

GEMFIELDS

Modern Slavery and Human Trafficking Statement

Year ending 31st December 2020

This Statement is made pursuant to section 54 of the Modern Slavery Act 2015 (the “Act”) and covers the financial year ending 31st December 2020. It provides an explanation of the steps that Gemfields Group Limited and its subsidiaries (“Gemfields”, “we”, “Group”) take to combat the potential for modern slavery and human trafficking in its business and supply chains.

In the previous reporting period, the Group’s revenues were USD 216.2 million (and after deductions its net profit was USD 39.1 million). 2020 was a difficult year commercially, as a result of the impact of COVID-19, and the Group generated revenues of USD 34.5 million with, after deductions, a net loss of USD 93.2 million. Despite this, Gemfields is committed to disclosing a Statement.

Public Commitment

Gemfields has a zero-tolerance policy with regards to slavery, human trafficking and any similar abuses across its operations and supply chains. We are committed to a range of procedures introduced to mitigate the likelihood of such abuses occurring and will continue to make improvements to these procedures.

Our understanding of modern slavery and human trafficking

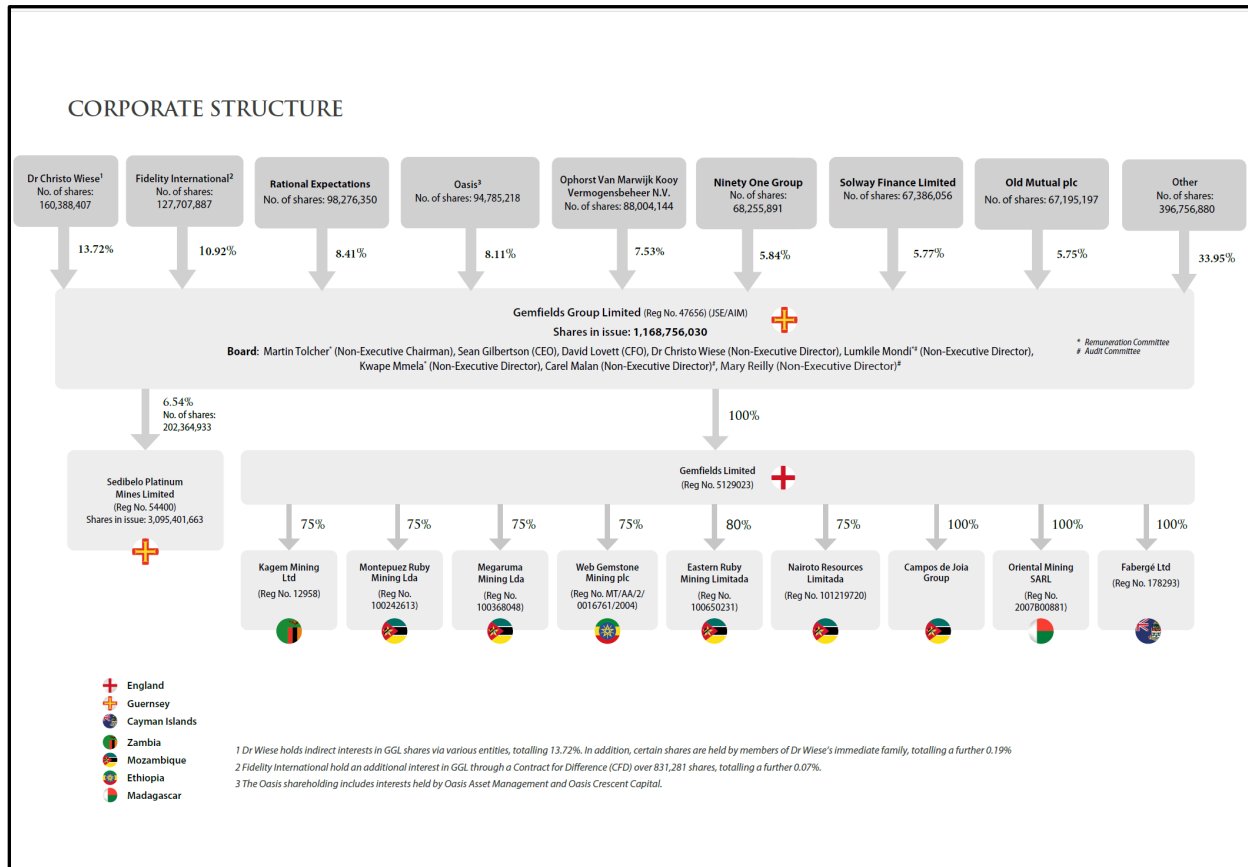
We take our understanding of modern slavery and human trafficking from the offences set out in the Act and we refer to the UN Universal Declaration of Human Rights and “human rights” more generally in our Human Rights Policy as well as a range of other Group policies that address, inter alia, communities, employees, security and grievance systems. We understand that forced, bonded or indentured labour is a form of slavery and includes 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.

Overview of our business model

Company structure and operations

Gemfields is principally a mining company with its primary listing on the Johannesburg Stock Exchange (“JSE”) and secondary listing on the UK’s Alternative Investment Market (“AIM”). Gemfields’s core business is the mining and sale by auction of rough coloured gemstones; emeralds from the Kagem mine in Zambia and rubies from the Montepuez mine in Mozambique. Gemfields also holds majority ownership in currently operational but non-producing exploration and mining joint venture operations in Mozambique and non-operational licences in Ethiopia and Madagascar. Gemfields’ main subsidiary, Gemfields Limited, is also the 100% owner of the Fabergé jewellery brand. Gemfields also has a minority stake in a platinum mine, Sedibelo. A structure diagram is provided below.

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Gemfields' corporate headquarters are in London and we have sales and support offices in South Africa, India and Thailand. In total, we employ approximately 2,300 staff globally and this is made up of employees and contractors, as well as the occasional use of outsourced, seasonal manual labour, when demand requires it. All employment and related corporate policies, globally and locally, apply to full time equivalent ("FTE") employees and contractors (collectively "staff") alike, but specific terms and conditions are set by the prevailing local laws in the countries of operation and individuals employment terms.

Source of revenues

The majority of Gemfields' revenue is derived from the sale of rough coloured gemstones mined solely from our own mines. We do not acquire any rough gemstones from other sources, be they artisanal miners or supply chain traders. After mining, our gemstones are sold via an auction process directly in their natural form without further enhancement, alteration or processing. The selling process is via an invitation-only auction where assorted jewellery manufacturers, gemstone processors and rough gemstone traders (collectively called "Auction Customers") are presented with a range of rough stones which they inspect and bid on over the course of typically a one-week period.

Fabergé is a luxury brand specialising in high-end jewellery, accessories and watches. Fabergé has one wholly-owned retail boutique in Houston, USA and one in Dubai, both of which directly employ a small number of people, and an e-commerce website through which it retails to customers. Fabergé also has a wholesale business selling goods to third-party multi-brand retailers such as department stores. These points of sale are staffed

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exclusively by employees of those retailers. Fabergé outsources the manufacture of its jewellery to artisan suppliers in the UK and Europe who commission the sourcing of stones and precious metals.

All Policies and Procedures (defined below), including this Statement, apply to the mining operations, joint-venture businesses and Fabergé. Given the size of the Gemfields's investment in the Sedibelo platinum mine, at only 6.54%, the Company has no oversight of Sedibelo's policies or processes.

Impact of COVID-19

COVID-19 had a significant impact on the Group in 2020. Lockdowns affected every country of operation and national border restrictions impacted ability to move goods for sale. As such, there were limited channels available to generate revenue. Most significantly, to ensure longer-term financial sustainability, stringent cost-efficiency measures were put in place to preserve cash. This included the complete shut-down of mining operations and ancillary services. During the shut-down the operations were limited to a small number of senior staff and security personnel with only limited gemstone grading and sorting taking place. All staff observed COVID-safe working practices and procedures.

COVID-19 related modern slavery risks

The health and safety of workers

- Gemfields principal mining operations, the Kagem and Montepuez mines, were shut down for most of 2020 which led to the effective furloughing of the majority of employees. Employees continued to be paid in line with applicable local laws and employment contracts.
- Offices and other facilities (which were closed as a result of the COVID-19 pandemic) have or will shortly be re-opened when it is safe to do so in line with the applicable government guidance and with appropriate safety measures in place.
- Subject to local employment law, employees are eligible for statutory sick pay.
- UK based staff were placed on a 4-day working week, receiving 80% of pay with emergency loans available.

Supporting suppliers

Gemfields continued to engage with suppliers. Payment terms have been honoured, or in some cases extended, subject to negotiation with the suppliers concerned.

Our supply chains

Gemfields has a number of roles in the coloured gemstone and jewellery supply chain:

- principally as a miner of coloured gemstones from producing mining sites under its operational control (Gemfields also has non-producing exploration licences);
- as a limited trader of cut & polished rubies and emeralds; and

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- as the owner of the Fabergé jewellery brand.

As a mining company, Gemfields is a point of origin for coloured gemstones in the jewellery supply chain. Gemfields own the direct means of production of approximately 30% - 50% of the world supply of rough rubies and emeralds.

Gemfields buys back a small number of cut & polished gemstones from Auction Customers on behalf of retail jewellery brands (not more than 1% of revenues). Fabergé sources platinum group metals as well as gemstones such as diamonds, rubies and emeralds for the production of jewellery and watches.

For the purposes of this Statement, we report on the steps taken within the primary and direct supply chains (the mining and sale to Auction Customers of rough coloured gemstones and the very limited trading of cut & polished gemstones). We also refer to the steps taken at our mining operations and at Fabergé.

Relevant policies and process

Integrity and transparency are central to our corporate commitment. We have a variety of policies and procedures (“Policies and Procedures”) that are relevant to identifying and combatting modern slavery. These include:

- Modern Slavery Policy;
- Anti Bribery & Corruption and Code of Ethics Policy;
- Anti Money-Laundering & Counter Terrorist Financing Policy;
- Enterprise Risk Management Policy & Procedure
- Whistleblowing Policy & Procedure
- HSE & Grievance, Incident & Accident Reporting Procedures;
- Employment rules & relevant non-contractual employment policies;
- Product Integrity & Stewardship Policy;
- Diamond Sourcing Policy (in reference to the Kimberley Process)
- System of Warranties Policy (in reference to the Kimberly Process)
- Human Rights Policy;
- Health, Safety & Well-being Policy;
- Know your Customer Policy & Procedure
- Procurement standard operating procedures.

We regularly review and update our Policies and Procedures subject to latest evidence, failures/breaches and/or identified risks.

Relevant Policies and Procedures are incorporated by reference into supplier and employee contracts. Our FTE employees all enter employment agreements with Group companies through a contractual and, in relevant countries, via a union-based collective bargaining process. Any seasonal or contract labour is sourced via known

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recruitment agents or local labour providers and all contractors are vetted for their legitimacy to work in our countries of operation.

Gemfields works with international and local recruitment agents to identify hiring needs and applies employment practices in line with, and in certain aspects exceeding the requirements of, local legislation. For skilled hires we carry out thorough background checks to ascertain any employment risks, although human rights or slavery related questions are not an active part of this process.

We recognise there is a risk of modern slavery, bonded/forced labour and human trafficking in the hiring of contractors at the mining operations (gardeners, cleaners, kitchen staff) although the use of this type of labour is limited to less than 10% of operational staff. Our local Human Resources 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 where practically feasible and ensuring they have all the necessary identification and documentation to prove their eligibility and legitimacy to work. We do not, under any circumstances, withhold any documentation of either directly employed workforce or contracted staff.

Risk assessment and management

We recognise that we operate in a number of countries where human rights, modern slavery and trafficking are an issue of particular concern. Gemfields has an Enterprise Risk Management framework (“ERM”), which includes a risk register to determine and describe the major risks and uncertainties that could have a material impact. Due to our direct employment practices, the risk of slavery occurring on our operations relating directly to our operational activity is negligible, and modern slavery is not currently a separately registered risk in the ERM, this will be kept under review.

We recognise that modern slavery or bonded/forced labour may occur outside and around the mining concessions, notably in relation to the criminal gangs that exploit artisanal miners to illegally extract gemstones. We address this risk through community engagement, grievance channels, and human-rights risk related security measures.

There is a supply chain risk in relation to the limited trading of gemstones and the procurement by Fabergé of materials for the jewellery manufacturing process. We mitigate this risk by conducting due diligence on all suppliers. Such due diligence requires suppliers to commit to complying with our Policies and Procedures.

Since 2017 there has been a well-publicised insurgency that has affected the Cabo Delgado province in which the Group’s Montepuez Ruby Mine (“MRM”) is situated. The escalation of this insurgency carried on throughout 2020. Whilst we are not aware of a specific escalation in risk related to modern slavery or bonded/forced labour, the conditions associated with the insurgency (c.700,000 internally displaced people, the forced ‘recruitment’ of primarily young men to the insurgency and the possibility that young women are forced to marry or become victims of sexual crime) are such that there is a general increased risk province-wide. The Group is aware of the wider security threat to its operations and its staff. Contingency planning for possible evacuation scenarios are updated as circumstances change, including in relation to the mandatory movement of staff away from danger. Staff will not be required to surrender their personal identification or passports, but their movement may be strictly limited and controlled should the operation and general safety be at risk.

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Due Diligence Processes

Due diligence to identify and verify identity as well as identify red flags is conducted on all suppliers and customers, including Auction Customers.

In late 2019, we fulfilled our commitment to ensuring that, by 2020, Fabergé would adhere to the highest industry sustainability standards by achieving certified member status of the Responsible Jewellery Council (“RJC”). To comply, a third-party auditor conducted a limited audit of the due diligence of Fabergé’s supply chain and part of the ongoing process and conditions of RJC membership is to undertake third-party due diligence of suppliers to meet the RJC’s supply chain requirements, including seeking clarity regarding:

- Serious abuses associated with the extraction, transport or trade of minerals;
- Direct or indirect support to non-state armed groups;
- Direct or indirect support to public or private security forces who illegally control, tax or extort money from mine sites, transportation routes and upstream actors;
- Bribery and fraudulent misrepresentation of the origin of minerals; and
- Money laundering and non-payment of taxes and royalties due to governments.

Training and awareness

We provide training to operational and security employees at the mining operations on security and human rights, and on implementing the VPSHR, although training does not specifically address modern slavery.

From time to time, our operational Sustainability & Community Engagement teams will raise awareness of human rights and security risks within the communities, most significantly in relation to artisanal mining. Such concerns are raised locally with relevant authorities if we witness such occurrences in the local communities. Our teams provide local grievance access points and publicly communicated procedures for the community to raise grievances in line with recommendations and guidance from the UN Guiding Principles on Human Rights (“UNGPs”), IFC/World Bank and OECD. The engagement with the community may be verbal/face to face but also be provided via leaflets and posters placed around the community to warn of risks.

We also provide training for all sales and support office staff on anti-money laundering and business ethics and also provide our Auction Partners with template policies to help them comply with principles relating to human rights abuses such as modern slavery.

Grievance procedures

In 2020, we made improvements to a number of existing systems for both the internal and external raising of grievances. These include:

- Employment-related channels that employees may use to raise concerns (typically via their line manager or escalated to more senior staff if required);
- A third-party whistleblowing service which receives and investigates grievances (available in all our countries of operation);

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- External grievance channels (including community offices, community grievance boxes and free hotlines) located close to our mining operations for local communities to raise grievances.

These grievance channels remained open and available during the COVID-19 pandemic. To date, we have not received any grievances, internal or external, related to modern slavery, however we will continue to monitor and report if necessary.

Gemfields has also implemented a ground-breaking Operational Grievance Mechanism (“OGM”) at MRM in Mozambique. The OGM has been developed with wide-ranging stakeholder consultation, in a manner compliant with the UNGPs. Whilst the OGM is focused on resolving cases of personal injury and human rights abuses, it will perform a wider function of supporting the identification of adverse human rights impacts as a part of MRM’s ongoing human rights due diligence.

Reviewing compliance and performance

We outsource external audit services and have an internal audit team that is independent on any line-management responsibility, who undertake investigations. We work closely with service providers to ensure that 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. From time to time, depending on capacity, the internal audit function may be tasked with undertaking site visits for investigations, and this may include investigating the procurement process. Should any suspicions regarding supplier practices be raised, internal audit may be called upon to investigate by conducting site visits. However, the internal audit team is not qualified to carry out social & environmental audits or undertake audits relating specifically to human rights or modern slavery issues. At this point in time, the Group does not have a dedicated compliance team or supply chain audit programme.

Gemfields does not currently have key performance indicators that relate directly to slavery or human trafficking. Furthermore, whilst we do not have the ability to physically inspect our supply chain’s operations with regularity, we do have the ability to monitor grievance systems and channels for the reporting of any modern slavery or bonded/forced labour incidents that may be raised. We will therefore monitor:

- Number of employees who have completed human rights and modern slavery training (if available and undertaken);
- Number of modern slavery or bonded/forced labour grievances raised through grievance channels; and
- Number of modern slavery or bonded/forced labour reported incidences reported through our internal whistleblowing system.

Supplier audits will become an increasingly important function of our internal compliance, led by our Internal Audit team. In addition to monitoring modern slavery risk in our countries of operation, subject to the availability of resources, and wherever possible, further monitoring actions may include:

- Keeping a record of the adoption of third-party audit rights in our standard contractual terms whenever possible and the number of occasions Internal Audit has exercised these clauses when required.
- Number of local procurement site visits to suppliers considered a high-risk of modern slavery.

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This statement was approved by Board of Directors of Gemfields Group Limited and signed by Sean Gilbertson in his capacity as a Director of Gemfields Limited and Gemfields Group Limited.



Sean Gilbertson
CEO
June 2021