

Report of the Social, Ethics and Diversity (“SED”) Committee

Members of the SED Committee¹

Octavia Matloa, NED (Chair)

Varda Shine, iNED

Richard Duffy, CEO

Alex Watson, NED

1. Mr Glowasky stood on the SED Committee for the period between 10 March 2021 and 1 July 2021, at which point he stepped down and was replaced by Ms Watson, following her appointment to the Board.

SED Committee Terms of Reference <https://petradiamonds.com/about-us/corporate-governance/board-committees>

Quote from the Chair:

“The SED Committee’s second year of operation has been very busy and productive and I believe we have made significant progress with further developing and enhancing the Group’s approach, policies and practices in relation to social, ethics and diversity issues – particularly in consideration of the need to realign processes and engagement following the Restructuring of the Company, as well as in re-evaluating and implementing procedures in response to the human rights abuse allegations in Tanzania.”

The purpose of the SED Committee

The purpose of the SED Committee (the “Committee”) is to provide the Group with strategic direction on matters relating to its social, ethics and diversity (“SED”) impacts, and the monitoring of compliance. As part of its role, it also monitors and advises the Group on issues of ethics and corruption, social investments and interaction with stakeholders. 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.

Activity during the Year

This is the second year of operation of the Committee, coinciding with significant strategic change in Petra, as well as external socio-economic events that have required substantial reconsideration of processes and engagement within the Company. Following the Restructuring, particular attention was paid to the consolidation and alignment of the Committee’s role within the new operating model and the structures that were implemented to facilitate it. This included a particular focus on progressing the Group Sustainability Framework, which will align Petra’s management of sustainability with select UN Sustainable Development Goals (“SDGs”), with the SED Committee being responsible for all items other than the health and safety management aspects – which remain under the guidance of the HSE committee.

Socio-economic conditions brought about by, *inter alia*, the continuing COVID-19 pandemic, as well as regulatory uncertainty and changes in the respective jurisdictions, which in South Africa abated somewhat with the recent High Court judgement supporting the Mineral Council SA’s judicial review of the Mining Charter, also had a profound impact on the Committee’s approach to SED-related matters. The largest impact, however, resulted from the allegations regarding human rights abuses in Tanzania made early during the Year.

During FY 2021, as part of its planned course of business (prior to receiving the aforementioned human rights allegations) the Committee had committed to and embarked upon its review of the revised Group Human Rights Policy Statement and the Committee continues its ongoing oversight of the Group’s implementation of the SED policies and activities.

The allegations by RAID regarding human rights abuses at the Williamson mine in Tanzania, together with the legal claims brought by Leigh Day against Petra and WDL, were taken extremely seriously by the Company and had the most profound impact on the SED environment in Petra during the Year. An investigation was launched and following the outcome of the findings of the Tunajali Committee, of which Committee Chair Ms Matloa was a member, the Company took numerous actions with the aim of addressing issues identified and in order to prevent future incidents occurring. This included appropriate disciplinary processes whereby certain individuals left the Company. Operational reporting lines in relation to incidents have been restructured, and a revised incident escalation procedure has been put in place. These initiatives are expected to greatly enhance the oversight and accountability of security operations across the Group going forward. Read more on pages 45 and 46.

In light of the above allegations, a priority for the Year was the further alignment of all relevant functions within the Company, both in Tanzania and in South Africa, with the VPSHR to ensure human rights best practice and prevent reoccurrence of future allegations of human rights transgressions. This included the establishment of a Group Security Department as a separate function, which is represented on the SED Steering Committee, and reports directly into the Finance Director. In accordance with the Group’s Human Rights Policy Statement, which was recently updated and approved by the Board, Petra has increased awareness of human rights within the workplace by implementing various types of human rights awareness training for the Board, employees (including Management), contractors and security personnel.

Continuing the Committee’s development of the Group’s Diversity and Inclusion Policy, which aims at encouraging leadership at all levels across the organisation to think broadly about diversity in its different forms, significant focus was placed on refining and implementing our approach to diversity. This included the reconsideration of all targets within the ambit of Diversity and Inclusion; namely race, gender and disability, as well as the requirements of the new Mining Charter targets, the South African Department of Labour and the UK Corporate Governance Code. Read more about the Diversity and Inclusion Policy on page 50.

All current HR initiatives, such as targeted recruitment, talent management and reward and recognition, focus on the promotion of a diverse workforce to achieve the targets set. With this in mind, the Committee has undertaken the creation of a Petra Diamonds South Africa Employment Equity Plan, with the aim of aligning the Company's employment equity targets in South Africa with other sector specific targets. Achieving diversity targets now form part of Management's overall performance scorecard, thereby directly impacting on reward and recognition. This organisational design initiative required a significant amount of work during the Year and the Committee is pleased with this achievement.

The Committee was pleased to note improvements in terms of gender diversity for the Year, with the percentage of women in the Group increasing from 19% to 20%, as well as improvements throughout the various levels of the business – read more on page 51. Petra will expand its reporting on wider employee diversity, as well as gender diversity, in its 2022 Annual Report.

Improvement of our stakeholder engagement processes remains ongoing. Unfortunately, given the impact of the ongoing COVID-19 pandemic (which makes in-person engagement, especially with larger stakeholder groups, challenging), certain aspects have been unavoidably delayed. Apart from the revision of our Stakeholder Engagement Policy, the main focus has been, and will continue to be, on identifying, assessing and allocating responsibilities regarding stakeholders, and ensuring that current and effective SEPs are in place for each business unit. A major step forward during the Year was the establishment and implementation of standardised OGMs at each operation, which are already playing a role in improving engagement and expediting the resolution of any issues that arise between operations and their host communities. Having been finalised shortly before Year end, these mechanisms are still being refined and communicated to their communities, but are expected to play an increasingly important role in establishing and maintaining sound relationships.

One important method used to ensure direct communication between our workforce and the Board is facilitated via frequent roadshows by the CEO and other Exco and Board members to all of Petra's operations, and the first CEO roadshow in FY 2021 took place during December 2020.

Due to the impact of COVID-19 and an increase in the infection rate during Q4 FY 2021, a decision was taken to replace the subsequent roadshow planned for H2 FY 2021 with a virtual roadshow. This first virtual roadshow by the CEO, which took place during June 2021, consisted of a number of live online video presentations to different groups at each of the operations, including senior employees, organised labour, as well as a cross-cut of employees at the operation, and a session specifically aimed at Group employees. As the designated Director to engage with the Company's workforce, I attended this virtual event and found it to be a useful way to gauge employee interests and concerns, which I could then relay to the Board.

Committee membership changes

I would like to thank Mr Glowasky for his contribution as a Committee member from the period post the completion of the Restructuring to the end of the Year. Post Year end, Ms Watson joined as a member on 1 July 2021. Ms Watson's extensive experience in audit, risk and reporting (including sustainability reporting) will be of great benefit to the Committee.

SED Committee role and activities

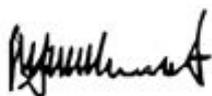
The principal functions of the SED Committee are listed below, along with the corresponding activity and performance in FY 2021.

Role	Activities in FY 2021	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>Review of the Human Rights Policy Statement, to include respect for 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>Implementation commenced of the Group's Diversity and Inclusion Policy, which amalgamates the Group's employment equity and diversity strategies and objectives.</p> <p>Continued progression of the Group Sustainability Framework, which will align Petra's management of sustainability with select SDGs.</p> <p>Review and revision of a number of policy documents.</p> <p>Revision of operational procedures to ensure effective and accountable processes, notably the Security Incident Escalation Procedure.</p> <p>Formulation, review and approval of a Group Resettlement Policy to guide Relocation Action Plans where it should become necessary.</p>	<p>The following documents were reviewed and/or finalised and approved:</p> <ul style="list-style-type: none"> • Human Rights Policy Statement • Diversity and Inclusion Policy • Group Resettlement Policy • Group Human Rights Policy Statement • Code of Ethical Conduct • World-wide Anti-Bribery Policy • Security Escalation Procedure <p>The Group Sustainability Framework will be finalised and presented to the Board for approval in FY 2022.</p>
To evaluate the effectiveness of Petra's framework, policies and systems for identifying and managing SED risks.	<p>The Group's ERM and Combined Assurance Function carried out an enterprise-wide and 'bottom-up' risk relevance testing, assessment and aggregation, with material risks (including those relevant to SED) integrated into the Group risk register.</p> <p>Evaluation of Petra's compliance with the VPSHR across all operations.</p>	<p>ESG-related risks were incorporated into the Group ERM processes for risk identification and monitoring.</p> <p>Roll-out of a gap assessment to determine VPSHR compliance across all operations completed during the Year, followed by an action plan to close gaps identified.</p>

Report of the Social, Ethics and Diversity (“SED”) Committee continued

SED Committee role and activities continued

Role	Activities in FY 2021	Outcomes
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.	Continued evaluation of the new Mining Charter in South Africa. 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.	The Committee will continue to monitor the potential impact of the new Mining Charter on the Company, as well as the ongoing judicial review impacting its finalisation. The High Court of South Africa recently handed down its judgement on this judicial review, finding in favour of the Minerals Council SA. It is yet to be seen whether the DMRE will appeal this judgement. Petra has provided its input via the Minerals Council SA.
To assess Petra’s performance regarding the impact of SED decisions and actions upon employees, communities and other stakeholders. To assess the impact of such decisions and actions on the reputation of the Petra Group as a whole.	Monitoring of the implementation of the Company’s community projects. Evaluation of the Company’s Social Compliance Matrix. Monitoring of the ASM initiative at Koffiefontein. Monitoring of the risk of pit scaling at Cullinan and its impact on the local community. Monitoring of the independent whistleblowing hotline with regards to SED issues, including fraud and corruption. Progression 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.	Revision and approval of the Social Compliance Matrix to improve the Company’s engagement with internal and external stakeholders. Continued engagement with the local stakeholders involved in the ASM initiative at Koffiefontein. An SEP was put in place to guide communication with the local community at Cullinan in relation to pit scaling. A Relocation Action Plan has been approved and communicated to interested and affected parties. Enhancement of the whistleblowing service, as set out on page 89. 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.
To monitor and evaluate Petra’s organisational culture against the mission and vision of the Company and to advise on issues of general diversity, as well as more specifically gender diversity, as a strategic imperative for Petra.	Employment equity profiling and regular review of the diversity performance of the Group at all various levels of the business, as well as monitoring of other employee-related measures related to workforce culture.	Revision of the Group’s diversity targets to ensure one plan for the Group to improve diversity.
To ensure an appropriate Stakeholder Engagement Management System is in place and is maintained.	Evaluation of the Company’s Stakeholder Engagement Module. Reviewed our OGM standards and controls and monitoring thereof across our operations. Improvement of reporting to the Committee on these mechanisms.	Ongoing evaluation of, and implementation and roll-out of SRM software platform to capture and assess historical and ongoing stakeholder engagement, commencing with the South African operations.
To ensure systems are in place to record and submit statistical data that may be required for legal, regulatory and other external reporting.	Review of internal and external reporting requirements; gap analysis to evaluate how Petra could improve its ESG disclosures. Submission of statutory documents.	Monitoring of SED-related data and information at Committee level. Reporting on employment equity and SLP progress to the South African Department of Labour and the DMRE. Monitoring of SED-related statutory documents per the SED Annual Plan.
To identify and/or ratify those material issues related to SED which could impact the continued sustainability of the Company.	The Group’s material topics were again considered during the compiling of the 2021 ESG and Sustainability Report in the context of the key stakeholder concerns / interests raised during the Year, as well as consideration of other internal and external factors.	The Committee recommended to the Board that no changes were required to the Company’s list of material topics for FY 2021.



Octavia Matloa
SED Committee Chair
12 October 2021