

Community Development and Engagement

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 often present the only major economic activity in the local area. 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.

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 which can contribute to ensuring the optimal impact of our initiatives.

In terms of how we structure our community engagement and development programmes, we are guided by the SLPs and EMPs in place for each operation. These plans include by law the following:

- ▶ social impact assessments based on participatory processes;
- ▶ applicable legislations 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 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

Taking into account the 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 the communities in which we operate. 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 a number 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 2018

Our Group social spend decreased to circa US\$1.0 million in FY 2018 (FY 2017: US\$3.4 million), further to the inability to agree LED projects with external stakeholders. Cullinan, Koffiefontein and KEM JV are still engaging with stakeholders to identify projects for inclusion into SLPs and this has also affected expenditure for the Year. Only circa 23% of budgeted spend was committed in South Africa in FY 2018 and Tanzania community spend was also moderate, on the basis of political uncertainty.

Expenditure by country (US\$ million)¹

	FY 2018 US\$million	FY 2017 US\$million
South Africa	0.9	2.8
Tanzania	0.1	0.5
Group total spend	1.0	3.4

1. Individual numbers may not add to total due to rounding.

South Africa

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

- ▶ **Local economic development ("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.
- ▶ **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 its 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 Foundation 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.

The PF is an independent Section 21 company and registered NPO and has an elected Board, which assesses and approves project applications received from the operations.

The Financial Statements for FY 2016 and FY 2017 were presented to the Board, with both being approved and signed. The Board also ensured that all resolutions were concluded and signed off, thereby ensuring compliance with all governance requirements.

During a Board meeting, new projects for Cullinan were approved, including the Lethabong day care centre, a mobile clinic and the 'Vision is Vital' Project. All these approved projects will be implemented in consultation with the relevant Government departments such as the Department of Health and Department of Education to ensure all stakeholders are engaged and projects make a meaningful contribution towards community development.

Community Development and Engagement continued

Social investment continued

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.

Williamson's Corporate Social Responsibility Plan, which is informed by the mine's Stakeholder Engagement Plan, concentrated on the following areas for contribution and support during FY 2018:

- ▶ hospital supplies;
- ▶ local education;
- ▶ local environmental considerations;
- ▶ health screening; and
- ▶ local sports facilities.

Williamson also owns and runs the Mwadui Primary School, providing subsidised English education for 504 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.



Williamson CSI

Williamson's Environmental Co-ordinator shaking hands with the Minister of Tourism and Natural Resources during the Kishapu District's inaugural national tree planting event, supported by Petra.



Koffiefontein marks Mandela Day

Our Koffiefontein mine managers and their families were honoured to take part in the renovation of the local New Beginnings Crèche to mark Mandela Day, spending 67 minutes of their time – one for every year of Mandela's public service.



Community Development and Engagement continued

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\$0.93 million

SPENT ON COMMUNITY TRAINING AND EDUCATION PROGRAMMES

The main areas of expenditure for the community training and education programmes were the bursary scheme and school support projects. Williamson's spend was focused on supporting students and 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.

33

FULL-TIME BURSARS WERE SUPPORTED BY PETRA IN FY 2018

Petra sponsored 23 full-time bursars and three part-time bursars in the 2017 academic year. 27 full-time bursars and six part-time bursars are currently being supported during the 2018 academic year. The tuition fees of the part-time bursars who are carrying out postgraduate studies are sponsored by the Julian Baring Scholarship Fund.

The group of full-time bursars is suitably diverse, consisting of 24 African students, one Indian student, two coloured students and six white students, meaning that it is comprised of 83% historically disadvantaged South Africans ("HDSAs") and 39% are female. As part of the scheme, students are supported to do 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 12 months to participate in project-based work at our operations. Since inception of the programme in FY 2015, 46 young graduates have been employed, 18 of whom were offered further employment opportunities in the Company. In FY 2018 there were 17 active young graduates in service, of whom 88% are HDSA.

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.

467

COMMUNITY MEMBERS WERE ENROLLED FOR PORTABLE SKILLS TRAINING IN FY 2018

School support project

The school support project is currently implemented at nine schools in the communities surrounding our operations. The project is intended to uplift the general level of mathematics and science education in order for more learners to achieve quality passes in these subjects. This will contribute to improving their opportunities to access tertiary studies and to secure employment. The project is aimed at developing both teacher and learner competence and targets learners and teachers from Grade 8 to Grade 12.

Advocacy campaigns to involve parents in their children's education and to assist learners in making career choices were also included during the Year as well as Grade 12 motivation workshops. Four additional schools were supported by providing them with the 'My Maths Buddy' dictionary, which aims to assist teachers and learners in mastering the language of mathematics.

Community Development and Engagement *continued*

Scholarships

Scholarships are awarded to deserving learners from schools in our communities. The purpose of the scholarship is to alleviate the pressure that financial burden can place on both the learner and parent. 69 learners were supported in this manner during FY 2018.

Supporting the Minerals Education Trust Fund (“METF”)

The METF is a body which provides a 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 circa US\$77,000 in FY 2018.

Developing local businesses

We believe that local business development is a key component to true sustainability and is core to the economic development of South Africa.

Local businesses face a number of challenges as start-ups often struggle to gain access to grow and expand their businesses. These challenges include access to funding, availability of skills (both management and technical) and access to established supply chains.

At Petra, we address these challenges through our Enterprise Development (“ED”) and Supplier Development (“SD”) Programmes, which are rolled out at our operations through our Enterprise Development Resource Centres and monitored through our Group ED structure, working very closely with operational and Group-level procurement.

Each of our South African operations now has an operating Enterprise Development Resource Centre with a full-time ED Co-ordinator. This centre serves as a link between local businesses and the mine's supply chain.

Services offered at the centres include:

- ▶ business advisory services;
- ▶ readiness assessments – business and technical;
- ▶ generic business training;
- ▶ technical training;
- ▶ access to market – information on possible tender opportunities at the mine;
- ▶ access to funding through low-interest funding for qualifying SMMEs;
- ▶ formal business mentoring;
- ▶ computer and printing facilities; and
- ▶ boardroom facilities.

Having focused primarily on ED in FY 2018, we are moving towards a structured SD in FY 2019, with those businesses which have developed through our ED programmes having now graduated and entered into our supply chain.

A summary of Petra's ED spend in FY 2018 is provided on page 60.

Petra's ED programme since inception

US\$1.6 million

APPROVED LOANS FOR 139 LOCAL SMMEs



PetraDiamonds

extends support to local businesses through the

Enterprise Development (“ED”) Fund

R20 489 014 approved loans for 139 local SMMEs

111 women and 70 youth entrepreneurs supported

Created 754 temporary project-related jobs and manage to sustain 316 jobs

FREQUENTLY ASKED QUESTIONS

WHAT IS THE PETRA ED FUND?

Established in 2015, Petra Enterprise Development Fund is an in-house development fund administered by Phakamani Capital Impact on behalf of Petra Group. Our ED Fund is one of our initiatives to support and grow local businesses in our mining communities through access to loan funding. Petra Group initially set aside and contributed R5 million to the Fund as a catalyst for small businesses' economic participation. The Fund has increased due to repayments to the Fund and expands access to other SMMEs. This Fund is accessible through our one-stop shop Enterprise Resource Centres in our operations nationwide.

WHAT DOES THE FUND OFFER?

The Fund provides project (one-off) loans and term loans, business capital resources (vehicles, equipment, machinery, etc.) as well as working capital (salaries, rent, stock, etc.).

WHAT SIZE OF LOANS DOES THE FUNDING PROVIDE?

The loans range from R5,000 to R1 million for six to 36-month repayment periods. (This will be based on the available funds.)

IS THE FUND COMPLIANT WITH RELEVANT LEGISLATION?

The Fund subscribes to the National Credit Regulator requirements and Petra corporate governance principles.

IS THIS FUND A GRANT FUND?

No.

WHAT IS THE TURNAROUND FOR THE FUND APPLICATIONS?

Minimum five days for urgent applications and two weeks for a normal application (depending on required documentation).

AT WHAT RATE IS IT CHARGED?

At the moment, RSA's prime lending rate is at 10.25%. The Petra ED Fund offers an interest rate of 8% (Prime less 2.25%).

CAN PETRA OR RELATED BUSINESS EMPLOYEES BE FUNDED THROUGH THE FUND?

No.

WHAT DETERMINES THE FUNDING FOR THE APPLICATION?

The ability to repay (affordability), management risk and viability.

FOR MORE INFORMATION CONTACT:

Petra Cullinan Diamond Mine Resource Centre:	Seringa Road, Cullinan	012 305 2279
Kimberley Ekapa Mining Joint Venture Resource Centre:	75A Barkly Road, Kimberley	053 802 0700
Petra Koffiefontein Diamond Mine Resource Centre:	1 Du Preez Street, Koffiefontein	053 205 5085
Petra Finsch Diamond Mine Kgatelopele Small Business Hub:	222 Barker Street, Danielskuil	053 384 0043

Community Development and Engagement continued

Enterprise and supplier development

Five SMMEs participate in the Enterprise and Supplier Development Exhibition

As part of its commitment to assisting and developing local businesses, Petra aims to afford SMMEs access to the Group's supply chain as well as other markets. Cullinan took the initiative in 2017 to facilitate exposure to an Enterprise and Supplier Development Expo in Johannesburg by enabling five local enterprises to attend. This provided the opportunity to network, engage and facilitate trade relations with potential clients and other enterprises. Over 3,500 people attended the exhibition, where 320 enterprises were exhibiting.

The five businesses were assisted with marketing materials and exhibition stalls to showcase their products and services.



Petra's ED programme in FY 2018

78
LOANS APPROVED

Ca. US\$0.7m
VALUE OF LOANS APPROVED

461
EMPLOYMENT OPPORTUNITIES

42
LOCAL SMALL BUSINESSES SUPPORTED



Community Development and Engagement continued

Community stakeholder engagement

The implementation of a consistent and effective stakeholder engagement approach across the Group remains a priority for Petra in order to build on the robust processes covering engagement that we already have in place across the Group.

As part of its strategy to assess and manage its impacts, Petra carried out a full Social Impact Assessment ("SIA") of its South African operations in FY 2016. However, through ongoing engagement with stakeholders, these impacts are continuously being re-evaluated and reprioritised and planning adjusted accordingly. The SIA has assisted with the identification and assessment of the key stakeholders, impacts, risks and issues across the full life cycle of our South African operations and therefore serves to inform the integrated and comprehensive Stakeholder Management Engagement Plan ("SMEP") which is in place at each of the operations and for the Company as a whole.

The dynamic process of developing Group and operation SMEPs has been taking place over the last few years and has focused on the ongoing training of relevant officials in the SMEP methodology, the identification and classification of stakeholders, and the development of stakeholder engagement plans.

As part of Petra's community communications strategy, the Company aims to publish quarterly newsletters at certain of its South African operations where they are considered to be effective. Newsletters are not always the most viable means of updating local people at all operations and, in these instances, communications are often facilitated by the local media and other methods.

Responding to issues

Petra regards direct engagement with its stakeholders as the primary means of building relationships and identifying issues to be resolved, and therefore has a continuous, planned and scheduled engagement process in place at all of its operations. Increased emphasis is being placed on tying these engagements into formal community communication structures, thereby reaching stakeholders more directly and over a broader front.

Petra has, since FY 2014, been gradually introducing a best practice approach towards stakeholder engagement and management ("SEM"). This included the exposure to, and training of, officials in SEM by a leading SEM practitioner in partnership with the Public Relations Institute of South Africa ("PRISA"). However, a shortcoming of the approach introduced has been the availability of SEM software that would support these processes and provide a management system to plan, capture and track all stakeholder engagement, and manage relationships according to recognised principles.

Following a lengthy search for such a software platform, the decision was taken to introduce the IsoMetrix SEM module that is designed to support best practice and process. This software provides the functionality to capture the details of stakeholder individuals and stakeholder entities and evaluate their materiality to the business, create links between these and therefore map a matrix of relationships. This intelligence is then used to design and implement Stakeholder Engagement Plans based on the influence and interest of stakeholders, as well as to schedule and track engagements scheduled to ensure that planning is executed. All stakeholder complaints and queries are also captured on the system to ensure that these are assigned to actions, and that these are resolved.

Customisation and user testing of this system was conducted during the second half of FY 2018, with training of users and implementation of the system starting during the first half of FY 2019. Given the quantity of historical information that needs to be captured on the system to provide a reliable and complete view of stakeholder relations, it is expected that the first quantifiable information from the system will become available during the second quarter of FY 2019.

80

EXTERNAL STAKEHOLDER ENGAGEMENT MEETINGS HELD IN FY 2018 REGARDING COMMUNITY AND SOCIAL DEVELOPMENT

Petra also held 88 internal stakeholder engagement meetings regarding community and social development in FY 2018.

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.
- ▶ 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.
- ▶ 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).



Community Development and Engagement continued

Artisanal mining

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, as well as at the Kimberley Tailings Mineral Resources ("TMRs") in South Africa, which again cover large areas which are harder to secure. There is also a risk of illegal artisanal mining taking place upon the tailings dumps at Petra's other 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, including the Diamond Act, the MPRDA, the Mine Health and Safety Act, the National Environmental Management Act and others, the prospecting for or extraction of diamonds, and trade in uncut diamonds, without the necessary authorisations is illegal. Generally, instances of such illegal 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 Mineral 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. 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 formerly illegal miners to conduct legalised artisanal mining, demonstrating successful multi-stakeholder dialogue and co-operation.

The highest incidence of illegal mining activities amongst Petra's operations occurs at KEM JV. Some illegal mining activities also sporadically take place at Williamson and are managed on an ongoing basis by the mine, together with the local authorities.



The handover of mining rights to the artisanal miners in Kimberley

As the result of a multi-stakeholder process aimed at establishing a regulated artisanal mining sector, KEM JV made land in Kimberley available in June 2018, on which the DMR granted mining permits to former illegal miners, thereby enabling them to become legal artisanal miners.

The Deputy Minister of the Department of Mineral Resources handed over mining permits on property to the artisanal miners at the Mayibuye Community Centre, Kimberley. This unprecedented ceremony was also attended by representatives from other authorities that played a pivotal role in the process of making this agreement possible. A large number of the new legal artisanal miners, as well as the organisations supporting them, also attended to celebrate at this event.

Kimberley is the only diamond mining site in the world today that has unique remnants of historical flooring systems, which left very thin layers of original kimberlite residues, lending themselves directly to artisanal mining methods. Just over 500 ha of tailings minerals resources and floors, and an additional 100 ha of tailings (previously committed), were identified and transferred by Deed of Delivery to the Batho Pele Primary Mining Co-operative.

Legalised and regulated artisanal mining should not only make a positive contribution to society through job creation and stimulation of the local economy but this unprecedented example of co-operation and dialogue could also set a new standard for all future engagement between mining companies and their very diverse stakeholders.

Community Development and Engagement continued



Petra's Intern Forum – supporting the community

Interns from all of Petra's operations congregated in Kimberley on 15 June 2018 to conduct community work at the Helen Bishop Orthopaedic After-Care Home. The group of interns painted the fence of the centre and donations were made as part of the Company's CSI efforts. Donations included wheelchairs, cleaning materials, first aid supplies, diapers, toiletries and trees (on behalf of the

Environmental Department at KEM JV). Addressing the interns, Gert Klopper (Communication Manager Operations – Petra Diamonds) emphasised the importance of continued support to NGOs and contributing in a manner that will benefit these organisations long after such an event has passed.

