

Report of the Social, Ethics & Diversity (SED) Committee



Members of the SED Committee

Octavia Matloa, NED (Chair)

Varda Shine, iNED

Richard Duffy, CEO

Alex Watson, NED¹

1. Ms Watson was appointed to the Committee on 1 July 2021.



The Committee has had another busy year in overseeing the Group’s progress on social, diversity and ethics issues – with a continuing focus on the implementation of the IGM and community projects at Williamson.

Octavia Matloa
Chair of the SED Committee

Purpose of the Committee

The purpose of the SED Committee is to provide the Group with strategic direction on matters relating to its social, ethics and diversity (SED) impacts, as well as providing oversight of the Group’s performance in meeting its SED obligations and objectives. The aim is to position Petra as a responsible corporate citizen, to promote a diverse organisation in a sustainable and beneficial way, and to contribute to operational stability and sustainability.

SED Committee membership changes

Ms Watson joined as a member of the SED Committee on 1 July 2021. Ms Watson’s extensive experience in audit, risk and reporting (including sustainability reporting) was, and continues to be, of great benefit to the SED Committee.

Social

Following the settlement agreement reached with Leigh Day in May 2021, a focus for the Committee in FY 2022 was its continued oversight of the Group’s implementation of the Independent Grievance Mechanism (IGM) and Restorative Justice Projects (RJPs). Further detail of Petra’s performance in this regard can be found at page 55 and pages 33 to 34 of the Sustainability Report. I am pleased to report that good progress has been made in relation to the IGM, with Government and local community engagements having been completed and the focus now on updating the IGM processes and appointing the various organs that will make up the IGM, with the current target for the IGM to become operational by the end of the calendar year. On the RJPs, feasibility studies for income generating projects (agriculture businesses and artisanal mining) are progressing, the medical services project has been expanded to provide further services and the gender based violence initiative completed all planned initiatives in Q3 CY 2022 and has now turned to new activities.

In FY 2022, the SED Committee also continued its oversight of Petra’s UN Voluntary Principles on Security and Human Rights (VPSHR) training, with VPSHR training being conducted at all of Petra’s operations. Petra also concluded a Memorandum of Understanding with the Tanzanian Police Force (TPF) which requires the TPF to comply with the VPSHR in performing their security operations at the Williamson Mine. Related to the above, the SED Committee approved the new Respecting Human Rights Defenders Procedure, reflecting the commitment in Petra’s Human Rights Policy Statement to “... respect...the rights of human rights defenders and anyone opposing or raising concerns about our activities and not tolerating any threats, intimidation, physical or legal attacks, or retaliation against them”.

Petra’s three South African mines completed Social Impact Assessments (SIAs) which were used to compile the Finsch and Koffiefontein Mines’ next generation Social Labour Plans (SLPs) which were submitted to South Africa’s Department of Mineral Resources and Energy (DMRE) in June 2022. The Cullinan Mine’s SLP was approved by the DMRE in 2021 and Petra is currently working on its next generation SLP, which is due in June 2023. In addition, the application by Finsch under Section 102 of the Mineral and Petroleum Resources Development Act to request a deviation in spend from the SLP, was approved by the DMRE. The SIAs will also be used to update the mines stakeholder engagement plans to enable more proactive and robust community engagement processes.

Petra continues to experience delays in implementing its Local Economic Development (LED) projects, mainly due to local external circumstances around resource constraints as well as delays in project approvals by relevant structures.

In August 2021, Petra concluded a three-year wage negotiation (FY 2022 to FY 2024) with its recognised South African trade unions. Williamson Mine, in Tanzania, also concluded a one-year wage agreement of an 8% increase for all employees.

 **SED Committee Terms of Reference**
petradiamonds.com/about-us/corporate-governance/board-committees



Petra has long recognised the importance of understanding the views of its workforce to ensure they are part of our Board discussions and factored into the Board's decision-making. With the resumption of international travel and in-person meetings, I have, as designated employee engagement iNED and Chair of the Committee, been able to recommence face-to-face meetings with the workforce and the Board has been able to recommence its site visits to the Group's operations and these engagements are further described on pages 81 to 82.

Recognising the critical importance of Petra's stakeholder relationships to its licence to operate, the SED Committee also adopted a Stakeholder Engagement and Management Policy, underscoring its commitment to meaningful engagement, as envisaged in the guidance issued by the OECD. The intention of this Policy is to ensure stakeholder engagement which is "...proactive, inclusive, accountable, transparent and responsive..." so as to enable stakeholders to meaningfully participate in the decisions which affect them. The Committee looks forward to providing oversight and guidance in relation to the continued implementation and application of this policy in FY 2023.

 **More detail on Petra's approach to stakeholder engagement can be found at pages 15 to 22 of the Sustainability Report**

Please also see Petra's statement in terms of Section 172 of the UK Companies Act (pages 30 to 32) for further detail on how the Board (including the Committee) have considered stakeholder interests in their decision-making and discussions.

Following the process previously reported in relation to the adoption of the Sustainability Framework, I am also pleased to report that the final Sustainability Framework has been formally adopted by the Board shortly following the end of FY 2022. While Petra supports all 17 UN Sustainable Development Goals (SDGs), it has identified the five most relevant SDGs where Petra believes it can make the greatest contribution, being:



 **For more information on the Sustainability Framework, see pages 38 to 40 of the Sustainability Report**

The SED Committee looks forward to overseeing Petra's performance against relevant aspects of the Sustainability Framework and providing strategic oversight in relation thereto in FY 2023.

Ethics

In FY 2022, the SED Committee continued to receive regular updates in relation to the status of the tip-offs received through the Company's whistleblowing platform and tracked the progression of these reports to conclusion, including the remedial actions proposed and undertaken in relation to such tip-offs.

In FY 2022 and as part of its commitment to comply with the UK Bribery Act (2010), the UK Criminal Finances Act 2017, the UK Modern Slavery Act 2015 and international sanctions and trade restrictions, the Company commissioned an external consultant to facilitate and conduct a series of ethics & compliance risk assessments, focusing on risks of bribery and corruption, other financial crime, and human rights and labour conditions. This risk assessment resulted in a number of recommendations which management has addressed through the implementation of a new ethics and compliance programme. In FY 2022 and as part of this programme, the SED Committee reviewed and approved the following new or revised policies replacing existing policies for these areas:

- ▶ Gifts and Hospitality Policy, including the creation of an online gifts and hospitality register
- ▶ Declarations of Interest Policy, with a view to enabling all staff to proactively identify and manage actual or perceived conflicts of interest
- ▶ Whistleblowing Policy, to ensure those raising concerns in good faith are protected from reprisals
- ▶ Public Officials Expenditure Policy to ensure any expenditure related to public officials complies with applicable laws, and is for legitimate business purposes and is recorded through an online register

In addition to the above and as part of this new ethics and compliance programme, Petra's Board also approved a revised Code of Ethical Conduct. This Code is an essential guide and summary of Petra's policies, standards and procedures that are relevant to the way we work and the ethical conduct that is required from all staff as well as other business partners who work with us or act on our behalf and it has been published on Petra's website.

 petradiamonds.com/about-us/corporate-governance/business-ethics/
Diversity

The Committee continued its oversight of the implementation of the Group's Diversity and Inclusion Policy which requires that leadership at all levels across the organisation broadly consider diversity in all its different forms to support the Group in realising its strategic objectives.

 **For an overview of Petra's performance in relation to diversity, see pages 59 to 62 of the Sustainability Report**

All current HR initiatives, such as targeted recruitment, training and development, talent management, and reward and recognition, focus on the promotion of a diverse workforce to achieve the targets set. With this in mind, the Company has undertaken the creation of a Petra Diamonds South Africa Employment Equity Plan, with the aim of aligning the Group's employment equity targets in South Africa with other sector specific targets. Achieving diversity targets form part of Management's overall performance scorecard, thereby directly impacting on reward and recognition.

On gender diversity, the SED Committee notes that the percentage of women in Petra's workforce remained at 20%.

 **For more details, see page 61 of the Sustainability Report**

In addition, female representation at top management level improved by 3% compared to FY 2021, with four new women appointed at a Senior Management level, and with three of the women promoted participating in Petra's Women in Leadership Programme.

In South Africa, the Mineral and Petroleum Resources Development Act, No. 28 of 2002 and the Employment Equity Act, No.55 of 1998 legislate the Government's drive to address historic inequalities. Compliance with this legislation is mandatory, and the SED Committee received regular updates throughout FY 2022 on Petra's compliance with these. While Petra continues to perform well in relation to the employment of historically disadvantaged persons in its workforce (with a slight increase to 85% in FY 2022 (FY 2021: 84%)), particularly at a senior management level (46% in FY 2022, compared to 38% in FY 2021), the number of historically disadvantaged persons at an executive level (33%) remains comparably low. Petra is striving to improve this through implementing employment equity plans for all operations aligned to South Africa's Mining Charter targets, including targeted recruitment and prioritising training and development for high potential individuals who are historically disadvantaged persons.

Report of the Social, Ethics & Diversity (SED) Committee *continued***SED Committee role and activities**

The principal functions of the SED Committee are listed below, along with the corresponding activities and performance in FY 2022.

ROLE	ACTIVITIES IN FY 2022	OUTCOMES
To assess the policies and systems within Petra for ensuring compliance with material local and international legal and regulatory requirements with respect to SED aspects, including organisational ethics, corporate citizenship, social sustainable development, stakeholder relationships and diversity.	<p>Approval of a new Respecting Human Rights Defenders Procedure and revision of the Human Rights Policy Statement to reflect the commitment to respect the rights of human rights defenders and anyone opposing or raising concerns about the Group's activities, and not tolerating any threats, intimidation, physical or legal attacks, or retaliation against them.</p> <p>Adoption of a new Stakeholder Engagement and Management Policy.</p> <p>Following a risk assessment (see below), review and revision of the Group's anti-bribery and corruption and whistleblowing policies.</p> <p>Implementation commenced of the Group's Diversity and Inclusion Policy, which amalgamates the Group's employment equity and diversity strategies and objectives.</p> <p>Revision of operational procedures to ensure effective and accountable processes.</p>	<p>The following documents were reviewed and approved:</p> <ul style="list-style-type: none"> ▶ Respecting Human Rights Defenders Procedure ▶ Human Rights Policy Statement ▶ Stakeholder Engagement and Management Policy ▶ Gifts and Hospitality Policy ▶ Declarations of Interest Policy ▶ Public Officials Expenditure Policy ▶ Whistleblowing Policy ▶ Sustainability Framework (approved by the Board but noted by SED Committee) ▶ Code of Ethical Conduct (approved by the Board but noted by SED Committee) ▶ Investigations Framework (noted)
To monitor technical developments in the fields of SED management and practice and, where appropriate, to oversee the assessment of their impact on Petra and to provide appropriate strategic guidance.	<p>Continued monitoring of the status of the new Mining Charter in South Africa.</p> <p>Continued engagement, via its membership of the Minerals Council SA, on various industry matters, including the draft amended Mineral and Petroleum Resources Development Act (MPRDA) in South Africa.</p>	<p>The SED Committee monitored the potential impact of the new Mining Charter on the Group, noting the judicial review found in favour of the Minerals Council SA and the DMRE's statement that it will not appeal this judgement but will seek to implement the Mining Charter through legislative changes. Petra will provide its input via the Minerals Council SA.</p>
<p>To assess Petra's performance regarding the impact of SED decisions and actions upon employees, communities and other stakeholders.</p> <p>To assess the impact of such decisions and actions on the reputation of the Petra Group as a whole.</p>	<p>Monitoring of the implementation of the Company's community projects.</p> <p>Evaluation of the Company's Social Compliance Matrix.</p> <p>Monitoring of the risk of pit scaling at the Cullinan Mine and its impact on the local community.</p> <p>Monitoring of the independent whistleblowing hotline with regards to SED issues, including fraud and corruption.</p> <p>Implementation of a grave relocation project at Koffiefontein, whereby a number of burial sites within the mine licence area, (including within tailing storage facilities), believed to date back to the mine's early beginnings around the 1880s, are to be relocated.</p>	<p>Continued engagement with the local stakeholders involved in the ASM initiative at Koffiefontein.</p> <p>An SEP was put in place to guide communication with the local community at the Cullinan Mine in relation to pit scaling and a Relocation Action Plan was approved and successfully implemented in relation to affected persons and their houses.</p> <p>The grave relocation project has been awarded a permit under the National Heritage Resources Act. The Company will continue to engage with all relevant stakeholders as the project progresses.</p>
To monitor and evaluate Petra's organisational culture against the Company's purpose and to advise on issues of general diversity, as well as more specifically gender diversity, as a strategic imperative for Petra.	<p>Employment equity profiling and regular review of the diversity performance of the Group at all levels of the business, as well as monitoring of other employee-related measures related to workforce culture.</p>	<p>Revision of the Group's diversity targets to ensure the Group has one plan and to ensure targets are aligned to the Employment Equity Act and the Mining Charter requirements.</p>



ROLE	ACTIVITIES IN FY 2022	OUTCOMES
To ensure an appropriate Stakeholder Engagement Management System is in place and is maintained.	<p>Evaluation of the Company's Stakeholder Engagement Module.</p> <p>Reviewed Operational Grievance Mechanism standards and controls and monitoring thereof across the Group's operations.</p> <p>Improvement of reporting to the SED Committee on these mechanisms.</p>	<p>Ongoing evaluation, implementation and roll-out of SRM software platform to capture and assess historical and ongoing stakeholder engagement, commencing with the South African operations.</p>
<p>To evaluate the effectiveness of Petra's framework, policies and systems for identifying and managing SED risks.</p> <p>Identifying and/or ratifying those material issues related to SED which could impact the continued sustainability of the Company.</p> <p>Communicate, where applicable, its material SED risks to the Audit & Risk Committee.</p>	<p>The SED Committee regularly monitored the Group's principal and emerging SED risks and these were also communicated to the Audit & Risk Committee.</p> <p>The Company performed assessment of risks relating to bribery and corruption, other financial crime, and human rights and labour conditions and implementing ethics and compliance programme.</p>	<p>The SED Committee discussed and provided feedback on the Group's principal and emerging SED risks.</p> <p>The Group's anti-bribery and corruption and whistleblowing policies (outlined above) were reviewed and approved.</p>
To ensure systems are in place to record and submit statistical data that may be required for legal, regulatory and other external reporting.	<p>Review of internal and external reporting requirements; gap analysis to evaluate how Petra could improve its ESG disclosures.</p> <p>Submission of statutory documents.</p>	<p>Monitoring of SED-related data and information at SED Committee level.</p> <p>Reporting on employment equity and SLP progress to the South African Department of Labour and the DMRE.</p> <p>Monitoring of SED-related statutory documents per the SED Annual Plan.</p>

Octavia Matloa
 SED Committee Chair
 10 October 2022