

# Stakeholder Engagement and Management

## Our ambition

**We aim to build strong relationships with all our stakeholders through effective and transparent engagement, in order to assist us in maintaining trust in our business, upholding our social licence to operate and creating shared value.**

## **Our approach**

The ever-increasing influence that stakeholders, especially local communities, have on the operations of all companies – and in particular mining companies – is a global reality. This is particularly evident in developing countries, such as the jurisdictions in which Petra's operations are situated. Pressures on development, employment and social service delivery by both governments and corporates, which are often regarded as the only other role players that are in a position to make a tangible contribution, have been exacerbated by the impacts of the COVID-19 pandemic. This necessitates a continued focus on effective engagement with role players in our social environment and a more integrated approach that is better suited to the changing operational environment.

Identification of our most important stakeholder groups is an ongoing process, as is the continued engagement with them through a variety of methods in order to maintain consistent two-way communication throughout the Year. Feedback from these stakeholder groups on key issues or impacts as a result of our operations are relayed to Management and the Board via the SED structure and Board Committee, which are then taken into account in strategic discussions and decision-making. For more information on our key stakeholder groups, the methods used to engage them, how we have considered our impact on stakeholders and the resultant actions taken, see the 'Stakeholder engagement' section on pages 14 to 17 of our 2021 Annual Report.

This Year, significant progress has been made in developing the Company's SED Committee, which was established in FY 2019. The SED Committee, with its supporting operational structures, such as the multidisciplinary SED Steering Committee, is designed to deal specifically with the demands of social, ethical and diversity factors, with the social component playing a large role in its activities. Read more about the SED Committee's activity for the Year in the 'Report of the SED Committee' on pages 110 to 112 of our 2021 Annual Report.

Stakeholder engagement and management ("SEM") has been a significant focus of the Group since 2013, but the efforts to improve on methodology and processes followed, in the light of ever-changing circumstances, is ongoing. During the past Year, a major focus was placed on finalising and standardising policies and processes, in order to ensure more effective and accountable stakeholder relations.

The need to review the Group's SEM policy framework was expedited by the results of the findings of the external investigation into the allegations of human rights abuses at the Williamson mine in Tanzania, which highlighted a number of areas to improve our approach and processes. These enhancements included simplification and clarification of policy and process, as well as the introduction of consistent feedback and grievance mechanisms and revised Stakeholder Engagement Plans ("SEPs"), with the emphasis on the effective execution of engagements, at all operations by Year end. Read more about the enhancements made to Williamson's stakeholder engagement processes on page 72.

Stakeholders and engagements are being identified, captured, profiled, scheduled and managed using an SRM software system. Work on the improvement of the system continues, as it is considered an essential tool to provide an accurate overall picture of our ongoing stakeholder relationships. In addition, training of key employees in the principles of effective stakeholder engagement and management continues, albeit that not all intended employees could attend the training during the Year, primarily due to vacancies, and the impact of the COVID-19 pandemic on training provision.

The SEM approach, in conjunction with formal surveys carried out, assists in continuously assessing issues material to the Company. In identifying our stakeholders' perceptions of Petra's most material issues in this way, the Company is able to respond to these speedily and more effectively. No formal, Company-wide Social Impact Assessment ("SIA") or Materiality Assessment was conducted during FY 2021, but valuable information on the key issues concerning the Company's primary stakeholders was gained via the processes outlined above.

Ongoing engagement of our stakeholders is the most critical part of our SEM process. Whilst the COVID-19 restrictions placed on face-to-face meetings and forums – which continued where possible – had a significant impact on such engagement, a variety of suitable channels and media, including printed, broadcast and social media, were used in order to continue constructive engagement with our stakeholders. Petra's social media accounts, especially Facebook, continue to play an increasingly important role in this, but quarterly community newsletters produced and distributed to the communities by the respective operations 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.

## Stakeholder Engagement and Management continued

### Our approach continued

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 DMRE, 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;
- involvement in community forums, aiming to address and manage the risk of mistrust and lack of clear communication, which has provided a catalyst for social incidents in the past. 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);
- engagement 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 the business, labour unrest and productivity;
- management of issues relating to the environmental impact of mining, which remain the concern of all our local communities; synergies are required between the environmental liability and the needs of the community; and
- regular and transparent engagement 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).

### Engagement in FY 2021

#### South Africa

Petra recorded 658 instances of stakeholder engagement in South Africa in FY 2021. This is a substantial increase which reflects the major drive Petra had to increase its visibility and engagements with its stakeholders, as well as improved processes and accuracy in reporting said engagements. The increase also reflects a significant focus on the area of local enterprise development, including 307 individual training sessions for local SMMEs.

#### Tanzania

WDL recorded 34 stakeholder engagements in FY 2021. This was a lower level of engagement than usual due to the mine being on care and maintenance for the Year, as well as due to the COVID-19 pandemic which impacted activities and gatherings. WDL embarked on efforts to increase engagements beginning in Q2 FY 2021, through well-attended community Town Hall Meetings, with the objective of sharing information with leaders and the communities regarding the business environment during the pandemic and updating the communities on the mine's care and maintenance status.

Stakeholder engagement also focused on raising awareness in the surrounding communities and with Government leaders prior to the launch of WDL's revised OGM. The culmination of these efforts led to the successful launch and implementation of this revised OGM, including the opening of a dedicated grievance office and desk at the entrance to the mine site.

Furthermore, a stakeholder engagement expert was deployed at WDL until the end of September 2021 to assist WDL to improve collaboration and create value for both the mine and its stakeholders. The temporary role entailed supporting the mine leadership in their engagement with local communities and other stakeholders, including the provision of high-quality and responsive information for stakeholders and developing innovative approaches to engagement. WDL is currently in the process of appointing a permanent Social Performance Manager that will continue and build on the work of the stakeholder engagement expert.

### Responding to issues

One of the deficiencies identified, and highlighted by the allegations of human rights abuses at the Williamson mine, was the absence of effective and standardised feedback and a formal grievance mechanism that stakeholders could use to raise their concerns and issues. Albeit that various mechanisms were used to invite feedback and grievances from stakeholders, it was found that the processes and responses followed were not consistently applied or recorded. To address this, a generic Feedback and Grievance Procedure has been introduced to standardise the handling of any stakeholder feedback and concerns raised.

One of the actions taken pro-actively to address deficiencies identified at Williamson was to develop an updated OGM and establish a new IGM process for WDL with the support of Synergy. Given the similarity between principles and processes outlined in this document and the generic Feedback and Grievance Procedure mentioned above, a decision was taken to apply the principles outlined in them and introduce an SOP, to be customised for and adopted as an OGM at each of the South African operations as well. This, as well as campaigns to inform communities of these OGMs and to encourage them to make use of them, was completed by Year end.

Going forward, the focus will be to build community confidence in these OGMs by open and transparent engagement, and effective and satisfactory feedback and / or resolution of grievances raised.

## Stakeholder Engagement and Management continued

### Cullinan pit scaling and environmental impacts in FY 2021

Further to the significant pit scaling incident that occurred during FY 2020 in October 2019, the Cullinan mine continued to experience minor events of scaling of the open pit wall in FY 2021. None of these incidents had any significant impact on communities, and continuous communication was maintained with potentially affected residents via community newsletters and flyers, and electronic communication channels. While the pit scaling at Cullinan is not expected to impact production, the immediate surrounding area of the open pit may be impacted over the medium to longer term by this natural degradation. However, there are no indications that such scaling events are likely to present any risk to residents.

In order to address the concerns raised by the community during previous pit scaling events, a number of actions are ongoing:

**Building structural surveys:** A 'crack survey' of 64 buildings in the residential area in proximity to the pit was completed during FY 2021. Structural engineers then analysed these results and conducted further analysis and site inspections with consent of the property owners. The next phase of this project will involve geotechnical analysis of subsoil material and structural assessment of foundations.

**Dust fallout measurement:** Dust fallout is being monitored continuously using two installed real-time dust monitors, one to the south and the other to the north of the pit. Measurements recorded to date indicate that we did not exceed the annual daily average limit of 50 mg/m<sup>3</sup> during the past Year.

**Limited voluntary relocation:** Following technical investigations, no risks or legal requirements were identified that would necessitate the relocation of any resident living close to the mine pit. However, the pit sidewall failures during 2019, albeit of unprecedented magnitude, led to a failure of approximately 6 million tonnes and the pit crest stepping out by nearly 80 metres. Considering this recent history, the implication of such an unlikely event would be that some properties might be within the 100 metres radius prescribed by law. As a responsible corporate citizen and having considered a recommendation from the DMRE, Exco approved the adoption of a proactive approach to proceed with a limited voluntary resettlement of residents within 200 metres of the Cullinan pit, which will be guided by the recently developed Group Resettlement Policy Framework. The Cullinan mine will continue to conduct thorough engagements with the project affected persons ("PAP") and broader engagements with interested persons.

**Noise and vibrations:** Unrelated to pit scaling, but as a result of concerns raised by community members residing close to the mine, acoustic surveys identified the large vibrating screens in the mill plant as a potential source of infrasound noise, which refers to sound waves with a frequency below the lower audible limit of the human hearing range. To reduce or eliminate this, special screen panels were manufactured and installed to balance the air pressure above and below the screen deck.

### Illegal mining and artisanal and small-scale mining

#### Artisanal Small Scale Mining ("ASM")

Petra believes that there is a space for artisanal small scale miners to co-exist with formalised, large-scale mining, since ASM can often profitably recover diamonds from resources that would be unprofitable, or at best marginal, for a larger operator due to the capital and overhead costs involved. For this reason, we have been actively pursuing the establishment of ASM where resources are deemed to be suitable for ASM extraction. The view is that properly regulated artisanal mining, which complies with the Kimberley Process Certification Scheme, as well as other standards for such operations set by, inter alia, the United Nations, conducted on such resource can both augment the diamond industry and hold definite benefits to communities.

To date, two ASM initiatives have been put in place by the Company in South Africa, at Koffiefontein during FY 2020 and in Kimberley during the Company's previous involvement in Kimberley Ekapa Mining JV, with the latter initiative being a landmark agreement in this regard. As one of the restorative projects that forms part of the settlement of the alleged human rights abuse claims with Leigh Day in May 2021, an investigation has commenced for the establishment of ASM on the Williamson mine's diamond resources.

In South Africa, the DMRE has indicated its intention to formalise ASM and include it into the mining regulatory framework. It is currently consulting with industry role players, including the Minerals Council SA on behalf of the mining industry, on the draft policy published in this regard. The general principles and guidelines contained in this draft policy are aligned and compatible with the ASM initiatives that Petra has introduced, and we are confident that the outstanding issues will be resolved in a constructive way, and this policy will provide a valuable framework for future initiatives.

## Stakeholder Engagement and Management continued

### Illegal mining and artisanal and small-scale mining continued

#### Illegal Mining

Although the risk of illegal mining at the Group's underground operations in South Africa is negligibly low, given the defined outline of the mine site areas and the associated security, there is an ongoing risk of illegal ASM taking place at the Williamson mine in Tanzania. This is due to the large size of the 146 ha orebody and alluvial resources included in WDL's 30.6km<sup>2</sup> SML and the challenges associated with securing such a large perimeter.

In addition, the tailings dumps at Petra's South African operations, due to the nature of these deposits being at surface, mean that they can be more easily targeted.

As a result of the human rights abuse allegations at Williamson, steps were taken to ensure that such illegal mining is managed in accordance with the VPSHR. This included replacement of the third-party security contractor, training of all mine and contractor security personnel in the VPSHR principles, and engagement with the TPF and local Government authorities on an ongoing basis, as well as stakeholder engagement on security related matters.

As part of the Company's transparent response to the human rights abuse allegations in Tanzania, Petra has put the systems and processes in place to be able to report on the number of illegal mining incursions taking place on the Williamson SML.

During Q4 FY 2021 (April to June 2021), there were a total of 109 incidents of illegal incursions onto the SML, resulting in three illegal diggers suffering minor injuries and being provided with treatment at the Mwadui hospital and another local medical facility before being discharged. There was some damage caused to police and contracted security provider vehicles in five of the incidents. A total of 18 arrests were made over this three-month period.

During Q1 FY 2022, there were a total of 143 incidents of illegal incursions onto the Williamson mine lease area, resulting in six security officials belonging to the third-party security provider and two belonging to the TPF suffering minor injuries, and in 15 arrests being made.

While PDL and WDL wish to limit the reoccurrence of incidents in so far as is possible, it is recognised that it will never be possible to completely eradicate illegal incursions, given the nature of the product being mined and the fact that diamonds are a small, easily transportable and valuable commodity that can meaningfully alter the lives of some members of the local community. WDL has therefore put a community engagement programme in place to highlight the dangers of illegal mining, including raising awareness around issues of trespassing and other actions that might result in conflict, with the objective of seeking to reduce illegal incursions onto the SML.

With regards to South Africa, the prospecting for or extraction of diamonds and the trade in uncut diamonds without the necessary authorisations is illegal, as set out in 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. Historically, instances of such illegal artisanal mining have been sporadic at the Group's South African operations and dealt with by the relevant authorities under the aforementioned legislation.

The scale of illegal mining is not expected to have a material impact upon production in the short to medium term. However, there are risks of illegal miners contravening a number of regulations for which the Group companies may be held responsible, in particular in the areas of health and safety and environmental management. There are also reputational risks associated with human rights issues relating to the management of illegal mining; hence, steps are being taken to strengthen management processes, including grievance mechanisms, as set out on page 73.