Reducing our resource consumption
Developing and retaining our people
Creating a safe and healthy working environment

Our sustainable development principles

Our human resource strategy is to develop first-class employees. This is a key element in achieving operational excellence.

We adopt a precautionary approach to all aspects of health, safety and environmental (HSE) management.

The Group is reliant on non-renewable natural resources to conduct its business. The efficient use of these resources is of utmost concern and therefore strives to promote a culture of zero harm and responsible care.

Gem Diamonds promotes a culture of corporate integrity and accountability. To achieve this, we have developed a strong culture of corporate integrity and accountability. To meet our responsibilities as an ethical organisation, helping it to grow over the long term, integrity signifies that we have met our obligations to contribute to the sustainable socio-economic growth of the areas in which we operate.

In turn, we regard it as our moral and social responsibility we take seriously. In the course of operations, we are aware that we have an obligation to contribute to the sustainable socio-economic environments.

At a glance

• Our diamonds
• The purpose of our sustainable development framework
• Our progress

At a glance

• Our diamonds
• The purpose of our sustainable development framework
• Our progress

Looking ahead

• The Group will also investigate sales and marketing opportunities in new and emerging markets

During 2013, the Group maintained an outstanding safety record, where there was one fatality. Three lost time injuries (LTIs) (2012: eight) were recorded in the period.

At a glance

• Our diamonds
• The purpose of our sustainable development framework
• Our progress

Looking ahead

• The Group will also investigate sales and marketing opportunities in new and emerging markets

The Group is committed to the Kimberley Process as a means to ensure no rough diamond is sold that has been mined by conflict. In 2013, an integrated business and safety management system was developed and upgraded our security system and service information and labelling.

In 2013, we developed and implemented Behaviour-Based Safety programmes, including Why I work safely competitions, The Visible Felt Leadership initiative and promoting the principle of 'being our brother's keeper'.

In 2013, an integrated business and safety management system was developed and upgraded our security system and service information and labelling.

Safety

No cases of bribery, corruption or anti-competitive behaviour have been brought against us to date. The system will be operational in 2014 and will assist the facility with SHEQ-related matters.

Over the year, we achieved an accident frequency rate (AFR) of 2.49 (2012: 4.45), 19 non-work related fatalities (2012: one) and 14 fatalities as a result of non-work related accidents (2012: six).

At a glance

• Our diamonds
• The purpose of our sustainable development framework
• Our progress

Looking ahead

• The Group will also investigate sales and marketing opportunities in new and emerging markets

For the purpose of this report, the Group comprises four mines: Ghaghoo in Pakistan, Letšeng in Lesotho and Voster and Zandfontein, which are jointly owned with Cullinan Diamonds, in South Africa.

Ghaghoo maintained its four-star rating on the IRCA System. The Letšeng mine achieved the highest IRCA audited rating for health, safety and environmental management.

In 2013, we developed and implemented Behaviour-Based Safety programmes, including Why I work safely competitions, the Visible Felt Leadership initiative and promoting the principle of ‘being our brother’s keeper’.

Letšeng achieved a five-star rating on the IRCA System.

In 2013, we achieved an accident frequency rate (AFR) of 2.49 (2012: 4.45), 19 non-work related fatalities (2012: one) and 14 fatalities as a result of non-work related accidents (2012: six).

In 2013, an integrated business and safety management system was developed and upgraded our security system and service information and labelling.

In 2013, we developed and implemented Behaviour-Based Safety programmes, including Why I work safely competitions, the Visible Felt Leadership initiative and promoting the principle of ‘being our brother’s keeper’.

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• The Group will also investigate sales and marketing opportunities in new and emerging markets

The significant milestones achieved include: completing all the necessary development work in Pakistan; the development of the new look and feel website; and a 5% increase in production.

In 2013, an integrated business and safety management system was developed and upgraded our security system and service information and labelling.

At a glance

• Our diamonds
• The purpose of our sustainable development framework
• Our progress

Looking ahead

• The Group will also investigate sales and marketing opportunities in new and emerging markets

For the purpose of this report, the Group consists of four mines: Ghaghoo in Pakistan, Letšeng in Lesotho, and Voster and Zandfontein, which are jointly owned with Cullinan Diamonds, in South Africa.

In 2013, we achieved an accident frequency rate (AFR) of 2.49 (2012: 4.45), 19 non-work related fatalities (2012: one) and 14 fatalities as a result of non-work related accidents (2012: six).

In 2013, we developed and implemented Behaviour-Based Safety programmes, including Why I work safely competitions, the Visible Felt Leadership initiative and promoting the principle of ‘being our brother’s keeper’.

In 2013, an integrated business and safety management system was developed and upgraded our security system and service information and labelling.
At Gem Diamonds, we seek to maximise the value of our assets by mining, manufacturing and selling diamonds with due care and respect for people and the environment.

Our approach to sustainable development is both a moral obligation to do the right thing, as well as a business imperative to support our overall business strategy.

We continue to strive towards reaching our goal of zero harm. This is not limited to our employees, but also extends to the receiving environment in which our operations are located, as well as our project affected communities. We continue to work hard to deliver sustainable returns to our investors, while at the same time optimising the benefits to our stakeholders and minimising our impact on the environment.
Our sustainable development principles

Reducing our resource consumption
The Group is reliant on non-renewable resources to conduct its business. The efficient use of these resources is of utmost concern and directly contributes to the resilience of the organisation, helping it adapt to an environment that is increasingly resource constrained.

Product integrity
To Gem Diamonds, product integrity signifies that we have met our responsibilities as an ethical and accountable organisation. To achieve this, we have developed a strong culture of corporate integrity and solid governance.

Minimising our environmental impacts
We adopt a precautionary management approach when considering potential environmental impacts. The minimisation, mitigation and management of these impacts are key components of the Group's duty of care – a responsibility we take seriously.

Creating a safe and healthy working environment
Gem Diamonds promotes a culture of zero harm and responsible care. Our workforce is our most valued asset and their health and safety is our priority.

Developing and retaining our people
Our human resource strategy is to engage, develop and retain first-class employees. This is a key element in achieving operational excellence.

Optimising community benefit
Our mines are based within existing socio-economic environments. We benefit from mining diamonds during the life of these operations. In turn, we regard it as our moral obligation to contribute to the sustainable socio-economic growth of the areas in which we operate.
Our commitment
to sustainable development

Our progress

- Zero fatalities.
- Zero cases of bribery, corruption or anti-competitive behaviour have been brought against us.
- Zero major environmental incidents.
- Zero fines for environmental transgressions and non-compliance.
- 6 287 serious disease management interventions.
- 100% of staff exiting the organisation underwent medical examinations.
- 45 512 proactive safety management actions implemented.
- Zero major community complaints.
- 45% reduction of total Group carbon footprint.

Committed

We are committed to:

- A goal of zero harm;
- Zero tolerance to non-conformance; and
- Responsible care.

This is how we make our commitment total

All our employees and contractors commit to:

- knowing that they have enough time to do every job safely and responsibly;
- being aware of and understanding all hazards at all times;
- knowing how to do every job safely and responsibly;
- never ignoring an at-risk condition or behaviour;
- caring for each other and the environment; and
- complying with host country legislation is a minimum.

Our reports

We produce a range of information to meet the needs of our various stakeholders. These include our Annual Report, Sustainable Development Report as well as half-year and annual result presentations.

Furthermore, we encourage our readers to go to our website for updated information on the Group.
About Gem Diamonds

Gem Diamonds is a leading global producer of high-value diamonds. The Group currently has one producing mine, the Letšeng mine in Lesotho, and is developing the Ghaghoo mine in Botswana. The Letšeng mine is famous for the production of large, top colour, exceptional white diamonds, making it the highest average dollar per carat Kimberlite diamond mine in the world. Since Gem Diamonds’ acquisition of Letšeng in 2006, the mine has produced four of the 20 largest white gem quality diamonds ever recorded.

Gem Diamonds has a clear and consistent growth strategy based on the expansion of the Letšeng mine and the development of the Ghaghoo mine.

Feedback
We welcome the views of our stakeholders on this report and the way we approach our sustainability priorities. Please contact Danielle Welgemeed, HSSE Coordinator, using the contact details on the back cover with your comments.

Terms used within the report
Gem Diamonds or the Group – refers to the full group.
The Company – refers to the relevant company, for example Letšeng.
Letšeng – refers to the Letšeng mine located in the Kingdom of Lesotho.
Ghaghoo – refers to our operation in the Republic of Botswana.
About our report

This is the sixth annual Sustainable Development Report produced by Gem Diamonds and it presents an account of our sustainability performance for the 2013 calendar and financial year. This report focuses on material developments and issues, and discloses the most pertinent indicators.

Much has been achieved since we published our first Sustainable Development Report in 2008. We continue to evolve and improve our sustainability and corporate social responsibility programmes across all our operations. Due to the expansion of these programmes, we separated the Sustainable Development Report from our Annual Report in 2011.

Although this publication is presented as a standalone report, we are striving to illustrate our progress in integrating sustainability principles into our core business processes. We therefore encourage you to read this report in conjunction with the Group’s 2013 Annual Report.

Our Sustainable Development Report covers operations managed by the Group during 2013. Our report aims to provide an overview of the Group’s performance in terms of social, health, safety, environment, economic development and product integrity. During 2012, the Group disposed of its Ellendale operation. 2012 figures in this report still include Ellendale, unless otherwise stated.

However, the comparative figures for our Ghaghoo and Letšeng operations are presented separately where material.

We report against the Global Reporting Initiative (GRI) G3.1 Sustainability Reporting Guidelines, supported by our internally developed policies and procedures. Our report conforms to the requirements for GRI application level C. Our performance in relation to the full set of GRI indicators is available at the back of this report.

We chose to prepare our report voluntarily as part of our commitment to maintaining our credibility, integrity and reputation through transparency. All data in this report is subject to internal documentation and review processes but is not audited or assured by an external agency.
Our business model

Gem Diamonds’ strategy is based on three broad pillars, namely value creation, growth and sustainability.

Our business model offers the Group the flexibility to pursue our strategy in a manner that derives the maximum returns for our shareholders in a sustainable manner.

We recognise that we require inputs for our business activities. We have categorised these inputs in terms of the capitals available. Through our business activities, these are transformed into outputs and broader outcomes, generating value for our shareholders and the wider community in which we operate.

STRATEGY

- **Value creation**

- **Growth**

- **Sustainability**

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<table>
<thead>
<tr>
<th>STRATEGY</th>
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<tbody>
<tr>
<td>Optimising returns</td>
<td>Improving the quality of our assets through life of mine extensions. Operating profitably and generating cash. Strengthening the capital structure. Optimising revenue achieved for our diamond production through reductions in breakage and theft.</td>
</tr>
<tr>
<td>Operational excellence</td>
<td>Focusing on cost reductions and enhancing our current production efficiency.</td>
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<tr>
<td>Organic growth</td>
<td>Optimisation of the Letšeng mine and developing the Ghaqhoo mine using available capital to deliver optimum returns to shareholders.</td>
</tr>
<tr>
<td>Value accretive opportunities</td>
<td>Generation of additional value through expanded sales and marketing capabilities, incorporating manufacturing and downstream initiatives.</td>
</tr>
<tr>
<td>Stakeholders and communities</td>
<td>Building long-term, transparent and mutually beneficial relationships with all stakeholder groups.</td>
</tr>
<tr>
<td>Health, safety and environment</td>
<td>Aiming to sustainably achieve zero harm to our environment, people and communities. Effective management of impacts upon economic, social and ecological systems to the benefit of future generations.</td>
</tr>
</tbody>
</table>
Our business activities focus primarily on extracting diamonds through mining. We have also expanded our focus further along the diamond value chain through our strategic sales, marketing and manufacturing.

We are committed to sustainable development, which underpins our drive to maximise value for our shareholders and society.

### Inputs
- **Human capital** refers to our staff and their contribution to our success:
  - Number of employees: 1,660
  - Total employee training: 12,277 hours

- **Financial capital** refers to the funds required for the Group to carry out its business activities and the funds on hand available for future use:
  - Cash from operating activities: US$87.6 million
  - Cash balance: US$71 million
  - Available credit facilities: US$44 million*

- **Infrastructure capital** is the investment into assets used in the production of both rough and polished diamonds to maintain and increase production capacity:
  - Capital expenditure: US$30 million

- **Social and relational capital** refers to the relationships with our stakeholders:
  - Group-wide corporate social investment: US$0.5 million

- **Natural capital** refers to the resources, such as diamond reserves and water used by the Group in its operations:
  - Tones mined: 6.2mT
  - Energy consumption: 6,972,536GJ
  - Water consumption: 4,032,161m³

- **Intellectual capital** is both the Group’s intellectual property and its innovation within the organisation:
  - Technical expertise of our staff in all spheres in which the Group operates

### Business Activities
- **Mining**:
  - Mine economically viable diamond deposits on our mining leases
  - Implement expansion projects and optimise the timing of underground mining at Letšeng
  - Develop the Ghagho mine
  - Enhance cost and operating efficiencies across the mining cycle
  - Ensure safe operation and minimise all impacts

- **Sales, marketing and manufacturing**:
  - Improve revenue achieved for diamonds through the sale of our rough diamonds
  - Analysis and mapping of our exceptional diamonds to give us the capability to truly understand the rough diamond value
  - Manufacture and sales of select high-value rough diamonds and strategic partnership arrangements on the manufacture and sale of exceptional, high-value diamonds

### Outputs
- **Human capital**
  - Fatality-free year
  - Significant reduction in lost time injuries

- **Financial capital**
  - Revenue: US$213 million
  - Underlying EBITDA: US$77 million
  - Attributable net profit (before exceptional items): US$21 million
  - Basic earnings per share (EPS): 15.2 US cents

- **Infrastructure capital**
  - Installation of four new cone crushers, significantly reducing diamond damage
  - Extensive development of the Ghagho mine

- **Social and relational capital**
  - Good stakeholder relations maintained
  - No major or significant community complaints

- **Natural capital**
  - Catat production: 95,053
  - Waste mined: 19.1 m³
  - Zero major environmental incidents
  - No fines for environmental transgressions or non-compliances

- **Intellectual capital**
  - Diamond mapping technology
  - Technical mining expertise as demonstrated in Ghagho decline development

### Outcomes
Outcomes are the broader effects of our business such as:
- Customer satisfaction
- Shareholder returns
- Local economy contribution
- Employee development and engagement
- Environmental impact
- Innovative mining solutions developed

* As at 31 December 2013.
The purpose of our sustainable development framework

OUR PRINCIPLES

1. Reduce resource consumption
2. Product integrity
3. Minimise environmental impact

OUR BUSINESS

Economic
We are committed to integrating sustainability into our core business practices, working to create economic value for the Group while delivering ongoing benefits to all our stakeholders.

Performance summary

Our progress*
- US$21 million profit up from US$17 million in 2012.
- 95,053 carats recovered (2012: 114,350)*.
- 97,294 carats sold (2012: 107,677)*.
- US$2,043 average per carat (2012: US$1,932)*.
- 12.47 carat blue diamond, recovered at Letšeng, sold for US$7.5 million. This is a new Gem Diamonds record of US$603,047 per carat.

Our challenge
- Addressing levels of diamond damage at Letšeng.

Principles

See sector review on page 10

Product
We aim to supply our clients with rough and polished diamonds of the highest product integrity, while meeting our responsibilities as an ethical and accountable organisation.

Performance summary

Our progress
- Fully compliant with all government regulations and relevant voluntary codes concerning product and service information and labelling.
- Every rough diamond of ours is certified under the Kimberley Process.
- Every client is carefully vetted using anti-money laundering protocols and 'know your client' reviews to ensure that they are compliant with all regulatory requirements.
- No cases of bribery, corruption or anti-competitive behaviour have been brought against us to date.

Our challenge
- Security and theft prevention.

Principles

See sector review on page 14

Environment
Protecting the environment through the minimisation, mitigation and management of potential impacts are key components of the Group’s duty of care. The legacy we leave for future generations is a responsibility we take very seriously.

Performance summary

Our progress
- Zero major environmental incidents for the fifth consecutive year.
- No fines for environmental transgressions or non-compliances for the fourth consecutive year.
- One significant environmental incident (2012: four).
- US$25.7 million environmental rehabilitation provision (2012: US$59.6 million, decrease due to the disposal of a previously owned operation).

Our challenges
- To improve recycling.
- Water quality management at Letšeng.

Principles

See sector review on page 18

* Figures for Ellendale not included in 2012.
We believe that these principles for sustainability fully support and enhance our key strategic business objectives.
Chief Executive Officer’s review

At Gem Diamonds, our strategy centres on three core business objectives, namely growth, value creation and sustainability. We acknowledge the interdependence of economic, social and environmental aspects in building long-term operational viability and remain cognisant of the line we walk, navigating the path between commercial success and social responsibility.

Strategic sustainability
Our integrated approach to sustainability means that doing the right thing for our people and our environment, as well as eliciting long-term benefits for our business. Our approach is underpinned by three key business drivers that shape our commercial success.

Retaining our social licence to operate
We recognise that we have a social licence to operate that needs to be actively maintained. This requires transparency with stakeholders, as well as an emphasis on the management of risk and possible impacts. Rather than simply maintaining the status quo, our aim is to create a lasting positive legacy, contributing constructively to the communities in which we operate. This is achieved through our broad-based needs assessments and corporate social investment initiatives.

Our operations have comprehensive frameworks to ensure constructive stakeholder engagement. We consult with our project affected communities on a regular basis, ensuring open communication.

The Group participated in various corporate social investment initiatives at both Letšeng and Ghaghoo during 2013. The areas we focused on included education and infrastructure, as well as medical assistance.

Attracting and retaining high-quality customers
Attracting high-quality customers is a key component of our business success. At Gem Diamonds, we pursue the highest standards of compliance with government regulations and relevant voluntary codes. Our rough diamonds are all certified under the Kimberley Process, a certification scheme established in 2003 to prevent conflict diamonds from entering the market. To give our buyers assurance, all our diamonds are exported with original Kimberley Process certificates.

Improving and protecting our reputation
Our reputation goes beyond the product we offer, incorporating how we conduct ourselves with regards to health, safety, economy, society and the environment. We endeavour to incorporate sustainability best practice into every level of our business, keeping abreast of new developments. Pursuing our goal of zero harm in all these areas ensures a continued positive public perception of the Group and our brand.

We are pleased to report that during 2013 zero major environmental incidents were reported for the fifth consecutive year and, for the fourth consecutive year, no fines for environmental transgressions or non-compliances were incurred. Furthermore, no major stakeholder incidents occurred at any of our operations and no incidents occurred involving any violation of the rights of the indigenous people on whose land we operate.

Ensuring a safe working environment remains a priority for the Group and 2013 saw a year with no fatalities and a significant reduction in lost time injuries. In light of this, it is with great sadness that we report the death of our colleague, Segolame Mashumba, on 11 January 2014. This is a tragic accident indeed considering the outstanding safety record of the Group during 2013. Our heartfelt condolences go out to the Mashumba family. We continue to improve our systems and manage risk, aspiring at all times to achieve zero harm.

Looking ahead
Considerable progress was made in 2013 in terms of embedding sustainability thinking into our business practices. I would like to thank and congratulate each and every employee for their contribution to our successes during the year, especially in terms of safety. We also recognise the role of our key stakeholders and their contribution to the Group’s success.

During 2014, we will continue to pursue our goal of achieving zero harm and extend our efforts to work sustainably, creating value for our business and shared value for all our stakeholders.

Clifford Elphick
Chief Executive Officer
17 March 2014
HSSE Committee Chairman review

Our approach to sustainability
Our sustainable development framework is underpinned by six core principles that are woven into the fabric of our operations. For ease of reference these are included on the cover flap of this report. Our sustainability performance is reported upon in terms of our people, our environment and our business, and incorporates the principles mentioned above.

Our people
Creating a safe and healthy working environment is a key area of focus for the Committee, with an emphasis on promoting a culture of zero harm and responsible care. It is pleasing to report that during 2013 there were no fatalities and only three lost time injuries.

I join the CEO in sending our condolences to Segolame Mashumba’s loved ones. Our goal at all times is zero harm and we will continue working hard to reach and maintain that target.

During 2013, the Committee evaluated reports on key safety indicators from accountable managers. We monitored health indicators and trends concerning our project affected communities and staff, as well as reviewing the implementation of a strategic plan to improve safety across the Group. We also reviewed socio-economic indicators and trends concerning our project affected communities and assessed implemented community development initiatives, continuously looking for opportunities to improve. The well-being of all our stakeholders remains a core focus for the Committee as we strive towards our goal of zero harm.

The Group maintains a policy of freedom of association, with employees free to join unions and other worker and/or collective bargaining associations. No strikes or lockouts were recorded at any of the Group’s operations in 2013.

Our business
We work hard to integrate sustainability into every aspect of our business strategy, ensuring business resilience and delivering ongoing benefits to our stakeholders. This approach provides us with an opportunity to understand and manage the actual and potential future impact of our operations.

We are committed to implementing and maintaining internationally recognised standards of health and safety, environmental, social, economic and business management, conducting our operations with due care for people and the environment. During 2013, reports on Group key indicators and trends were reviewed by the Committee, as well as changes in local and international guidelines and best practice.

Our environment
Minimising, mitigating and managing potential environmental impacts are key components of the Group’s duty of care. During 2013, no major environmental incidents were reported and no fines for environmental transgressions or non-compliances were incurred.

An upward trend in levels of nitrates in process water at Letšeng was noted during the year. The Committee, recognising the importance of safeguarding the quality of water at our operations, initiated water impact mitigation measures in order to address this problem.

Looking ahead
We remain committed to incorporating sustainability through our six principles into every facet of the way we do business. We will continue improving performance in all areas of sustainability, working to eliminate unnecessary risk to the business and creating value for all our stakeholders.

Gavin Beevers
Chairman of HSSE Committee
17 March 2014

Introduction
Embedding sustainability into our business is both an ongoing challenge and an opportunity to improve the way we do business. It involves more than a checklist approach to our safety, health, environmental and social concerns, needing a broader strategic approach to successfully ingrain a sustainable way of thinking.

In this endeavour, ensuring the right level of oversight and responsibility is essential. The HSSE Committee (the Committee) and the Board are ultimately responsible for the establishment of the strategic sustainable development framework. The implementation of our strategic intent and the execution of policies is the responsibility of the executive management of each subsidiary. We set high standards for all our operations with regards to the governance of health, safety, corporate social responsibility and environmental matters. Strong reporting structures and governance support the Committee in fulfilling its responsibilities. Our sustainability framework also aids the Committee in its goal of embedding sustainability into the Group’s collective thinking.
Our business

Economic

We are committed to integrating sustainability into our core business practices, working to create economic value for the Group while delivering ongoing benefits to all our stakeholders.
At a glance

Our progress

- **US$21 million** profit up from **US$17 million** in 2012.
- 95 053 carats recovered (2012: 114 350)*.
- 97 294 carats sold (2012: 107 617)*.
- **US$2 043** average per carat (2012: **US$1 932**)*.
- 12.47 carat blue diamond, recovered at Letšeng, sold for **US$7.5 million**. This is a new Gem Diamonds record of **US$603 047** per carat.

Our challenge

- Addressing levels of **diamond damage** at Letšeng.

Looking ahead

- Four new cone crushers were installed at Letšeng’s Plants 1 and 2 during 2013. A significant reduction in breakage has been observed in larger diamonds, following the installation of these new crushers and we expect to continue to reap the benefits of this new technology in 2014.

- During 2014, X-ray transmissive technology (XRT) will be installed in a new coarse recovery plant. The incorporation of XRT will assist us in meeting our goal of recovering as close to 100% of our high value type II diamonds as possible, assisting in carat production and added revenue at Letšeng, as well as improving security.

- Letšeng will undertake feasibility studies that will aim to optimise its expansion project and maximise return while minimising capital expenditure.

- In 2014, Ghaghoo will continue to develop Phase 1 of the underground mine and aim to further refine options for future sustainable production.

- Ghaghoo will commence with production in 2014, and will install capability to enable sustainable production in future.

Case study in this section

- Creating economic value

*Figures for Ellendale not included in 2012.*
Our business

Economic

Business overview
Gem Diamonds Limited has been listed on the London Stock Exchange since 2007. We have mining operations in Botswana and Lesotho and are headquartered in London. Gem Diamond Technical Services is located in Johannesburg and responsible for providing technical services and support to our subsidiaries. The Group has expanded operations down the diamond value chain. We established two diamond cutting and polishing facilities, namely the Baobab facility in Antwerp (Belgium), and Gem Diamonds Technology Mauritius. The Gem Diamonds Marketing Services office, also located in Antwerp (Belgium), continues to facilitate the Group sales and marketing functions.

Gem Diamonds focuses on the effective mining and selling of diamonds in order to maximise returns. Our business is driven by three fundamental inputs. Firstly, our capital inputs, comprising operating costs and capital expenditure. The second key driver of our business is our people. Our employees are considered a valuable asset and we aim to employ only the best in the industry to ensure that our technical expertise stays excellent. The third and final contributing factor to the success of our business is the environment in which we operate. We consider it a top priority to protect the natural environment in which we operate and to leave a legacy for future generations.

During 2013, Gem Diamonds focused on the enhancement of its current operating efficiencies at Letšeng through the implementation of cost reduction initiatives as well as developing expansion projects. The Group also focused on developing Ghaqhoo and bringing it into production in 2014 within the allocated time and budget.

In order to improve the revenue we achieve for our diamonds, the Group strived to expand the sales and marketing capabilities. Analysis and mapping of our exceptional diamonds also increased our understanding of the rough diamond value. The Group also embarked on profit-sharing arrangements on the manufacturing and sale of exceptional, high-value diamonds.

Our governance approach
We set high standards for all our subsidiaries with regards to the governance of health, safety, corporate social responsibility and environmental matters. The HSSE Committee, a Board sub-committee, and the Board, are ultimately responsible for establishing the strategic framework regarding sustainable development.

The HSSE Committee comprises three members, namely Gavin Beevers (Chairman), a non-Executive Director, Mike Salamon, a non-Executive Director, and Glenn Turner, an Executive Director.

The HSSE Committee provides assurance to the Board regarding the appropriateness and level of management of all HSSE matters, meeting all its voluntary commitments and legal requirements. Every meeting held in 2013 was attended by all Committee members. The Committee is supported by Chief Operating Officer, Alan Ashworth, and the Group HSSE Coordinator, Danielle Welgemoed. The implementation of our strategic intent and the execution of policies remain the responsibility of the executive management of each subsidiary.

Compliance
Gem Diamonds strives towards excellence in all areas, including matters of compliance. Compliance with host country legislation is regarded as an absolute minimum. All operations have developed comprehensive HSSE legal registers. Letšeng’s system is increasingly maturing, conducting internal and independent external audits on an annual basis. Ghaqhoo completed a full HSSE legal compliance audit in 2012. During 2013, the operation addressed and closed out the findings of the 2012 audit. An audit was not, however, conducted in 2013. It is scheduled for January 2014.

We desire to achieve full compliance with relevant international best practice standards. All operations are required to work towards achieving full compliance with the International Finance Corporation Environmental, Health and Safety Guidelines, as well as the World Bank Equator Principles.

All operations continue to monitor and manage legal compliance and none of our subsidiaries incurred fines or non-monetary sanctions for non-compliance with laws or regulations during 2013.

Taxation
No financial contributions are made to political parties, politicians or any other related institution. The only financial contributions paid to host countries’ governments relate to regulatory taxes.

Each one of our operations pay all statutory taxes, royalties and other contributions required in the jurisdictions where we operate. The government of Lesotho is a 30% shareholder in the Letšeng mine. All capital expenditure related to Letšeng is written off for tax purposes in the year in which it is incurred, adhering to the relevant national legislation. None of our other operations receive financial assistance from the host governments of the countries in which we operate.

No artisanal mining takes place on, or in proximity to, our operations.

Corruption, bribery and ethics
Gem Diamonds prides itself in upholding the highest ethical standards and maintaining an excellent reputation in the diamond industry. To ensure the culture of ethical business continues, anti-bribery and anti-corruption elimination systems have been implemented at all our operations.

Appropriate and anonymous reporting systems are in effect for each operation, and these systems are taken very seriously. To build on the success of the 2012 anti-bribery and corruption campaign, our policies have been incorporated into training material at all our operations.

Three cases of whistle blowing were recorded in 2013. We take this seriously and a forensic investigation is currently under way to investigate the matter and identify appropriate corrective actions to be taken.

No actions for anti-competitive behaviour, anti-trust or monopoly practices have ever been brought against the Group or its subsidiaries.
We strive towards optimising the social and economic benefits for the Project Affected Communities (PAC) and countries in which we operate, in order to thereby leave a positive legacy. Robust international best practice guidelines are implemented across the Group to ensure optimal corporate social investment governance.

The Group has monitored contributions for local procurement since 2010, which has enabled us to identify ways in which policies, procedures and practice can be improved. Monitoring of local contributions is done on three different levels:

- Project Affected Communities;
- regional communities; and
- nationally.

We no longer monitor local contributions for our offices and facilities located in Johannesburg and London, a decision based on the size and complexity of city-based economies.

**Local employment**

Where our operations are able to match available skills in the PAC with on-site requirements, local recruitment takes place. The policies implemented since 2010 have helped to optimise local employment and benefits, as illustrated by the table at the bottom of the page. These increases in PAC and regional community salaries are testament to the effectiveness of implemented policies in the optimisation of local employment and benefits.

All employees in our Antwerp, Johannesburg, London and Mauritius offices and facilities reside in their local regions. During 2013, at Letšeng, the total in-country based local employee costs increased from 2012. The PAC employee cost expenditure, as well as the regional based employee costs, also increased from 2012. 52% of senior management at Letšeng originate from local communities.

**Case study: Creating economic value**

The Ghagho mine was still in the construction phase during 2013. The social and environmental impact assessment phase undertaken prior to construction highlighted the need for the operation to recruit from local communities. Therefore, a programme was initiated at Ghagho involving the Kaudwane Village District Council, in which community members seeking employment are employed by the operation on a rotational basis. Several employees that started working at Ghagho on a temporary basis are now permanently employed. In 2013, the majority of the employees at Ghagho were Batswana nationals with many employed from the PAC. 44% of senior management at Ghagho originate from local communities.

**Local procurement**

The optimisation of local procurement is another area of focus for the Group. By optimising local procurement, we are able to contribute to the socio-economic status of the areas in which we operate in. In 2013, there was an improvement in total in-country procurement at Letšeng, as well as purchasing or procurement from the PAC. The procurement from regional communities decreased, however, due to an increased focus on procurement from the PAC.

Due to the remoteness of our Ghagho operation, procurement takes place at a national level, rather than PAC or regional level. It is anticipated that procurement expenditure on a national level will increase once Ghagho is operational.

No artisanal mining takes place on, or in proximity to, our operations.

### Local contributions (US$ million)

<table>
<thead>
<tr>
<th></th>
<th>Letšeng</th>
<th>Ghagho</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2013</td>
</tr>
<tr>
<td>Project affected community local purchasing/procurement</td>
<td>0.7</td>
<td>1.1</td>
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<tr>
<td>Regional purchasing/procurement</td>
<td>41.5</td>
<td>32.1</td>
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<tr>
<td>Total in country purchasing/procurement</td>
<td>111.6</td>
<td>115.3</td>
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<tr>
<td>Project affected community-based local employee costs</td>
<td>0.8</td>
<td>2.5</td>
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<tr>
<td>Regionally based local employee costs</td>
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<td>3.9</td>
</tr>
<tr>
<td>Total in-country-based local employee costs</td>
<td>17.8</td>
<td>20.3</td>
</tr>
</tbody>
</table>

*2012 figures for Letšeng have been restated to include contractor employee costs.*
Our business

Product

We aim to supply our clients with rough and polished diamonds of the highest product integrity, while meeting our responsibilities as an ethical and accountable organisation.
At a glance

Our progress

- Fully compliant with all government regulations and relevant voluntary codes concerning product and service information and labelling.
- All our operations underwent the independent annual Kimberley Process audit in 2013 and were once again found to be fully compliant.
- Every rough diamond of ours is certified under the Kimberley Process.
- All our rough diamonds are exported with original Kimberley Process certificates.
- Every client is carefully vetted using anti-money laundering protocols and ‘know your client’ reviews to ensure that they are compliant with all regulatory requirements.
- No cases of bribery, corruption or anti-competitive behaviour have been brought against us to date.

Our challenge

- Security and theft prevention.

Looking ahead

- In 2013, we developed and implemented a Safety, Health, Environmental and Quality (SHEQ) management system at our cutting and polishing facility in Antwerp. The system will be operational in 2014 and will assist the facility with the effective management of all SHEQ-related matters.
- Theft remains one of the major challenges for all diamond mines. During 2013, to further reduce this risk for our Letšeng mine, we enhanced and upgraded our security system and expect to reap the benefits of this upgrade during 2014.
- In 2013, an integrated business management system was developed at Letšeng. The new system takes into account guidelines from the International Finance Committee, Responsible Jewellery Council and the United Nations Global Compact and is designed to improve the management of health, safety and environmental aspects at Letšeng. The system incorporates all the requirements of OSHAS 18001 Occupational Health and Safety Management Systems. This system will be implemented in a phased approach in 2014.
- During 2014, Gem Diamonds will focus on continual achievement of the highest prices for all rough and polished diamonds as well as establishing the correct sales and marketing channels for the Ghaghero rough production.
- The Group will also investigate sales and marketing opportunities in new jurisdictions and explore the market closer to the end-consumer.
- Gem Diamonds registered as a candidate organisation with the Responsible Jewellery Council and will seek full registration in 2014.

Case study in this section

- Our diamonds
Our business

Product

Image and relationships
At Gem Diamonds, high standards of corporate governance and ethics are essential, and have been incorporated into our set tender practice. We are compliant with relevant government regulations and voluntary codes concerning product and service information and labelling. To ensure that our diamonds reach the market through the correct channels, we apply strict controls with regards to potential clients. All Gem Diamonds’ clients are identified through a screening process and trade with us is by invitation only. During the screening process, potential clients are vetted using internal anti-money laundering protocols and ‘know your client’ reviews to ensure compliance with regulatory requirements.

The diamond industry has traditionally employed strict requirements for security and confidentiality and this has resulted in low levels of transparency. In an attempt to rectify this and build strong relationships, we ensure that all relevant information is continuously and transparently communicated to stakeholders. Following the conclusion of each rough diamond tender, a complete list of the winning bids is electronically circulated to all tender participants. This ensures a transparent sales process.

Diamond certification
Gem Diamonds recognises the prevalence of the global trade in conflict diamonds. We are strongly opposed to this trade and the effects it has on political stability, human rights and the legitimate global diamond trade.

The Kimberley Process certification scheme aims to eliminate the global trade of conflict diamonds. We fully support the objectives of the Kimberley Process and adhere strictly to its provisions. All rough diamond exports are certified in terms of the Kimberley Process certification scheme and we are committed to remaining compliant.

Selected high-value polished diamonds sold by Gem Diamonds are accompanied by a Gemological Institute of America (GIA) grading report. This grading report confirms the diamond characteristics including weight, shape, colour, clarity, cut, symmetry, polish and physical measurements of each diamond. The grading report also provides a number which is inscribed onto the girdle – this serves as a diamond identification measure or ‘fingerprint’.

Voluntary and best practice initiatives
The Responsible Jewellery Council promotes responsible and ethical environmental and social practices, as well as the protection of human rights. The Council promotes these practices throughout the diamond, gold and platinum jewellery supply chain.

Our business philosophy is consistent with the Council’s mission and vision and therefore registering to become a candidate organisation in 2012 was a natural progression. We have undertaken internal verification of our level of compliance with the Council’s code of practice and full membership is anticipated by the end of 2014.

Customer satisfaction and confidentiality
We strive to ensure a high level of transparency and integrity during the marketing and sales process. Natural flaws and inclusions are inherent to natural diamonds. However, it is not industry nor Gem Diamonds practice to provide warranties to clients in respect of rough diamonds. Rough diamonds are made available to our clients for a detailed viewing prior to the conclusion of any tender.

Meeting the needs and requirements of our clients is important to our sustainability. Maintaining close relationships with our clients is therefore essential, enabling us to get constant feedback with regard to customer satisfaction concerning the sales and marketing process, as well as the product itself. This allows us to proactively address client concerns as they arise.

Maintaining client confidentiality remains a priority to the Group and helps build trust with our clients. During 2013, there were once again zero incidents of potential breach of confidentiality of clients.

Security and theft prevention
When dealing with high-value products like diamonds, security and theft prevention are high priorities. Various risk management initiatives have been implemented at our high-risk facilities to ensure the safety and security of our clients, staff and product.

Our operations are required to continually reassess their risk profile and amend implemented structures as required. Specialists are regularly consulted to keep us up to date with the latest protection technology, as well as assess our security risk management systems and implement improvements.
Case study: Our diamonds

The Letšeng mine in Lesotho produces some of the largest and best quality gem diamonds in the world. These diamonds have consistently achieved the highest average dollar per carat of any kimberlite mine in the world. It is also famous for its large top colour white diamonds, and has produced four of the 20 largest white diamonds ever recorded. Below are nine of the exceptional diamonds discovered in 2013.

92.9 carat sold for US$5.3 million (US$6 494 per carat) January 2013
94.4 carat sold for US$4.6 million (US$48 619 per carat) January 2013
164 carat sold for US$9.0 million (US$54 911 per carat) April 2013
99.9 carat sold for US$6.5 million (US$64 631 per carat) July 2013

98.29 carat sold for US$5.1 million (US$52 077 per carat) September 2013
12.5 carat blue sold for US$7.5 million (a Letšeng record of US$603 047 per carat) October 2013
82.6 carat sold for US$4.9 million (US$59 173 per carat) October 2013
123.12 carat sold for US$4.8 million (US$38 986 per carat) November 2013
78.69 carat sold for US$5.2 million (US$66 082 per carat) December 2013
Our environment

Environment

Protecting the environment through the minimisation, mitigation and management of potential impacts are key components of the Group’s duty of care. The legacy we leave for future generations is a responsibility we take very seriously.
At a glance

Our progress

- Zero major environmental incidents for the fifth consecutive year.
- No fines for environmental transgressions or non-compliances for the fourth consecutive year.
- One significant environmental incident (2012: four).
- US$25.7 million environmental rehabilitation provision (2012: US$59.6 million, the decrease is due to the disposal of a previously owned operation).
- US$1 million spent on environmental training, specialist consultants, research and development, green purchases and other matters associated with environmental protection during 2013.

Our challenges

- To improve recycling.
- Water quality management at Letšeng.

Looking ahead

- During 2014, we will focus on the implementation and improvement of recycling initiatives throughout the Group.
- Letšeng has instituted rigorous monitoring programmes to measure the water quality exiting the mine. The presence of elevated levels of nitrate is a concern. A dedicated nitrate action plan has been developed that aims to improve water quality as well as reduce the generation of nitrates at the source through applying rigorous blasting discipline. This plan will be implemented in 2014.
- A Group emissions strategy will be formulated in 2014. This strategy will focus on identifying feasible emissions reduction projects that will be implemented at our operations.
- We will also focus on the implementation of our upgraded environmental management plans at Letšeng during the year.
- Through the implementation of our strategy, the Group hopes to advance in the pursuit of our goal of zero harm to the environment.

Case studies in this section

- Rehabilitation trials
- Water quality monitoring
Our environment

Environmental assessment and management

Each of our mines have approved environmental impact assessment and management plans in place. All operations take place according to the parameters identified in these plans.

Environmental management plans at Letšeng were upgraded during 2012, in line with the requirements of the International Finance Corporation’s Environmental, Health and Safety Guidelines, as well as the Equator Principles (a risk management framework, for determining, assessing and managing environmental and social risk in projects).

Using these plans as a base, we began compiling a comprehensive social and environmental impact assessment as well as an Integrated Social and Environmental Management Plan (SEMP) for Letšeng. Both of these documents were finalised and approved by the relevant authorities in 2013 and the focus going forward will be on the effective implementation of these plans.

Comprehensive impact and risk assessments have been undertaken at all our operations, helping us identify environmental impacts that may result from our activities. To minimise environmental impacts and eliminate risk, our operations have identified mitigation measures in accordance with international best practice as well as regulatory requirements.

Monitoring forms a very important part of our impact minimisation strategy and appropriate corrective actions are taken at once when problems are identified. Monitoring also assists in determining the effectiveness of implemented mitigation measures and whether alterations to these measures need to be made.

Wherever possible, we develop strategies to deal with potential pollution at the source.

We regard water and ambient air quality as important pollution pathways to be monitored and each of our operations undertakes extensive monitoring relevant to their sites. During 2013, we analysed a total of 190 environmental water samples and 140 air quality samples to determine our impact on the receiving environments.

Energy consumption and conservation

We continuously monitor energy intensity in order to understand the energy consumption patterns within the organisation, as well as assist in identifying opportunities for improving energy efficiency.

Total Group energy consumption decreased by 45% in 2013 as a result of the disposal of Ellendale and our continuous efforts to reduce energy consumption. Energy efficiencies related to mining, haul and loading operations can be seen in the total energy used per tonne of material moved, while efficiencies related to the processing of diamondiferous ore are expressed in energy used per tonne of material treated.

![Total energy consumption 2011–2013](chart)

Total energy intensity is measured by energy used in gigajoule (GJ) per carat recovered. In 2013, total energy consumption was 6 972 536 GJ compared with 12 496 672 GJ used in 2012.

![Energy consumption intensity 2011–2013](chart)

A slight increase of 7.7% in the Group-wide energy intensity was recorded in 2013. The energy intensity calculation includes the Letšeng operation only. The Ghaghoo diamond mine will be included into the calculation once the mine becomes operational and production reaches a steady state. The increase in energy intensity per carat recovered is linked to higher volumes of waste being mined in order to access the diamondiferous ore as well as the lower grade of the ore mined in 2013. An energy management plan has been finalised for Letšeng and will be implemented during 2014, ensuring reduction in energy intensity at the operation.

During 2013, Letšeng reported a 19 688 GJ energy saving, resulting from the retrofitting of older technologies and process redesign. This figure includes energy savings in 2013 resulting from the power factor correction equipment that we installed in 2011.

At the Ghaghoo operation, the implementation of energy-efficiency initiatives was a priority from the start of the project. Solar geysers were installed for all ablution facilities and micro-chipped LED lighting is used where possible. In addition, the processing plant, which will be operational in the second half of 2014, incorporates several energy-efficiency technologies to ensure reduced energy consumption over the life of the mine.

Greenhouse gas emissions

The total carbon footprint for the Group in 2013 was 137 082 tonnes CO₂e. This figure includes the direct greenhouse gas (GHG) emissions (Scope 1), energy indirect GHG emissions (Scope 2) and material Scope 3 emissions.

The major contributing sources were mobile and stationary fuel combustion as well as electricity consumption. Electricity consumption accounted for 74 130 tCO₂e and the combined emissions from mobile and stationary combustion accounted for 48 394 tCO₂e.

The total Group footprint of 137 082 tonnes CO₂e signifies a significant decrease of 45% from the 2012 Group footprint. The reduction can be attributed to the disposal of Ellendale as well as to the implementation of emission reduction initiatives at Letšeng.

The Group recorded a smaller carbon footprint in 2013 in comparison to the 2012 footprint. The Group also tracks the tonnes CO₂ emitted per carat recovered. This ratio increased from 0.63 tCO₂ per carat to 1.31 tCO₂ per carat in 2013. This can be attributed to ongoing operations at Letšeng and development at Ghaghoo, in conjunction with a reduction in carats recovered.

The 2013 carbon footprint was calculated with boundaries clearly defined by the greenhouse gas (GHG) protocol corporate accounting and reporting standard.
Gem Diamonds understands that undertaking a carbon footprint assessment is not the only step to better understand our environmental impact and to effectively reduce our GHG emissions. In an endeavour to comprehensively address this concern, a Group emissions reduction strategy will be formulated in 2014. Through the implementation of this strategy, the Group will be even better equipped to pursue its goal of zero harm to the environment.

**Water consumption and conservation**

Total water consumption decreased by 73% to a Group-wide consumption of 4 032 161 m³. This reduction is due to the disposal of Ellendale, as well as widespread water awareness campaigns.

Water consumption at Letšeng decreased by 37% to 3 516 898 m³ in 2013. Water recycling from the slimes disposal facility for use in the processing plants, as well as water awareness campaigns, contributed to this decrease. Make-up water comes from the Mothusi Dam, a purpose-built, raw water dam which collects stormwater runoff from across the site.

At Gaghoo, water consumption increased by 74% to 474 346 m³ due to increased activities at the mine as well as dewatering of the mine. 474 078 m³ of the total water consumed at Gaghoo can be attributed to water extracted from boreholes.

Group-wide raw water intensity decreased from 1.39 in 2012 to 0.62 in 2013. This is due to the disposal of Ellendale, as well as a reduction in water consumption across the Group.

The Gaghoo mine extracts its water mainly from the Ntane aquifer. Due to the depth of the aquifer and the absence of other water users, our environmental impact assessment found that the operation would have a negligible impact on the aquifer. We began monitoring groundwater in early 2012, to improve our understanding of baseline conditions and to verify the findings of the groundwater flow and contaminant transport models. As construction and the dewatering of the aquifer progress, raw water consumption at Gaghoo continues to increase.

**Raw material consumption**

Our total consumption of oils and lubricants increased from 327 384 litres in 2012 to 345 206 litres in 2013. This was due to the increase in activities at Gaghoo.

Due to the predominantly mechanical diamond recovery process, relatively few chemicals are used. The only chemical used as part of the Dense Media Separation process is Ferro-silicon. In 2013, a total of 853 tonnes of Ferro-silicon was used, down from 1 304 tonnes used in 2012.

**Environmental incidents**

We recorded zero major environmental incidents during 2013, the fifth consecutive year that this has been achieved. This was also the fourth year in a row that we incurred no fines due to environmental transgressions or non-compliance.

During 2013 one significant environmental incident occurred compared with four in 2012. There were 134 minor environmental incidents reported during 2013, a significant reduction from the 279 incidents reported during 2012. These reductions can be attributed to increased training given to staff, awareness campaigns around the value of the environment and the disposal of Ellendale.

The significant environmental incident took place at Letšeng and involved a hydrocarbon spill from the diesel tank of a water pump. A total of 1 200 litres of diesel was successfully cleaned up and the contaminated soil was remediated. The incident was appropriately reported and, through incident investigation, preventive measures were identified and implemented.

**Rehabilitation and restoration**

Gem Diamonds aims to restore the land that we use as closely as possible to its pre-mining condition. All our operations have integrated rehabilitation plans in place to ensure that we meet our closure objectives as efficiently as possible. These plans help us better manage the environmental impact that our operations have on the receiving environment and assist in identifying the most cost-effective manner in which to rehabilitate while ensuring ecosystem integrity. Plans are refined on an annual basis and in 2013 we made further progress in integrating progressive rehabilitation programmes into the Letšeng mine plan.

Every year we quantify the rehabilitation and restoration costs should there be a sudden and unforeseen closure of a mine and adequate financial provision for this is recognised in the Group’s statement of financial position.

To assess whether various planned rehabilitation strategies will be successful, Letšeng conducts ongoing rehabilitation trials. These trials assist with refining the rehabilitation and closure plans to ensure more effective results.

In 2013, a total of 6 174ha of land was under our management. Of this, 17 518ha/0.28% was disturbed during the year by mining operations.

**Effluent and pollution**

The Letšeng diamond mine lease area is drained by the tributaries of the Khubelu River and one tributary of the Matsoku River. Both these rivers drain into the Sesqu River, which feeds into the Lesotho Highlands Water Scheme. Therefore, safeguarding the quality of water entering the tributaries from the mine is essential.

The focus of water management programmes at Letšeng remains on the reduction of levels of nitrate in water. Surface water monitoring programmes revealed an increase in levels of nitrate in the process water. Investigation indicated that the elevated levels were as a result of the emulsion-based explosives generating residue due to inefficient blasting. During 2013, various methods, including revising blasting practices and improving combustion efficiencies, were implemented in order to minimise the point sources of contaminants.

At Letšeng, we are currently experiencing seepage from the Patseng Tailings Storage Facility and the Qaqo waste rock dump. The seepage flows into the Patseng and Qaqo river systems. In order to reduce the nitrate level in the water entering the Qaqo, a wetland has been constructed. In the Patseng tributary, a return water system has been constructed to capture the seepage below the Patseng Tailings Storage Facility.

In addition, a nitrate management action plan will be implemented in 2014.

As mentioned, Gaghoo draws its water from the Ntane aquifer. The levels of total dissolved solids in the water is naturally high and, therefore, water is treated with an on-site reverse osmosis plant for potable water.
Our environment

Waste management
Gem Diamonds’ operations produce various types of waste, including domestic and general waste, small volumes of hazardous waste, medical waste and mineral waste. Domestic and general waste is generated by the on-site accommodation facilities and offices. Medical waste originates from the on-site clinics, while hazardous waste is generated in the form of used oils, lubricants, fluorescent tubes and sewage effluent.

All operations have waste management plans to ensure correct waste-handling mechanisms are enforced. Appendix A outlines the various disposal routes for waste streams.

Volumes of mineral waste generated increased at both Letšeng and Ghaghoo in 2013. This is due to increased waste stripping at Letšeng and an increase in mining activities at Ghaghoo. Mineral waste at Letšeng is retained on site in structures designed for this purpose. These structures are operated in compliance with the host country’s requirements, as well as international best practice standards. The volumes of mineral waste generated at Ghaghoo remained minimal during the construction phase, which should be completed in 2014. As the mine develops, it is anticipated that the volumes of waste will increase too.

![Mineral waste generated 2010 – 2013](image)

Waste generated at our non-mining operations remains limited to small quantities of domestic waste. Our operations had minimal recycling initiatives during 2013 but, looking forward, this will be an area of focus in 2014.

Biodiversity
All our operations are located in close proximity to protected conservation areas. It is, therefore, important that we strive to minimise the impact that we have on biodiversity.

Our operations are subject to strict regulatory and best practice standards that aim to minimise potential environmental and social impacts. Care is taken to keep our infrastructural footprint as small as possible, protecting areas of conservation priority.

The Maloti-Drakensberg Transfrontier Park is a key conservation priority area and is recognised as a global biodiversity hotspot. The Letšeng mining lease area partially overlaps the Transfrontier Park buffer zone.

In 2013, our Biodiversity Plan, as part of our SEMP, was approved by the relevant authorities. This plan was undertaken in compliance with the International Finance Corporation Environmental, Health and Safety Guidelines and the Equator Principles. The Biodiversity Management Plan (BMP) addresses the material impacts that were identified during the impact assessment phase. Through outlining the relevant actions to mitigate, manage and monitor the overall operational impacts, the BMP aims to conserve the natural environment.

mining area. The construction of the artificial wetland was finalised in 2013, with final vegetation planned for early 2014.

The wetland is located in the southern tributary of the Qaqa River and it is anticipated that it will improve water quality in the catchment.

Rehabilitation trials at Letšeng continued during 2013. These ongoing trials aim to test the feasibility of the closure criteria identified for the mine; see the case study on page 23 for more discussion.

The Ghaghoo diamond mine is located within the Central Kalahari Game Reserve. This is the second largest game reserve in the world and covers an area of approximately 52 800km². The biodiversity initiatives identified during the Environmental Impact Assessment process are rigorously implemented in order to manage and mitigate any potential impact on the sensitive biodiversity of the Central Kalahari Game Reserve.

The Ghaghoo mine lease area contains various Red Data List species, that are threatened species identified by the International Union for the Conservation of Nature. Practical measures have been implemented to protect these species, including appropriate relocation within the mine lease area when necessary.

Environmental expenditure
To safeguard the natural environments that we operate in, Gem Diamonds invests in various protection measures. In 2013, the Group invested a total of US$1 million in environmental training, specialists, research and development, green purchases and other environmental protection measures. This is a significant decrease from the US$3 million invested in environmental protection measures in 2012, though the 2012 figure included previously owned operations’ environmental protection expenditure. Below is a breakdown of the expenditure from 2012 to 2013 at our current operations.

![Environmental expenditure](image)
**Case study: Rehabilitation trials**

The Letšeng mine started implementing a series of trials to examine different rehabilitation applications in 2012. The trials are necessary to test the closure criteria which form the basis of the quantification of the mine's rehabilitation and closure costs. Located in the extreme highlands of Lesotho and experiencing extreme weather conditions, Letšeng is unique among diamond mines in southern Africa and hence guidance on successful rehabilitation is scarce. Although Letšeng is not yet in a position to implement large-scale rehabilitation, it is important that we establish methodologies which will assist us in achieving our closure objectives.

The trials have been selected to replicate the rehabilitation of the mine's main waste residue disposal facilities, that is fine tailings (slimes), coarse tailings and waste rock. A number of different treatments are applied to these sites in terms of slope angles, rock and soil cover, seed mixes and soil ameliorating through fertilisation. The success of these trials is closely monitored with an emphasis on land functionality, vegetation cover and biodiversity. The results will inform the closure criteria and closure costing and will form the basis for detailed rehabilitation procedures.

**Case study: Water quality monitoring**

Letšeng Diamonds is located at the headwaters of a catchment area of national and international importance. Straddling the watershed, the lease area is drained by three tributaries of the Khubelu River and a tributary of the Matsoku River. Both these rivers drain into the Senqu River. The Senqu River catchment is at the heart of the Lesotho Highlands Water Scheme which exports water to South Africa’s Gauteng province. Water from the Matsoku River is diverted into the Katse Dam, while Phase 2 of the Lesotho Highlands Water Scheme – the Polihali Dam – is proposed for the confluence of the Senqu and the Khubelu rivers. The rural villages of the Lesotho highlands are largely without formal water supply and, therefore, dependent on natural sources for domestic purposes, while the upper Matsoku is a known site for the highly endangered and endemic fish species, the Maluti Minnow.

Well aware of our responsibilities in terms of delivering clean water to the environment, Letšeng has instituted a rigorous monitoring programme to measure the water quality exiting the mine to inform appropriate management actions to avoid pollution. Monitoring measures include monthly water quality sampling, quarterly metals testing and biannual biomonitoring. Diatoms are measured quarterly as a further indication of river health. The results are analysed by a team of expert water quality specialists and aquatic ecologists. Water quality trends, areas of concern and recommendations for improvement are presented in quarterly and biannual reports.

Data gathered under the existing protocol, supplemented by historical data gathered since 2004, has clearly defined the long-term trends and informed management interventions such as the engineered wetland, installed on the upper catchment of the Qaqa tributary of the Matsoku River. The purpose of the wetland is to improve water quality seeping from the waste rock dump, prior to its release into the environment. The presence of elevated levels of nitrate, which originated from incomplete combustion of ammonium nitrate-based explosives in the blasting process, remains the focus of water management programmes. The Qaqa wetland forms part of a dedicated nitrate action plan which also aims to reduce the generation of nitrates at the source through applying rigorous blasting discipline.
Our people

Health

We are committed to providing an environment that actively promotes and supports employee health and well-being. Investing in the health of our employees is an investment in the Group.
At a glance

Looking ahead
Pre-employment medicals form an important part of the Group’s health management approach. During 2014, a key area of focus will be on improving the number of pre-employment medicals conducted throughout the Group.

Our progress

- 100% pre-employment medicals at Letšeng (2012: 100%).
- 508 occupational health and safety samples tested (2012: 697).
- 6 287 serious disease management interventions (2012: 2 002).
- 94.5% of medical cases treated were primary healthcare issues, rather than occupational ones (2012: 93%).

Our challenge

- To achieve 100% Group-wide pre-employment medicals conducted.

Case studies in this section

- Ensuring the prevention of typhoid
- Community assistance programme
- Community health service programme
Our people

Health

Health management
Gem Diamonds remains committed to providing an environment for our employees that not only presents no danger, but which actively promotes and supports employee health and well-being. Every member of our workforce is an asset, and protecting our employees’ health is a moral obligation that we take very seriously.

Due to the remote location of our mining operations, we rely on the on-site clinics and medical stations at our operations to provide emergency, occupational and primary healthcare to our employees.

A comprehensive induction programme for new employees, including medical examinations, is an important part of the Group’s health management approach. In 2013, Letšeng once again achieved a 100% pre-employment medical rate, matching its 2012 figures. At Ghaoho, due to the nature of the employee recruitment process, which is rotational and short term, the number of employees that underwent pre-employment medicals declined in 2013. Ghaoho’s focus for 2014 is to bring its pre-employment medical rate up from the rate attained in 2013, to the 100% attained in 2012. The Group has implemented a standard process for people leaving our employment at all our operations, which includes exit medical examinations. These are necessary to reduce the Group’s long-term exposure to any future health claims. All employees who left the organisation in 2013 underwent exit medicals. This is a significant improvement from 2012, when the exit medical rate was 100% at Letšeng and 49% at Ghaoho.

Gem Diamonds constantly monitors the safety of our employees’ working and living environment by taking occupational health and safety samples. During 2013, 508 samples were taken, down from the 697 samples in 2012, which included those taken at previously owned operations. The following samples were taken and tested in 2013:

- Drinking water;
- Environmental water;
- Air quality;
- Dust; and
- Radiation monitoring.

Occupational and environmental diseases
In 2013, 6,656 medical cases were recorded across the Group, a reduction from the 7,012 cases reported in 2012. Of the cases reported in 2013, only 5.8% were related to occupational or environmental diseases, compared to 7.0% in 2012. The majority of cases treated at our facilities were primary healthcare issues, rather than occupational ones.

Occupational and environmental cases are monitored based on the operational risk exposure profile, with trends shown below.

<table>
<thead>
<tr>
<th>Occupational health/hygiene</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gastrointestinal cases</td>
<td>Letšeng</td>
</tr>
<tr>
<td></td>
<td>311</td>
</tr>
<tr>
<td>Cholera cases</td>
<td>0</td>
</tr>
<tr>
<td>Malaria cases</td>
<td>0</td>
</tr>
<tr>
<td>Typhoid cases</td>
<td>15</td>
</tr>
<tr>
<td>Dehydration cases (including heat illnesses)</td>
<td>0</td>
</tr>
<tr>
<td>Dermatitis and/or other occupational-related skin conditions</td>
<td>0</td>
</tr>
<tr>
<td>Mental stress-related illnesses/disorders (sleep deprivation, depression, etc)</td>
<td>0</td>
</tr>
<tr>
<td>Radiation illnesses</td>
<td>0</td>
</tr>
<tr>
<td>Total occupational health cases</td>
<td>326</td>
</tr>
<tr>
<td>Other cases (specify)</td>
<td>5,861</td>
</tr>
<tr>
<td>Total medical treatment cases</td>
<td>6,187</td>
</tr>
<tr>
<td>Average staff</td>
<td>1,378</td>
</tr>
<tr>
<td>Average cases/staff member</td>
<td>4.49</td>
</tr>
<tr>
<td>Average occupational health cases/staff member</td>
<td>0.24</td>
</tr>
</tbody>
</table>
The majority of cases recorded across the Group were gastrointestinal ailments. While investigation has revealed that most cases are recorded upon employees’ return to work following their rostered breaks, this is a health concern that is monitored closely on site. Frequent occupational health sampling is conducted in our kitchens and all potable water is regularly tested to proactively manage any potential outbreaks of disease.

Five cases of dermatitis were recorded in 2013, down from 17 in 2012. All cases were reported at GhaZhoo and found to be associated with insect bites or HIV/AIDS infections.

The Group continues to focus on mental stress-related illness. All our medical personnel are trained to assist employees through counselling and emotional support. Three mental stress cases were recorded in 2013, a significant reduction from the 110 cases of 2012, which includes previously owned operations. The three cases were related to personal matters and have been resolved, following appropriate management and support.

During 2013, 15 typhoid cases were reported at Letšeng, compared with one case in 2012. The rise in the number of cases reported can be attributed to an increase in routine testing and monitoring by medical staff, resulting in more cases being diagnosed and treated. All cases diagnosed and treated on site were contracted while the employees were on site. Nevertheless, additional steps were taken to prevent the spread of typhoid on site. Please refer to the case study on page 28 for more information.

At GhaZhoo, dehydration remains one of the most significant health threats. Four cases were reported in 2013, down from eight cases recorded in 2012. The GhaZhoo management team remains committed to ongoing education of employees on the importance of staying hydrated.

**Serious disease management**

Gem Diamonds believes that preventing serious diseases is an important investment in our staff. As such, ‘serious disease management was a key focus in 2013 after programmes were first launched at Letšeng and GhaZhoo in 2011. The programmes at Letšeng focus on various diseases, including HIV/AIDS, diabetes, gastrointestinal affections, hypertension, respiratory diseases and sexually transmitted infections. The focus at GhaZhoo remains on HIV/AIDS.

As our serious disease management programmes have matured and expanded, the number of interventions (such as education and training sessions, counselling, risk control and treatment) have increased. A summary of these interventions is given below.

<table>
<thead>
<tr>
<th>Intervention</th>
<th>Letšeng</th>
<th>GhaZhoo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education and training</td>
<td>260</td>
<td>3 666</td>
</tr>
<tr>
<td>Counselling</td>
<td>137</td>
<td>691</td>
</tr>
<tr>
<td>Risk control</td>
<td>187</td>
<td>0</td>
</tr>
<tr>
<td>Treatment</td>
<td>405</td>
<td>853</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>989</td>
<td>5 210</td>
</tr>
</tbody>
</table>

Due to our increased focus on serious disease management, the total number of interventions significantly increased to 6 287 in 2013 from 2 002 in 2012 (the figure for 2012 includes interventions at previously owned operations). Interventions in 2013 were bolstered by supportive employee participation and involvement. At Letšeng, the number of interventions increased dramatically from 989 in 2 012 to 5 210 in 2013. At GhaZhoo, the number more than doubled, from 437 in 2 012 to 1 106 in 2013.

Historically, clinics and medical stations at all operations are mostly used by our employees. In recent years, however, some services have been extended to workforce family members, as well as to community members when the need arises.
Case study: Ensuring the prevention of typhoid

Typhoid fever is a life-threatening illness caused by a bacteria spread through faecal-oral transmission. It continues to be a public health problem in many developing countries in sub-Saharan Africa, including Lesotho. Many of our employees come from high-risk areas where inadequate water and sanitation systems exist, therefore increasing their chances of contracting the disease.

Due to increased employee monitoring and routine testing, more cases of typhoid were diagnosed and treated in 2013, compared with the previous year. Routine testing plays an important role in identifying chronic carriers of the typhoid bacteria – those who could spread the bacteria but, for the time being, show no signs or symptoms themselves.

Letšeng has succeeded in putting control measures in place to contain the spread of the disease. These included:

• providing safe water to employees and visitors;
• improving access to basic sanitation facilities;
• ensuring the safety of food and water supplies;
• identifying and treating chronic carriers of the typhoid bacteria;
• educating employees on the importance of proper hygiene; and
• providing biannual medical exams to all staff who handle food.

Our laboratory has the necessary equipment to diagnose typhoid fever through Widal Testing. Should there be a need for further testing, such as stool or blood cultures, an arrangement exists with a South African laboratory to send samples for further analysis.

Should the need arise, Gem Diamonds will strengthen its prevention strategies by introducing a vaccination against typhoid for staff who handle food.
Case study: Community assistance programme

One of the aims of our Lesotho-based operation, Letšeng, is to support surrounding villages with healthcare services. Lesotho has the third highest HIV/AIDS prevalence rate in the world. There are 270,273 people in Lesotho living with HIV, of which 11,801 are children and 258,472 are adults between the ages of 15 and 49 years.

With this in mind, Letšeng initiated a comprehensive community assistance programme in 2011.

The programme seeks to provide help through:

- undertaking surveys to assess the community’s needs;
- providing community-based HIV services, including counselling and testing, anti-retroviral therapy and home-based care;
- diagnosing and helping manage sexually transmitted infections;
- assisting in the prevention of mother-to-child transmission;
- providing family planning services;
- educating the community on how changing certain behaviours can prevent diseases, such as environmental and personal hygiene;
- distributing condoms and educating community members on their use;
- educating community members on the benefits of voluntary medical male circumcision; and
- training community-based health workers and offering home-based care.

The Letšeng operation remains committed to supporting the Lesotho Ministry of Health in its efforts to decrease morbidity and mortality rates among the Basotho nation and improving people’s lives.

Case study: Community health service programme

The on-site emergency medical team at Ghaghoo has a diverse set of skills and experience. The team consists of a medical doctor and three nurses, including a family nurse, a nurse who is also a midwife and a trauma nurse. The team assists the surrounding Gope community through the mine’s community service programme. The medical team offers the community both emergency medical care and urgent primary healthcare services.

In 2013, the team treated community members for a range of ailments, such as the common cold and toothaches, as well chickenpox, a snake bite and burns.

In addition, the team has observed that the community is at risk of anaemia and peptic ulcers due to dietary constraints. In response, the team has broadened its attention from providing symptomatic treatment to educating and raising awareness to help prevent reoccurrences of these ailments.
Our people

Safety

Our workforce is a valuable asset and their safety is our highest priority. We therefore strive to promote a culture of zero harm and responsible care.
At a glance

Our progress

- **Zero fatalities (2012: three).**
- **Three lost time injuries (LTIs) (2012: eight).**
- **0.13 lost time injury frequency rate (LTIFR) (2012: 0.30).**
- **2.49 all injury frequency rate (AIFR) (2012: 4.45).**
- **45 512 proactive safety management actions implemented (2012: 43 899).**

Our challenge

- **To achieve a goal of zero harm, which makes every accident preventable and any injury unacceptable.**

Looking ahead

During 2013, the Group maintained an outstanding safety record, where there were no fatalities, only three LTIs and where the Letšeng mine achieved the highest IRCA audited rating for health, safety and environmental management.

Ghaghoo maintained its four-star rating on the IRCA System.

Safety will continue to be a core focus for the Group during 2014 as we strive to adhere to international health and safety best practices in our pursuit of zero harm.

Case studies in this section

- Behaviour-Based Safety programme
- Promoting the principle of ‘being our brother’s keeper’
- The Visible Felt Leadership initiative
- Why I work safely competition
- Mountain rescue training
- Removal of the shield
Our people

Safety

Safety management
At Gem Diamonds, ensuring the safety of our employees is a duty that we take very seriously. Our workforce is a valuable asset and employee safety is our highest priority. Safety is the cornerstone of the integrated management approach implemented throughout the Group to optimise the working environment. The Gem Diamonds integrated management approach considers the possible risks our operations pose to the occupational health and safety of our employees as well as the natural and social environment we operate in. We strive to understand the sensitive linkages between these systems in order to better manage and minimise our impact. As part of this approach, we regularly consult our employees to gain insights into the risks they face and to implement systems to minimise these risks.

Performance overview
We strive to achieve a goal of zero harm, within which we believe that every accident is preventable and any injury or loss of life is unacceptable. Ensuring that our employees return home safely to their families and loved ones is our first priority. This involves eliminating known hazards, as well as constantly monitoring and managing new risks in the workplace.

We are pleased to report that 2013 was a fatality-free year for the Group, following the sad loss of three lives in 2012. Unfortunately, three LTI incidents occurred in 2013, one at Ghaghoo and two at Letšeng. The LTIFR was consequently 0.13, a decrease from the 0.30 recorded for 2012, but still exceeding our goal of zero.

The AIFR of 4.45 in 2012 was reduced to 2.49 in 2013, well below the 2013 target of 4.20.

All our operations are subjected to independent ISO 18000 and 14001-based audits. These audits focus on occupational health and safety, as well as environmental management. In 2013 Letšeng achieved a five-star rating, the highest possible rating on the IRCA Star System, while Ghaghoo retained its four-star rating.

The emphasis during 2013 was on proactive injury prevention, which involved preparing for future risks before they occur. This resulted in an improvement in the number of proactive measures implemented since 2011. A total of 45 512 proactive prevention measures were implemented in 2013, compared to 43 899 in 2012, which includes previously owned operations. The proactive measures implemented in 2013 included hazard identifications, mini risk assessments, job hazard analyses, planned task observations, internal and external inspections and audits.

Group-wide proactive actions
All our new employees are thoroughly inducted before starting work for the first time. This involves equipping employees with knowledge about the risks involved and providing them with training on how to conduct their work safely. As in 2012, all employees who started work for the Company in 2013 underwent induction training.
In 2013, 100% of the workforce at Letšeng and Ghaghoo was represented in formal, management-worker health and safety committees that help monitor and advise on occupational health and safety programmes. This constitutes an improvement from the 99% achieved in 2012, discounting previously owned operations. Due to limited staff numbers at Gem Diamonds’ other operations, no formal committees have been established elsewhere.

The health and safety topics for ongoing training at Letšeng and Ghaghoo are chosen by taking each operation’s risk profile and trends into account. As neither operation is unionised, health and safety topics are not influenced by external parties, but are informed by operational needs and requirements.

**Case study: Behaviour-Based Safety programme**

The implementation of the Behaviour-Based Safety (BBS) programme began in 2010 at Letšeng and was completed in mid-2012. It encourages employees to participate in the mine’s health, safety and environmental management programme and seeks to cultivate a culture of prevention. The BBS system assists employees to identify risks in the workplace and make appropriate, safety-conscious decisions. Employees operate in BBS teams to share responsibility across the team. The line workers and operators that head up these teams are safety experts within their area of competence and are, therefore, best placed to address the safety challenges they face. The BBS teams also reinforce their team pacts, a continuous commitment to working safely, on a daily basis.

The BBS programme at Letšeng has been in place for two years, during which time it has successfully addressed many of the risks employees face at the operation.

**Case study: Promoting the principle of ‘being our brother’s keeper’**

The principle of ‘being our brother’s keeper’ forms an important part of the BBS programme and is reinforced daily as part of the BBS team’s pact. Being a brother’s keeper means taking responsibility for all team members and ensuring that they work safely.

This principle was illustrated in June 2013 when Mr Sepiriit, a haul truck operator, was involved in an accident while working late one night. In the accident, Mr Sepiriit was thrown from his truck and knocked unconscious after reversing his truck over the edge of a dumping area, where it fell down an embankment, coming to a standstill 50 metres below a safety beam. His team members, realising his life was in danger and operating in poor visibility conditions, bravely rescued him.

In November 2013, during a commemoration ceremony at Letšeng, Mr Sepiriit thanked his rescuers by giving each a traditional Lesotho blanket, a sign of respect in Basotho culture.
Our people

Safety

Case study: The Visible Felt Leadership initiative

Gem Diamonds believes that management involvement at all levels is paramount to the success of safety measures implemented throughout the Group.

The Visible Felt Leadership initiatives at Letšeng and Ghagho aim to involve management in hands-on, on-site safety matters. Line management carries out weekly visits to various sites. During these visits, management engages with employees at their place of work to discuss the importance of working safely and taking care of one another. These visits also provide an opportunity for workers to express their safety concerns to the management team, so helping the Group monitor and manage risks before an injury, or death, results.

Case study: Why I work safely competition

In 2013, Letšeng launched a photo and drawing competition aimed at promoting safety in the workplace. The mine received numerous photos and drawings depicting family and loved ones. These pictures and drawings, including the caption ‘they are the reason why I should work safely’, were placed around the mine, serving as a daily reminder of the importance of a safety-conscious work ethic.
Case study: Mountain rescue training

The Mokhotlong district, near Letšeng, experiences heavy snowfall in winter, which sometimes traps residents and tourists in the area. Although the Lesotho Mounted Police Service, under the coordination of the Disaster Management Authority, is responsible for search and rescue operations, it lacks the skills and resources to adequately perform this important task. Over the years this problem has had an adverse impact on the economic viability of tourism to this beautiful area.

The Letšeng diamond mine has always assisted in rescuing people trapped by the snow along the Butha-Buthe-Mokhotlong route, albeit on an informal basis, as it is not a core function of the mine. A need, therefore, existed to establish a formal community-driven body to undertake search and rescue functions in Mokhotlong.

With this need in mind, the Minister of Gender and Youth, Sport and Recreation approached Letšeng and asked if the mine could assist the Lesotho government to establish a community-based search and rescue facility in the area. Letšeng readily offered its support and approached Mr. Jonathan Hart of the Scottish Search and Rescue body to advise on how best to establish a viable search and rescue facility in the area.

In March 2013, a team of five people comprising representatives from government, the local community and the Letšeng mine attended a 14-day training course in Scotland. The course, which was run by the Scottish Mountain Rescue Team, included classroom lectures, practical sessions and visits to the rescue teams’ bases and other areas of practical interest.

In 2014, a full plan will be developed, defining how the Mokhotlong Mountain rescue team will be formed and function. The knowledge, skills and experience the team gathered from its time in Scotland will form the basis of the plan.

Case study: Removal of the shield

The Ghagho mine is situated near the south-eastern border of the Central Kalahari Game Reserve, a remote area characterised by its extensive sand cover. This presented a unique challenge to the Group when it came to developing a safe, strong and stable decline tunnel from which to mine. With employee safety in mind, it was decided that a hydraulically operated, open-faced tunnel shield would be specifically designed to meet this challenge.

The function of the 100 tonne shield was to support the tunnel while it was lined with concrete segments. The shield protected the employees while they tunnelled through 465 metres of sand and installed 763 concrete rings in order to stabilise the tunnel. Although this technology was not new it is understood that a shield had not been used in an application like this before (a similar method was used to build London’s underground system), the advances made were cutting edge as the shield had never before been used in a decline. Once the decline was lined with concrete, the shield had performed its function and could be dismantled. The development of the tunnel took place over 20 months. The process of dismantling the shield was identified as a very high-risk activity. The Company focused heavily on ensuring the safety of its employees. The 100 tonne heavy shield was dismantled and removed from the tunnel over a period of one week, without any incidents.

The success of the project thus far can be attributed to good team work, from the brainstorming of ideas to their implementation. The innovation represented in the use of the shield is an illustration of how Gem Diamonds cooperates on all levels with our most valued asset, our employees, to ensure that their safety remains a priority.
Social

We strive to create value in the lives of all our stakeholders. We aim to do this by engaging, developing and retaining first-class employees, as well as working towards creating sustainable socio-economic growth in the areas in which we operate.

www.gemdiamonds.com
At a glance

Our progress

- 15% staff turnover (2012: 23%).
- 1.39 absenteeism rate (2012: 1.68).
- 400 hours of human rights training (2012: 300 hours).
- US$3.3 million spent on employee benefits (2012: US$5.2 million, decrease in 2013 is due to the disposal of Ellendale mine).
- US$0.5 million Group-wide corporate social investment (2012: US$0.6 million, decrease due to the disposal of Ellendale).
- We continue to remunerate our employees in line with market-related rates, while our lowest graded employees are remunerated well above the host country’s prescribed minimum wage.
- US$165 million spent on local wages and suppliers.
- No major community incidents.

Our challenges

- To increase the hours of vocational training per capita.
- To ensure more career and performance reviews are conducted.

Looking ahead

Providing opportunities for professional development through constructive reviews and targeted training is very important in meeting our aim of developing and retaining high-calibre employees. During 2014, we will focus on increasing the number of career and performance reviews conducted, as well as the amount of vocational training offered.

Case studies in this section

- Creating infrastructure
- Prioritising education
- Addressing community health concerns
- Wool and mohair project
- Small steps to a big difference
Our people

Social

Performance overview
At Gem Diamonds, we recognise the value of human and social capital in the sustainability of our business. Our concern extends beyond health and safety matters, encompassing the social well-being of all our stakeholders. We pride ourselves in our high-calibre employees and embarked on various skills development training initiatives in 2013. As in previous years, zero cases of discrimination against employees were recorded in 2013. We are pleased to report that zero major stakeholder incidents were reported for the fifth consecutive year.

Investing in our employees

Employee profile
At year-end, the Group employed 344 own employees and 1 316 contractor employees, compared with 2012, when we employed 496 own employees and 1 604 contractor employees. The average number of own employees was 345 (compared with 496 in 2012), while the average number of contractor employees for 2013 was 1 317 (compared with 1 604 in 2012). Both the numbers of own and contractor employees declined in 2013 due to the disposal of a previously owned operation.

The Group-wide absenteeism rate has decreased to 1.39 days per person in 2013 from 1.68 days in 2012. This follows a significant decrease in 2012 from the 2011 rate of 2.11 days per person. The continued reduction of the absenteeism rate can be attributed to the continuation of initiatives implemented in 2012 to eliminate the use of illegitimate sick notes obtained from private doctors.

Careers development
As an employer, we pride ourselves in our high-calibre employees. Providing opportunities for professional development is very important to us and offering training to our employees is a vital part of skills development. The Group-wide hours per capita vocational training in 2013 has, regrettably, decreased by 34% from the 2012 figures. We have the short-term nature of employment at Ghaghoo as contributing factor in this decrease. Going forward, increasing the amount of vocational training available to our employees will be an important focus in 2014.

Letšeng diamond mine recorded a 4% increase in hours per capita vocational training, while Ghaghoo recorded a 45% decrease. To date, none of our subsidiaries have implemented programmes for skills management or lifelong learning. We do, however, offer training through various internal and external programmes, as well as through our well-established mentoring programme.

Staff turnover is closely monitored, as we believe that happy employees translate into a successful organisation and staff turnover serves as a good indicator of employee satisfaction. The Group-wide staff turnover has improved from the 2012 value of 17% to 15% in 2013. The staff turnover rate at Letšeng remained at 8%. Due to the short-term nature of contractor work during the construction phase at Ghaghoo, the staff turnover has not been reported on as an individual site. Ghaghoo’s rates have, however, been included in the Group-wide figures.
Diversity, opportunity and localisation

Gem Diamonds is an equal opportunity employer, and our Code of Ethics clearly outlines our zero tolerance approach to discrimination. As in previous years, zero cases of discrimination were recorded in 2013.

Even though the mining industry is historically a male-dominated industry, Gem Diamonds continues to strive to improve the gender balance throughout the Group. We are making progress in employing an increasing number of suitably qualified women across the business. In 2013, 19.5% of our workforce consisted of female employees. 7.4% of our Board members was female and 3.7% of the Group’s senior management were female.

We continue to monitor the average age of our workforce to ensure that we manage employee ageing appropriately. Currently, this does not present as an area of concern for the Group.

Localisation of our workforce is a priority across the Group. In 2013, 95% of the Letšeng workforce comprised Basotho nationals, up from 90% in 2012. The percentage of workforce originating from project affected communities was 20.2%. At Ghaghoo, 92% of the workforce was made up of Botswana nationals in 2013, up from 89% in 2012. The percentage of workforce originating from project affected communities was 27%.

The total hours of training provided to employees during 2013 can be broken down as follows:

- Senior management: 493 hours;
- Middle management: 874 hours;
- Supervisors: 948 hours; and
- Other staff: 9,962 hours.

The Group aims to conduct annual career reviews at all our operations. Regrettably, there was a decrease in the number of employees who underwent career reviews in 2013: 16% compared with the 2012 value of 30%. This can be attributed to the short-term nature of employment at Ghaghoo while it is still being developed. Looking forward, the Group will work on increasing the number of career reviews conducted in 2014.

<table>
<thead>
<tr>
<th>Employee level</th>
<th>% male</th>
<th>% female</th>
<th>% minority group/local persons</th>
<th>% local citizens</th>
<th>% age &lt;30</th>
<th>% age 31 – 50</th>
<th>% age &lt;50</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance Committee/Board</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Group total</td>
<td>92.6</td>
<td>7.4</td>
<td>15.0</td>
<td>42.3</td>
<td>0.0</td>
<td>29.7</td>
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<tr>
<td>Senior management</td>
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</tr>
<tr>
<td>Group total</td>
<td>96.3</td>
<td>3.7</td>
<td>0.0</td>
<td>65.3</td>
<td>1.0</td>
<td>65.4</td>
<td>33.6</td>
</tr>
<tr>
<td>Middle management</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Group total</td>
<td>63.0</td>
<td>37.0</td>
<td>6.0</td>
<td>97.0</td>
<td>21.5</td>
<td>70.7</td>
<td>7.8</td>
</tr>
<tr>
<td>Total workforce</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Group total</td>
<td>80.5</td>
<td>19.5</td>
<td>11.1</td>
<td>99.0</td>
<td>13.5</td>
<td>72.2</td>
<td>14.3</td>
</tr>
</tbody>
</table>
Our people

Social

Human rights

Gem Diamonds is continuously refining policies and procedures relating to upholding the human rights of our employees and project affected communities. Our subsidiaries adhere to the host country’s legislation as a minimum standard and applicable international best practice has been incorporated into all human rights-related policies and procedures.

Training is conducted on human rights policies and practice, based on the human rights risk profile at each operation. In 2013, we conducted 400 hours of human rights training, extended to all employees across the Group, up from 300 hours of training in 2012.

Non-discrimination policies are implemented across the Group, and we adhere to stringent policies to prevent child and forced labour. No cases of child or forced labour involving the Group have ever been reported.

Remuneration and benefits

Our mines operate continuously, with shift configurations determined by local legislative requirements as well as operational and market demands.

Our business is reliant on attracting and retaining the best employees in the industry. The growing skills shortage in the global natural resource sector increases the importance of retaining high-calibre staff. Employees at all our operations are thus remunerated in line with market-related rates. Gem Diamonds has a policy of remunerating male and female employees in the same grade at the same level. Our lowest graded employees continue to be remunerated in excess of the respective host country’s minimum wage standards.

In Lesotho and Botswana, there is no prescribed minimum wage in the mining sector, therefore the construction industry minimum wage is used as a standard. Thus, at our Letšeng mine, the lowest graded employees were remunerated at 52% above this minimum wage in 2013. While at our Ghaghoo operation, the lowest graded employees were remunerated at 29% above the construction sector’s minimum wage. During 2013, 24% of the workforce at Ghaghoo and 6% at Letšeng were compensated at the Group’s minimum wage.

The remainder of Gem Diamonds’ workforce are remunerated in line with market-related rates. However, external factors such as skills availability, qualification, seniority and work experience are also determining factors. We value both our own employees and individual contractors, thus ensuring that minimum requirements regarding remuneration are contractually stipulated with all our major labour contractors.

In addition to basic remuneration, Gem Diamonds offers additional benefits and incentives to our employees. In 2013, a total of US$3.3 million was spent on employee benefits and incentives, down from the 2012 figure of US$5.2 million, which included employee benefit costs at previously owned operations. Below is a breakdown of each operation’s benefit and incentive expenditure.

<table>
<thead>
<tr>
<th></th>
<th>2012 ($ million)</th>
<th>2013 ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group total</td>
<td>5.2</td>
<td>3.3</td>
</tr>
<tr>
<td>Letšeng</td>
<td>0.8</td>
<td>25</td>
</tr>
<tr>
<td>Ghaghoo</td>
<td>0.4</td>
<td></td>
</tr>
</tbody>
</table>

1. The 2012 Group totals include previously owned operations.

Labour relations

We maintain a policy of freedom of association, with our employees free to join unions and other worker and/or collective bargaining associations. All of our operations, however, remain non-unionised.

Our operations have policies and procedures in place to guide the notification of employees in case of any significant change. The provisions in these policies are based on a detailed change management system, as well as the host country’s legislation. No strikes or lockouts were recorded at any of our operations in 2013.
All Gem Diamonds’ subsidiaries have implemented performance-based bonus schemes, as well as a Group-wide share scheme for applicable levels of management. 100% of Basotho nationals employed at Letseng are subscribed to the mandatory government retirement provision scheme and Letseng contributes 7.5% per employee to this scheme. Permanent employees at Ghaghoo receive retirement provisions, as included in their remuneration package, while fixed-term contractors receive a gratuity. All other operations and offices remunerate employees on a cost-to-company basis and employees are free to elect their own retirement schemes and contributions.

Refer to page 71 of the Annual Report for details on directors’ remuneration.

**Stakeholder engagement**

Our operations have each developed their own framework for stakeholder consultation and engagement. These plans aim to ensure that project affected communities are consulted on a regular basis and that each operation remains transparent and respectful of the traditions and cultures that they operate in.

Once again, no major stakeholder incidents occurred at any of our operations during 2013. In addition, there were no incidents involving any violation of the rights of indigenous people on whose land we operate.

Our operations engage with project affected communities on a regular basis and take the feedback received very seriously. We endeavour to respond to the views and comments we receive in a timely and appropriate manner and have appointed suitably qualified and trained staff to ensure transparent and open communication between the operations and their respective project affected communities.

Letseng holds quarterly community forum meetings in the project affected communities and the feedback we receive informs decisions regarding employment from the project affected communities, as well as which CSI projects are needed in the project affected communities.

Ghaghoo aims to interact with its project affected communities on a regular basis. The Gope community is located 3km away from the mine and the mine’s relationship with the village has always been positive. Interaction with the community is done strictly through our Community Liaison Officer and senior management in order to minimise the potential impact of the mine on the community.

**Corporate social investment**

Gem Diamonds is committed to creating a lasting and sustainable positive legacy in our project affected communities. To do this, we are committed to the development, implementation and maintenance of internationally recognised standards of corporate social investment (CSI) practices.

All our operating mines have developed culturally appropriate CSI strategies, in which socio-economic risks, as well as the needs identified in the Social and Environmental Impact Assessment, are appropriately addressed. As a Group we have identified five main areas for CSI projects to focus on, namely infrastructural development, education, health, small and medium enterprises and regional environmental projects.

In 2013, our Group-wide CSI expenditure amounted to US$0.5 million. This is lower than the 2012 CSI expenditure of US$0.6 million, which included previously owned operations.

The CSI expenditure at Letseng during 2013 amounted to US$0.5 million, which represents a 22% increase from CSI expenditure in 2012. The majority of this expenditure was allocated to infrastructure development, followed, in order of spending, by education, health, small and medium enterprises, and smaller donations to support specific charities and events. More detail on CSI projects can be found on pages 42 to 43.

The CSI expenditure at Ghaghoo remained low in 2013 as the operation was still in the construction phase and did not generate any profits.

**Displacement and resettlement**

None of the Group’s operations have engaged in the relocation or resettlement of any project affected community/ies during the reporting period.
Our people

Social

Case study: Creating infrastructure

During 2013, Letšeng constructed 30 toilets and two wells at the Khaphamale Village, giving community members access to potable water and sanitation for the first time. This initiative has had a significant beneficial impact on health, both in households and across the community, as members previously relied on digging holes for ablution facilities and drawing water from unlined and unprotected wells.

The Pae-la-Ithatsa Primary School is located within the Letšeng mine’s area of affected communities. After hearing how the school struggled to offer quality teaching with basic infrastructure, including just three classrooms in which to accommodate 12 different classes, Letšeng stepped in to help. As part of its CSI commitment, Letšeng constructed four additional classes, a kitchen, a three-room office and storeroom for the school. Speaking at the handover ceremony, Letšeng’s Metallurgical Manager, Refloé Manyatsa, urged the Pae-la-Ithatsa Primary School students to work hard in their studies so they could be employed by the mine and help in the development of their community and country at large.

One of our most significant infrastructural projects has been the provision of water to the project affected community/ies residing in the Central Kalahari Game Reserve. In 2011, we collaborated with Vox United, a non-governmental organisation, to drill for boreholes at the villages of Gope, Metsiamanong, Molapo and Mothomelo. Unfortunately, the Gope borehole was dry, so a pipeline was installed from the mine to supply the community with water. In 2013, the Ghagho diamond mine continued with maintenance and upkeep of this infrastructure.

Case study: Prioritising education

In an ongoing education initiative, Letšeng provides full tertiary scholarships to Basotho students for courses related to the mining industry. We have awarded 40 scholarships to 36 students since the inception of the project. These students attend pre-graduate and post-graduate programmes at top South African universities. The Letšeng mine invested US$0.1 million in education in 2013.

In addition to scholarships, Letšeng offers internships to graduates. This enables graduates to gain valuable work experience and further their careers. In 2013, Letšeng had 11 interns, eight of whom were based at the mine, two at our offices in Maseru and one in Bloemfontein finishing her articles.

Case study: Addressing community health concerns

In 2013, Letšeng identified the need for, and subsequently bought, a laundry machine for the Mokhotlong Hospital. Previously, dirty linen was transported offsite to be washed, which was both expensive and inconvenient.

In addition, Letšeng sponsored the construction of two healthcare posts, in Ha Senkoase and Phahameng in the Mokhotlong district. This will assist with the provision of primary healthcare to the local residents and relieve pressure on the district hospital.

Ghagho mine offers emergency medical care and urgent primary healthcare services. Due to the remoteness of the mine and surrounding villages, the mine clinic is the closest source of medical care in emergencies. In 2013, approximately 30 cases involving local community residents were treated for a range of ailments, including snake bites, a chickenpox outbreak and peptic ulcers.
Case study: Wool and mohair project

Letšeng’s flagship CSI project is a wool and mohair project in the Mokhotlong district, which has been running for four years and has formalised the subsistence farming of wool and mohair in the area.

The project focused on three components: skills development, infrastructure development and supporting a ram-breeding programme. In order to develop the skills that the farmers have and establish new skills, the farmers were trained in wool shearing, wool classing, ram breeding, business management and animal health management. The training was conducted with approximately 1 000 farmers. A total of four woolsheds have been constructed and handed over to the community. The infrastructure has helped more than 1 500 farmers and an average of 48 000 goats and 57 000 sheep are sheared every shearing season. Letšeng purchased six high-quality rams for breeding and established a breeding programme for the Mokhotlong wool and mohair growers association. The programme facilitates artificial insemination of sheep in order to assist the farmers with the expansion of the flock.

Case study: Small steps to a big difference

Supporting community needs at all levels is a high priority to Gem Diamonds. During 2013, numerous donations were made to meet community needs at varying levels. Donations were made by the Letšeng mine to:

- The High Altitude Summer Marathon, which serves as a platform for local athletes to showcase their talent.
- The Mohokare Golf Day. All proceeds from this tournament go towards disadvantaged and marginalised communities.
- Clothes were donated to 85 patients of the Mokhotlong Hospital.
- The Lesotho Mountain Bike Race.

As part of the Group’s overall CSI, GDTS assisted two organisations during 2013. A dog and cat food donation was made to Community Led Animal Welfare (CLAW). CLAW is an internationally known and respected non-profit animal welfare organisation, which operates in informal settlements to prevent unnecessary pain and suffering of animals.

GDTS also identified the Maria Kloppers children’s home, which is part of the Abraham Kriel childcare group, as an organisation in need. The home provides housing, care and education to traumatised children ranging from newborns to 18 year olds. GDTS was able to provide various items that the children’s home requested, as well as a donation to the organisation.
Gem Diamonds has made a long-term commitment to full (ie application Level A) GRI disclosure by end-2013, including the Mining and Metals Sector Supplement (MMS). As at 31 December 2013 we fully reported against 87% of GRI G3.1 requirements.

**Performance indicators**

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### Performance indicators (continued)

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<tr>
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<tr>
<td><strong>Society (continued)</strong></td>
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<tr>
<td>SO10</td>
<td>Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities</td>
<td>◆</td>
<td>Our people</td>
<td>37</td>
</tr>
<tr>
<td><strong>Product responsibility</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PR1</td>
<td>Lifecycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures</td>
<td>◆</td>
<td>Not applicable</td>
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<tr>
<td>PR2</td>
<td>Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their lifecycle, by type of outcomes</td>
<td>◆</td>
<td>Not applicable</td>
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<tr>
<td>PR3</td>
<td>Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements</td>
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<tr>
<td>PR4</td>
<td>Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes</td>
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<tr>
<td>PR5</td>
<td>Practices related to customer satisfaction, including results of surveys measuring customer satisfaction</td>
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<tr>
<td>PR6</td>
<td>Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship</td>
<td>◆</td>
<td>Not applicable</td>
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<td>PR7</td>
<td>Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes</td>
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<td>PR8</td>
<td>Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data</td>
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<td>PR9</td>
<td>Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services</td>
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### Strategy and analysis

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<tr>
<td>1.1</td>
<td>Statement from the most senior decision-maker of the organisation</td>
<td>◆</td>
<td>Chief Executive Officer’s review</td>
</tr>
<tr>
<td>1.2</td>
<td>Description of key impacts, risks, and opportunities</td>
<td>◆</td>
<td>Our business model</td>
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<td></td>
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<td>HSSE Committee Chairman review</td>
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### Organisational profile

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<td>Name of the organisation</td>
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<td>Primary brands, products, and/or services</td>
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<td>About Gem Diamonds</td>
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<td>2.3</td>
<td>Operational structure of the organisation</td>
<td>◆</td>
<td>Our business</td>
</tr>
<tr>
<td>2.4</td>
<td>Location of organisation’s headquarters</td>
<td>◆</td>
<td>Our business</td>
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<td>2.5</td>
<td>Number of countries where the organisation operates</td>
<td>◆</td>
<td>Our business</td>
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<td>2.6</td>
<td>Nature of ownership and legal form</td>
<td>◆</td>
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<td>Markets served</td>
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### Report parameters

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<tr>
<td>3.1</td>
<td>Reporting period</td>
<td>◆</td>
<td>About this report</td>
</tr>
<tr>
<td>3.2</td>
<td>Date of most recent previous report</td>
<td>◆</td>
<td>About this report</td>
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<td>3.3</td>
<td>Reporting cycle</td>
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<td>3.4</td>
<td>Contact point for questions regarding the report or its contents</td>
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<td>About Gem Diamonds</td>
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<tr>
<td>3.5</td>
<td>Process for defining report content</td>
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<td>About this report</td>
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<td>3.6</td>
<td>Boundary of the report</td>
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</tr>
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<td>3.7</td>
<td>Limitations on the scope or boundary of the report</td>
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<tr>
<td>3.8</td>
<td>Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities</td>
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<td>About this report</td>
</tr>
<tr>
<td>3.9</td>
<td>Data measurement techniques and the bases of calculations</td>
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<td>3.10</td>
<td>Explanation of the effect of any restatements of information provided in earlier reports</td>
<td>◆</td>
<td>Our business</td>
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</table>
## GRI content index

### Performance indicators (continued)

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<tr>
<th>GRI reference</th>
<th>Indicator description</th>
<th>Assessment</th>
<th>Reference</th>
<th>Page</th>
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<tbody>
<tr>
<td>3.11</td>
<td>Significant changes from previous reporting periods in the scope, boundary, or</td>
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<td></td>
<td>measurement methods</td>
<td></td>
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<td>3.12</td>
<td>Table identifying the location of the standard disclosures in the report</td>
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<td>GRI content index</td>
<td>44</td>
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<tr>
<td>3.13</td>
<td>Policy and current practice with regard to seeking external assurance for the report</td>
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</table>

### Governance, commitments and engagement

<table>
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<th>GRI reference</th>
<th>Indicator description</th>
<th>Assessment</th>
<th>Reference</th>
<th>Page</th>
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<td>Governance structure of the organisation</td>
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<td>Our business</td>
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<td>4.2</td>
<td>Indicate whether the Chair of the highest governance body is also an executive officer</td>
<td></td>
<td>Annual Report</td>
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<tr>
<td>4.3</td>
<td>Number and gender of members of the highest governance body that are independent and/or non-executive members</td>
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<td>Annual Report</td>
<td></td>
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<tr>
<td>4.4</td>
<td>Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body</td>
<td></td>
<td>Annual Report</td>
<td></td>
</tr>
<tr>
<td>4.5</td>
<td>Linkage between compensation for members of the highest governance body, senior managers, and executives</td>
<td></td>
<td>Annual Report</td>
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</tr>
<tr>
<td>4.6</td>
<td>Processes in place for the highest governance body to ensure conflicts of interest are avoided</td>
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<td>Annual Report</td>
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</tr>
<tr>
<td>4.7</td>
<td>Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees</td>
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<td>Annual Report</td>
<td></td>
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<tr>
<td>4.8</td>
<td>Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance</td>
<td></td>
<td>Annual Report</td>
<td></td>
</tr>
<tr>
<td>4.9</td>
<td>Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance</td>
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<td>Annual Report</td>
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<tr>
<td>4.10</td>
<td>Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance</td>
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<td>4.11</td>
<td>Explanation of whether and how the precautionary approach or principle is addressed by the organisation</td>
<td></td>
<td>Our sustainable development principles</td>
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<tr>
<td>4.12</td>
<td>Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses</td>
<td></td>
<td>About this report</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Our business</td>
<td>12, 15, 16</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td>Our environment</td>
<td>20</td>
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<tr>
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<td></td>
<td></td>
<td>Our people</td>
<td>32</td>
</tr>
<tr>
<td>4.13</td>
<td>Memberships in associations (such as industry associations) and/or national/international advocacy organisations</td>
<td></td>
<td>Our business</td>
<td>15</td>
</tr>
<tr>
<td>4.14</td>
<td>List of stakeholder groups engaged by the organisation</td>
<td></td>
<td>Our people</td>
<td>41</td>
</tr>
<tr>
<td>4.15</td>
<td>Basis for identification and selection of stakeholders with whom to engage</td>
<td></td>
<td>Our people</td>
<td>41</td>
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<tr>
<td>4.16</td>
<td>Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group</td>
<td></td>
<td>Our people</td>
<td>41</td>
</tr>
<tr>
<td>4.17</td>
<td>Key topics and concerns that have been raised through stakeholder engagement</td>
<td></td>
<td>Our people</td>
<td>41</td>
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</table>
## Appendix A

<table>
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<tr>
<th>Operation</th>
<th>Waste stream</th>
<th>Trans-boundary movement of waste</th>
<th>Disposal method</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Letieng</strong></td>
<td>Domestic and general waste (including inert industrial waste)</td>
<td>No</td>
<td>Wastes are separated and into recyclable and non-recyclable waste. Non-recyclable wastes are incinerated using an on-site EU emissions standards compliant incinerator.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hazardous waste</td>
<td>Yes</td>
<td>Waste oil generated on the site is collected and transported to South Africa under provisions of the Basel Convention for recycling. Oily rags and any additional used oil is used as a fuel source for the on-site EU emissions standards compliant incinerator. Incinerator Ash is transported to South Africa under the provisions of the Basel Convention for landfilling.</td>
<td>A detailed integrated waste management plan was completed in 2013 and will be implemented in 2014.</td>
</tr>
<tr>
<td></td>
<td>Health care waste</td>
<td>No</td>
<td>Medical wastes are incinerated using an on-site EU compliant incinerator.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sewage</td>
<td>No</td>
<td>Sewage is treated by means of an on-site sewage treatment plant and liquid effluent is discharged to the slimes dam.</td>
<td>Ongoing water monitoring is undertaken to confirm that the effluent discharged does not result in the contamination of water resources.</td>
</tr>
<tr>
<td><strong>Ghaghoo</strong></td>
<td>Domestic and general waste (including inert industrial waste)</td>
<td>No</td>
<td>Wastes are separated into recyclable and non-recyclable waste. Non-recyclable wastes are disposed of at a licensed landfill site in Lephepe.</td>
<td>Due to the fact that the Ghaghoo mine is located within the Central Kalahari Game Reserve, no waste may be disposed of on site.</td>
</tr>
<tr>
<td></td>
<td>Hazardous waste</td>
<td>No</td>
<td>Used oils are collected and recycled by a licensed service provider. During 2013, all other hazardous wastes were stored in appropriately enclosed and contained facilities on site, until the trans-boundary movement of the waste to South Africa for disposal is approved.</td>
<td>The quantity of hazardous waste generated remained low in 2013, enabling on-site storage. Once full production commences and significant quantities of hazardous waste is produced, these wastes will be transported to a licensed facility in South Africa.</td>
</tr>
<tr>
<td></td>
<td>Health care waste</td>
<td>No</td>
<td>Transported by medical service provider to a licensed facility in Gaborone for disposal.</td>
<td>All the necessary regulatory requirements are in place and continue to be met.</td>
</tr>
<tr>
<td></td>
<td>Other: Reverse Osmosis Brine</td>
<td>No</td>
<td>Reverse Osmosis Brine is disposed of onto a lined evaporation pond.</td>
<td>A contamination transport model was conducted and concluded that the disposal of the brine and/or treated sewage effluent would have no material impact on the receiving groundwater environment and/or other water users.</td>
</tr>
<tr>
<td></td>
<td>Sewage</td>
<td>No</td>
<td>Sewage is treated by means of an on-site sewage treatment plant and treated liquid effluent is discharged onto a lined grey water dam.</td>
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</table>
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## Appendix B

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<tr>
<th>Waste generated per category</th>
<th>Year</th>
<th>Industrial waste (kg)</th>
<th>Hazardous waste disposed (kg)</th>
<th>General/domestic waste disposed (kg)</th>
<th>Total volume of waste incinerated (kg)</th>
<th>Total volume of waste recycled (kg)</th>
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<td>Letieng</td>
<td>2010</td>
<td>137 500</td>
<td>4 428</td>
<td>138 349</td>
<td>18 299</td>
<td>82 338</td>
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<td></td>
<td>2011</td>
<td>78 959</td>
<td>1 763</td>
<td>118 456</td>
<td>27 167</td>
<td>85 627</td>
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<tr>
<td></td>
<td>2012</td>
<td>92 592</td>
<td>1 191</td>
<td>929</td>
<td>388</td>
<td>15</td>
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<tr>
<td>Gaghoo</td>
<td>2010</td>
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<td>0</td>
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<td></td>
<td>2011</td>
<td>500</td>
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<td>74 917</td>
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<td></td>
<td>2012</td>
<td>116</td>
<td>0</td>
<td>480</td>
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<td>Other operations</td>
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<td>6 100</td>
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<td>12 144</td>
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<td>2011</td>
<td>270</td>
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<td>8 264</td>
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<tr>
<td></td>
<td>2012</td>
<td>74 750</td>
<td>117 239</td>
<td>189 421</td>
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<td>110 468</td>
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## Appendix C

<table>
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<tr>
<th>Benefit description</th>
<th>UK</th>
<th>RSA</th>
<th>Belgium</th>
<th>Mauritius</th>
<th>Lesotho</th>
<th>Botswana</th>
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<td>Life insurance</td>
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<td>On-site healthcare (in excess of first aid emergency assistance)</td>
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<td>External healthcare/medical aid</td>
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<td></td>
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<td>*</td>
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<td>Workman’s compensation/similar</td>
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<td></td>
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<td>Disability/invalidity cover under workman’s compensation/similar</td>
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<tr>
<td>Maternity/paternity leave</td>
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<td>Retirement provision</td>
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<td>*</td>
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<td>Stock ownership/options</td>
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<tr>
<td>Social security</td>
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* Employees  * Contractors  – Not provided
## Abbreviations and definitions

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<tr>
<th>Abbreviation</th>
<th>Definition</th>
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<tr>
<td>Aids</td>
<td>Acquired immunodeficiency syndrome</td>
</tr>
<tr>
<td>AIFR</td>
<td>All injury frequency rate</td>
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<tr>
<td>Basotho</td>
<td>Lesotho nationals</td>
</tr>
<tr>
<td>Batswana</td>
<td>Botswana nationals</td>
</tr>
<tr>
<td>BBS</td>
<td>Behaviour-based safety</td>
</tr>
<tr>
<td>BMP</td>
<td>Biodiversity Management Plan</td>
</tr>
<tr>
<td>GDL</td>
<td>Gem Diamonds Limited</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CLAW</td>
<td>Community Led Animal Welfare</td>
</tr>
<tr>
<td>CO2e</td>
<td>Carbon dioxide equivalent</td>
</tr>
<tr>
<td>CSI</td>
<td>Corporate social investment</td>
</tr>
<tr>
<td>Diatom</td>
<td>A major group of algae</td>
</tr>
<tr>
<td>EBITDA</td>
<td>Earnings before interest, tax, depreciation and amortisation</td>
</tr>
<tr>
<td>EPS</td>
<td>Earnings per share</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
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<td>GDTS</td>
<td>Gem Diamond Technical Services</td>
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<td>GHG</td>
<td>Greenhouse gas</td>
</tr>
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<td>GIA</td>
<td>Gemological Institute of America</td>
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<td>GJ</td>
<td>Gigajoule</td>
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<td>GRI</td>
<td>Global reporting initiative</td>
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<tr>
<td>ha</td>
<td>Hectare</td>
</tr>
<tr>
<td>HIV</td>
<td>Human immunodeficiency virus</td>
</tr>
<tr>
<td>HSSE</td>
<td>Health, safety, social and environment</td>
</tr>
<tr>
<td>ISO</td>
<td>International Organisation for Standardisation</td>
</tr>
<tr>
<td>IUCN</td>
<td>International Union for Conservation of Nature</td>
</tr>
<tr>
<td>kg</td>
<td>Kilogram</td>
</tr>
<tr>
<td>LTI</td>
<td>Lost time injury</td>
</tr>
<tr>
<td>LTIFR</td>
<td>Lost time injury frequency rate</td>
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<tr>
<td>m³</td>
<td>Cubic metre</td>
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<tr>
<td>MSS</td>
<td>Metal Sector Supplement</td>
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# Abbreviations and definitions

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>NOx</td>
<td>The term for mono-nitrogen oxides NO and NO2 (nitric oxide and nitrogen dioxide)</td>
</tr>
<tr>
<td>OSHAS</td>
<td>The Occupational Health and Safety Advisory Services</td>
</tr>
<tr>
<td>PAC</td>
<td>Project affected community</td>
</tr>
<tr>
<td>RSA</td>
<td>Republic of South Africa</td>
</tr>
<tr>
<td>Scope 1 emissions</td>
<td>Direct greenhouse gas emissions</td>
</tr>
<tr>
<td>Scope 2 emissions</td>
<td>Energy indirect greenhouse gas emissions from the generation of purchased energy</td>
</tr>
<tr>
<td>Scope 3 emissions</td>
<td>Energy indirect greenhouse gas emissions (not included in Scope 2)</td>
</tr>
<tr>
<td>SEMP</td>
<td>Social and Environmental Management Plan</td>
</tr>
<tr>
<td>SHEQ</td>
<td>Safety, health, environmental and quality</td>
</tr>
<tr>
<td>SOx</td>
<td>This term refers to all sulphur oxides, the two major ones being sulphur dioxide (SO2) and sulphur trioxide (SO3)</td>
</tr>
<tr>
<td>SR</td>
<td>Severity rate</td>
</tr>
<tr>
<td>The Board</td>
<td>The Gem Diamonds Board of directors</td>
</tr>
<tr>
<td>The Committee</td>
<td>The HSSE Committee</td>
</tr>
<tr>
<td>The Group</td>
<td>The Gem Diamonds Company and its subsidiaries</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>US$</td>
<td>United States dollar</td>
</tr>
<tr>
<td>Vox</td>
<td>International non-profit organisation working in sub-Saharan Africa to address disease and poverty</td>
</tr>
<tr>
<td>Widal testing</td>
<td>A test used in the diagnosis of Typhoid fever</td>
</tr>
<tr>
<td>XRT</td>
<td>X-ray transmissive technology</td>
</tr>
</tbody>
</table>
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