide training to all our operational and security teams at our mining operations on Security and Human Rights, meeting the Voluntary Principles for Security & Human Rights. Training does not specifically address modern slavery, but meets the requirements to demonstrate that our operational colleagues are aware of human rights risks. Our operational community development teams raise awareness of human rights risks within the communities, most significantly the potential use of women and children in the wider gemstone mining industry, and such concerns are raised locally with relevant authorities if we witness such occurrences in our local communities. Our community development teams locally provide whistleblowing processes and grievance procedures for the community in line with recommendations and guidance from the IFC, World Bank and OECD. We provide training for all sales and support office staff on anti-money laundering and business ethics and also provide our AAPs with template policies to help them comply with policy principles relating to human rights abuses such as modern slavery.

## **Reviewing compliance and performance**

We outsource internal and external audit services for any investigations into control management and compliance. We work closely with service providers to ensure that stated controls exist and that we have the ability to provide evidence supporting claims made about such controls. This includes elements relating to security, community development, grievance and supplier performance.

Gemfields does not currently have Key Performance Indicators that relate directly to slavery or human trafficking as any incident involving our employees or recruitment agents would constitute grounds for breach of employment contract, breach of relevant policies, grounds for contract termination and possibly criminal investigation, and, as such, is likely to trigger severe disciplinary action or escalation to authorities. Therefore we do not believe that the implementation of KPIs at this stage is relevant to the likely risk of slavery or human trafficking occurring directly within the purview of our operations. However, we do monitor 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

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- Number of employees who have completed anti-money laundering and code of ethics training
- Investigating locally reported internal and external grievances
- Investigating whistleblowing
- Investigating security incidences
- Analysis of customer social & environmental audit results and performance management
- Compliance with our Product Integrity & Stewardship Policy

This statement was approved by the Chief Executive Officer of Gemfields in his capacity as a Board Director of Gemfields plc and as a Director of Pallinghurst Resources Ltd.



Sean Gilbertson  
CEO, Gemfields plc

October 2017