

Positive Impacts

Petra makes a valuable economic contribution to the countries and communities in which it operates. Maintaining supportive relationships and playing a positive role in our local communities is vital to the sustainable success of our operations.



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- 53 Community Development and Engagement



Positive Impacts

Responsibility

Petra Board

SED Committee

Chair: Octavia Matloa

Executive Committee

Chairman: Richard Duffy

SED Steering Committee

Chairman: Egbert Klapwijk

Various Operational and Social Compliance Committees

KPIs

US\$49.9 million

PAID IN TAXES AND ROYALTIES

US\$143.2 million

SPENT ON SALARIES, WAGES AND OTHER BENEFITS

US\$1.8 million

SOCIAL AND COMMUNITY TRAINING SPEND

US\$16.0 million

LOCAL SOUTH AFRICAN COMMUNITY PROCUREMENT SPEND

93

MEETINGS HELD WITH INTERNAL AND EXTERNAL STAKEHOLDERS¹

US\$16 billion

NET BENEFITS CREATED BY DPA MEMBERS IN 2016²

“

Through the provision of employment for local people, the payment of taxes and royalties, procurement from suppliers and corporate social investment, Petra makes a valuable contribution to the communities in which it operates. Nothing less than a net positive impact is enough if we are to truly generate long-term value for each of our stakeholders.

Adonis Pouroulis
Non-Executive Chairman

Stakeholders

Employees, contractors, trade unions, local communities, host Governments, regulators, NGOs, suppliers.

Company policies and guidelines

- ▶ Code of Ethical Conduct
- ▶ SLPs
- ▶ EMPs
- ▶ Group Corporate Social Investment Policy
- ▶ Group Local Economic Development (“LED”) Policy
- ▶ Stakeholder Engagement and Management Policy and Implementation Manual
- ▶ Stakeholder Engagement and Management Plans for the respective business units

Standards we follow

- ▶ UK Corporate Governance Code
- ▶ Extractive Industries Transparency Initiative (“EITI”)
- ▶ Publish What You Pay (“PWYP”)
- ▶ United Kingdom’s Report on Payments to Governments Regulations 2014 (as amended)
- ▶ SLPs have been submitted to the DMR and await feedback and approval.
- ▶ Additional community engagements were attempted at the operations, but success was limited due to the political environment in South Africa.
- ▶ Successful roll-out of some of the LED programmes.
- ▶ Some enhancements in codification of spend, with further initiatives in place for FY 2020.
- ▶ Formation of the SED Committee that oversees social obligations.

Key achievements and performance against FY 2019 objectives

- ▶ Continued demonstration of the success of our school support programme and our ESD Community Fund.

Key challenges

- ▶ Socio-political instability and unrest in South Africa, particularly in the build-up to the general election in May 2019.
- ▶ Misalignment of identified projects and the actual needs of the communities in the Integrated Development Plans of local municipalities.
- ▶ Community expectations related to issues of training, procurement and employment.
- ▶ Community unrest that has an impact on Petra operations.
- ▶ Increased local unemployment as a result of winding down capital expansion programmes.

Objectives for FY 2020

- ▶ To implement focused interventions in selected schools to improve the pool of scholars for take-up into the bursary programme and learnerships.
- ▶ Finalise our approach to sustainability and obtain Board approval of the Sustainability Framework.
- ▶ Continued roll-out of the Group’s eProcure Portal to improve access to procurement opportunities for local businesses.
- ▶ Improve communication with local communities through continued engagement.
- ▶ Continued roll-out of community development projects to meet the needs of local communities.
- ▶ Further improvements to codification of spend.

1. Regarding community and social development.

2. The Socioeconomic and Environmental Impact of Large-Scale Diamond Mining, a report by Trucost for the Diamond Producers Association – May 2019.



Generating Economic Benefits

Our ambition

We aim to make a meaningful positive contribution to our stakeholders. By creating sustainable employment opportunities, we aim to support the local communities; by investing in ethical, and where possible local, supply chains and assisting small businesses, we aim to support the local economies; and by paying taxes and royalties, we aim to contribute to our countries of operation.

Our approach

Creating stakeholder value and providing an economic contribution to the countries and communities in which we operate are important focuses for the Group. Through the employment of local people, the payment of taxes and royalties, procurement from suppliers and corporate social investment, we can make a positive contribution to our stakeholders. Our value added statement can be viewed on page 62.

The benefits of stable and sustainable employment

The Company currently employs 6,788 employees and contractors but given the generally accepted 'multiplier effect' in South Africa and Tanzania of x10, ca. 68,000 people are dependent on our operations.

ca. 68,000

PEOPLE DEPENDENT ON PETRA'S OPERATIONS

By investing in our mines over the last number of years, we have put relatively long-term mine plans in place, ensuring sustainable employment for our workforce and the associated socio-economic development opportunities for the wider local communities. Read more about our social investment and how we work to generate sustainable development on pages 53 to 55.

The Group spent US\$143.2 million on wages in FY 2019 (FY 2018: US\$139.1 million), in line with inflationary increases across the operations partially offset by the positive effect of translating the South African operations' ZAR denominated payroll costs at the stronger ZAR:USD exchange rate (FY 2019: ZAR14.19:US\$1 vs FY 2018: ZAR12.86:US\$1).

Payments to Governments

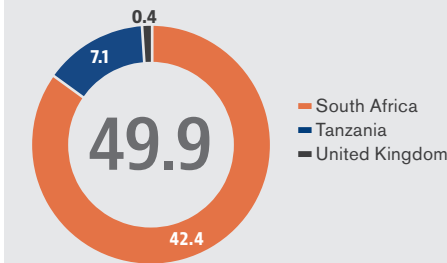
Petra is committed to transparency with regard to payments to Governments, both in terms of taxes and royalties, as well as our other areas of significant social expenditure.

We support the principles of the EITI and PWYP, given that publishing details of Petra's tax payments to Governments can increase confidence and help improve community support for its activities.

In FY 2019, the Group paid a total of US\$49.9 million in taxes and royalties (FY 2018: US\$50.9 million). It should be noted that Petra's operations are currently subject to varying levels of tax shields, due to the significant level of investment having been spent by the Company at each operation. With a reducing capital expenditure profile payments of taxes and royalties are due to rise in line with the profitability of each operation.

The Company did make certain charitable donations during FY 2019 (as detailed on pages 53 to 55), but not of a material financial size. The Company did not make any political donations during FY 2019 and received no financial assistance from Governments.

Tax summary per country (US\$ million)



See Petra's Payments to Governments Report: www.petradiamonds.com/investors/results-reports

Our supply chain

Petra's supply chain department is responsible for managing the Group's inbound supply chain. It performs an important role in terms of delivering on our production and expansion plans by ensuring that the right goods and services are delivered to the right location at the right time. The team is also accountable for ensuring that our supply chain operates safely, efficiently and according to the high level of ethical conduct that we expect of our business.

We proactively manage and develop a capable and commercially secure supply base, with the aim of delivering sustainable value to our Company and to our suppliers through leveraging long-term relationships

and effective contract management. Our approach in this regard is guided by our Procurement Policy, which was revised during FY 2019 to incorporate the Preferential Procurement Policy.

Petra implemented a supply chain management platform in FY 2018, enabling suppliers to register to do business with the Company via our online **eProcure Portal**. This ensures that suppliers are made aware of new opportunities as they arise and also allows us to expand our list of contractors and make our procurement system more transparent and effective. The platform also encourages potential suppliers to comply with various forms of legislature and registrations that is measured by a Business Maturity Index ("BMI") visible to every registered supplier on the platform. Petra aspires to improve the average BMI of suppliers contracted going forward.

In excess of 2,000 suppliers have registered on the eProcure Portal, which consists of both current and new suppliers. The system has already impacted on some Group tenders, where the number of potential suppliers has increased significantly compared to past tenders.

We expect all suppliers and contractors to act with integrity and respect for human rights. Therefore, compliance with our Code of Ethical Conduct is explicitly required as part of the general terms and conditions of contract with Petra. We have vetting processes in place to ensure that we deal with reputable businesses, but we will continue to strengthen these processes as part of the ongoing formalisation of our supply chain practices.

Generating Economic Benefits *continued*

Our supply chain *continued*

Petra has stringent verification processes and security vetting policies in place to ensure the integrity of its supply chain. The Company is also introducing a new contract management solution to ensure consistency and efficiency in processes. Read more about these initiatives on page 20.

Petra has established a Supplier Compliance Committee, which aims at improving governance with regard to suppliers by ensuring that all suppliers comply with legislation and Petra's standards and processes.

Supplier environmental assessment

100%

OF SUPPLIERS ARE SCREENED USING ENVIRONMENTAL CRITERIA

Petra uses pre-qualification questionnaires and site inspections (under special circumstances) to vet suppliers before contracts are finalised. The environmental criteria used during qualification includes:

- ▶ compliance with relevant environmental legislation; and
- ▶ certification of their EMS.

All supply chain activities are part of the EMS of each operation and its risk identification criteria as per ISO 14001. Special attention is given to suppliers of hazardous chemicals and those which deliver high-risk environmental services, such as

waste management and disposal. Incidents that may lead to environmental impact are reported via the normal on-site incident reporting processes. Copies of significant incident reports are distributed to suppliers for their information. Where costs are incurred for clean-up or remediation, these are recovered from the supplier as per the international accepted principle of 'the polluter pays'. The mechanisms for cost recovery and initiation of action against suppliers are described in detail in every contract. During the period under review, no supplier contract was terminated as a result of environmental bad practice and no significant impact actuated as a result of supplier action.

Local procurement

Petra sources the majority of the goods and services for its South African and Tanzanian operations from the countries in which they are located; even those goods supplied by international companies are purchased through the suppliers' operating entities in that country. We view targeted local procurement as a powerful lever for local economic development and community empowerment and preference is therefore always given to suppliers in close proximity to our mines when possible.

Despite significant progress made, challenges remain relating to the availability of BEE suppliers in South Africa and the fact that suppliers of high-value capital goods are very seldom situated in the host communities of our mines. Petra therefore has a strategy in place to help develop local suppliers to be able to enter our supply chain. By increasing the total potential number of suppliers (including local ones), the eProcure Portal has already assisted local procurement opportunities.

Our supply chain in figures

1,331

SUPPLIERS

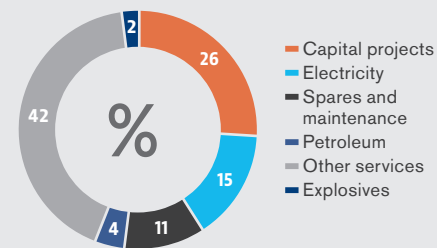
2

COUNTRIES

Country	Procurement spend (US\$ million)	Percentage spent with local ² suppliers
South Africa ¹	199.4	49%
Tanzania ¹	62.9	90%

1. South Africa and Tanzania are considered 'significant locations' due to the presence of our producing mining operations in country.
2. We define 'local' as suppliers based in the relevant regional province in South Africa and 'local' refers to national spend in Tanzania.

Commodity breakdown (excluding services)



Community Development and Engagement

Our ambition

In line with our mission to unlock value for all our stakeholders, our involvement in community development aims to contribute to alleviating the most critical needs in our local communities and to create life-changing opportunities. We target long-term positive impact in the communities in which we operate, which can continue to be sustained following the cessation of our mining activities guided by our mine closure plans.

Our approach

Due to the remote locations of our operations, predominantly in areas of relatively low levels of socio-economic development and high unemployment, Petra's mines in most cases present the only major economic activity in the local area.

Our community development work is focused on contributing meaningful and long-term development of our host communities via sustainable job creation, skills transfer (education and training), enterprise development and infrastructure development.

To ensure co-ordination and inclusivity in social planning and development, we strive to establish partnerships with our employees, Governments, communities, NGOs and educational institutions in order to contribute to ensuring the optimal impact of our initiatives.

The structure of our community engagement and development programmes is guided by the SLPs and EMPs in place for each operation. These plans include the following:

- ▶ social impact assessments based on participatory processes;

- ▶ applicable legislation relating to diversity;
- ▶ environmental impact assessments and ongoing monitoring;
- ▶ public disclosure of results of environmental and social impact assessments;
- ▶ local community development programmes based on local communities' needs;
- ▶ Stakeholder Engagement Plans ("SEP") based on stakeholder mapping;
- ▶ broad-based local community consultation committees and processes that include vulnerable groups;
- ▶ Occupational Health and Safety Committees and other worker representation bodies to deal with impacts; and
- ▶ local community grievance processes.

Social investment

Considering the relatively long potential lives of our operations, we focus on investing in long-term projects which will have a lasting positive impact, and which address the socio-economic needs of our communities. Our approach to corporate social investment is therefore developmental in nature and aimed at creating sustainability in communities beyond the life of active diamond mining.

The success of several of our social investment projects is dependent on our local communities having the necessary skills to implement and eventually manage them, and Petra therefore aims to provide the required training and advice wherever possible. We also facilitate steering committees to assess, implement, monitor and evaluate the progress of our projects, consisting of our employees, members of the local community and municipality, and other service providers.

Expenditure in FY 2019

Our Group social spend remained in line with last year's spend at US\$1.0 million. Only ca. 27% of budgeted spend was committed in South Africa in FY 2019 due to the inability of stakeholders to agree on suitable Local Economic Development ("LED", see definition below) projects, hindering the implementation of larger projects in the community. The operations are constantly engaging with local authorities and representatives to identify suitable projects, but community stakeholders must first come to a consensus on their desired projects. The political climate in South Africa during FY 2019 made it difficult to proactively engage with communities and Government officials. We are hoping that since the elections have passed, we will now be able to engage more effectively. In Tanzania, community spend was curtailed to a minimum in FY 2018, as a result of the mine's liquidity constraints resulting from the blocked parcel; however, we were able to generate sufficient cashflow to make contributions in line with amended Corporate Social Responsibility ("CSR") regulations in FY 2019.

Expenditure by country (US\$ million)

	FY 2019	FY 2018
South Africa	0.7	0.9
Tanzania (Williamson)	0.3	0.1
Group total spend	1.0	1.0

South Africa

Social investment in South Africa is provided in the following areas:

- ▶ **LED** is mandatory spend and corresponds with the Company's commitments as per the approved SLPs for each of the South African operations. LED projects are agreed with local municipality representatives and the DMR and approved by the latter.

- ▶ **Corporate Social Investment ("CSI")** spend is discretionary and the level that can be spent on qualifying projects in the local community is agreed upon by the CSI Committee. These projects and their criteria are outlined in Petra's Group Corporate Social Investment Policy. Each operation has an established Committee to approve and oversee the roll-out of the projects.
- ▶ **Sponsorships** are one-off expenditures, granted on a case-by-case basis, usually by a specific Petra operation, following a request received by the local community.
- ▶ **The Petra Foundation ("PF")** was formally established and registered in FY 2016. The purpose of the PF is to attract funding from our large suppliers, contractors and multi-nationals as well as securing other contributions. These funds are then used for community projects adjacent to our operations, which meet the criteria of the PF's Memorandum of Incorporation. For FY 2018 and 2019 two new projects were approved for Cullinan, being the Lethabong day care centre and the Partners for Possibilities Project. Implementation of the approved projects was carried out in consultation with relevant Government departments, with the DoE being a lead department. Our aim is to ensure that all relevant stakeholders are engaged in the consultation to enable the projects to make a meaningful and sustainable contribution towards community development.

Tanzania

In Tanzania, Williamson contributes directly towards community development through assistance with the advancement of social, commercial, industrial, educational, medical and administrative infrastructure for the benefit of local communities.



Community Development and Engagement continued

Social investment continued

Expenditure by country continued



Tanzania continued

Williamson's CSR Plan, which is informed by the mine's Stakeholder Engagement Plan, concentrated on the following areas for contribution and support during FY 2019:

- ▶ hospital supplies related to HIV/AIDS and TB patients;
- ▶ local education pertaining to health-related issues, environmental conservation planning and education;
- ▶ local environmental considerations supporting seedling germination, collection and planting;
- ▶ health screening; and
- ▶ local sports facilities.

Williamson also owns and runs the Mwadui A Primary School, providing subsidised English education for 525 students. This is the only primary school in the district which has formalised computer training and a computer centre and continues to be considered a top achiever at district, regional and national level.

Community training and development

Petra considers providing training, education and development to local community members just as important as training its own workforce, as this enables it to not only directly contribute to the economic uplift of the community but also to prepare a pool of potential labour for its operations.

In order to address the scarcity of skills in our local communities, our mines' involvement starts at a grassroots level, in the form of the maths and science school support programme and the provision of scholarships. This is continued at

tertiary education level with opportunities provided through the bursary scheme, the graduate development programme and the provision of practical experience through our experiential training programme.

US\$0.8 million

SPENT ON COMMUNITY TRAINING AND EDUCATION PROGRAMMES

The main areas of expenditure were the bursary scheme and school support projects. Williamson's spend was focused on supporting students at universities and colleges.

Bursary scheme

Petra's bursary scheme focuses on supporting promising students studying towards higher qualifications in the core disciplines of the mining industry, and forms part of the South African mines' SLP commitments. The bursary covers the cost of the studies as well as accommodation and allowances and is only available to South African students.

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FULL-TIME BURSARS FROM OUR COMMUNITIES WERE SUPPORTED BY PETRA IN FY 2019

In support of the national imperatives to support access to tertiary education, the Company supported four bursars in FY 2019 with grants received from the Mining Qualifications Authority offsetting the total cost.

The group of full-time bursars supported during FY 2019 is suitably diverse, consisting of 17 African students, one coloured¹ student and six white students, meaning that it is comprised of 88% HDSAs, and 48% are female. As part of the scheme, students are supported in carrying out vacation work or practical modules at operations as required by their respective institutions.

Young graduate work experience project

Youth unemployment is a significant challenge in South Africa, with graduates often not getting the opportunity to enter the labour market due to a lack of experience. As part of Petra's ambition to contribute to addressing this national problem, a programme was implemented to employ young graduates for a period of six to twelve months to participate in project-based work at our operations. In FY 2019 there were six active young graduates in service, of whom 83% are HDSA.

Since inception of the work experience programme in FY 2015, 48 young graduates have been recruited onto the programme, 22 of whom went on to be offered further employment opportunities at Petra.

Portable skills for community members

The issue of portability of skills also extends to local residents who are not employed by the mine but reside in the surrounding communities. For this reason, some of these programmes are also extended to community members. Portable skills training includes computer literacy training, technical training, plumbing, basic building techniques and carpentry, driver's licence training and agricultural training, as well as other opportunities related to local economic activity. In FY 2019, 78 community members were enrolled for portable skills training. This represents a decrease on last year due to the inability to find a suitable service provider at Finsch.

School support project

The school support project, which is intended to elevate the general level of mathematics and science education in order for more students to achieve quality passes in these subjects, is currently implemented at seven schools in the communities surrounding our operations. This project is aimed at contributing to improving opportunities to access tertiary studies and to securing employment. It is focused on developing both teacher and student competence, targeting Grades 8 to 12. Advocacy campaigns to involve parents in their children's education and to assist pupils in making career choices were also included during the Year as well as Grade 12 motivation workshops.

Six additional schools were supported by providing them with the 'My Maths Buddy' dictionary, which aims to assist teachers and pupils in mastering the language of mathematics. Grade 8 students from four schools were also provided with study skills training sessions at the commencement of their secondary school careers.

Demonstrating the success of our school support programme, one female scholar and beneficiary achieved seven distinctions and was awarded a bursary to study chemical engineering. Improvements in the number of Grade 12 learners passing the National Senior Certificate as well as the number of learners achieving distinctions in some of the supported schools were also achieved.

1. The term 'coloured' is the official and accepted term used for HDSAs of mixed descent.



Community Development and Engagement *continued*

Community training and development *continued*

Scholarships

Scholarships are awarded to deserving learners from schools in our communities, to alleviate the pressure that financial burden can place on both the learner and parent. 46 learners were supported in this manner during FY 2019.

Supporting the Minerals Education Trust Fund ("METF")

The METF is a body which provides the means to pool resources in South Africa's minerals industry to address and resolve some of the many challenges facing tertiary education. Petra provides annual contributions and committed ca. US\$71k in FY 2019.

Developing local businesses

We believe that the combination of targeted procurement and local small business development is a key component to providing a sustainable solution for economic development in South Africa.

Local businesses face a number of challenges such as access to finance and access to market. This limits the ability of start-ups and existing local businesses to grow and expand.

Through our Enterprise and Supplier Development Programme ("ESD"), the Company aims to assist these local businesses in accessing financing and markets, thereby encouraging their sustainability, creating sustainable employment and economic growth in local communities.

This is supported by the Group Procurement and Preferential Procurement Policy which aims to facilitate the inclusion of local black owned businesses into the supply chain of the mine.

We have a network of one-stop Enterprise Development Resource Centres, which support local businesses with non-financial and financial offerings. These centres provide an important link between local businesses and the mine's supply chain.

Services offered at the centres include:

- ▶ business advisory services;
- ▶ readiness assessments – business, financial and technical;
- ▶ generic business and technical training;
- ▶ access to market;
- ▶ access to funding through low-interest funding for qualifying SMMEs;
- ▶ formal business mentoring;
- ▶ computer and printing facilities; and
- ▶ boardroom facilities.

Petra's ESD Community Fund¹

202

LOANS TO LOCAL SMMEs

US\$2 million

DISBURSED LOAN FUNDING

Driving enterprise development



VALUES IN ACTION



LET'S MAKE A DIFFERENCE

As part of its responsibility to encourage the development of the diamond cutting industry in South Africa, Petra runs an ESD programme, through its subsidiary, Tarorite (Pty) Limited. Tarorite is the holder of Petra's Beneficiation and Diamond Dealer licences. Through its ESD programme Tarorite is able to support the growing local diamond industry.

The Tarorite ESD Fund programme aims to develop learners within the diamond industry through internships and other diamond-related courses. It also aims to equip local beneficiation businesses through both funding and mentoring.

One of the beneficiaries of the Tarorite ESD Fund programme is Outclass Crystallized Gems ("OCG"), which has secured funding to buy rough stones and cut and make jewellery to sell to the open market. Its cutters trained at the Kimberley Diamond and Jewellery Academy in 2015 and went on to receive funding through Petra's Tarorite ESD programme in 2017, after which they celebrated their first sale.

Through the Tarorite ESD programme, they have secured a supply of rough diamonds at competitive rates. They have exhibited at a number of jewellery shows, including the Hong Kong Gem & Jewellery Show in 2019. OCG is also amongst the very few manufacturers to join the Gemmological Institute of America Mine2Market programme.

1. Since inception in 2015.



Community Development and Engagement *continued*

Petra's ESD Community Fund FY 2019

51

LOANS APPROVED

US\$0.6 million

VALUE OF LOANS APPROVED

393

NUMBER OF JOBS CREATED AND SUSTAINED
FOR DURATION OF PROJECT/CONTRACT

28

LOCAL SMALL BUSINESSES SUPPORTED

US\$0.3m

PETRA'S ESD SPEND

Community stakeholder engagement

In recent years, there has been a considerable shift in the influence that stakeholders, especially local communities, have on the operations of all companies – and in particular mining companies – that operate in, or are close to, them. This is witnessed by the number of service delivery protests around the country (such as those seen at Koffiefontein in Q2 FY 2019), many of which have called on mines to play a bigger part in local development, and the increase in illegal mining. This has necessitated a

review of our approach towards interaction with our social environment, leading to a more integrated approach that is better suited to the current situation being adopted.

It has also been a key driver of the establishment of the SED Board Committee, with the necessary supporting operational structures, such as the multidisciplinary SED Steering Committee. The way in which stakeholders are engaged and the relationships with them are managed forms a critical part of the Company's success in dealing with the demands made by the current socio-political situation. Stakeholder engagement and management ("SEM") has been a significant focus of the Group since 2013, when we started training those members of staff who had significant levels of stakeholder contact in SEM methodology and started putting the necessary processes in place. In the current environment, it has become critical that we ensure an increased emphasis on these processes.

Continuous progress is being made with the implementation of a consistent and effective stakeholder engagement approach across the Petra Group. Our objective is to standardise processes and our stakeholder management approach and provide stakeholder relationship owners with the required management framework and we have made significant headway in fulfilling this.

The Company uses a software system, IsoMetrix Social Management, to capture, profile, schedule and manage engagement, as well as carry out the required reporting. There are some further enhancements to make to the IsoMetrix system and our stakeholder approach in H1 FY 2020, which centre around capturing a significant amount of historical demographical data on stakeholder

individuals and entities as well as engagement. This is required to ensure an accurate overall picture of our ongoing stakeholder relationships. We will also look to ensure that all stakeholder relationship owners have been identified, trained in the principles of effective stakeholder relations, and are actively using the IsoMetrix system as a means of data capturing and also as a SEM tool. A strategy to address these points, which also includes specialised community communications training aimed at improving engagement and relations with community stakeholder groups, has been devised for implementation in H1 FY 2020.

This approach and system will also assist in materiality assessments going forward, in conjunction with formal surveys carried out, and will be instrumental in identifying our stakeholders' perception of Petra's most material issues, enabling the Company to respond to these speedily and more effectively. No formal, Company-wide Social Impact Assessment ("SIA") or materiality study was conducted during FY 2019 as the approach has been to build on the information gathered during the FY 2016 studies, evaluating it against and adjusting it according to the insights provided during ongoing stakeholder engagement. A more formal materiality survey is planned in FY 2020.

Ongoing communication with our stakeholders is the most critical part of our SEM process. In addition to face-to-face meetings and forums, we use a variety of suitable channels and media, including printed, broadcast and social media. While our social media accounts, such as Facebook and Instagram, are playing an increasingly important role in this, quarterly community newsletters produced and distributed to the communities by

the respective operations, with support from the Communication Management department, still play a key part in keeping communities informed of operational issues that affect them. Although these newsletters are generally well received by communities, their success largely depends on the prevalent social issues that affect the respective communities' relationship with the operations.

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EXTERNAL AND INTERNAL STAKEHOLDER
ENGAGEMENT MEETINGS HELD IN
FY 2019 REGARDING COMMUNITY
AND SOCIAL DEVELOPMENT

A proactive approach to stakeholder engagement is critical in building relationships and upholding our social licence to operate. We engage continually with the Government, and in particular the Department of Mineral Resources ("DMR"), local Government (municipality), communities and organised labour on matters of mutual benefit and interest. The most tangible benefits of our proactive approach are:

- ▶ collaboration with stakeholders (including the municipality) on key issues such as Integrated Development Plans (including their development and implementation), the roll-out and alignment of projects with the needs of the community and collaboration with the Government on funding developmental opportunities;
- ▶ enabling and exploring possible synergies in community development initiatives and co-funding of projects with other mining houses and/or Government departments;



Community Development and Engagement *continued*

Community stakeholder engagement *continued*

- ▶ we belong to community forums, aiming to address and manage the risk of mistrust and lack of clear communication, which have provided a catalyst for many social incidents. The following issues are discussed: local procurement and enterprise development, environmental impacts of mining, employment opportunities, illegal mining and skills development (bursaries, internships and learnerships);
- ▶ we engage with organised labour on differing issues at various levels such as: accommodation and living conditions, skills development, skills retention, health and safety, operational performance and achievement of targets relating to sustainability of business, labour unrest and productivity;
- ▶ issues relating to the environmental impact of mining remain the concern of all our local communities; synergies are required between the environmental liability and the needs of the community; and
- ▶ we maintain regular, transparent engagements at all levels with authorities and regulators, especially concerning compliance with SLP commitments and Mining Charter requirements and targets (including, amongst others, transformation, mine community development, housing and living conditions and procurement).

Responding to issues

Petra has reviewed and integrated its existing community feedback systems. The aim has been to ensure that all queries and complaints are properly captured and addressed.

Community feedback received has subsequently been integrated into the IsoMetrix Social Management system, thereby significantly improving both the Company's awareness of and response to community issues. Petra's social media accounts have also proven to be very valuable and powerful as a feedback mechanism, to the point where most feedback is now being received via these channels.

Artisanal and small-scale mining ("ASM")

At Petra's underground operations, there is no risk of artisanal mining taking place given the defined outline of the mine site areas and the associated security. However, there is an ongoing risk of illegal artisanal mining taking place at the Williamson mine in Tanzania, due to the vast size of the orebody (146 ha) and the challenges associated with securing such a large perimeter. Some illegal artisanal mining activity sporadically takes place at Williamson and is managed on an ongoing basis by the mine, together with the local authorities. There is also a risk of illegal artisanal mining taking place upon the tailings dumps at Petra's South African operations, due to the nature of these deposits being at surface, meaning they can be more easily targeted. In terms of various pieces of South African legislation, amongst which are the Diamond Act, the MPRDA, the Mine Health and Safety Act and the National Environmental Management Act, the prospecting for or extraction of diamonds, and trade in uncut diamonds, without the necessary authorisations is illegal. Generally, instances of such illegal artisanal mining are sporadic at our operations and dealt with in terms of the aforementioned legislation in conjunction with the relevant authorities.

The scale of illegal mining at Petra's operations is not expected to have a material impact upon Petra's production in the short to medium term. However, there are risks in terms of illegal miners

operating on Petra operations contravening a number of regulations for which the Company is held responsible, in particular in the areas of health and safety and environmental management.

Petra is committed to finding a long-term solution, via multifaceted stakeholder engagement and co-operation with the South African police, the Department of Mineral Resources, the Minerals Council of South Africa and others, in order to address this challenge, as well as via its efforts to promote skills transfer and local economic development in its local communities in recognition that this issue is a direct result of South Africa's low economic growth and employment opportunities. Petra believes that legalised and regulated artisanal mining has the capacity for positive societal contributions via job creation and stimulation of the local economy. At KEM JV, Petra was instrumental in facilitating the historical agreement in which parts of the mining rights area in Kimberley were made available to illegal miners to conduct legalised artisanal and small-scale mining, demonstrating successful multi-stakeholder dialogue and co-operation.

Following a comprehensive business case and risk assessment, a decision was also taken to donate part of the tailings mineral resources at Koffiefontein for ASM. All relevant stakeholders have been involved in setting up the formal processes, structures and agreement. This has involved engagement with the artisanal miners, the DMR (including the South African Diamond and Precious Metals Regulator) and the local authorities to reach an optimal arrangement.

Petra believes that legalised and regulated artisanal mining has the capacity for positive societal contributions through job creation and stimulation of the local economy.