



GEMFAIR™

The GemFair Way

2018-2019

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The context

The artisanal and small-scale diamond mining (ASM) sector represents an important source of global diamond production and provides a critical livelihood for people working in the sector. However, artisanal and small-scale miners face many barriers, with lack of capital, low productivity and informal practices being among the most notable. These barriers, among others, mean the sector lacks access to formal markets to sell its production and ASM miners rarely receive fair value for their diamonds.



The GemFair toolkit

GemFair was established by De Beers Group to support the formalisation of the ASM sector by raising standards, capturing fair value and tracing the diamonds they sell to us from the mine onward, in order to open up a new supply of diamonds from ethical sources. GemFair uses digital technology to trace ASM diamonds from the time they are discovered at the mine site and requires all participating sites to meet minimum operating and ethical standards aligned with the OECD Due Diligence Guidelines for Responsible Supply Chains of Minerals. Ultimately, GemFair is focused on creating equal opportunities and improving the standards and reputation of the ASM sector.

Following the initial launch, we received significant interest from other ASM sites in Sierra Leone to participate in the programme. In April 2019, the programme was expanded to provide opportunities for more sites to participate and to widen the impact. The expanded programme includes a membership model whereby mine sites are incentivised to participate in GemFair by meeting the strict set of core OECD requirements in order to join the programme, while working towards full Maendeleo Diamond Standards™ certification within a one-year timeframe.



There are 94 mine sites participating in GemFair and we have a robust solution that allows GemFair to digitally trace responsibly sourced ASM diamonds from mine to export, with assurance that all of the diamonds come from one of the approved sites. Our Members align with our requirements and we're phasing in a training and risk management programme to support their continuous improvement.

In the year ahead, we're focusing on further raising standards through training and other measures so that they can mine more productively and efficiently in a safer and more environmentally responsible way. We also acknowledge that accessing equitable financing arrangements is a key barrier for artisanal miners and we are looking at ways we can help with this process.



Introducing the Assurance Programme to a new Member

Sierra Leone

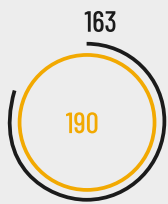
Country profile



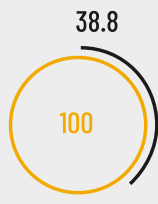
Sierra Leone is a West African country with a population of approximately 7.3 million people, as well as a wide diversity of ethnic groups, languages and regionalised customs. Once eponymous with the so-called 'blood diamond' debate, Sierra Leone has come a long way in economic and political development since the end of the conflict in 2003. The artisanal and small-scale mining sector is peaceful but in need of formalisation. GemFair was created in an attempt to drive essential diamond revenue for Sierra Leone so that the sector can be a source of economic development.

The nation is divided into 14 districts and 190 chiefdoms. Each chiefdom is led by a Paramount Chief selected according to regional traditions. Paramount Chiefs wield significant formal and informal power in both local and national politics.

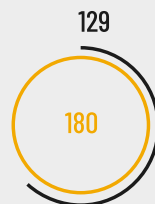
Key indicators for Sierra Leone



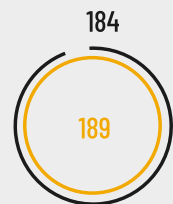
World Bank Ease of Doing Business Index



WEF Global Competitiveness Index



Transparency International Corruption Perceptions Index



UN Human Development Index

The mining sector

Sierra Leone produces metal ores, industrial minerals and precious metals, but the country is perhaps best known for its diamond mining sector. Artisanal and small-scale diamond mining is a significant portion of the sector, with artisanal export volumes reaching 181,508 carats in 2018, 24% of total diamond exports from Sierra Leone.

The ASM value chain

A complex value chain of financial and material labour brings ASM diamonds to market.



DIGGER



The workers at an ASM mine site, including shovellers, panners and haulers.



GROUP LEADER



Oversees work of between 5-10 diggers.



MINE MANAGER



Hired by the licence holder to manage day-to-day operations. Also referred to as a miner.



SUB-CONTRACTORS



Rents out a defined sub-area of an artisanal mining licence from a licence holder; pays for daily operations in the sub-area and shares revenue with the licence holder. Also referred to as a supporter.



LICENCE HOLDER



The holder of an artisanal mining licence; pays for daily operations or rents out pits to sub-contractors. Also referred to as a miner.



SUPPORTER



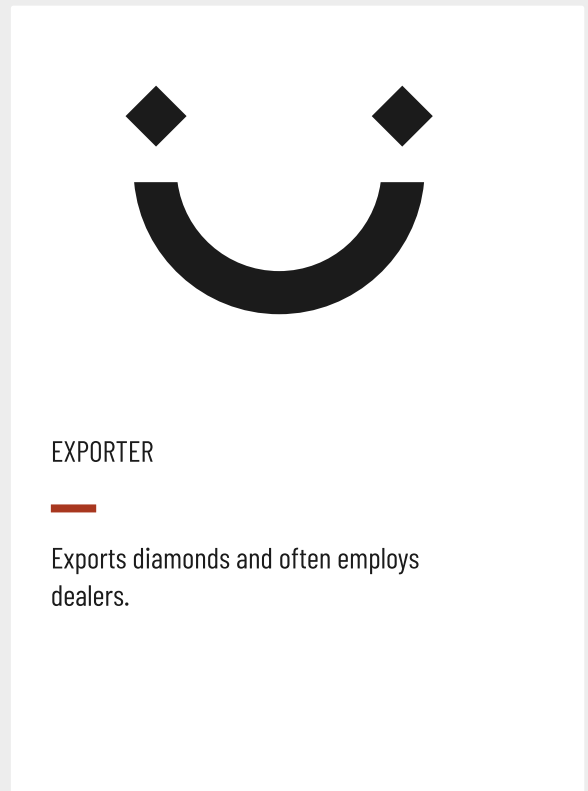
Provides financial or in-kind support to miners.



DEALER



Purchases diamonds.



EXPORTER



Exports diamonds and often employs dealers.



Mining village in Kono

Our community engagement and outreach

Community engagement is at the heart of everything we do. Our outreach in mining communities takes a holistic approach: At each village meeting, we introduce GemFair to local miners. We explain the way the GemFair buying process works and our emphasis on providing fair value and respect to our customers. In essence, we are set apart from other buyers in the district.

It is important for us, and for our customers, to buy diamonds that are traceable and ethically sourced. We have expert buyers in-house that underpin our confidence in the price we offer. What is more, we support the livelihoods of miners by offering a fair price, providing training in diamond valuation and setting standards that improve the working conditions of mine sites.

2018 Highlights

7

Chiefdoms visited

24

Villages visited

30

Mine sites
participating in
GemFair

450

Individual workers
(approximate)

2019 Highlights

7

Chiefdoms visited

70

Villages visited

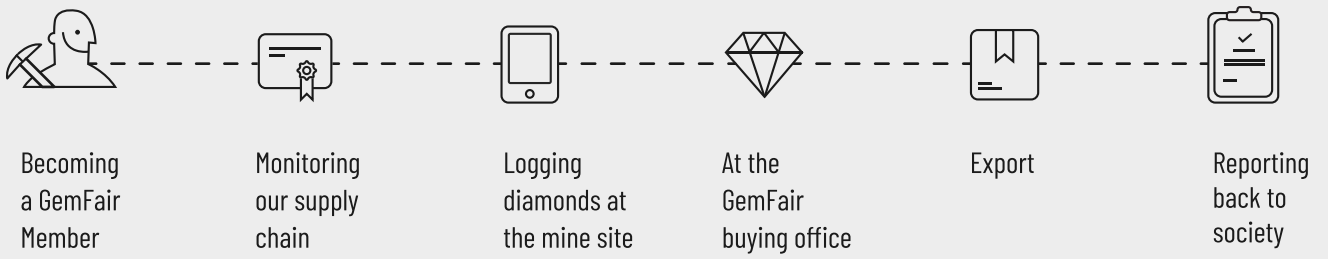
94

Mine sites
participating in
GemFair

1410

Individual workers
(approximate)

How GemFair works



Programme

Our due diligence procedures

Candidates must pass our initial due diligence checks—which are closely aligned with the OECD’s Due Diligence Guidance for Sourcing Minerals from Conflict-Affected and High-Risk Areas Annex II—including proving that they possess a license to operate. Our due diligence verification includes a site visit to gather information about the mine’s precise location and working conditions, ensuring that our gated criteria is being met. We also screen the candidate through an international database.

GemFair Core Requirements

Our core requirements are aligned with the OECD’s Due Diligence Guidance Annex II Risks.

These material issues include:

- Human rights abuses
- Violence and discrimination
- Impeding traceability
- Child labour
- Sexual and gender-based violence
- Otherwise bringing the industry into disrepute
- Forced labour
- Directly contributing to conflict
- Direct or indirect support of non-state armed groups
- Money laundering and terrorism financing

When artisanal miners become part of the GemFair programme, they demonstrate an absence of any OECD Due Diligence Guidance Annex II Risks and begin a journey of continuous improvement.

Obtaining consent

GemFair Members are the owners of their data. We only share disclosed information with their express consent. Before a miner signs up to the GemFair Programme, we personally walk him or her through our contract and answer any questions or concerns. The information we gather about our Members and their mining operations is stored securely on the GemFair App, which facilitates our vetting of potential members and our monitoring activities.



GemFair staff member explaining the contract clauses before the Member registers

The Diamond Development Initiative

We're working with the Diamond Development Initiative (DDI), a non-profit organization that has supported the improvement of working practices in the artisanal diamond mining sector. DDI's Maendeleo Diamond Standards Programme™ (MDS) works with many of the ASM miners selling to GemFair. We verify that each site we purchase from meets our minimum requirements, and we are currently gathering information from DDI on when those sites will also be certified by a third-party auditor against the MDS requirements.

Becoming a GemFair Member

If the candidate passes our screening, they're invited to sign on to either the DDI's Maendeleo Diamond Standards Programme or the GemFair Responsible ASM Assurance Programme. Members in good standing with either programme are welcome to sell their diamonds to GemFair. We recognise that context is everything when addressing the materiality of breaches. If we suspect a Member has breached our requirements, we look at the nuance of the situation, investigate all sides of the issue and in extreme cases commission an assessment by a third-party. If the issue is grave, we will disengage, but this is our last resort. This year, we disengaged from two mine sites.

Case Study

An individual managing one of our Member mine sites presented a simulant rough diamond for sale and we suspected that he had done so intentionally. We put the Member on written notice of suspension until we had a better understanding of the situation. We commissioned a third-party auditor to interview our staff, the workers at the mine site in question and the individuals managing the site and holding its licence.

The auditor concluded that the licence holder and workers were unaware of the individual's attempt to by-pass our traceability procedures. At the auditor's recommendation, we took the decision to allow the mine site back into the programme, on the condition of heightened monitoring and exclusion of the individual who presented the diamond simulant.

We believe that direct engagement with ASM miners is an important way to support behaviour change.

Monitoring our Supply Chain

We invite cohorts of new Members to participate in a suite of training workshops on subjects outlined in the OECD Due Diligence Guidance, including the importance of human and worker rights, business integrity, as well as fair wages, health and safety, first aid and environmental management, among others. The training and support we provide our Members are not isolated to one workshop; we work with our Members long term to support the improvement of their working practices, including training and action plans, based on their needs.

Our management systems

188

AML checks

83

Site visits

10

Classroom trainings

17

Baseline assessments

67

Spot checks

2

Third-party audits*

*In addition, GemFair underwent a third-party audit for the Best Practice Principles Assurance Programme and the Responsible Jewellery Council Code of Practices this year. An audit report summary for the BPPs and our RJC certificate will be published once we are certified.

The GemFair Responsible ASM Assurance Programme draws on existing best practice for sourcing responsibly from artisanal and small-scale miners, including the OECD's Due Diligence Guidance, the United Nations Guiding Principles for Business and Human Rights, De Beers Group's Best Practice Principles Assurance Programme, the Diamond Development Initiative's Maendeleo Diamond Standard Programme™ and ARM and Resolve's CRAFT Code, among others. Our ASM Standard is field-ready and we recently launched our full assessment framework in Spring of 2019.

GemFair Sierra Leone team

Location Manager

Oversees all operations

Service Support Officer

Provides technical support to miners when they have questions about our hardware and software toolkit

ASM trainers

Carries out classroom and site-based training on the GemFair ASM Standard

Outreach Officer

Conducts community engagement and outreach

Field Officer

Visits mine sites to log diamonds

Compliance Officer

Carries out announced and unannounced spot checks of Member mine sites against our Core Requirements



How Members meet our ASM Standard Requirements

We assess GemFair Members on their business and working practices. Assessments include observation at the mine site, interviews and document review. We use non-material breaches as a training opportunity and set out Risk Management Plans (RMP) in collaboration with the Member so that the RMP can be achieved within a reasonable timescale.

Red A material breach of our Requirements.	Yellow A non-material breach of our General or Legitimacy Requirements, such as a lapsed mining license or a lack of safety signage at the mine site.	Green All requirements are being met.
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We work closely with ASM miners, government and civil society to share information and complement our own robust monitoring of the ASM sector. We also provide several ways for stakeholders to get in touch with us, including a third-party reporting service if they need to make a complaint about any of our Members or indeed our own activities on the ground. Further information can be found here: [Whistleblowing Policy and Procedure](#).

We commission regular third-party audits of the effectiveness of our due diligence management system and a sample of our Members to ensure that the claims we make about their compliance are verifiable. Our first summary audit report and our response incorporating the auditor's recommendations can be found here: [Third-Party Audit Report](#) and [GemFair response memo to third-party audit](#).

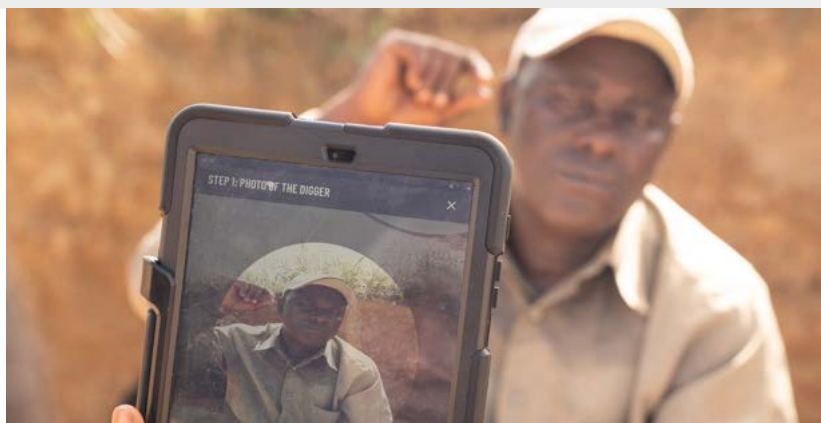
Provenance

Logging diamonds at the mine site

Members receive a GemFair Toolkit to log and bag diamonds themselves once they have achieved certain milestones on their progress in either the MDS or GemFair ASM Assurance Programme. Members who have not yet met those milestones phone our office when they discover a diamond, and one of our field officers will travel to the Member's mine site to log it for them. The location of each Member mine site is registered in our database so when a diamond is logged, we can trace it directly to the site where it was recovered.

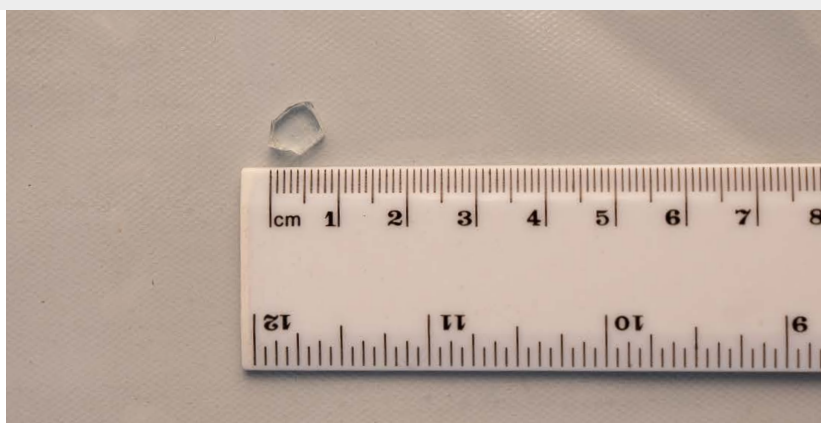
Step 1

Taking a photo of the miner with the diamond.



Step 2

Taking a photo of the diamond against a ruler, to get a sense of scale.



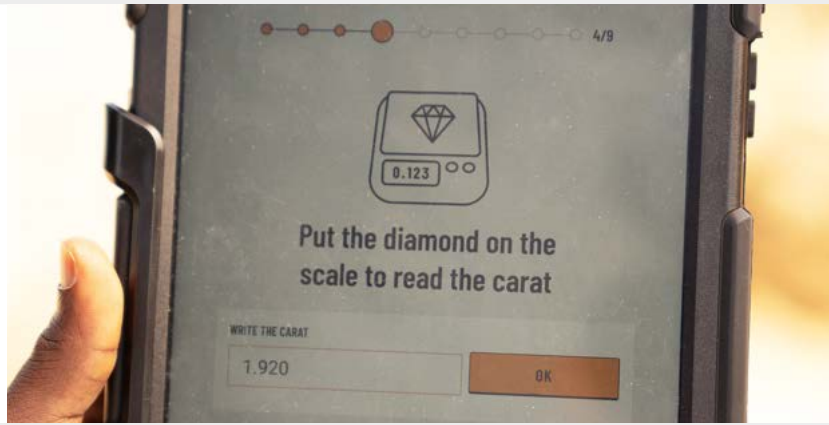
Step 3

Weighing the diamond and photographing it on the scale.



Step 4

Recording the weight, colour, shape and quality in the GemFair App.



Step 5

Placing the diamond in a unique and tamper-proof QR-coded bag.



At the GemFair buying office

When a miner brings in a diamond or batch of diamonds to our office, our buyers conduct routine checks on the miner's licence status and the condition of the QR-coded bags. We then open the bag, clean the diamond and value it according to the four Cs—colour, clarity, cut and carat—and add in fluorescence for larger diamonds. For really interesting diamonds, we may use a rough to polish mapping machine to see the diamond's polished outcome.

We cross-reference this information against the De Beers Price Book and arrive at a unique price based on its characteristics. If the miner chooses to accept our offer, we issue a receipt and pay the miner in either cash or by bank transfer. We follow best practice with respect to handling cash and declare all transactions above the nationally-mandated threshold. Our transactions are all logged on our app, linked to an image of the diamond and the QR-coded bag it arrived in, which provides an added level of traceability for transactions. We also monitor our Members regularly on an international database for any suspicious links, such as to political groups or sanctioned individuals, that would heighten the risk for money laundering.



GemFair Buyer examining a diamond

The miner is with us every step of the way: we treat each valuation as a learning opportunity, so the miner can understand how we get to our offer.

Export

As we prepare to export, we follow several important steps. Before leaving our office, the diamonds are removed from their bags and sorted into government-mandated categories and placed in new bags. This procedure helps the Precious Mineral Trading Unit (PMTU) of the National Minerals Agency (NMA) value diamonds efficiently. We then transport the diamonds securely to the capital. At the PMTU, the NMA has a tri-partite evaluation procedure in place: a valuation is done by the company, the second by the PMTU and the third by an independent evaluator. The highest valuation of the three is then used and we pay all required export taxes before the parcel is sealed and certified with a Kimberley Process Certificate. Before the parcel arrives at its final destination, our customer receives our invoice, which aligns with the requirements of the World Diamond Council's System of Warranties.



The GemFair team in Sierra Leone

Stone-by-stone traceability

To facilitate a smooth valuation, the PMTU has a procedure in place to sort diamonds according to different categories. Prior to export, our diamonds are removed from their QR-coded bags and aggregated. This means that we cannot state from which mine site a GemFair stone originated. In the interim, we can state with confidence that the stones we source come from any one of our 94 approved mine sites.

Our future integration with the Tracr Connected Industry Platform (currently in development) will allow us to provide stone-by-stone traceability for GemFair diamonds of certain sizes, creating assurance that these diamonds were responsibly sourced. Tracr ensures each diamond's provenance, traceability and authenticity through physical identification techniques, data science and distributed ledger technology, creating an immutable digital trail for every diamond recorded on the Tracr Platform. See www.tracr.com for more information.

Our diamond transport and export procedures are designed to ensure the safety of our people and product.

Reporting back

A critical part of our work is reporting back to mining communities and civil society organisations in the region. In 2018, we conducted a livelihoods assessment to obtain a baseline of the living and working conditions of artisanal mining communities in the Kono District. Over 300 households located in some 40 villages participated in the assessment. Now our field team is carrying out a sensitisation campaign on some of the key issues we uncovered around road safety, occupational health and safety, anti-corruption reporting options provided by the government and more.

It's also our regular practice to hold meetings and roundtables with both local and international non-governmental organisations and the government of Sierra Leone to share information and knowledge on the emerging challenges in Kono's ASM sector.



View additional reports

Find links to reports on the at the GemFair Way - <https://gemfair.com/>

- GemFair ASM Standard Requirements
- GemFair ASM Standard Manual
- Whistleblowing Policy and Procedure
- Sourcing from Conflict-Affected and High-Risk Areas Policy
- GemFair's Third-Party Audit Report Summary
- GemFair response memo to the third-party audit



GEMFAIR™