

GEMFIELDS



Voluntary Principles on Security and Human Rights

2020 ENGAGED COMPANY REPORT

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Context and Background

This Report describes how Gemfields Group Limited (“Gemfields” the “Group”, the “Company” or “we”) and the group of entities controlled by Gemfields Group Limited has actively implemented the Voluntary Principles on Security and Human Rights (“VPSHR,” or “VPs”), at both Group level and at its mining operations (the “Operations”). This report covers the Group’s activity as a VPs Engaged Company through 2019 and 2020 and references some activity in the early part of 2021.

The Operations are listed in the summary table below. In the Country Implementation section, Kagem and MRM, which are the Group’s “Main Operations”, are described in more detail.

Summary of Operations

<i>Mozambique</i>	<ul style="list-style-type: none">○ Montepuez Ruby Mining Limitada (MRM): joint venture (“JV”), 75% Gemfields○ Megaruma Mining Limitada (MML): JV, 75% Gemfields (exploration phase)○ Eastern Ruby Mining Limitada (ERML): JV, 80% Gemfields (exploration phase)○ Campos de Joia Limitada. (CDJ): Gemfields 100% owned (exploration phase)○ Nairoto Resources Limitada (NRL): JV, 75% Gemfields (exploration phase)
<i>Zambia</i>	<ul style="list-style-type: none">○ Kagem Mining Ltd. (Kagem): JV, 75% Gemfields
<i>Ethiopia</i>	<ul style="list-style-type: none">○ Web Gemstone Mining (WGM): JV, 75% Gemfields (exploration phase¹)

¹ The operation has been inactive since 2018 with no personnel present.

The Company has two levels of security at its Main Operations:

- Internal security: employed under a contract of employment (referred to hereon as “Protection Services”)
- Private security contractors (“PSC”): contracted to assist Protection Services with security operations

At explorations sites, limited numbers of PSCs are used in a guarding capacity only. Protection Services may provide ad-hoc additional support to exploration sites but largely, exploration sites do not have dedicated Protection Services personnel. Management oversight from Main Operations is provided to exploration sites via PSC contracting arrangements and this includes implementation of policies and procedures.

In addition to Protection Services and PSCs, public security forces, provide support to the Operations.

Collectively Protection Services, PSCs and public security forces are referred to as “security personnel” throughout the Report, unless otherwise specified.

Our Commitment

1. Public statement of commitment

The implementation of security and human rights principles and practices across the Group is based on three principles:

1. To respect human rights by promoting compliance and transparency.
2. To take a human rights-focussed approach to risk at the Operations and in the communities where Gemfields operates; and provide access to remedy where required.
3. To provide appropriate and proportional security at the Operations without adversely impacting the human rights of our personnel or of the communities surrounding our Operations.

Gemfields is committed to complying with the overarching principles of the United Nations Declaration on Human Rights, the VPSHR and United Nations Guiding Principles on Business and Human Rights (UNGPs). Gemfields's commitment extends raising awareness of human rights, and to sharing its knowledge and experiences with interested parties and stakeholders.

At the Operations level, we seek to engage national stakeholders such as key government departments (mining department, relevant bodies set up to look at human rights, legal institutions etc) in country on an annual basis. However, given the nature of stakeholder engagement in the countries of operation this process is somewhat ad-hoc in terms of awareness-raising. At a Group level, we attend the VPSHR Annual Plenary Meeting as well as participating in country-level meetings (for the Group this is the UK) and corporate-pillar engagement to share findings and learnings. We welcome the opportunity to learn more and share our experiences.

2. Examples of promoting awareness of the VPs throughout the organization or government, including within the value chain.

Examples of how Gemfields promotes awareness of the VPs include:

Internal (including all security personnel)

- Communicating the results of human rights assessments and audits and corresponding recommendations across the Group.
- Regular training covering the VPs; daily briefings and discussions between operational senior management and security personnel, which include reference to the VPs; posters and aide memoir, which include the 5-step graduated force response (rules for the use of force), in local languages; memo-reminders to security personnel covering VPSHR guidance including in relation the proportionate use of force.

Government and non-Governmental stakeholders

- Regular meetings with government representatives at local, district, provincial and national level at which the issue of human rights (both broadly and in relation to the Operations) is discussed.
- Regular meetings with NGOs and civil society interested in human rights issues.
- Hosting events with organisations carrying out research on conflict, gemstone smuggling and security.
- Press-releases regarding deaths of illegal miners on the Operations (as a result of accidental pit-collapses) and press-engagement regarding serious security incidences (such as major incursions).

Coloured gemstone value-chain

- Dialogue with luxury brand partners via the Coloured Gemstone Working Group ("CGWG") in plenary meetings.
- Direct communications with jewellery brands setting out Gemfields's approach to human rights and its engagement with and implementation of the VPs.

- Dialogue with jewellery and coloured gemstone trade bodies and relevant standards setters (e.g. Responsible Jewellery Council (“RJC”), World Jewellery Federation (“CIBJO”), International Coloured Gemstone Association (“ICA”)) regarding sustainability, corporate responsibility and human rights issues including engagement with and implementation of the VPs.

Human Rights Training

Human rights training has been provided to employees across the Group since 2016. The training is delivered by Anuera Limited (“Anuera”), a risk management organisation who provide training and advisory services to the Group, as well as assisting with conducting risk assessments and audits. Anuera conducted two training exercises with Group senior management, in 2019 and again in 2020.

The following table sets out human rights training conducted across the Operations in Zambia and Mozambique to date.

Numbers of staff and security personnel trained to end 2020 (all operations including exploration sites)

	Zambia		Mozambique	
	To end 2019	To end 2020	To end 2019	To end 2020
General staff	531	63	122	9
Protection Services	172	172	144	11
Public security	9	21	619	241
Refresher training	100	n/a*		
Total training contact points	812	256	885	261

* New staff and staff receiving refresher training were grouped together in classes this year due to fewer personnel present because of the impact of COVID-19. The course content provided is exactly the same for refresher and regular classes, therefore the total numbers trained per staff category were also grouped together. Fewer security personnel were trained in 2020 due to lower numbers of staff present on sites.

MRM OGM

The Group has established an Operational Grievance Mechanism (“OGM”) at MRM in order to address grievances from the communities in which it operates. All grievances will be thoroughly investigated by an independent Fact-Finding Team and then brought to an Independent Panel (“IP”) for a decision. The IP has received training on the VPSHR and UNGPs. The trainings were conducted by Anuera and Anna Triponel, a globally renowned human rights expert. The IP consists of five members, who come from civil society, academic/research institutions, as well as from local communities.

3. Examples of promoting and advancing implementation of the Voluntary Principles internationally

Since our submission to join the VPSHR in February 2019, the engagement process has continued. These engagements are set out below according to type and attendance. The below does not include meetings with civil society groups or human rights advocacy organisations who engage directly with the Operations. Nor does it include regular community engagement at the Operations.

Engagement/participation and nature of engagement	Date(s) of engagement	Corporate or In-country engagement	Gemfields employees participating
VPSHR New Member's Meeting	18 th March 2019, in person meeting hosted by BP at Royal Airforce Club	Corporate	Gemfields Sustainability, Policy & Risk Director
VPSHR Annual Plenary 2019	18 – 20 th March 2019, in-person meeting hosted by VP Secretariat, London	Corporate	Gemfields Security Director Gemfields Sustainability, Policy & Risk Director
VPI call with BP	22 nd March 2019, telephone call	Corporate	Gemfields Sustainability, Policy & Risk Director
VPI call with Tullow Oil	24 th March 2019, telephone call	Corporate	Gemfields Sustainability, Policy & Risk Director
VPI call with Anglo American	30 th March 2019, telephone call	Corporate	Gemfields Sustainability, Policy & Risk Director
UK Government Department for International Trade Strategic Business Group Mozambique	3 rd April 2019, in person meeting hosted by British High Commission to Mozambique, Pemba, Mozambique	In-Country	MRM General Manager (GM) MRM Corporate Affairs Director MRM Head of Sustainability
Meeting with Her Majesty's Trade Commissioner for Africa	15 th August 2019, in person meeting at Montepuez Ruby Mine (MRM)	In- Country	MRM General Manager MRM Corporate Affairs Director MRM Head of Sustainability
VPHSR UK Working Group Meeting	17 th October 2019, in person meeting hosted by UK Foreign Office	Corporate	Gemfields Sustainability, Policy & Risk Director
Meeting with UK Ambassador for Human Rights	8 th November 2019, in person meeting hosted by British High Commission to Mozambique, Maputo, Mozambique	In-Country	MRM Corporate Affairs Director Third party VP training provider
Letter to Permanent Secretary Ministry of Mines & Minerals Development, Zambia	2 nd January 2020 Letter in response to query about Company's actions regarding human rights	In-Country	Kagem Emerald Mine GM
Baseline Study on Business and Human Rights in the Mining and Agricultural sectors in Zambia	21 st January 2020 report submitted to Zambian Human Rights Commission	In-Country	Kagem Emerald Mine GM
VPSHR Webinar: Security and Human Rights in the COVID-19 Era	29 th April 2020, Webinar hosted by VPSHR Secretariat	Corporate	Gemfields Group General Counsel
Glencore VPSHR Verification Presentation	30 th May 2020, Webinar hosted by VPSHR Secretariat	Corporate	Gemfields Legal Group General Counsel

Chatham House Webinar; Finding Solutions to Insecurity in Cabo Delgado	16 th June 2020, Webinar hosted by Chatham House	Corporate	Gemfields Sustainability, Policy & Risk Director Gemfields CEO
Closed Dialogue: The role of observers in the VPI	23 rd July 2020, Webinar hosted by VPSHR Secretariat	Corporate	Gemfields Sustainability, Policy & Risk Director
Virtual Consultation on Non-state Armed Groups	25 th August 2020, Webinar consultation hosted by CDA	Corporate	Gemfields Sustainability, Policy & Risk Director
Barrick Gold VPSHR Verification Presentation	30 th September 2020, Webinar hosted by VPSHR Secretariat	Corporate	Gemfields Group General Counsel
Closed Dialogue: Business and Human Rights Collaboration.	30 th September 2020, conference call hosted by Deputy British High Commissioner to Mozambique	Corporate In-Country	Gemfields CEO Gemfields Sustainability, Policy & Risk Director MRM Corporate Affairs Director Deputy High Commissioner to Mozambique
Closed Dialogue: Country and Context Call regarding VPSHR Training in Cabo Delgado	20 th November 2020, conference call with risk consultant deployed to train public security on VPSHR	Corporate In-Country	Gemfields Sustainability, Policy & Risk Director
Closed Dialogue: Business, Security and the Humanitarian Situation in Cabo Delgado	21 st January 2021, Webinar hosted by International Committee of the Red Cross (ICRC)	Corporate	Gemfields Group General Counsel Gemfields Sustainability, Policy & Risk Director
UNGPs Training to MRM Operational Grievance Mechanism (OGM) Independent Panel members	11 th January 2021, Webinar hosted by MRM and international human rights expert (Anna Triponel)	In-Country	OGM Independent Panel members (assorted external stakeholders) Gemfields Sustainability, Policy & Risk Director Gemfields Legal Counsel MRM Grievance Co-ordinator
VPSHR Training to MRM OGM Independent Panel members	14 th January 2021, Webinar hosted by MRM and Anuera	In-Country	OGM Independent Panel members (assorted external stakeholders) Gemfields Sustainability, Policy & Risk Director Gemfields Legal Counsel MRM Grievance Co-ordinator
Conflict in Cabo Delgado, Mozambique: Insights and Implications	27 th January 2021, Webinar hosted by Fund For Peace	Corporate	Gemfields Sustainability, Policy & Risk Director Gemfields Group General Counsel
Platform for Dialogue #1: Business, Security and Human Rights in Cabo Delgado	28 th January 2021, Webinar hosted by Centro Para Democracia e Desenvolvimento (CDD)	Corporate	Gemfields Managing Director, Mozambique Operations Gemfields Group General Counsel

Closed Dialogue Discussion on Ruby Smuggling in Cabo Delgado	12 th February 2021, conference call hosted by Gemfields	Corporate In-Country	Gemfields CEO Gemfields Security Director Various external stakeholders
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Policies, Procedures, and Related Activities

4. Relevant policies, procedures, and guidelines

There is a well-established suite of policies and standard operating procedures (SOPs). The policies and SOPs set the framework of action and behaviour across the Group, including at the Operations. Areas covered include business conduct, security and asset protection, human rights, community engagement, grievance and reporting. All policies and SOPs are set out in a Group Policy and Procedure Manual (the “Manual”).

Since 2018 Gemfields has conducted regular risk assessments and gap analyses including in relation to security and human rights risks. In addition, it has created mechanisms including checklists and declarations to assist staff in the implementation of the policies and SOPs.

The key policies, procedures, and tools that relate to human rights, and which have been specifically amended or created to comply to the VPSHR include:

Sustainability and safety policies:

- Environmental Policy
- Health, Safety and Wellbeing Policy
- Community Engagement & Livelihoods Policy
- Human Rights Policy

Business conduct policies:

- Modern Slavery Policy (and corresponding Statement updated and published annually)
- Supplier Process (including Due Diligence Declarations and Security Personnel Vetting)
- Whistleblowing Policy and Procedures (internal)
- Grievance mechanism (external)

Security and asset protection policies:

- Search Policy and Procedures
- Human Rights Incident Reporting Standard Operating Procedure
- Patrols, Apprehension and Detention Procedures
- Use of Force Policy and Graduated Force Response Procedures
- Bodycam Procedures

The Board of Directors of Gemfields has overall responsibility for the preparation and implementation of the policies. Day-to-day responsibility for implementation is delegated to a variety of functions. At the Operations, the General Managers and their respective management teams are ultimately responsible and perform a ‘first line’ risk management function in this regard. Since 2018 a dedicated Continuous Improvement Manager has rotated between the Operations to help review and improve the application of policies and SOPs as well as to recommend areas for improvement.

In addition to this, the Group engages Anuera at the Operations, to assist with identifying risks (including human rights risks). In addition, Anuera conduct weekly reviews of security body camera footage, mentor security personnel, and conduct security performance audits twice per year, which includes auditing the human rights training of PSCs.

Security Incident Reporting Systems

In 2018 Gemfields created the Human Rights Incident Reporting Standard Operating Procedure, which applies to all security personnel. Security personnel have an obligation, under this procedure, to ensure that all security incidents are recorded. The responsibility for reporting rests with the entire security team, not just individual team leaders or supervisors. In order to help with the implementation of the procedure on-the-job mentoring is provided to security personnel at least once per week.

At MRM, the reporting process is assisted by the use of a bespoke application called QUORI, which is loaded on to mobile devices and accompanies every security patrol. Security personnel record incidents at the time and location they occurred. To date there are 75,000 QUORI reports from MRM. These capture incidents where a situation has occurred or been observed, and also indicate the absence of activity (e.g. “area is clear, no illegal activity observed”). QUORI has also had the ability to track patrols using GPS since May 2018.

QUORI captures incidents as they happen following which they must be logged on an internal database and information management system called “G-Trac”. Each incident logged leads to a report being generated, which is accessible to relevant individuals across the Group, including senior management. If an investigation is warranted, G-Trac is used to monitor the investigation and follow up processes. The introduction of G-Trac has proven invaluable in providing visibility into security related incidents at the Operations.

Reportable incidents

In 2019 there were three (3) human rights-related incidents in which the human rights of artisanal miners were infringed and, in 2020, there were eight (8). One incident involved a member of Protection Services, the rest involved public security forces. In each case, the incidents were recorded following the relevant policy and procedures.

➤ *Protection Services*

The incident in Zambia involved a member of Protection Services, under a contract of employment. At the time of writing the individual concerned had been suspended from duties pending a formal disciplinary process.

➤ *Public security forces*

The remaining incidents occurred in Mozambique and involved public security forces. The public security personnel involved were removed from the Operation at the request of MRM management. Three cases resulted in legal action against public security personnel, although Gemfields does not know the outcome or what happened in the remaining cases.

In addition to the above, there were 44 incidents in which Protection Services and PSCs were attacked by illegal miners. Four of these incidents resulted in serious, and in some cases life-threatening, injuries.

5. Company procedure to conduct security & human rights risk assessments and integrate findings

An Enterprise Risk Management Framework (“ERM”) was established in 2015. The ERM, follows the ‘three lines’ model and marries strategic views of risk from Board-level, with operational-level risk and local task-focused hazard assessment and mitigations. Human rights are a component both in the registering of human rights risks in operational risk registers and in the establishment of functional management systems that facilitate continuous improvements.

At a more granular and specific level, human rights risk assessments (in the context of security and operations-specific risk) are conducted by Anuera. The most recent assessment was carried out in February 2020 prior to COVID-19 shutting down the Operations.

Risk assessments are carried out at the Operations and exploration projects and the results are shared with Senior Management (London-based) and the operational teams (both core operations and security). The

assessments identify risks, the likelihood and severity, and suggest mitigation measures to manage the risk. Gaps in performance are monitored, with a view to closing them, by Anuera, the Continuous Improvement Manager, Group Security Director, operational General Manager and country Managing Director.

6. Company procedure or mechanism to report security-related incidents with human rights implications by public/private security forces

All security personnel are required to report human rights violations as soon as possible. This includes both human rights violations that have been witnessed first-hand, and credible and evidenced allegations of human rights violations. The Human Rights Incident Reporting & Investigations Procedure sets out the procedure to be followed. Immediate, real-time reporting is facilitated through the use of the QUORI system. Incidents must then be logged into G-Trac within 12 hours of their occurrence, to allow for monitoring and follow up.

Private security providers (PSCs)

PSCs are required to report security related incidents in the same way as Protection Services. This obligation is set out in their contract of engagement. Failure to report a violation or suspected violation may result in disciplinary action and in the past, PSC contracts have been terminated due to poor performance including inadequate reporting and (not for human rights allegations or incidents), Given contractual obligations, holding PSCs to account is easier than for public security forces. Suspected incidents or allegations are investigated as a matter of routine and escalated with PSC senior management to ensure that appropriate disciplinary procedures are undertaken (removal from site and/or suspension from duties during an investigation, and ultimately dismissal from operating on the concession under the contract).

Public security forces

Where public security forces are present at the Operations, Gemfields, to the greatest extent possible, requests their compliance with the operational policies and procedures including the Human Rights Incident Reporting & Investigations Procedure.

Public security forces receive mandatory training before being stationed at the Operations, this includes training on human rights and the VPSHR. A senior officer from the public security forces is present at the Main Operations and works in coordination with the Company's Protection Services. Where there is an allegation involving public security forces, it is immediately reported to the senior officer present, an investigation is requested along with the immediate suspension of personnel involved. Whilst as a private company Gemfields cannot mandate that incidents be investigated, but all evidence including testimonials, documents and photographs are recorded and provided to the public security forces to enable an investigation. By way of follow up, the Head of Security, at the Operations, requests to be notified of the outcome of any investigation outcomes for internal record keeping.

7. Company procedure to consider the Voluntary Principles in entering into relations with Private Security Contractors

PSC Due diligence

Standard counter-party due diligence is conducted on all PSCs before they are engaged by the Group. In addition to due diligence, private security providers are expected to be members, in good standing, of the International Code of Conduct for Private Security Providers Association ("ICoCA"). The PSC engaged by the Group in Mozambique is a member of ICoCA.

Contract of engagement with PSCs

As part of the engagement process, PSCs must sign the Group's supplier compliance documentation which requires disclosure of any prior human rights related incidents in relation to both the PSC itself, its employees, contractors, workers or suppliers, including incidents of excessive use of force. The supplier compliance documentation commits the PSC to complying with Group policies including those related to; Bribery and Corruption, Money-laundering & Terrorist Financing, Human rights and labour standards. If

found in breach of any of these policies, the PSC may have their contract terminated. Under their contract of engagement, PSCs are also required to comply with the VPSHR, UNGPs and the Group policies and contracts with PSCs contain model clauses. In 2018, the PSC for MRM was replaced due to repeated concerns regarding the performance of its personnel. Despite Protection Services management raising concerns with PSC management regarding human rights compliance, the contract was terminated.

Training PSCs

Gemfields and its Operations do not provide VPSHR training to PSCs. However, PSCs are required, under their contract of engagement, to train employees on VPSHR, the UNGPs, the International Code of Conduct for Private Security Contractors, use of force, small weapons and light arms. Training records must be shared if requested. Additional training is provided at the operations through on the job mentoring and workshops, detailed below:

- On-the-Job Mentoring: Weekly on-the-job mentoring for security patrols (comprising Protection Services security, PSCs and public security forces).
- Workshops: Normally held at least once a year, which include sessions with senior security personnel as well as the General Manager/Deputy General Manager and other Department Heads. These sessions discuss VPSHR implementation, any challenges and changes to the security environment and identify lessons learned, and action points.

8. Company procedure or mechanism to investigate and remediate security related incidents with human rights implications by public/private security forces relating to the company's activities

The Group's community development teams at the Operations provide whistleblowing processes and grievance procedures for local communities in line with recommendations and guidance from the IFC, World Bank and OECD. At MRM this includes a Hotline (known as the "Linha Verde", Green Line in English) a toll-free phone line for use by employees, community, and stakeholders by which they can contact MRM to lodge grievances and concerns including security related incidents. There are also community grievance boxes. At Kagem there are community grievance boxes and a whistleblowing hotline.

Gemfields's focus in recent years has been on MRM. This is largely related to MRM's location; MRM operates in close proximity to a number of communities. In addition, there have been historic allegations of human rights abuses at MRM, which Gemfields has taken action to address, including through the establishment of the OGM described below.

The Group has established the OGM at MRM. The OGM has been designed in line with industry best practices and the UNGPs. The OGM is comprised of two tiers. Tier 1 will be run by MRM and address operational level grievances. Tier 2 will deal with complaints in relation to alleged human rights abuses. The OGM is not a substitute for existing State-based mechanisms and has been designed to (a) refer grievances to State-based mechanisms in appropriate circumstances; and (b) respect the right of complainants to seek remedy through State-based mechanisms. In this regard, the OGM will operate under and respect Mozambican law as well as contribute to the wider dialogue about strengthening access to remedy in relation to business enterprises in Mozambique.

Country implementation

Whilst the report covers activity and approach across our Operations in terms of country implementation, there is an emphasis on Mozambique. This is in due to the following:

- A legal case brought against the company in 2018 and the ongoing actions (see below).

- The ore deposits we mine in Mozambique compared to Zambia.
- An Islamic insurgency in Cabo Delgado (the province in which MRM is located) thought to have begun in 2017, which has given rise to broader human rights, security and humanitarian risks and now escalated.

In Zambia, emerald mining at our Kagem mine is from a hard rock, primary deposit. Access to the ore body is extremely restricted. As such it is not easily accessible to artisanal miners. In addition, the relative distance to human habitations, national highways and centres of trade means that digging and smuggling of illicitly mined emeralds is a lower risk.

At MRM, in contrast, the ruby deposit is a secondary alluvial deposit sitting between 5 – 15 metres in depth. MRM's concession boundary is insecure and porous, very close to a major highway and centres of trade in artisanally mined rubies. Illegal miners can gain easy access to the ore body and outward smuggling routes. This means that the presence of illegal miners and their direct interactions with the Operations (in the form of either security operations or in providing humanitarian assistance if there is injury or fatality caused by the miners' own pits or tunnels collapsing) can be a daily occurrence.

In addition, there is a wider conflict context in Mozambique in the form of an Islamic insurgency in the Cabo Delgado Province, which has further exacerbated an already high-risk situation and resulted in the migration of upwards of 200,000 internally displaced peoples, many to the district close to MRM. Whilst this insurgency has not yet directly affected MRM, and the internal conflict-related risk assessment has not resulted in any additional contingencies, it adds to the wider risks regarding human rights in Mozambique.

9. Overview of country operations selected for reporting.

As described in the Context and Background section, Gemfields has two active countries of operation, Zambia and Mozambique, each with one Main Operation. In Mozambique, there are also a number of exploration sites. All Operations have been under care and maintenance for most of 2020, given the COVID-19 pandemic. As such there has been little operational activity but security personnel have been present at each site. A summary of the Main Operations is provided below. The summary table in the Context and Background section outlines the exploration sites.

<i>Mozambique</i>	<i>MRM</i>	The Montepuez deposits were discovered in 2009. Gemfields' involvement commenced in June 2011 when a joint venture agreement was signed between Gemfields and Mwiriti Lda, the original title holder, and Gemfields acquired 75% of the Montepuez mine. It is generally recognised as one of the world's largest known ruby and corundum deposits and the single largest producing ruby mine. MRM received a 25-year mining and exploration licence from the Mozambique Government in November 2011, following which an amalgamation of concessions completed, which is valid up to November 2036. MRM covers an area of 340sq. km.
<i>Zambia</i>	<i>Kagem</i>	The Kafubu emerald deposits are in the Lufwanyama District of Copperbelt Province in northern Zambia, and demarcated as Ndola Rural Emerald Restricted Area (NRERA) covering an area of approximately 890 square kilometres. NRERA encompasses over 520 licences, of which the Kagem licence is the largest at 41 square kilometres, and is in the central and most prospective part. The Kagem emerald mine is the world's single largest producer of emeralds and accounts for approximately 25% of global emerald production. It was acquired by Gemfields in 2008 and the Company has a controlling 75% share with the remainder held by the Government of Zambia.

10. Engagements with stakeholders on country implementation

Mozambique stakeholder engagement

In February 2018 a UK-based law firm, Leigh Day, filed a claim against Gemfields on behalf of individuals living in the vicinity of the MRM mining concession, alleging human rights abuses by employees of MRM, PSCs and the state security forces. Following a mediation between the parties in December 2018, Gemfields agreed, on a no-admission-of-liability basis, on a settlement of all claims brought by Leigh Day in relation to the alleged abuses.

In order to further its ongoing commitment to transparency and support for the local community, Gemfields agreed to establish the OGM. The design of the OGM was the result of significant consultation with a wide range of stakeholders including NGO pillar members of the VPSHR. A total of nearly 168 stakeholder representatives were consulted, across 78 consultations (face-to-face and by phone) between 8th April – 24th September 2019. The key non-governmental external stakeholders broadly fell into the following categories:

Stakeholder type	No of organisations consulted
Civil society & religious groups	18
International & Regional NGOs and Institutions	5
Independent experts*	17
Total	40

* includes; specialised consultants, other mining companies, legal advisors, academics

The Mozambican state and its agencies were also extensively, and continuously consulted not only in terms of the design of the OGM but also in the application of the UNGPs and VPSHR. Mozambican state officials involved in the consultation process, included but were not limited to:

- The Attorney General's office
- Cabo Delgado Provincial Prosecutor
- Resettlement Technical Oversight Committees
- District Prosecutor
- District Administrator
- Local Administrator

Mozambican institutions involved in the consultation process, included but were not limited to:

- Mozambican Bar Association
- National Human Rights Commission
- National Arbitration Committee
- National Ombudsman

In addition to MRM's regular community engagement process, specific meetings were held with local communities with respect to human rights, especially in regard to access to the grievance system, and the role of security. Focus group discussions involving traditional leaders, religious leaders, elders, influential people, women, youth, and members of community-based organisations were performed in 7 communities within/adjacent to the MRM mining concession.

Finally, corporate-level engagement in Mozambique has been a feature over 2019 and 2020 (and on into 2021). As a result of the Islamic insurgency in northern Mozambique, attention on companies operating in this area has increased. As listed in the table on page 6, we have engaged extensively with platforms discussing conflict and human rights. In Mozambique, the UK Government's representatives were interested to understand and hear about our experiences regarding human rights issues, and we have hosted visits, joined meetings, calls and participated in webinars as follows:

- In person group meeting for the UK Government's International Trade Strategic Business Group (Mozambique) at the British High Commission in Pemba, Mozambique, 3rd April 2019
- In person private meeting hosted at MRM with Her Majesty's Trade Commissioner for Africa, 15th August 2019
- In person private meeting with the UK Ambassador for Human Rights, at the British High Commission, Maputo, Mozambique, 8th November 2019
- Closed dialogue conference call on business and human rights collaboration, with Deputy British High Commissioner to Mozambique, 30th September 2020
- Platform for Dialogue: Business, Security & Human Rights in Cabo Delgado, Webinar hosted by CDD (Centro Para Democracia e Desenvolvimento) and Deputy British High Commissioner to Mozambique, 28th January 2021

Zambia stakeholder engagement

Engagement in Zambia is more limited. The main focus of in-country engagement is with the public security forces, to negotiate a new MOU (containing VPSHR clauses) and compliance reporting. There has been interest from external stakeholders in VPSHR training and implementation. Kagem was contacted by the Permanent Secretary of the Ministry of Mines & Minerals Development and the Zambian Human Rights Commission ("ZHRC"). Kagem responded to the enquires and completed a questionnaire from the ZHRC to explain the Group's approach and Kagem's implementation of the VPSHR.

11. VPs considerations in the selection of private security providers and formulation of contractual agreement with private security providers, as well as arrangements with public security forces

Arrangements with PSCs

As previously described, VPSHR model clauses are incorporated into contracts with PSCs. As part of the due diligence process, PSCs are required to disclose, whether they or their employees have been implicated in human rights abuses. In addition, Group companies reserve the right to terminate a provider's contract, or demand termination of specific employees, due to security or human rights breaches.

Arrangements with public security forces

As a private company, Gemfields has no jurisdiction over the public security forces. There are MOUs in place between the Operations and public security forces, which set out the relationship between the two parties. The MOUs contain clauses in line with the recommendations of the VPSHR. The MOU with the Zambian Police currently does not contain provisions in line with the VPSHR. Kagem is in the process of engaging with the Zambian Police to agree a new MOU containing these provisions. All public security force personnel receive training on human rights, the VPSHR and rules for the use of force before rotating to start work at the operations. Training is mandatory.

Public security forces are asked to disclose whether security officers have previously been implicated in human rights abuses. The behaviour of the public security officers is also monitored. Requests have been made to change individuals who have not adhered to Group policies and standards. At Kagem this is done through the Area Commander who has daily meetings with Kagem's Protection Services team. For example, a request was made to replace an officer who was under the influence of alcohol, he was replaced the same day. At MRM, historically, public security personnel have been removed as a result of human rights abuse allegations, which were unproven.

During February 2020 MRM experienced several large-scale incursions of illegal miners, one, in particular in February involving an estimated 600 people. In addition to the considerable risk of safety to the illegal miners themselves (as a result of digging in soft soil and pit collapses) many women and children were on site and thought to have been used as human shields. There was a significant escalation in tension between security personnel who were greatly outnumbered. These combined factors led to an absence in the escalation of force to gradually and safely move the illegal miners off the concession. The public security were largely ineffective and at one stage completely absent for a matter of days. MRM's own Protection

Services and PSCs were not in a position to co-ordinate the legal removal without public security and it put the concession's assets, property and employees at further risk for nearly a week. Following the incursions, MRM requested that the senior public security officer present be removed from his post working at the Operation. It was felt he had not responded to the incursions as prescribed by the policies and procedures laid down by Gemfields. This demonstrates that, where Gemfields can leverage its position to ensure accountability and respect for human rights, it does.

Use of force procedures for all security personnel

Security personnel must strictly observe the "Use of Force Policy" and the "Rules for the Use of Force SOP". Policies and procedures are incorporated by reference into employee and contractor contracts. Any breach of such policies and procedures could result in a disciplinary action and/or termination. Graduated use of force must be deployed according to the following 5-step process set out in the Rules for the Use of Force SOP. There are posters and aide memoire on the use of force, visible to all security personnel at the Operations. PSCs are expected to train their personnel on the standards contained in the Use of Force Policy and the Rules for the Use of Force SOP. PSCs remain liable for any inappropriate or excessive use of force by their personnel which contravene the standards set by the Group, local or internal laws.

12. Examples of supporting outreach, education, and/or training of (i) relevant personnel, (ii) private security, (iii) public security, and/or (iv) civil society (e.g. local NGOs, community groups)

Relevant personnel

As described above, human rights training is conducted extensively, not only for security personnel, but for employees across the Group. At MRM, there are specialist community engagement and grievance managers who are experienced in responding to human rights issues. At Kagem, due to the COVID-19 pandemic, there is no community team present. When the situation improves a new community team member will be recruited and appropriately trained.

Local and Civil Society

Gemfields and its Operations engage with local and civil society on human rights related issues. For example, MRM is currently running a verification process whereby they are engaging with local civil society and NGOs in relation to the newly operational OGM and will update stakeholders in relation to human rights issues and the functioning of the OGM. Community engagement teams working at the Operations, engage with local community groups in a systematic and regularised way to communicate the procedures in place to report any issues or grievances, including human rights related allegations.

PSCs and public security

As described, PSCs are required to train their employees on the VPSHR, under an obligation in their contract. Training records must be shared with MRM if requested.

All public security force personnel receive mandatory training, before working at the Operations. The training covers human rights, VPSHR and incidents and reporting. In addition, on the job mentoring and support, workshops are provided, and aide memoir posters and reminders are placed around the Operations.

NGO and community groups

As described, engagement with NGOs and community groups has been focused on human rights since 2019. Despite the COVID-19 restrictions, engagement in Mozambique has continued as a result of the OGM. The MRM community engagement team are briefed at security meetings and communicate onwards to the community during regular engagement points regarding security operations being undertaken on the concession and to be aware of the presence of security personnel.

In Zambia, there has not been any significant engagement with NGOs or community groups directly on the VPSHR, since 2018 when the first risk assessments and audits were carried out. This is due to (i) the shut-down of Kagem to care and maintenance status in 2020, (ii) the lack of community engagement personnel or resources available to carry out engagement and (iii) the fact that in the area around Kagem

(the restricted area known as NRERA) there are few communities to directly engage, nor the active presence of community groups or NGOs. As described at the start of this section, risks regarding human rights are considerably lower at Kagem compared to in Mozambique.

13. Company procedure to review progress on implementing the VPs at local facilities

As described regards to risk management, the Group procedure involves tracking progress against any gaps identified through the risk assessment and VP audit process. Individuals are identified to close the gaps and held to account for doing so. Whilst third parties such as Anuera may be tasked to assist, the preference is to empower management at the Operations and cascade responsibility from the Corporate level.

Engaged Company progress

14. Engaged Company's progress report on the Roles and Responsibilities of Companies

This report describes the Group's VP Engaged Company progress in respect of meeting the roles and responsibilities of companies under the initiative. Gemfields's believes that the content of this report addresses its role and responsibility as a member of the VPs. We look forward to hearing your feedback and suggestions for how we could continue to make progress.

15. Lessons or issues from this reporting year, as well as plans or opportunities to advance the VPs for the organization.

There have been a number of lessons learned and issues over the past two years, mostly in relation to implementation at the Operations. Opportunities we have identified for further action are also set out below.

Challenges faced

- Gemfields has had to work very hard to “sell” the VPSHR, to all private security providers and public security forces. In developing countries such as Zambia and Mozambique people are often treated differently, with little consideration for respecting human rights. As a result of this challenge, in Mozambique, in particular, efforts have been made to engage with the public security forces, including the Provincial Commissioner of Police.
- Our experience over the years in Mozambique has been that PSCs are reluctant to report human right abuses perpetrated by public security forces. Public security forces are armed and may act against anyone who reports them. In addition, public security forces are known to be engaged in illegal mining.
- Public security forces rotate their personnel monthly (in most cases). Gemfields's commitment to training public security forces means that training is provided every month. There is little continuity in terms of the public security officers stationed at the Operations.

Important lessons learned

- Regular communication with all security personnel is crucial. As a result, meetings are held every day with public security force commanders. At least once a week, these meetings include a discussion on the VPSHR.
- The importance of engaging PSCs who have operational experience of the VPSHR. In a limited market it is easy to replace one poor performing PSC with another – the ‘change the T-shirt but not the personnel’ syndrome.

- Inclusion of the Community engagement team in security meetings to brief them on any security actions that are being considered to ensure that communications to the community can be made during regularised engagement process.
- The importance of regular audits, covering everything from body camera footage to spot checks on PSC personnel, and their knowledge of human rights and VPSHR. This ensures robust monitoring of security arrangements that was not possible through policy and procedure implementation alone.
- The importance of reviewing and updating SOPs, so that any changes to them that may have implications for security and VPSHR are made clear, and the importance of adopting a strict zero-tolerance policy for reporting incidents, supported by disciplinary actions for non-reporting, irrespective of if the incidents were minor or major.
- The importance of electronic security measures, such as of drones and body cameras, to monitor security forces, particularly when they operate in remote areas. Drone and body camera footage are valuable tools for recording security related incidences and providing data to support intelligence-led security operations.
- The importance of the assignment of VPSHR risk and implementation ownership from the outset so that senior leadership individuals have KPIs associated to the success of VPSHR at the Operations. This can be used as a lesson learned for VPSHR implementation at new Operations. Important also that leadership on VPSHR is not siloed just to Protection Services, but roles and responsibilities flow across the organisation and top-to-bottom.

Opportunities for 2021

- A further cascade of VP ownership, in particular regards progress reporting, from Corporate to operational level
- Improvements to the Group's internal incident reporting "G-Trac" system so that data relating to security and human rights is more easily accessible for internal and external reporting purposes
- Escalate engagement with Public Security in Zambia regards MOU. The aim is to complete the MOU renewal with relevant VP clauses this year
- Greater use of body cameras and related technology in Mozambique as a key tool to assist security personnel and support a transparent evidence base
- Contributing to dialogue specifically regarding the VPs in the context of Mozambique. We are in a position to share our experiences given the heightened risks in the context of the Islamic insurgency

16. Use of the VP tools

We used a number of documents to aid our understanding of implementing the VPs, these include:

- Implementation of the Voluntary Principles – Information for Companies
- Model Clauses for Agreements between Government Security Forces and Companies
- Statement by Voluntary Principles Participants on Memoranda of Understanding between Companies and State Security Forces (October 2014)
- Reporting Guidelines for the Corporate Pillar
- Verification Framework for member Companies