

Williamson Diamonds Limited
Project #28574
Environment and Social Review Summary
Annex A
Due Diligence on the South African operations of Petra Diamonds

IFC review of this project included an assessment of the South African operations due to the corporate nature of proposed investment although the funding will be directed at Williamson as described above. IFC Environmental and Social Specialists visited Cullinan, Koffiefontein and Kimberley Underground Diamond Mines and conducted discussions with company management and technical specialists in order to assess broad IFC policy compliance. Petra's South African operations were found broadly in compliance with IFC Performance Standards as demonstrated by the technical documents provided by the company, Sustainable Development Report 2009 and IFC site visits.

Petra's adherence to the strong, well enforced South African environmental laws, regulations and requirements supports the company's commitment to limiting the negative environmental impacts associated with diamond mining activities. In particular, the Mineral Resources and Petroleum Development Act (MPRDA) of 2002 and the National Environmental Management Act (NEMA) of 1998 are both used to guide practice, as well as international best practice standards. Each operation has in place an Environmental Management plan (EMP), which is developed based on regulatory requirements and particular mine situations as well as using participatory processes of consultation and public involvement. These EMPs are legally binding documents and performance against these is regularly reviewed. An audit of environmental performance is undertaken every second year.

Petra's Environmental Policy provides a general sustainability framework. An Environmental Management System (EMS), which is broadly aligned with the ISO 14001 requirements has been developed to ensure compliance with the EMPs at Cullinan, Petra's flagship operation in South Africa, and is in the process of development in other company operations. Training of employees in EMS is undertaken in all the company's operations.

All of Petra's mines in South Africa were acquired from De Beers and some smaller operators and therefore take place on brownfield sites acquired in an already disturbed state. A key objective of Petra's is therefore the rehabilitation of land to appropriate land use where this is possible. An important part of Petra's environmental management strategy is the allocation of the areas adjacent to the mines to biodiversity parks for the protection of fauna and flora. In total, some 4,456 hectares have been allocated for this purpose, at Cullinan (1,549 hectares), Koffiefontein (1,780 hectares), Sedibeng (737 hectares) and Helam (1,390 hectares). These game reserves are fenced to ensure a demarcation from the general mining area and are managed by committees. The committee at Cullinan is known as the Premier Wild Life Club whose members consist of present and past employees of the mine. The club's committee includes a representative of present mine management. In addition, most of the mining area and surrounds at Star Diamonds have been declared as an Industrial Conservancy.

Water usage is continuously monitored at each of Petra's mines and is considered a critical part of the successful operation of each operation. Petra is registered with the Department of Water and Environmental Affairs (DWEA) as a water user. DWEA issues water use licenses that govern water usage and discharge into the natural environment. Water monitoring systems are in place at the Cullinan, Kimberley Underground, and Koffiefontein mines; this service is out-sourced to a consultant at the Helam, Star and Sedibeng mines, and is undertaken on a quarterly basis.

A Health and Safety Policy is developed and in place at all operations. Where necessary, the policy has been translated into local languages to ensure proper understanding. Health and Safety Committees,

comprising both management and employee representatives are in place at all operations in line with the Mine Health and Safety Act (MHSA). These committees, as well as the health and safety representatives, meet on a regular basis. Petra has maintained an excellent health and safety record for the 2009 financial year, demonstrating the importance of a zero harm culture in the workplaces. The Lost Time Injury Frequency Rate (LTIFR) for the 2009 financial year was 0.76 per million hours worked (for 2008 the number was 0.71). All employees across Petra's operations are subject to annual medical examinations in line with occupational health legislation. These medical examinations are undertaken annually, on engagement, at transfer or when exiting the Petra group. Health and safety training and awareness programs are undertaken regularly at all operations.

Conditions of employment in Petra's operations are comparable to the average in the industry and include a provision of benefits that are specified by the local labour regulations. All employees are informed of the terms of employment before commencing work and sign an employment contract. A human resource development committee is established at each mine consisting of both management and employees representatives for dealing with training, career development and employment equity issues. More than 75% of employees are unionized with majority joining National Union of Mineworkers (NUM), the union Solidarity and the union UASA. Collective bargaining is undertaken by Petra in accordance with the Labour Relations Act and annual or bi-annual negotiations are undertaken with each of the represented unions for development of a collective agreement that cover compensation and benefits and working conditions. The company enjoys constructive relations with the named labour unions and supports union's initiatives for improving worker's well-being and working conditions. The company is offering limited company-owned hostel as an accommodation option for its employees but is also undertaking numerous efforts and encourages home ownership by providing living-out allowances, to empower its employees to leave company-provided accommodation. Petra prioritizes employment of local labor for its mines and the linkages with local businesses and suppliers.

Petra recognizes the need to implement affirmative action measures to counteract the under-representation of certain designated groups in the workplace through recruitment, training and promotion of employees from these groups. In doing so Petra commits to increase the percentage of Historically Disadvantaged South Africans (HDSA) and Women in Mining as a part of the Mining Charter and to develop recruitment, training and career progression plans accordingly. Employment equity targets are set annually and outlined in the operations' employment equity plans which are signed by both employees and employer representatives.

The company has developed a Skills Development Policy and established a dedicated Training Center in Cullinan that was licensed by the Mining Qualification Authority to provide a wide range of training to company employees. The company plans to expand the Training Program to other Petra assets in South Africa and develop a corporate Training Plan. In line with the Mining Charter, Petra is committed to increasing the literacy levels among its employees through sponsoring Adult Basic Education Training (ABET) for its employees. Mine-based company-sponsored ABET is available to most employees on a voluntary and part-time basis. Petra has also established a corporate Leadership Development Program with the objectives to empower employees to develop leadership skills and competencies. In addition to the in-house training and career development opportunities, Petra also provides a number of scholarships, bursaries and internships for skills development in the institutions of higher education.

Petra is implementing a Social and Labour Plan (SLP) for each of its mines in accordance with the local regulatory requirements. Each SLP is developed in consultations with the local communities, trade unions, the Department of Minerals and Energy, the Department of Labour, and the local municipalities. In accordance with the requirements of the Mining Charter, and as part of SIA development, Petra has developed a Local Economic Development (LED) Plan in consultations with the local stakeholders. The community development activities undertaken by the company in accordance with SLPs and LEDs are integrated in the local Integrated Development Plans (IDP), developed and implemented by the local

administrations, in order to achieve synergies among the social investments by the state. Prioritizing of community development goals is undertaken jointly by Petra and the local administrations.