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 results presentations.

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

All information contained in our Sustainable Development Report is published on our website: www.gemdiamonds.com.

About Gem Diamonds

GEM DIAMONDS IS A LEADING GLOBAL DIAMOND PRODUCER OF HIGH-VALUE DIAMONDS.

THE COMPANY OWNS 70% OF THE LETŠENG MINE IN LESOTHO AND 100% OF THE GHAGHOO MINE IN BOTSWANA. THE LETŠENG MINE IS FAMOUS FOR THE PRODUCTION OF LARGE, HIGH-QUALITY, EXCEPTIONAL WHITE DIAMONDS, MAKING IT THE HIGHEST DOLLAR PER CARAT KIMBERLITE DIAMOND MINE IN THE WORLD.

OUR STRATEGY CENTRES ON THREE CORE BUSINESS OBJECTIVES, NAMELY VALUE CREATION, GROWTH AND SUSTAINABILITY. WE ACKNOWLEDGE THE INTERDEPENDENCE OF ECONOMIC, SOCIAL AND ENVIRONMENTAL ASPECTS IN BUILDING LONG-TERM VIABILITY AND REMAINING COGNISANT OF THE LINE WE WALK, NAVIGATING THE PATH BETWEEN COMMERCIAL SUCCESS AND SOCIAL RESPONSIBILITY.

Feedback

We welcome the views of our stakeholders on this report and the way we approach our sustainability priorities. Please contact Danielle Kriel, using the contact details below with your comments.

Danielle Kriel Group Health, Safety, Corporate Social Responsibility and Environmental Superintendent
Tel: +27 11 560 9600
Fax: +27 11 560 9601
dkriel@gemdiamonds.com
Illovo Corner, 24 Fricker Road, Illovo Boulevard, Illovo

NAVIGATION AID

This icon indicates additional information available on the Group’s website www.gemdiamonds.com.

This icon refers the reader to further information available in the Group’s 2016 Annual Report, which can be viewed on the Group’s website.
Our commitment to sustainable development

We see sustainability as a business approach that creates long-term shareholder value by embracing opportunities and managing risks derived from economic, environmental and social developments.

Our overarching objective is to deliver sustainable returns to our investors, while at the same time optimising the benefits to our other stakeholders and minimising our impact on the environment.

Our sustainable development principles

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.

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 robust governance.

Minimising our environmental impact

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.

Developing and retaining our people

Our human resource strategy is to engage, develop and retain high-calibre 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.

This is how we fulfil our commitment

All our employees and contractors commit to:

> taking enough time to do every job safely and responsibly;
> identifying and understanding all hazards at all times;
> understanding and implementing the Group’s safety methods and responsibilities;
> never ignoring an at-risk condition or behaviour;
> caring for each other and the environment; and
> complying with host country legislation, at a minimum.
Materiality

Our material matter identification process
We follow a three-step process to determine which matters are most material to the ongoing viability of our business.

1 IDENTIFY
2 PRIORITISE
3 RESPOND AND MANAGE

Managing matters that are most material to our sustainability

1 IDENTIFY
To understand our broader risks and opportunities we look at:

2 PRIORITISE
Once all matters have been identified, these are prioritised and ranked

Financial and operational
Maintaining a strong revenue and managing costs
Maintaining balance sheet strength
Protecting the premium brand of diamonds
Ensuring product security
Mitigating risks posed by global economic movements

1 IDENTIFY
Our economic context

Governance and ethics
Protecting human rights
Prioritising business integrity
Ensuring transparent governance and remuneration practices
Ensuring corporate governance is compliant with industry best practices
Raising standards across the pipeline

1 IDENTIFY
Our material

2 PRIORITISE

Employees
Providing a safe working environment for our employees
Attracting and retaining qualified people
Providing skills development opportunities for employees

1 IDENTIFY

2 PRIORITISE

3 RESPOND AND MANAGE

Employees

3 RESPOND AND MANAGE
We consider material matters to be those topics that have a direct or indirect impact on our ability to create or preserve economic, environmental and social value for our organisation, our stakeholders and society at large. Material matters, therefore, include both risks that must be managed as well as opportunities that could be captured to enhance the viability of the business in the short, medium and long term.

Our social context

Our environmental context

Our business context

Our relationships

Our business context includes risks and opportunities that arise from within the business.

Through the stakeholder engagement process, key concerns are brought to the attention of management and the Board.

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Through the stakeholder engagement process, key concerns are brought to the attention of management and the Board.
Our approach to sustainability reporting

There is a legacy in every carat we mine. We want this legacy to be positive, understanding that the success of our Group and the value of our brand are tied to that of our diamonds and to the manner in which we mine them.

In this, our ninth Sustainable Development Report, we present a snapshot of our sustainability performance. As an organisation, we continue to improve the content, depth and structure of our sustainability and corporate social responsibility programmes across all of our operations. Drawing on the Global Reporting Initiative (GRI) Guidelines – and the supporting Mining and Metals Sector Supplement – we endeavour to report transparently and in a manner that is globally relevant. We also adhere to the International Finance Corporation Environmental, Health and Safety (IFC EH&S) Guidelines and the Equator Principles, as well as applicable ISO standards.

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 2016 Annual Report.

Scope and boundary
This report covers operations managed by the Group during 2016.

The report, its investigative process and the framework developed from these, informs the way we manage our operations. Positive and negative impacts of all material matters are presented in themes (outlined further in the material matters section on page 2 and 3). Each material matter has the potential to change our existing environmental, economic and social systems.

Data
Data contained in this report is based on the monitoring of selected performance criteria, mainly from the GRI Guidelines, as well as from the IFC EH&S Guidelines and the Equator Principles. Data is continuously monitored and reported to the Group at monthly, quarterly and annual intervals. We strive to show trends for a five-year period, unless the information is not available.

Although the data we report in this publication is not independently verified, it has been endorsed by our internal quality control processes, as well as through external safety, health, legal and environmental systems audits undertaken on an annual basis. This report contains standard and specific disclosures from the GRI G4 Sustainability Reporting Guidelines and is supported by our internally developed policies and procedures.

Terms used within the report
Gem Diamonds or the Group
> refers to all companies within the Gem Diamonds Group.

The Company/operation
> refers to the relevant company, for example, Letšeng.

Letšeng
> refers to the Letšeng mine, located in the Kingdom of Lesotho (Letšeng Diamonds).

Ghaghoo
> refers to the Ghaghoo mine, located in the Republic of Botswana (Gem Diamonds Botswana).
Engaging with stakeholders

It is through engagement with our diverse group of stakeholders that we identify issues of material importance. We engage with our stakeholders in a variety of ways. Through those actions, we provide assurance that we are meeting the standards we have targeted.

<table>
<thead>
<tr>
<th>Stakeholder group</th>
<th>Why we engage</th>
<th>How we engage</th>
<th>Value created</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project affected communities (PACs)</td>
<td>We respect the communities that reside in the areas in which we operate and understand that positive relationships with our project affected communities (PACs) help us retain our social licence to operate.</td>
<td>We strive to create value for our PACs while demonstrating respect for the traditions and cultures of the communities in which we operate. A community liaison officer (CLO) from Letšeng regularly visits and engages with local communities, government officials and community leaders. The CLO remains involved with our community projects, adjusting his level of involvement based on the maturity of the project. Furthermore, community representatives sit on the Letšeng CSI Sub-Committee of the Board, which meets once a quarter, to ensure community matters have a platform to be heard and addressed. At Ghaghoo, community representatives sit on the Ghaghoo Community Trust, which serves to implement identified community projects. Both operations appoint independent entities once every three years to conduct a comprehensive needs analysis in consultation with communities. This enables Gem Diamonds to better understand the material issues in these communities, and appropriately allocate funding to projects.</td>
<td>The feedback we receive from our engagement with our PACs is carefully considered in setting our CSI strategy and taken into consideration in our decision-making processes. We endeavour to respond to the views and comments we receive quickly and appropriately. We have appointed suitably qualified and trained staff to continue the transparent communication lines between the operations and their respective PACs. For more information on how we create value for our PACs, see page 50.</td>
</tr>
<tr>
<td>Employees</td>
<td>Our employees are the heart of our business. To attract and retain top talent it is important that we understand and address their needs.</td>
<td>We engage with our staff informally on a daily basis. One example is our behaviour-based campaign that encourages employees to approach any individual to discuss important matters. Visible felt leadership visits are also used as a means of engagement with employees. Line management visits one site per week. During these visits, management engages with employees at their place of work. These visits provide an opportunity for workers to express their concerns to the management team. In a more formal capacity, we use our toolbox talks and other employee engagement forums to encourage open engagement. All issues raised are communicated to management through human resource officers or health and safety representatives.</td>
<td>Through this continual engagement, we ensure that our employees feel heard and that any legitimate concern can be addressed. This supports a culture where individuals feel that they are valued, thus adding to job satisfaction and the creation of a high-performance culture. See page 38 for our approach to employee matters during 2016.</td>
</tr>
</tbody>
</table>
## Engaging with stakeholders continued

<table>
<thead>
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<th>How we engage</th>
<th>Value created</th>
</tr>
</thead>
</table>
| Governments       | Positive relationships with host country governments are vital in securing licences to mine. | We engage with our host country governments on a regular basis through:  
> working with local government and community leaders; and  
> consulting with government departments on various elements of the business, ranging from local procurement to community projects. | Through ongoing engagement, we are better placed to align with our host countries’ goals and, therefore, ensure ongoing positive relations with this important stakeholder group. |
| Our clients       | Our clients consist of diamonteers and other high-end buyers of rough and polished diamonds. Our clients are an important part of our value chain, and we need to understand their needs and views to better market our brand and products to meet these requirements. | Engagement starts at the very beginning of our relationships with our clients. All Gem Diamonds’ clients undergo 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.  
   Thereafter, we continue to engage with our clients through one-on-one engagement, website communication and press releases.  
   It is essential that we attract the right clients and to do so, part of our client engagement is the way we position our brand. | Continuous interaction with our clients provides us with personalised feedback, which allows us to respond to their needs, suggestions and recommendations and ensure recurring business for the Group.  
   See page 33 for information on our approach to client relationships. |
| Providers of capital | Providers of capital are key to our business process, enabling us to fund our business growth. Our providers of capital include a variety of investors and funders. Understanding their diverse needs is essential in order for us to obtain the capital we require. | We engage with our funders through one-on-one engagement, website communication and press releases. Our Annual Reports, our Sustainable Development Reports, as well as our Annual General Meeting are all ways to engage regularly with our providers of capital. | Through our ongoing relationships with our providers of capital, we can grow our business while they are given the opportunity to generate a sustainable financial return on their investment. |
Some of the diamond sector’s key trends and the factors that are influencing our business include:

**Depressed small, commercial diamond market** – The market for smaller commercial diamonds (such as those mined at Ghaghoo) remained under pressure during 2016.

**Robust demand for exceptional diamonds** – The demand for, and prices of, Letšeng’s large, high-quality white diamonds remained relatively firm throughout the year.

**Millennial consumers** – As millennials become a bigger and more influential part of our consumer market, their behaviour and values will influence market trends. Research conducted by the Diamond Producer’s Association (DPA), of which Gem Diamonds is a member, has shown that the millennial generation values authenticity and rarity. The DPA’s campaign has, therefore, focused on the slogan ‘Real is rare. Real is a diamond’, highlighting the unique nature of diamonds.

**Focus on responsibly sourced jewellery** – The DPA’s market research has also shown that consumers have confidence in brands. The bad publicity the diamond trade has received with regard to ‘blood diamonds’ has resulted in an increasing importance being placed on where and how diamonds are mined.

**OUR RESPONSE**

The strategic focus of the Group remains on creating value by focusing on mining and selling diamonds as efficiently and responsibly as possible. We entrench sustainability into every facet of our business. By maintaining safe operations and minimising social and environmental impacts, we safeguard our social licence to operate and promote our corporate brand.

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

Diamond analysis and manufacturing

**Baobab Technologies**

OWNERSHIP
100%
**Gem Diamonds Limited**

ESTABLISHED
April 2012

DESCRIPTION OF OPERATIONS
The Group's high-tech diamond analysis and manufacturing operation is tasked with:
- Investing in state-of-the-art diamond analysis technology
- Understanding the value of exceptional rough diamonds through mapping and analysis
- Manufacturing selected diamonds for final polished sale

Sales and marketing

**Gem Diamonds Marketing Services**

OWNERSHIP
100%
**Gem Diamonds Limited**

ESTABLISHED
October 2010

**Gem Diamonds Marketing Botswana**

OWNERSHIP
100%
**Gem Diamonds Limited**

ESTABLISHED
August 2015

DESCRIPTION OF OPERATIONS
The Group's diamond sorting, sales and marketing operations in Belgium and Botswana focus on:
- Maximising the revenue achieved on diamond sales
- Developing the Gem Diamonds brand in the market
- Enhancing customer relationships
Gem Diamonds is a leading producer of high-value diamonds. The Group, which has its head office in the United Kingdom, owns the Letšeng mine in Lesotho and the Ghaghoo mine in Botswana. The Letšeng mine is renowned for its regular 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 acquired the mine in 2006, Letšeng has produced four of the 20 largest white gem quality diamonds ever recovered.

Gem Diamonds has an organic growth strategy based on enhancing the operating for its production efficiencies of the Letšeng mine and re-commencing production at Ghaghoo when the market improves. Its primary focus is to achieve operational excellence and enhance value through continued cost reduction discipline and extracting maximum diamond value through technological initiatives. Additional value is generated through the Group’s sales, marketing and manufacturing capabilities. Financial, technical and administrative services are supported by its South African subsidiary.

### Mines

#### Letšeng Diamonds

<table>
<thead>
<tr>
<th>TOTAL RESOURCE</th>
<th>5.0m carats</th>
<th>(as at 1 January 2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IN-SITU VALUE</td>
<td>US$10.3 billion</td>
<td>(as at 1 January 2015)</td>
</tr>
</tbody>
</table>

**OWNERSHIP**
- Gem Diamonds Limited: 70%
- Government of the Kingdom of Lesotho: 30%

**ACQUIRED**
- July 2006

**DESCRIPTION OF OPERATIONS**
The Group’s open pit mining operation in Lesotho focuses on:
- Mining and processing ore efficiently and safely from its two kimberlite pipes (Main and Satellite pipe)
- Optimising expansion projects to reduce diamond damage, diamond theft and to improve diamond liberation
- Implementing optimised life of mine (LoM) extensions

#### Gem Diamonds Botswana

<table>
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<th>TOTAL RESOURCE</th>
<th>20.5m carats</th>
<th>(as at 1 January 2014)</th>
</tr>
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<tbody>
<tr>
<td>IN-SITU VALUE</td>
<td>US$4.9 billion</td>
<td>(as at 1 January 2014)</td>
</tr>
</tbody>
</table>

**OWNERSHIP**
- Gem Diamonds Limited: 100%

**ACQUIRED**
- May 2007

**DESCRIPTION OF OPERATIONS**
Ghaghoo, the Group’s underground development in Botswana was placed on care and maintenance in 2017, pending an improvement in market conditions for its diamond production.

### Technical and administrative services

---

**Technical and administrative services**

**Gem Diamonds Technical Services**
Our strategy
How we create value

We remain focused on primarily extracting diamonds through mining. To complement this, we continue our attention further along the diamond value chain through our sales, marketing and manufacturing activities. Our strategy is based on three key priorities – growth, value creation and sustainability. Our overarching objective is to deliver sustainable returns for our investors while optimising the benefit for our communities and minimising our impact on the environment. We are confident that our strategy is the right long-term path for Gem Diamonds.

VALUE CREATED

Key performance indicator
> Revenue:
US$190 million

> Underlying EBITDA:
US$63 million

> Return on average capital employed: 15%
> Basic EPS (before exceptional items): 12.8 US cents
> Free cash consumed: US$28 million

Key performance indicator
> Capital expenditure:
US$11 million

> Production tonnes treated: 6.9 million
> Carats produced: 149,182
> Waste tonnes mined: 29.8 million

Key performance indicator
Zero fatalities

> Lost time frequency rate: 0.18
> All injury frequency rate: 1.93
> Zero major or significant incidents of health, safety, social and environmental (HSSE) legal non-compliance
> Zero major or significant community and environmental incidents
> Corporate social investment spend: US$0.4 million
Our investment case
What we offer

Gem Diamonds, through its unique Letšeng mine, produces the highest US$ per carat diamonds in the world, which are sought after by high-end diamond jewellers. This competitive advantage has enabled the Company in becoming a regular dividend paying company with a strong balance sheet, making it an attractive investment proposition.

WHAT WE OFFER

OUR ASSETS
Letšeng, our core asset, produces the highest value US$ per carat diamonds in the world. We implement innovative solutions to further enhance this value. The 20.5 million carats contained within the Ghaghoo resource offer an opportunity to further enhance the Gem Diamonds investment proposition.

SHAREHOLDER RETURN
We are committed to sustaining shareholder value through the implementation of appropriate dividend policies and we aim to pay dividends annually.

STRONG BALANCE SHEET MANAGEMENT
We focus on maximising revenue from our core assets through enhancing operational efficiencies and investing in low capital, short payback projects. Cash generation and capital discipline have positioned us well for sustainable growth into the long term.

CORPORATE RESPONSIBILITY
Maintaining safe operations and minimising social and environmental impact, safeguards our social licence to operate and further promotes our corporate brand.

ROBUST CORPORATE GOVERNANCE
We are committed to the pursuit of best practice in governance principles. We hold to the fact that effective corporate governance is essential to securing the Group’s long-term success and viability. Focused risk management is a core element of our business. Our Board has overall accountability for ensuring that risks are effectively managed, reviewed and continually assessed across the Group.

WHAT WE DO

1. Identifying resource
   Identifying, evaluating and developing diamond deposits that are potentially valuable

2. Planning and developing reserves
   Identifying the valuable, economical and technically feasible part of the Resource to be mined

3. Mining
   Mining in both open-pit and underground mines efficiently and productively as safe as possible

4. Processing
   Increasing recoveries and improve finished product quality through initiatives of reducing diamond damage and theft and increasing liberation of diamonds

5. Sales, marketing and manufacturing
   Analysing and mapping our exceptional diamonds to understand and achieve highest rough value through multiple selling channels. Manufacturing of select high-value rough diamonds, capturing additional value through polished sales
Our sustainability performance overview

We strive to take a holistic view of business performance and integrate sustainability into all areas of how we operate. We measure our sustainable development progress not only by our achievements but also by the manner in which we manage and mitigate our risks.

### Financial and operational

We integrate sustainability into our core business practices, working to create economic value for the Group while delivering ongoing benefits to all our stakeholders. Our leadership approach, therefore, is one that stimulates and encourages integrity at all levels of the business.

- 6.9 million production tonnes treated (2015: 7.0 million).

### Governance and ethics

Through our robust corporate governance practices, we are able to conduct our business responsibly, providing attractive returns to our investors and actively contributing to the societies in which we operate.

- Conducted human rights training with 264 of our employees.
- Every rough diamond of ours is certified under the Kimberley Process.
- Fully compliant with all government regulations and relevant voluntary codes concerning product and service information and labelling.
- Zero cases of bribery, corruption or anti-competitive behaviour have been brought against us to date (2015: zero).
- Ten cases of whistleblowing (2015: seven).

### Our highlights

During the year, the Group recovered two rare and valuable pink diamonds of 11.78 and 12.31 carats, which were sold for US$2.2 million and US$1.4 million respectively. A large 160 carat diamond was also recovered in 2016 and sold for US$8.3 million, demonstrating the quality of the Letšeng asset.

We welcomed Johnny Velloza as the new Chief Operating Officer in 2016. Johnny brings a wealth of experience to the Group and his contribution has already been felt.

The decline in the number of diamonds larger than 100 carats recovered during the year compared to the prior year, adversely impacted the Group’s revenue and cash flow.

Incorporating human rights training as standard practice across the Group.

### Our challenges

With the Company’s focus on profitable production, after year end, a decision was taken to place the Ghaghoo mine in Botswana on care and maintenance with immediate effect. We will continue to monitor market conditions for a time when commencing full production would make economic sense.

During 2017, we will focus on investing further in supplier development to raise standards across the pipeline, preventing modern slavery in every link in our production chain and on improving human rights training throughout the Group.

### Looking ahead

During 2017, we will focus on investigating further in supplier development to raise standards across the pipeline, preventing modern slavery in every link in our production chain and on improving human rights training throughout the Group.
In this endeavour, key performance indicators (KPIs) are essential measurement tools for Gem Diamonds. Our KPIs are determined by the GRI standards, using measurements relevant to each issue. Tracking these annually allows us to determine which areas require more of our attention moving forward. It shows our progress to stakeholders and addresses gaps in our strategic approach. Please see our sustainability performance overview for the KPIs relevant to each matter.

<table>
<thead>
<tr>
<th>Employees</th>
<th>Social</th>
<th>Environmental</th>
</tr>
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<tbody>
<tr>
<td><strong>Our organisation's strength lies in the quality of the people we employ. We are committed to ensuring our employees' health and safety at all times. Beyond this, we also aim to foster respectful and mutually beneficial relationships with our employees, prioritising their development and well-being.</strong></td>
<td><strong>Our aim is to create a lasting positive legacy, contributing constructively to the communities in which we operate. Our approach involves extensive engagement programmes to ensure that we fully understand community needs, requirements and desired outcomes to inform our initiatives.</strong></td>
<td><strong>We constantly seek to minimise the impact of our operations on the environment through all stages of development. We strive to create an environmentally aware corporate culture, where every individual has a sound understanding of the value of our natural systems and how our collective well-being is inextricably linked to them.</strong></td>
</tr>
<tr>
<td>Continued to make significant progress in embedding our behaviour-based care programme.</td>
<td>Letšeng provided accommodation and food to approximately 250 local people experiencing life-threatening conditions during the severe weather.</td>
<td>Positive results from the bioremediation pilot project with all indications at this stage pointing to the fact that bioremediation is a viable treatment method for the removal of nitrates from the water at the mine.</td>
</tr>
<tr>
<td>The depressed market for smaller-sized diamonds continued to place pressure on the Ghaghoo operation resulting in the asset being placed on care and maintenance. This, regrettably, means that the majority of our Ghaghoo staff will be retrenched, with only a small portion of the workforce being retained to maintain the mine during its care and maintenance phase. Allegations of racism at our Letšeng mine via an article published on a website.</td>
<td>Ensuring that social commitments are met sustainably, regardless of economic/market fluctuations. Continuing to strengthen our stakeholder relationships whilst looking for better communication and improved engagement strategies.</td>
<td>Ongoing water management across the Group. At Letšeng, managing the nitrates in the water remains a primary challenge. Despite Ghaghoo being placed on care and maintenance, water management at the mine remains a priority in order to protect both the environment and the infrastructure investment at the mine. Waste management at both mines remains an ongoing challenge due to their remote location and the lack of appropriate waste disposal facilities within these host countries.</td>
</tr>
<tr>
<td>We will focus on assimilating the organisation following the announcement that Ghaghoo will be placed on care and maintenance. We will also continue to focus on creating an environment where all employees live and work in harmony, with respect and appreciation for diversity. The specific allegations of discrimination at our Letšeng mine will be investigated for any possible action.</td>
<td>Going forward, we will focus on improving stakeholder grievance management mechanisms and sustaining PAC upliftment projects in a struggling market.</td>
<td>During 2017, we will ensure continued compliance with the operation-specific social and environmental management plans (SEMPs) and aim to develop and implement initiatives focusing on water management, waste management and maintaining and improving environmental standards at both mines, even during the care and maintenance phase that Ghaghoo is entering.</td>
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</table>
Chief Executive Officer’s review

> THE GROUP DELIVERED A STRONG OPERATIONAL PERFORMANCE
> OUR PEOPLE ARE THE HEART OF OUR ORGANISATION
> ENSURING THAT OUR BUSINESS CREATES POSITIVE BENEFIT FOR ALL
As a company whose product derives its value from the perception of consumers, ensuring that the beauty of our diamonds is reflected in the path taken to reach those consumers is a top priority for Gem Diamonds.

We embrace the need to think systemically about our impacts, both positive and negative, and acknowledge the connection between ourselves and the communities in which we operate. As such, our focus on sustainability is more than an ‘add-on’ to our business, it is the embodiment of Gem Diamonds’ culture and values, and forms part of the way in which we operate at every level of our business.

**Economic overview**

From highs, such as the strides made across the industry since launching the first generic diamond marketing campaign in 2008, to market disruption lows caused by India’s surprise demonetisation – 2016 was an interesting year for the diamond market.

During the year, the market for both rough and polished diamonds remained cautious. Liquidity constraints, high polished inventory levels and the uncertain macro-economic outlook continued to create challenges for the diamond industry.

Against this backdrop, the Group delivered a strong operational performance. The Group’s financial position remains strong with a cash balance of US$31 million (net cash US$3.8 million) and undrawn facilities of US$53 million as at 31 December 2016 underpinned by underlying EBITDA of US$63.0 million.

Following a careful review of the 2016 results, the Board has decided to focus on cash preservation in order to honour the Group’s existing covenants. Thus despite the Group’s dividend policy the Board is recommending that no dividend is paid in respect of the 2016 year. Gem Diamonds will continue to adopt a prudent capital management strategy and stringent cash controls at operations in order to remain in a position to recommend dividend payments to shareholders in the future.

Our Letšeng mine benefited from the Plant 2 Phase 1 upgrade project completed in 2015, realising an increased daily treatment rate. There was, however, a decline in the number of diamonds larger than 100 carats recovered at Letšeng, which impacted the average price achieved per carat for the year.

Development of the Ghaghoo mine continued to progress with the implementation of the previously announced strategy to reduce the tonnage and associated cost structure. The sale of Ghaghoo’s rough diamonds have been impacted by the cautious state of the diamond market during the year. Largely due to the weak prices achieved, the mine has been placed on care and maintenance. We will continue to monitor market conditions for a time when commencing full production would make economic sense.

The Group’s in-house sales and marketing function grants a flexible sales strategy for the diamonds we select for manufacturing. Our rough diamond analysis capability provides in-depth knowledge of the value of large, rough diamonds and is vital in setting appropriate reserve prices, while our ability to extract select diamonds for manufacturing contributes to revenue by allowing us to access additional margins further along the diamond value chain. During the year, sales of polished diamonds contributed US$3.2 million in additional revenue to the Group.

**Governance and ethics**

Our reputation goes beyond the product we offer, encompassing how we conduct ourselves with regard to health, safety, society, the economy and the environment. We are committed to the highest standards of corporate oversight and believe that strong governance is key to the Group’s ability to create sustainable returns for all stakeholders.

The Board provides leadership to the Group within a framework of controls, which both enables risk to be assessed and managed and ensures that the necessary financial and human resources are in place for the Group to meet our objectives and increase shareholder value.

Corporate governance is embedded in the way we organise our business, with local boards and sub-committees taking responsibility for operations. This helps us to do the right thing for our shareholders, customers, employees, suppliers, local communities and the environment.

We endeavour to incorporate sustainability best practice into every level of our business, keeping up-to-date with new developments. Pursuing our goal of zero harm in all areas ensures a continued positive public perception of the Group and our brand.

**Employees**

Our people are the heart of our organisation. We are committed to providing a working environment that actively promotes their health and safety, as well as providing opportunities for further training and professional development. During 2016, the Group-wide hours per capita vocational training increased by 25% and, in the year ahead, training will remain a key priority.
Chief Executive Officer’s review continued

We continue to foster mutually beneficial and respectful relationships with our employees. To attract and retain high-calibre staff, we ensure that our remuneration remains well above minimum and standard wages and offer performance-based incentive and reward schemes as part of our talent retention programme.

Our goal of zero harm means that we strive to mine in such a way as to eliminate any loss of life, serious injuries or occupational illnesses. We have and will continue investing in safety training and capability building in our effort to embed a strong safety culture throughout the organisation.

Regrettably, we recorded five lost time injuries (LTIs) during the year. These LTIs resulted in a Group-wide lost time injury frequency rate (LTIFR) of 0.18. The Group-wide all injury frequency rate (AIFR) was 1.93 for 2016, the lowest AIFR the Group has recorded to date.

Behaviour-based safety continues to form the cornerstone of our health and safety management programme. While this programme is well-established at our Letšeng mine, there is always room for improvement and further embedding this thinking into the hearts and minds of our people. At Ghaghoo, the focus going forward will be on maintaining health and safety standards during the care and maintenance phase initiated in February 2017.

Social
Gem Diamonds wants the positive impact of our social initiatives to outlast the life of our mines. Therefore, our focus is on implementing sustainable projects that address the needs of our communities. We do this by continually engaging with our stakeholders at all levels of our business and using their feedback to guide our corporate social investment (CSI) strategies.

During the year, Letšeng continued with the implementation of its three-year CSI plan (which commenced in 2014) aimed at uplifting local communities.

On 6 May 2016, the Letšeng Diamond Discovery Centre was officially opened by His Majesty, King Letsie III. This is a permanent interactive exhibition that tells the story of Lesotho’s diamond industry, focusing on the history of diamond mining at Letšeng. The centre was built to promote knowledge and serve as a foundation for Basotho learners who wish to learn more about the diamond mining industry and possibly pursue careers in the field.

Ghaghoo continues to contribute towards initiatives aimed at improving community access to medical services and the upgrading of education infrastructure.

Environmental
We have and will continue to adopt a precautionary management approach when considering our possible environmental effect, seeking to minimise the impact of our operations through all stages of development.

We are particularly proud of the work we have done in furthering our water management plan and related projects, understanding that water is the lifeblood of the planet and is of critical importance to sustainable development. We are also pleased to report that all our operations have continued to remain free of major or significant environmental incidents during 2016.

Looking ahead
Ensuring that our business creates positive benefit for all our stakeholders is a central tenet of the way we operate. We continue to strive towards reaching our goals of zero harm and maximum benefit. For us, this encompasses many facets of our business: protecting and developing our workforce, safeguarding the receiving environment in which our operations are located, optimising the long-term benefit we provide to our project affected communities and delivering sustainable returns to our investors. These are lofty goals, but ones that we are firmly committed to achieving.

Clifford Elphick
Chief Executive Officer

14 March 2017
Satellite pit at Letšeng.
HSSE Committee Chairman’s Q&A

> SAFETY REMAINS THE HIGHEST PRIORITY FOR GEM DIAMONDS

> EXTREME WEATHER CONDITIONS AT THE LETŠENG MINE POSED A CHALLENGE

> WE KNOW WHAT IT TAKES TO OPERATE SAFELY
Q: How would you characterise 2016 in terms of Gem Diamonds’ sustainability performance?

A: This year has been a challenging one, on many fronts.

Safety remains the highest priority for Gem Diamonds, and the Health, Safety, Social and Environmental (HSSE) Committee’s sights are always trained on achieving zero harm. Last year was a watershed year in terms of this goal. Going into 2016, we knew from the outset that maintaining this performance would be a challenge – and regrettably this year there were five lost time injuries across the Group. And, while I do not believe that the Group or any of its people have become in any way complacent, it is with renewed vigour that we need to tackle this matter. Our aim, at all times, is on improving, and on doing things better.

Extreme weather conditions at the Letšeng mine posed a challenge during the year. The heavy winter snowfall resulted in operational delays and made working safely that much harder. It also, however, presented an opportunity to demonstrate our commitment to the communities surrounding the mine. Letšeng provided accommodation and food to approximately 250 local people experiencing life-threatening conditions during the severe weather. This in and of itself was testing. The remote location of the mine means that housing additional people places strain on resources allocated for those working at the operation. It is a testament to the agility and sense of community of the Letšeng team that no inconvenience or sacrifice was too great to make this happen.

Headwinds such as the depressed market for smaller-sized diamonds continued to place pressure on the Ghaghoo operation. Post-year end, the decision to place the mine on care and maintenance was announced. This was a hard call that had to be made to ensure the ongoing financial viability of Gem Diamonds, but is one that was not taken lightly. The story of Ghaghoo is not done yet, however. The Group will continue to monitor market conditions and reopen the mine when the timing is right.

Q: 2016 was a trying year, but one in which Gem Diamonds managed to report a strong operational performance. Do you believe that the Group’s focus on sustainability contributes to this resilience?

A: Definitely. Embedding sustainability into our business is not something that is easily done but provides us the opportunity to improve the way we do business. It involves more than a checklist approach to our safety, health, social and environmental concerns. For us, it is about making a better business, and that is what we have done.

Safety is one example among many. By embedding behaviour-based care into every aspect of our business, we not only protect our people, we reduce operational delays, maintain our licence to operate and, in so doing, create a more resilient business.

Q: What will you focus on in 2017 to improve your performance?

A: We know what it takes to operate safely and sustainably, pursuing best practice at all times. That said, we are always looking for ways to improve. This determination to move forward, to progress – not lingering on the challenges we have faced but learning from them – will continue to define Gem Diamonds as a sustainable and successful business in the years to come.

Q: Any closing comments?

A: Yes. I would like to extend a special thank you to Alan Ashworth for his efforts over the years at making Gem Diamonds a successful and responsible organisation. I would also like to welcome Jonny Velloza and thank him for picking up Alan’s mantle, and tackling the task with skill and enthusiasm. He has entered the organisation during a challenging time but has risen to the occasion at every turn.

Gavin Beevers
Chairman HSSE Committee

14 March 2017
Chief Operating Officer’s review

> TO ACHIEVE A STANDARD OF ZERO HARM
> WATER IS CRITICAL FOR FUTURE ECONOMIC AND SOCIAL GROWTH
> A TOUGHER EMPHASIS ON EFFICIENCY AND COST MANAGEMENT WILL BE KEY

Jonny Velloza  Chief Operating Officer
Q: You recently joined Gem Diamonds. How would you describe the Company and its culture?

A: I joined Gem Diamonds in May, and came into a robust organisation, committed to driving the business forward in a tough economic climate. I have interacted with my colleagues on the ground at our operations and those working from offices across the world, and have been welcomed by them all – which is a testament to the people-centric culture that I have come to appreciate as being part of the fabric of Gem Diamonds.

Q: Having been immersed in the organisation for almost a year, how would you describe the operational performance of the Group over this time?

A: That is a big question that requires a layered response. Operational performance encompasses more than what we have mined and how much money we made. Our performance needs to be measured against our main goals – ensuring the long-term profitability of the organisation and promoting a culture of zero harm and responsible care.

During 2016, the Group announced the decision to downsize our Ghaghoo operation owing to the depressed market for Ghaghoo diamonds. This downsize was difficult as it included making the call to reduce the workforce complement at Ghaghoo to ensure the overall sustainability of the Group. The actions required to reduce tonnage at Ghaghoo were completed during the year, coinciding with a downward cost trend. This success has been hard earned, and all praise goes to the team on the ground who made it happen.

Regrettably, continued market pressure during 2016 meant that despite these efforts, a decision was taken to place the mine on care and maintenance. The need to retrench so many of our people is not a challenge, it is a tremendous loss. The fact remains, however, that it was the right call for the organisation as a whole. Still, the decision is accompanied by deep sadness and we look forward to a time when we are able to open the mine once again.

Safety is a top priority and the increase in lost time injuries during the year has been a concern. Any injury is unacceptable, so, even though overall the number of injuries decreased, I am not satisfied with our safety performance. On every level of the business, we need to undertake to work even harder in the year ahead to ensure that we are driving a safety-conscious culture, holding one another accountable to achieve a standard of zero harm.

Q: 2016 was clearly a challenging year. What would you say was a key highlight of the year from a sustainability perspective?

A: Water is critical for future economic and social growth and is one of the most complex issues to manage. It has increasingly become a core material issue for businesses, not just in sub-Saharan Africa, where our mining operations are based, but globally. During 2016, Gem Diamonds made water management a priority, and the progress that we have made in this regard has definitely been a highlight. To better understand our total water impact, the Group once again undertook a Water Footprint Analysis, which has helped us gain an integrated understanding of our water use and its impact. This analysis is a major achievement, as we were among the first mining companies globally to have undertaken this process. One project within our plethora of water management initiatives that has particularly caught my interest is the Letšeng bioremediation pilot plant. Bioremediation is a strategy that uses naturally occurring organisms to break down pollutants, such as nitrates, into less toxic substances. The initial findings of the pilot have been phenomenal, and all indications at this stage point to the fact that bioremediation is a viable treatment method for the removal of nitrates from the water at the mine. The approach is cost effective and sustainable, as it creates less waste than more expensive methods such as reverse osmosis. It is also exciting, with evidence that the uses for this project could be extended into other industries that face similar issues, thereby contributing to preserving valuable natural capital in other contexts as well.

Q: Looking ahead, what will your focus be on in 2017?

A: As the new kid on the block, these past few months have been about understanding the organisation and also about learning where we, as a team, want to be heading and what it will take to get us there.

Given the economically pressured business environment, a tougher emphasis on efficiency and cost management will be key, as well as a focus on core areas of our business and increasing the level of accountability throughout the organisation in meeting our stated objectives.

In essence, 2017 will be about refining our approach in all the areas that matter most to us – social, environmental and economic – and holding one another accountable to our stated goals. In this way, the year will be characterised by both progress and consolidation – delivering on promises while ensuring that the systems and processes behind this progress are focused on long-term value creation.

Q: Any final thoughts?

A: I would like to take this opportunity to thank my colleagues at Gem Diamonds for welcoming me as part of the team. A special thank you in this regard to Gavin Bevers for his support and guidance over this transitional period. Thanks too to my predecessor, Alan Ashworth, for his tireless work in making Gem Diamonds an organisation that is focused on achieving sustainable value. I am both humbled and honoured to be filling his role.

Finally, I would like to extend a special thank you to the team at Letšeng for their work in caring for the local residents who were at risk during the severe weather experienced there in July and August 2016. Their actions demonstrate the heart of an organisation that I am proud to be able to call my home.

Johnny Velloza
Chief Operating Officer

14 March 2017
Financial and operational
maintaining a strong revenue and managing costs
maintaining balance sheet strength
protecting the premium brand of diamonds
ensuring product security
mitigating risks posed by global economic movements
Financial and operational

We integrate sustainability into our core business practices, working to create economic value for the Group while delivering ongoing benefits to all our stakeholders. Our leadership approach, therefore, is one that stimulates and encourages integrity at all levels of the business.

Our progress
> Underlying EBITDA (earnings before interest, tax, depreciation and amortisation) of US$63 million (2015: US$104 million).
> 6.9 million production tonnes treated (2015: 7.0 million).
> The opening of the Letšeng Diamond Discovery Centre in Maseru.
> Costs were well contained.

Our challenges
> Paucity in the recovery of exceptional diamonds.
> The market for small, commercial diamonds remains constrained.
> Product security and theft prevention remain high priorities.

Looking ahead
> With the Company’s focus on profitable production, after year end, a decision was taken to place the Ghaghoo mine in Botswana on care and maintenance with immediate effect. We will continue to monitor market conditions for a time when commencing full production would make economic sense.
Maintaining a strong revenue stream and managing costs
We are committed to maximising the value achieved on rough and polished diamond sales. By maintaining a strong revenue stream and managing our costs carefully, we ensure our ongoing ability to contribute positively to the economies in which we operate.

Our approach
A proactive approach to managing costs and maximising revenue is vital to our sustainability. We are unable to influence the market prices for our diamonds; however, we make sure that those factors within our control are continually reviewed to offer the best product for sale. For instance, minimising diamond damage during the liberation process ensures we achieve higher prices for our diamonds. We update and optimise our mine plans and operational procedures to ensure efficient extraction and continually strive to find ways to reduce our cost base. Furthermore, we seek innovative ways to maximise the revenue we receive on our diamonds, including investing in downstream activities.

Our progress
Our revenue is derived from our two operations in Lesotho (Letšeng) and Botswana (Ghaghoo), and our rough diamond manufacturing operation in Antwerp. During the year, revenue achieved was US$190 million, 24% lower than in 2015. This was primarily due to the paucity in the recovery of the large special diamonds for which Letšeng is renowned, which had an adverse impact on the Group’s profit during the year.

For more information, refer to the Annual Report.

Maintaining balance sheet strength
Gem Diamonds is committed to protecting the strength of our balance sheet through careful capital deployment, cash flow management and maintaining our relationships with funders.

Our approach
We remain committed to investing in appropriate capital projects to ensure future growth while managing debt levels to preserve our cash position and create value for our investors.

Our progress
Our focus on cost reduction and optimisation at the operations continued during 2016. However, the lower revenue achieved during the year at Letšeng and Ghaghoo negatively impacted the Group’s cash position. We ended the year with US$31 million cash on hand, of which US$29 million was attributable to Gem Diamonds and US$3 million was restricted.

We remain committed to investing in capital projects to enable long-term growth. During the year, we invested in several projects at Letšeng, including the planned dam wall rehabilitation, the first phase of the mining support services workshop and the reinforcement of the primary crushing area structure. At Ghaghoo, capital expenditure was curtailed as far as possible, and only essential projects were undertaken. These included investment in earthmoving equipment as well as borehole and slimes dam extensions.

For more information, refer to the Financial Director’s Report in the Annual Report.

Protecting the premium brand of diamonds
At Gem Diamonds, we understand the need to protect the premium brand of diamonds through embedding the highest standards of corporate governance and ethics in our organisation.

Our approach
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.

We recognise that conflict diamonds and their role in perpetuating human rights abuses has been the greatest single threat to consumer confidence in diamonds over the past decade.

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.

Our progress
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 regarding the Kimberley Process certification scheme, and we are committed to remaining compliant.

During 2016, we were once again fully compliant with all government regulations and relevant voluntary codes concerning product and service information and labelling. Every client was 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. There were zero incidents of potential breach of confidentiality of clients (2015: zero).

For more information on how we ensure the integrity of our value chain, please see page 34.

During 2016, Gem Diamonds continued to support the work of the Diamond Producers Association (DPA) to enhance and uphold the premium brand of diamonds. In fact, during the year, the DPA released an emotional and evocative campaign titled ‘real is rare’. See the information on the ‘real is rare’ campaign on the next page.

Our sales and marketing team is tasked with developing the Letšeng Diamond brand and increasing and improving our customer base. In a challenging diamond market, the sales and marketing team in Antwerp has demonstrated their expertise in achieving top prices for Letšeng’s diamonds. Over the past few years, the number of registered customers for the Letšeng tenders has more than doubled and we continue to welcome renowned diamanteers in Antwerp.

For more information, refer to the Annual Report.
REAL IS RARE: INVESTING IN THE PREMIUM BRAND OF DIAMONDS

Diamonds represent more than simply a financial investment; they are gifts, tokens and heirlooms exchanged and purchased because of the special place they hold in people’s hearts and minds. Guarding this intangible value is essential to the long-term financial viability of our business.

To support the diamond industry and enhance the premium brand of diamonds, Gem Diamonds was one of the founding members of the Diamond Producers Association (DPA), established during 2015. The objective of the DPA is to promote the interests of diamond producers and support the development of the sector. This includes maintaining and enhancing consumer demand for and confidence in diamonds, as well as sharing best practices in health and safety and environmental management with our diamond peers.

During 2016, from market research conducted, the DPA realised that younger consumers are looking for a deeper connection – something real and rare in an increasingly disconnected and digitised world. The research further highlighted how these consumers had shown less interest than previous generations due to the negative publicity diamonds have received over the years.

In response, the DPA launched the ‘real is rare’ campaign. (For more information, or to view the campaign online, go to http://www.diamondproducers.com/real-is-rare/real-is-rare-campaign.) As part of the campaign, the association called on diamond producers to display how they are upholding the rare beauty of diamonds in their value chain.

This is a matter that sits close to our hearts at Gem Diamonds as we believe that it is our duty to respect human rights, directly and indirectly, throughout our supply chain. Our consumers can be assured that our diamonds are not associated with any human rights abuses, and the greatest care has been taken in mining in a way that is environmentally responsible.

We believe that this report showcases the value we create, not only for those within our organisation, or the consumers who purchase our diamonds, but for the societies, communities and individuals who reside in the areas in which we operate.
CELEBRATING A RICH HISTORY OF PROGRESS

The Letšeng mine is famous for the production of large, high-value, exceptional white diamonds, making it the highest 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 recovered.

Seeking to showcase the uniqueness of the mine and inspire interest in the industry, on 6 May 2016, we opened our Letšeng Diamond Discovery Centre. The opening ceremony was attended by His Majesty King Letsie III.

Addressing the gathering, Letšeng’s Chief Executive Officer, Mazvi Maharasoa, said: “The primary objective of the centre is to promote learning and enhance the public’s understanding of Lesotho’s diamond resources in a global context. It puts the diamond mining industry at centre-stage and details the industry’s contribution to Lesotho’s long-term economic growth.”

The centre illustrates details of the diamond mining industry that many members of the public may not have previously been privy to, demystifying the industry for residents of Lesotho. The centre details the diamond’s journey, from initial diamond discovery to the sales and marketing of the product and helps enhance visitors’ understanding of the positive role of the mine in the economy of Lesotho.

The Lesotho Minister of Mining, Lebohang Thotanyana, was in attendance at the centre’s opening ceremony and had the following to say: “As government, we see this facility as one of the major steps by the diamond mining industry in helping to achieve the Mining and Minerals Policy objective of transparency in all aspects of administering and managing the country’s minerals sector.”

The Minister also highlighted that the centre would serve as a source of inspiration for aspiring and future professionals in the diamond mining industry “This is very important because the sector is faced with a great shortage of skills in the industry”

We are excited about what the centre can bring to the people of Lesotho as well as the value it adds for tourism in the area. Anybody travelling through the area is encouraged to visit the Diamond Discovery Centre, no matter what their interest in mining, and learn something new about Lesotho’s diamonds.
Ensuring product security

The resources we extract are the primary basis of our value generation. However, theft is an inherent risk in the diamond industry. This means that our diamonds need to be protected at all times. From discovery and extraction through the cutting of rough diamonds and the entire supply chain requires focusing on both the meticulous care and secure handling of the product.

Our approach

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.

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.

Our progress

The Coarse Recovery Plant at Letšeng, with additional security features, continued to be optimised during the year. In addition, three independent audits of the security systems were conducted, which resulted in a series of minor findings that provided the opportunity to further improve the security processes at Letšeng. An offsite remote surveillance system was also installed and commissioned during the year.

Mitigating risks posed by global economic movements

Gem Diamonds is exposed to some risks and uncertainties that could have a material impact on our performance and long-term stability. The effective identification, management and mitigation of these uncertainties is a core focus of ours as they are key to achieving our strategic objectives. One of the key risks faced is the ongoing currency volatility in response to macro-economic uncertainty.

Our approach

The resilience of our business in relation to changes in exchange rates is material to our viability and allows us to harness opportunity during economic flux.

We receive our revenue in US dollar, while our cost base is incurred in local currencies of the various countries within which it operates. The volatility of these currencies trading against the US dollar impacts our profitability.

The impact of the exchange rates and fluctuations are closely monitored. Our policy is to hedge a portion of future diamond sales when weakness in local currencies indicates it to be appropriate. Such contracts are generally short term in nature.

Our progress

Following the announcement of BREXIT, the uncertainty resulting from impending legislative changes have affected our dealings between Antwerp and London. Local currencies in the jurisdictions in which the Group operates saw significant weakening in the first half of the year, followed by strengthening in the second half following BREXIT and the US elections. The overall weaker local currencies to the US dollar experienced during the year had a positive impact on the Group.
Haul truck travelling out of Satellite pit at Letšeng.
Governance and ethics
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Governance and ethics

We believe that robust corporate governance is a tool to create and preserve value for the Group and our stakeholders, enabling us to provide attractive returns to our investors and actively contribute to the societies in which we operate.

Our progress
- Conducted human rights training for 264 of our employees.
- Every rough diamond of ours is certified under the Kimberley Process.
- Fully compliant with all government regulations and relevant voluntary codes concerning product and service information labelling.
- Zero cases of bribery, corruption or anti-competitive behaviour have been brought against us to date (2015: zero).
- Ten cases of whistleblowing (2015: seven).

Our challenge
- Incorporating human rights training as standard practice across the Group.

Looking ahead
During 2017, we will focus on investing further in supplier development to raise standards across the pipeline, preventing modern slavery in every link in our production chain and on improving human rights training throughout the Group.
As an organisation whose product derives its value from the perception of its consumers, we are committed to supplying rough and polished diamonds to our clients that are produced and distributed in accordance with legal and ethical standards. To achieve this, we have fostered a strong culture of corporate integrity and good governance, which extends throughout the full business cycle.

Protecting human rights
Recognising the inherent worth of every human being involved in our value chain is a central focus for our organisation. We are therefore committed to working to the highest standards with regard to human rights.

Our approach
We recognise that diamonds can have a beneficial impact on the areas in which we operate when mined and traded responsibly. We also acknowledge, however, that if diamonds are mined and sold irresponsibly, they may fuel conflict and contribute to human rights violations.

We continuously refine our policies and procedures relating to upholding the rights of our employees and PACs. 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, ensuring that we are respecting humanity and prioritising ethical care.

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chain. Our policies on sustainable development and human rights, as well as our code of ethics, reflect our commitment to acting ethically as well as implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place in our supply chain.

Our progress
Employees receive regular training and communication updates through which they are made aware of the content of various policies that underpin our ethics and values. In addition, we conduct training in human rights policies and practices based on the human rights risk profile for each operation.

During 2016, Ghaghoo and Letšeng ran human rights training campaigns and trained 264 of our employees. In addition, Letšeng provided anti-bullying and intimidation training to management.

Beyond training, we enforce our policies on the fair treatment of employees both through negotiated remuneration policies and our stringent health and safety practices. For more information, see page 38.

We are strongly against human rights violations, including gender, age and racial injustices in the workplace. 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 Gem Diamonds have ever been reported. We also ensure rigorous controls are in place throughout our supply chain to ensure no slavery or human trafficking occurs. Furthermore, none of our operations has engaged in the relocation or resettlement of any PACs during the reporting period.

Prioritising business integrity
We understand that the manner in which our diamonds are mined and distributed plays a significant role in our broader social licence by maintaining and enhancing a positive public perception. We aim to supply our clients with rough and polished diamonds of the highest standard while meeting our responsibilities as an ethical and accountable organisation.

Our approach
Our commitment to upholding the highest ethical standards ensures that we are compliant with relevant government regulations and voluntary codes concerning labelling, as well as product and service information. To ensure that our diamonds reach the market through the correct channels, we apply strict controls concerning potential consumers. All Gem Diamonds’ clients undergo 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 our stakeholders. Following the conclusion of each rough diamond tender, a complete list of the winning bids is electronically circulated to all tender participants, thus ensuring a transparent sales process.

Our progress
Throughout our diamonds’ journey, from rough to polished, responsible business practices are carried out each step of the way to ensure our diamonds live up to the beauty and promise they embody.

Different matters arise at various stages of our diamond value chain: upstream, midstream and downstream. These issues, be they social, environmental or ethical, must be stringently managed through the correct processes and protocols.
Preventing bribery and corruption

We apply a ‘zero tolerance’ approach to acts of bribery and corruption involving any of our staff or third-party representatives or associates across our value chain. In addition to our global anti-corruption policies and practices, we are committed to abiding by all anti-corruption laws in those jurisdictions in which we operate.

Gem Diamonds’ anti-corruption policy embodies our commitment to monitoring our business operations, identifying any risk of corruption and effectively dealing with and preventing any potential for corrupt practices. In addition, bribery and corruption elimination schemes have been implemented in all our operations so as to ensure the continued ethical culture. Along with this, appropriate and anonymous reporting systems are in effect for each operation. Anti-bribery and anti-corruption policies have been incorporated into training material at all of our operations.

Ten cases of whistleblowing were recorded in 2016. Forensic investigation is used to examine each 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 Gem Diamonds or its subsidiaries. However, we continue to monitor this closely and pay attention to suspicious conduct through these forensic channels.

Upstream Mining and exploration

Mineral extraction, by its very nature, affects ecological as well as social systems. These impacts can and must be mitigated to secure the sustainability of any mining business.

Managing our value chain responsibly

Compliance

Compliance with host country legislation is regarded as an absolute minimum. All operations have developed comprehensive HSSE legal registers. We strive for full compliance with relevant international best practice standards, including compliance with ISO 14001 and ISO 18001. In addition, all operations are required to work towards achieving full compliance with 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 2016.

Environmental stewardship

Unmanaged environmental damage could have a severe impact on the brand of our diamonds and the continuity of our business model. We mitigate these risks through the application of stringent environmental policies and procedures. See page 60 for more information.

Fair treatment of employees

We are committed to providing an environment that actively promotes and supports employee health and well-being. We do so by treating our employees with respect and dignity. Behaviour-based safety forms the cornerstone of our health and safety management programme. Investing in the health of our employees is an investment in the Group. See page 38 for more information.

Contributing to local economies

We seek to contribute and develop local economies. The localisation of our workforce and the optimisation of local procurement are priorities for the Group and enable us to contribute meaningfully to economies in which we operate.

We work closely with the local governments through partnerships and careful agreements. This helps us maintain our mining licences and gives local government direct benefit from our operations. The Lesotho government currently owns 30% of our Letšeng operation. See page 50.

The abolition of modern slavery

We recognise the role that mines could play in the modern slave trade. We are strongly opposed to this atrocity and work to prevent any practices that undermine the well-being and freedom of our people and our PACs within the areas in which we do business.
Midstream  Rough diamond sales, cutting and polishing

Ensuring the way in which we trade our diamonds is in line with international protocol and upholds ethical standards is key to our business sustainability.

The cutting and polishing process is where diamonds are most vulnerable, due to theft and as a result of the difficulty in tracing diamonds once polished. We, therefore, apply stringent controls to ensure that cutting and polishing upholds the highest standards of business integrity and security.

Managing our value chain responsibly

Gemological Institute of America
Selected high-value polished diamonds sold by Gem Diamonds are accompanied by a Gemological Institute of America Grading Report.

This grading report confirms each diamond’s individual characteristics including weight, shape, colour, clarity, cut, symmetry, polish and physical measurements. The grading report also provides a number that is inscribed onto the girdle of polished diamonds – this serves as a diamond identification measure or ‘fingerprint’.

Reputable cutters
We maintain relationships with cutters that are reputable and who sell to reputable jewellers. Among other methods, we monitor the World Diamond Council’s affiliation to update our database of reputable diamond cutters.

Kimberley Process
We require all of our operations and partners across our pipeline to be fully compliant with the Kimberley Process Certification Scheme. Once our diamonds have been discovered, they are certified at the source for the way in which we mine and the humanitarian practices followed by our organisation. Thereafter, the diamonds are transported and once again certified at a variety of stages. Should the diamond be cut, each diamond must then again be certified, or if transported as a package, the package is certified.

Vetting clients
The diamond industry is complex and the threat of illegal diamond trading, fund embezzlement and unethical business are factors we constantly protect ourselves against. We vet our clients with the utmost scrutiny. Diamoneters are selected with extreme care and we work on establishing and maintaining our relationships with these individuals and companies. Clients respect our controls and are assured by our transparent tender process.

Downstream  Diamond jewellery retail

The final part of the process involves the jeweller, who deals directly with clients to create exquisite pieces of jewellery.

Managing our value chain responsibly

Developing markets for our products
We understand the importance of protecting and enhancing the premium brand of diamonds. Gem Diamonds was one of the founding members of the Diamond Producers Association (DPA). The Group’s association with the DPA has allowed Gem Diamonds to play an active role in maintaining and enhancing consumer demand for and confidence in diamonds.
Ensuring transparent governance and remuneration practices

Our approach

At our Letšeng mine, we have installed generators to assist during energy interruptions and keep a two-week supply of diesel for the generators on the mine. We also ensure that enough food, that is, a two-week supply is kept on hand at all times. Our medical teams have been equipped to deal with extreme weather conditions. At Letšeng, in particular, the medical team has had extensive training in high altitude rescues and providing medical treatment in extreme conditions.

Our water management systems at both mines also cater for excess or too little water due to extreme weather conditions. Our dam and storage facilities are managed in such a way that there is enough capacity to handle a sudden influx of water without compromising the safety of the structures. We have also instituted water saving campaigns at both mines to preserve water to ensure that water is treated as a precious resource at all times, not only during times of drought.

Our progress

Board evaluation
One of the overarching objectives of the 2016 Board evaluation was to carry out a comprehensive review on the effectiveness of the Board, not only as a unit, but also to assess and evaluate the contributions made by individual Directors.

The Board evaluation exercise looked at the composition of the Board and committees of the Board; conduct and decision-making; how strategy is approached and addressed; risk management, management information and reporting; training, development and succession planning; and internal and external communication.

It also evaluated specific issues raised in the 2015 evaluation, such as succession planning, risk management and external communications.

Remuneration practices
The Remuneration Committee considers and determines all elements of the remuneration of the Chief Executive Officer, the Chief Financial Officer and the senior executive team and determines the terms of any performance-related remuneration paid by the Company.

The Remuneration Committee comprises two independent non-Executive Directors and the Chairman and meets formally at least twice a year, and senior management and external advisers may be invited to attend meetings as the Remuneration Committee considers appropriate.

Ensuring corporate governance is compliant with industry best practices

Our approach

The Group’s commitment to robust corporate governance supports its ability to create sustainable returns for all stakeholders. We continue to monitor and align with industry best practice.

Our progress

In September 2014, the Financial Reporting Council published the revised UK Corporate Governance Code and applies to companies with accounting periods beginning on or after 1 October 2014. The Board agrees with and supports the Code, and the Gem Diamonds governance framework was amended accordingly. During 2016, we continued to evolve our governance to industry best practice.

See our Corporate Governance Report in our Annual Report.

Raising standards across the pipeline

Our approach

Our business processes are supported by our supply chain, which comprises supplies of goods and services throughout the various business cycles. Products are procured in respect of raw, direct and indirect materials and the various purchased services range from technical, legal, administrative and professional services to skilled labour services for operational purposes.

Our progress

As part of our initiative to identify and mitigate risk, we have a whistleblowing policy which allows for anonymous reporting by employees of any unethical activity taking place in the workplace.

To ensure all those in our supply chain support our ethos, we have procurement policies in place, which drive rigorous vetting processes. Potential risk areas are scrutinised, and goods and services are only procured from reputable companies.

Representatives from several divisions within our Group’s operations are involved in the evaluation of suppliers, and each has a part to play in the selection and subsequent monitoring and/or management of a specific supplier. Suppliers are required to adhere to our ethical policies.

It is our intention to place a greater emphasis on supplier training in the coming year. Our focus will be on using ethically compliant suppliers and providing them with training on business integrity, which will contribute to the betterment of the diamond trade as a whole.

See our Annual Report for more information.
Diamond identification in the sorting area.
Employees
Providing a safe working environment for our employees
Attracting and retaining qualified people
Providing skills development opportunities for employees
Ensuring our employees remain healthy
Engaging with employees and elected representatives

41
43
45
47
49
Employees

At Gem Diamonds, we regard our employees as a key asset, and as such, we set their health and safety, as well as their development and retention, as our highest priorities. We do this by applying best practice health and safety standards at our operations, investing in our employees’ skills and capabilities and by focusing on productive engagement, as well as the promotion of equality and diversity in our workforce.

Our progress
- Five lost time injuries (LTIs) (2015: zero).
- 0.18 lost time injury frequency rate (LTIFR) (2015: 0.00).
- 74,110 proactive safety management actions implemented (2015: 78,998).
- 8.6% staff turnover (2015: 4%).
- Letšeng retained its ISO 18001 and ISO 14001 certification.

Our challenges
- The depressed market for smaller-sized diamonds continued to place pressure on the Ghaghoo operation resulting in the asset being placed on care and maintenance. This, regrettably, means that the majority of our Ghaghoo staff will be retrenched, with only a small portion of the workforce being retained to maintain the mine during its care and maintenance phase.
- Allegations of racism at our Letšeng mine via an article published on a website.

Looking ahead
We will focus on the optimisation of the organisation following the announcement that Ghaghoo will be placed on care and maintenance. We will also continue to focus on creating an environment where all employees live and work in harmony, with respect and appreciation for diversity.
Our organisation’s strength lies in the quality of the people we employ. We are committed to ensuring our employees’ health and safety at all times. Beyond this, we also aim to foster respectful and mutually beneficial relationships with our employees, prioritising their development and well-being.

Providing a safe working environment
Ensuring the safety of our employees is not merely a legal requirement, but a moral obligation. We take our duty of care very seriously and are passionate about providing a working environment that is safe and not harmful to the health and well-being of our employees. We regularly engage with employees to gain insight into our operational processes, thereby ensuring efficiency and optimising the working environment.

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Our approach to safety management
The Gem Diamonds integrated management approach considers the possible risks our operations pose to the occupational health and safety of our employees. We strive to understand the sensitive link between these systems to 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 reduce these risks.

Purposefully designed training and induction procedures, as well as strict management systems, are used to ensure the safety and well-being of all our employees.

Our progress
We believe that every accident is preventable, and any injury or loss of life is unacceptable. The high number of potential risks associated with the mining industry means that we have a duty to ensure extra vigilance and care. We continually work to eliminate known hazards and monitor and manage potential risks within the workplace.

Best practice standards
Letšeng is subject to independent ISO 18001 and ISO 14001-based audits, which focus on occupational health and safety, as well as environmental management. Letšeng underwent its independent annual ISO audit and successfully retained its ISO 14001 and ISO 18001 certification.

During 2016, Ghaghoo readied itself for its ISO pre-certification audits to be carried out in 2017. However, due to the decision to place the mine on care and maintenance, this audit has been cancelled.

Ghaghoo underwent a NOSA HSE system audit during 2016 and was awarded a four-star rating.

Creating a culture of care
In 2015, the behaviour-based care (BBC) initiative was launched, an amendment to the initial behaviour-based safety programme. The initiative goes beyond the realms of work safety and finds its base in intentional care for fellow employees and the environment. During the year, the BBC initiative continued to be embedded in our operations.

For more information on the BBC initiative, refer to the case study that follows.

As a result of ongoing effort, focus and commitment throughout 2016 the Group can proudly report a fatality-free year. Unfortunately, five LTIs occurred, resulting in a Group-wide LTIFR of 0.18, compared to 0.00 recorded for 2015. The all injury frequency rate (AIFR) of 2.87 in 2015 decreased to 1.93 in 2016, this is the lowest recorded in the history of the Company. Continued emphasis on improving safety remains a focus in striving towards our goal of zero harm.

Proactive safety
We believe that active safety management is an important part of our goal of achieving zero harm. We continue to increase our focus on proactive safety management with the purpose of ensuring that our system functions in a way that promotes the health and safety of our people. During 2016, a total of 74 110 proactive prevention measures were implemented,

Lost time injury frequency rate 2012 to 2016

<table>
<thead>
<tr>
<th>Year</th>
<th>LTIFR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>0.27</td>
</tr>
<tr>
<td>2013</td>
<td>0.13</td>
</tr>
<tr>
<td>2014</td>
<td>0.20</td>
</tr>
<tr>
<td>2015</td>
<td>0.00</td>
</tr>
<tr>
<td>2016</td>
<td>0.18</td>
</tr>
</tbody>
</table>
GOING THE EXTRA MILE IN EXTENDING OUR CULTURE OF CARE

Our people are the heart of our organisation, and as such, their safety is our top priority. We work tirelessly towards our vision of an injury and illness-free workplace where every employee goes home safe and healthy.

The starting point for achieving this vision has been our BBC programme, which began in 2010 at our Letšeng mine. The name reflects the heart of the programme, which is a desire to care for one another in a manner that reflects a family model, taking responsibility for your brother or sister’s safety as well as your own. The programme commenced at the operation’s executive management level and was gradually implemented throughout our operations to the operator level. Over the years, this programme has taken root in the hearts and lives of all those on the mine, and we have seen the fruits extend well beyond the mine. Wherever possible, the mine seeks to provide medical care to the communities surrounding the mine.

Being a brother’s keeper means taking responsibility for all team members and ensuring that they work safely. This care has become a part of the very essence of the people who work at Letšeng and will continue to bear fruit in the future both in safety performance on the mine and in the care extended beyond the mine.

In late July 2016, extreme weather conditions were experienced across the Maluti Mountains in Lesotho where the Letšeng mine is located, with excessive snowfall and severe winds limiting access to the mine. Letšeng provided accommodation and food to approximately 250 community members impacted by these life-threatening conditions. The assistance provided to these community members was given without hesitation despite the fact that it placed massive pressure on resources allocated for those working at the operation. It is a true testament to the pervasive culture of care that is such an inherent part of the Letšeng team that no inconvenience or sacrifice was too great to make this happen.

The mine assists, when necessary, those travelling along the A1 road that forms part of the journey to the mine. In fact, during 2016, Letšeng responded to 14 motor vehicle accidents between Oxbow and Mapholaneng. One of these accidents involved a two-year-old boy, Lefa Molupe and his grandmother, Maboithatelo Tšita, both from Ntholoheletsane in the Mokhotlong area, who were rushed to the Letšeng clinic. Maboithatelo had sustained minor injuries, but Lefa was in a critical condition upon arrival at the clinic. While working to stabilise Lefa, the clinic radioed the Lesotho Defence Force to arrange an air evacuation to the Mamohato Memorial Hospital for further treatment. However, the helicopter could not land due to inclement weather. The boy was then transported by the Letšeng ambulance to Botha-Bothe (75km) where the helicopter had landed. Having received the correct treatment, Lefa made a swift recovery and was out of ICU in two days and was released from the hospital four days later.

Lefa and his grandmother later visited the mine to thank the clinic staff personally.

“I want to thank the Letšeng mine from the bottom of my heart. The doctor, the nurses and everybody at Letšeng showed us unimaginable compassion at the moment when I had given up hope. I don’t have words to describe my gratitude because I don’t know what I would have done without their assistance,” said Maboithatelo.

"Article in the Sunday Express newspaper."
compared to 78,998 in 2015. This decrease reflects a more focused approach, where greater attention is given to areas of material risk rather than spreading interventions across the entirety of the risk profile.

**Proactive HSSE actions**

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Count</td>
<td>43,911</td>
<td>45,512</td>
<td>62,357</td>
<td>78,988</td>
<td>74,110</td>
</tr>
</tbody>
</table>

As part of our emphasis on a culture of care, all new employees at the mining operations undergo a stringent induction process. This process emphasises our concern for employee safety from the time they begin working. The process involves equipping employees with knowledge about the risks involved in their particular working environment and providing them with the necessary skills to conduct their jobs in a safe manner. As in 2015, all employees at the mining operations who started work for the Group in 2016 underwent induction training.

Each operation’s individual risk profile, whether at Letšeng or Ghaghoo, is used to determine health and safety training criteria. This approach allows operational requirements to dictate our procedures and our employees’ needs can be met adequately.

During 2016, 100% of the workforce at Letšeng and Ghaghoo was represented in formal, management-worker health and safety committees (2015: 100%). These committees aid management in monitoring and advising on occupational health and safety programmes. No formal committees have been established at Gem Diamonds’ non-mining operations due to limited staff numbers.

**Injury management**

During 2016, a total of 55 injuries occurred across the Group, down from 72 injuries reported in 2015. The severity rate decreased from the reported 17.1 in 2015 to 13.9 in 2016.

A total of zero restricted work injuries (RWIs) occurred across the Group during 2016, resulting in a Group restricted work injury frequency rate (RWIFR) of 0.00.

The Group maintains its commitment to zero harm and therefore seeks to eliminate all work-based injuries.

**All injury frequency rate (AIFR) trend 2012 to 2016**

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>2.49</td>
<td>0.59</td>
<td>3.01</td>
<td>2.87</td>
<td>1.93</td>
</tr>
</tbody>
</table>

**Restricted work injury frequency rate (RWIFR) trend 2012 to 2016**

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>0.59</td>
<td>2.49</td>
<td>3.01</td>
<td>2.87</td>
<td>0.00</td>
</tr>
</tbody>
</table>

**Attracting and retaining qualified people**

Without the right people in the right roles, our business simply cannot create ongoing sustainable benefit. We are a responsible employer and aim to treat our staff fairly and with respect.

**Our approach to employee development and retention**

We strive to be a preferred employer by rewarding our staff in excess of minimum standards, and by actively developing our staff’s skill sets and career paths. Our operations are located in remote areas, and therefore, every care is taken to ensure the well-being and comfort of our employees during their shift rotations. In addition, our shift rosters are structured to minimise the disruptions to normal social structures as far as possible.
Employees continued

Our progress
Employee profile

At year end, the Group employed 446 own employees and 1,739 contractor employees, compared with 2015 when we employed 589 own employees and 1,359 contractor employees.

The average number of own employees was 481 (compared with 560 in 2015), while the average number of contractor employees for 2016 was 1,650, compared with 1,369 in 2015.

Staff demographics (%)

<table>
<thead>
<tr>
<th>Employee level</th>
<th>% Male</th>
<th>% Female</th>
<th>% Local citizens</th>
<th>% Age &lt;30</th>
<th>% Age 31 to 50</th>
<th>% Age &gt;50</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 Governance Committee/Board*</td>
<td>93</td>
<td>7</td>
<td>36</td>
<td>0</td>
<td>39</td>
<td>61</td>
</tr>
<tr>
<td>Senior management</td>
<td>88</td>
<td>12</td>
<td>25</td>
<td>0</td>
<td>66</td>
<td>34</td>
</tr>
<tr>
<td>Middle management</td>
<td>81</td>
<td>19</td>
<td>96</td>
<td>6</td>
<td>82</td>
<td>12</td>
</tr>
<tr>
<td>Total workforce</td>
<td>81</td>
<td>19</td>
<td>99</td>
<td>13</td>
<td>75</td>
<td>12</td>
</tr>
<tr>
<td>2015 Governance Committee/Board*</td>
<td>89</td>
<td>11</td>
<td>33</td>
<td>0</td>
<td>39</td>
<td>61</td>
</tr>
<tr>
<td>Senior management</td>
<td>88</td>
<td>12</td>
<td>37</td>
<td>0</td>
<td>56</td>
<td>44</td>
</tr>
<tr>
<td>Middle management</td>
<td>80</td>
<td>20</td>
<td>96</td>
<td>18</td>
<td>74</td>
<td>8</td>
</tr>
<tr>
<td>Total workforce</td>
<td>90</td>
<td>10</td>
<td>99</td>
<td>21</td>
<td>63</td>
<td>16</td>
</tr>
</tbody>
</table>

* Includes subsidiaries

The Group-wide absenteeism rate increased to 3.9 days per person in 2016 from 2.0 days in 2015.

High staff turnover can affect productivity and result in a loss of intellectual capital. Monitoring our staff turnover helps manage this risk and gives us an indication of our employee satisfaction. The Group-wide voluntary staff turnover has increased from the 2015 value of 4% to 8.6% in 2016.

Diversity and opportunity

Gem Diamonds is an equal opportunity employer, and our code of ethics clearly outlines our zero-tolerance approach to discrimination. As in previous years, no cases of discrimination were recorded in 2016.

Even though the mining industry is a historically male-dominated industry, Gem Diamonds continues to strive to improve the gender balance throughout the Group. In 2016, 19% of our workforce consisted of female employees compared with 10% in 2015. A total of 7% of our Gem Diamonds Board members were female (2015: 11%). 12% of the Group’s senior management were female (2015: 12%).

We manage our employee ageing appropriately through continued monitoring of our workforce’s average age. Currently, this does not present an area of concern for the Group.

After year end, an article was published on a website citing the experience of the journalist at a mine in Lesotho. Although the author did not mention Letšeng Diamond Mine by name, the description clearly refers to our Letšeng mine. It is, therefore, important to state unequivocally that racism of any kind has never been, and will never be, tolerated at our Letšeng mine. The management of the mine and the Gem Diamonds Group are committed to transparency in all aspects of our operations and take a zero tolerance approach to discrimination. An investigation into the specific allegations is, therefore, being carried out to determine what action must be taken.

The mine has a comprehensive grievance procedure that seeks to protect the rights and well-being of all its employees. When employees have grievances, the mine’s internal grievance management procedure serves as a tool through which their complaints are lodged and resolved successfully. Furthermore, the Letšeng mine has a whistleblowing facility managed by Deloitte that enables reporting where there is fear of victimisation and/or persecution. In addition to this, Letšeng management performs weekly visible felt leadership visits, in which they go to where the employees are to interact with them about work and the overall challenges. All employees’ concerns are heard, and necessary actions are taken, with regular feedback given to employees.

Remuneration and benefits

Skills shortages in the natural resources sector highlight the importance of retaining our high-calibre staff. Employees at all our operations are 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 receive higher remuneration than 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. In 2016, the lowest-graded employees at our Letšeng mine were remunerated at 24% above this minimum wage. At our Ghaghoo operation, the lowest-graded employees were remunerated at 11% above the construction sector’s minimum wage. During 2016, 2% of the workforce at Ghaghoo (2015: 1%) and 0.2% at Letšeng (2015: 8%) were compensated at the operation’s minimum wage. The remainder of Gem Diamonds’ workforce is remunerated above minimum wage, in line with market-related rates, with external factors such as availability of skills, qualification, seniority and work experience being taken into consideration. We value our employees and contractors, thus ensuring that minimum requirements regarding remuneration are contractually stipulated with our principal labour contractors.

The breakdown below reflects each operation’s benefit and incentive expenditure. Please refer to Appendix C for the benefit descriptions at specific operations.

### Wage, benefit and incentive expenditure (US$ million)

<table>
<thead>
<tr>
<th>Operation</th>
<th>2015 US$ million</th>
<th>2016 US$ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letšeng</td>
<td>22.2</td>
<td>22.1</td>
</tr>
<tr>
<td>Ghaghoo</td>
<td>7.6</td>
<td>6.1</td>
</tr>
<tr>
<td>Other</td>
<td>9.1</td>
<td>8.3</td>
</tr>
<tr>
<td><strong>Group total</strong></td>
<td><strong>38.9</strong></td>
<td><strong>36.5</strong></td>
</tr>
</tbody>
</table>

In addition to basic remuneration, we offer benefits and incentives to our employees. In 2016, a total of US$36.5 million was spent on employee wages, benefits and incentives (2015: US$38.9 million).

100% of Basotho nationals employed at Letšeng are subscribed to the mandatory government retirement provision scheme, and Letšeng 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 retirement schemes and contributions.

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

Refer to our Annual Report for details on Directors’ remuneration.

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### Providing skills development opportunities for employees

**Our approach**

We invest in developing our employees’ skills by providing training opportunities throughout the Group, aiding employees’ growth personally and professionally.

**Our progress**

The total hours of training provided to employees during 2016 can be broken down as follows:

- Senior management: 1 086 hours (2015: 691 hours);
- Middle management: 3 122 hours (2015: 3 593 hours); and
- Non-management: 21 062 hours (2015: 17 464 hours).

**Group-wide vocational training per capita trend 2012 to 2016**

Group-wide hours per capita vocational training in 2016 has increased by 25% from 2015.

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.

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### Employment trend 2012 to 2016

---
A PASSION FOR LEARNING

Ntsopha Mosili has been part of our environmental team at our Letšeng mine for many years now. Having studied a BSc in chemical technology, Ntsopha has always known that he would study science but was not quite sure in which direction it would lead him. In 2011, having completed his BSc, Ntsopha was offered a bursary by Gem Diamonds to study process engineering. He joined the mine as an intern in 2012, having signed on for a two-year internship. His enthusiasm and commitment, however, was something we recognised early on and he was absorbed into the Company as an environmental officer long before his internship was completed. He worked as an environmental officer for four years during which time he engaged in several projects, including leach testing, our wetland project and, more recently, our pilot bioremediation plant project, enabling him to pursue his passion for learning and applying knowledge gained in the field.

Q: What has working for Gem Diamonds meant to you?
A: It has meant a great deal. I have been allowed to follow my interests and have been given opportunities to apply what I have learnt in a unique setting.

Q: What is the best part of your job?
A: I am excited about the projects we are doing. The water projects have been an area of excitement and provided me with an opportunity to do what I love – learn. Our aim is to prevent and mitigate environmental harm to make what we do more sustainable. An example of this is the work we are doing with nitrates. Our findings took us to the source of the nitrates where we worked to find more efficient ways of blasting that would result in fewer nitrates being released into the water system in the first place. We are still exploring ways of improving our blasting processes even further. We have also focused on remediating the historical damage. All the projects we have pursued in this regard have had sustainability in mind. We have wanted to find solutions that work for the business and nature. We have not at the end of this journey but our drive to do the right thing, the best way, has made us leaders in this field and that is exciting – knowing we can make a difference not only here but beyond this mine.

Q: What has made this success possible?
A: The success we have had with our projects to date has not been without failures and bumps along the way. What we have achieved would not have been possible without the commitment and effort of my colleagues and the support and encouragement of management. Everyone here wants to see the best outcome achieved and is willing to do what it takes, and that makes all the difference.

Q: What has kept you working for Gem Diamonds?
A: I have been encouraged to pursue my passion. Having expressed an interest in further refining my focus to water management issues, I was given the opportunity to become a line manager in the engineering department where I will be focusing more on water issues. The opportunity for growth has not only encouraged my growth but kept my passion alive.
Ensuring our employees remain healthy

We are committed to providing an environment that actively promotes and supports employee health and well-being as we believe that an investment in their health and well-being is an investment in the ongoing success of the Group.

Our approach to health management
We believe in a proactive approach to employee health management. We commit to providing an environment that not only prevents dangerous and unhealthy situations but also actively promotes and supports employee well-being and healthy living.

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. In December 2015 an on-site clinic was constructed at Ghaghoo. The clinic is currently able to offer primary healthcare, with backup medical emergency service offered through a third-party supplier. The clinic at Letšeng is equipped to deal with all on-site and occupational medical needs.

Our progress

Employment medicals
Part of our comprehensive induction programme for new mining operation employees includes a complete medical examination, further promoting our approach to employee well-being and care.

In 2016, Letšeng once again achieved a 100% pre-employment medical rate, matching its 2015 figures. This year, Ghaghoo also matched its 100% pre-employment medical rate achieved of 2015.

The Group has implemented a standard process for a person leaving our employment, which includes exit medical examinations. This further supports our stance of complete employee care and is necessary to reduce the Group’s long-term exposure to any future health claims.

Pre-employment medicals 2012 to 2016

Pre-employment medicals 2012 to 2016

<table>
<thead>
<tr>
<th>Year</th>
<th>Letšeng</th>
<th>Ghaghoo</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>0</td>
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</tr>
<tr>
<td>2013</td>
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</tr>
<tr>
<td>2014</td>
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<td>0</td>
</tr>
<tr>
<td>2015</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2016</td>
<td>0</td>
<td>0</td>
</tr>
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Occupational health cases 2014 to 2016

Occupational health cases 2014 to 2016

<table>
<thead>
<tr>
<th>Year</th>
<th>Group total</th>
<th>Letšeng</th>
<th>Ghaghoo</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>536</td>
<td>491</td>
<td>45</td>
</tr>
<tr>
<td>2015</td>
<td>596</td>
<td>545</td>
<td>549</td>
</tr>
<tr>
<td>2016</td>
<td>540</td>
<td>443</td>
<td>443</td>
</tr>
</tbody>
</table>

A treatment room inside the Ghaghoo mine clinic.
Employees continued

Occupational health and safety samples
Ensuring continued employee safety necessitates the collection of occupational health and safety samples in both living and working environments. During 2016, 552 samples were taken, down from the 629 samples in 2015. The following samples were taken and tested in 2016:
> drinking water;
> environmental water;
> air quality;
> dust; and
> radiation levels.

Occupational health cases

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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<td>Gastrointestinal cases</td>
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<td>440</td>
<td>40</td>
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<td>Cholera cases</td>
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<td>Typhoid cases</td>
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<td>0</td>
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<td>0</td>
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<td>0</td>
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<tr>
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<td>0</td>
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<td>0</td>
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</tr>
<tr>
<td>Total occupational health cases</td>
<td>536</td>
<td>566</td>
<td>549</td>
<td>491</td>
<td>443</td>
<td>443</td>
<td>45</td>
<td>123</td>
<td>106</td>
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<tr>
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<td>6553</td>
<td>5824</td>
<td>4307</td>
<td>5407</td>
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<td>Total treated cases</td>
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<td>7102</td>
<td>6315</td>
<td>4750</td>
<td>5850</td>
<td>940</td>
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<td>Percentage occupation health cases (%)</td>
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<td>9.3</td>
<td>7.5</td>
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<td>8.4</td>
</tr>
</tbody>
</table>

Occupational and environmental diseases
In 2016, 7 102 medical cases were recorded across the Group, an increase from the 6 447 cases reported in 2015. Of the cases reported in 2016, only 7.7% were related to occupational or environmental diseases, compared to 8.7% in 2015. The majority of cases treated at our facilities were primary healthcare issues, rather than occupational ones.

The majority of cases recorded across the Group were gastrointestinal ailments. While the investigation has revealed that most cases are recorded upon employees’ return to work following their rostered breaks, this is a health concern that is carefully monitored on site. Frequent occupational health sampling is conducted in our kitchens, and all potable water is regularly tested to manage any potential outbreaks of disease.

Serious disease management
Gem Diamonds goes beyond simply managing occupational safety, recognising the need for serious disease management. The health of our employees correlates directly with their work performance and therefore, preventing serious diseases is both an important investment in our staff and our Company. The programmes at Letšeng, which are more mature, focus on various diseases, including HIV/Aids, diabetes, gastrointestinal afflictions, hypertension, respiratory diseases and sexually transmitted infections. The primary focus at Ghaghoo remains on HIV/Aids.

Our serious disease prevention and management programmes continue to expand and mature, resulting in a decreasing number of interventions required by our operations. These include educational programmes and counselling, as well as prevention and risk controls, which are extended to our employees and, when necessary, their families and our PACs. The total number of interventions decreased from 21 082 in 2015 to 5 769 in 2016. At Letšeng, the number of interventions decreased from 20 730 in 2015 to 5 235 in 2016, due to the completion of the community-wide intervention that took place in 2015. During 2016, we focused our attention on onsite, employee programmes. At Ghaghoo, the number increased from 268 in 2015 to 534 in 2016.

Historically, our clinics and medical stations have mainly served our employees. In recent years, however, we have offered some services to workforce family members, as well as to community members when required. Our remote locations mean that at various times, we are the most feasible option for non-employees who are in the area and require medical attention. As such, we make ourselves available when possible.
Engaging with employees and elected representatives

Our approach
We maintain a policy of freedom of association. Our employees are free to join unions and other worker collective bargaining organisations. Our Letšeng operation remained non-unionised during 2016, while Ghaghoo became unionised.

Our progress
Our employees are notified of any significant or material changes to the operations or their working environments through established policies and procedures. 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 2016.

Visible felt leadership at Ghaghoo.
Social
Safeguarding our communities 53
Ensuring positive stakeholder relations 53
Minimising our social impact 55
Working with communities to understand and meet their needs 56
Providing a framework for communities to benefit themselves 59
Social

We recognise that our operations are located in proximity to areas where socio-economic environments existed before our operations and will continue to exist after the mineral resources have been depleted. We aim to contribute positively and sustainably to the social and economic state of the project affected communities (PACs) and our host countries.

Our progress
> US$0.4 million Group-wide CSI (2015: US$0.6 million).
> US$141.2 million spent on local procurement (2015: US$152.1 million).
> Zero major or significant community incidents (2015: zero).

Our challenges
> Ensuring that social commitments are met sustainably, regardless of economic/market fluctuations.
> Continuing to strengthen our stakeholder relationships while looking for better communication and improved engagement strategies.

Looking ahead
Going forward, we will focus on improving stakeholder grievance management mechanisms and sustaining PAC upliftment projects in a difficult environment.
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. Our approach involves extensive engagement programmes to ensure that we fully understand community needs, requirements and desired outcomes to inform our initiatives.

**Safeguarding our communities**

We believe that it is our duty of care to ensure that our mining operations do not impact the health and safety of our communities. In this endeavour, understanding the risk that our dams could pose to our surrounding communities and receiving environments is key. Dam safety has therefore long been of utmost importance to Gem Diamonds.

**Our approach**

We take a proactive approach to ensuring the safety and integrity of our dams. Dam walls at both our operations, for both our waste and fresh-water storage facilities, undergo stringent safety procedures in the form of inspections and audits, which are conducted both internally and externally at regular intervals during the year.

**Our progress**

At Letšeng, three facilities are considered: the Patiseng tailings storage facility (TSF), the old TSF, which is now dormant, and the Mothusi Dam, our fresh-water supply resource.

The Patiseng TSF undergoes stringent inspections on a daily, weekly and monthly basis, surveying various factors such as water level, beach height and overall structural stability. Quarterly structural stability inspections are carried out by an external civil engineering specialist.

The old TSF is inspected daily, weekly and monthly again with quarterly structural stability reviews supplied by an external consultant. The Mothusi Dam is also inspected on a daily, weekly and monthly basis, with inspection frequencies increasing during higher rainfall periods. Outsourced specialists conduct quarterly inspections for the Mothusi wall. All three dams are closely monitored via V-notch weirs, which determine the flow rate and are connected to a flow monitoring system. Facility risk assessments, resistivity surveys and flow model studies are also regularly carried out to ensure responsible management of the facilities. Rehabilitation work was done on the Mothusi Dam during 2016. The rigorous monitoring programme helped us to identify work that needs to be done, ensuring that any risk to the operation or surrounding communities was timeously mitigated.

Letšeng has also put in place a system designed to manage the unlikely event of dam wall failure in an effective and timely manner. An early warning system has been established for potentially affected communities with the provision of radio equipment and alarm systems, which are solar powered and are tested daily. Communities have also undergone training and awareness programmes to ensure their emergency readiness.

Ghaghoo currently has two slimes dams, with a third under construction. Internal inspections on the dam are carried out daily, with structural stability inspections being made on a weekly basis. An outsourced consultancy has been appointed for external quarterly inspections. Ghaghoo staged biannual drills during 2016 to assess emergency preparedness.

A risk management strategy has been put in place to negate potential threats to the safety of our dams.

We believe that ensuring our dam wall safety relies on correct management procedures. Gem Diamonds ensures that the strictest management plans are put in place to ensure complete stability and conformity to the established system.

**Ensuring positive stakeholder engagement**

We recognise that trust is hard earned and easily destroyed. Understanding this, we strive to foster mutually beneficial partnerships with our stakeholders, especially our PACs. This is primarily achieved through active dialogue with our stakeholders, focusing on listening and participation at all business levels.

**Our approach**

Each of our operations has developed a framework for stakeholder consultation. These plans are put in place to ensure that all our stakeholders are engaged and that our PACs are consulted on a regular basis. Recognising the cultural and traditional individualities of each of our operational communities is essential, and we aim to function in a manner which is transparent and respectful.

**Our progress**

Our stakeholders include our shareholders, employees, local communities, the governments of the countries in which we operate, civil society, customers and consumers.

During 2016, no major or significant stakeholder incidents occurred at any of our operations. In addition to this, there were no incidents involving any violation of the rights of the indigenous people on whose land we operate.

We carefully consider all feedback from engagements with our stakeholders and take it into consideration in our decision-making processes. We have appointed suitably qualified and trained staff to ensure the continuation of transparent and open communication lines between the operations and their respective PACs.
ENSURING THE HIGHEST STANDARDS OF TAILINGS MANAGEMENT

Dams are an integral part of mining. They are used to impound waste, store water for mine use, control runoff to prevent flooding of mine facilities, and collect and prevent sediment from running off the mine. Dams remain key areas of risk; however, as impounded material – be it water or liquid-borne solid waste – can present a hazard to miners and communities if the dam were to fail. Indeed, tailings dam failures in Canada in 2014 and Brazil in 2015 have shown that risk management at every stage of the lifecycle of a tailings dam must always be top of mind.

The term tailings refers to the collected waste materials produced after the extraction of minerals and metals from mined ore, or, in our case, the extraction of diamonds from the kimberlite ore. It is a substance that consists chiefly of powdered rock and water. The aim of tailings management is to provide safe, stable and economical storage of tailings so as to protect community health and safety, as well as safeguard the surrounding environment.

Unlike dams that store water or generate hydroelectric power, tailings dams are not designed and built all at once. They are gradually raised to meet mine requirements according to the life of mine planning. Once constructed, the intention is for them to remain long term during which time they will dry out and will be revegetated.

At our mine sites, we ensure full lifecycle management of our tailings storage facilities that span the conception, investigation, design, construction, operation, decommissioning and closure phases. Our mine plans are in line with national regulations on waste management and storage in Lesotho and Botswana. The SEMP assessments conducted at our mines help us to keep track of our adherence to this legislation. The dams are built and maintained according to the highest structural and environmental standards.

Patiseng is our active coarse and fine tailings storage facility at our Letšeng mine. In line with the plans for the mine’s expansion, during the year, the Patiseng TSF wall was fortified to ensure it is capable of retaining the tailings material for the next phase of development of the mine in line with the overarching plans for the life of the mine. This is just one of many wall expansion phases that will continue over the years to come to ensure that the highest safety standards are maintained.

In addition, the dam is closely monitored via a V-notch weir, which determines the flow rate and is connected to a flow monitoring system. Facility risk assessments, resistivity surveys and flow model studies are also regularly carried out to ensure responsible management of the facilities. The same monitoring is performed for our inactive TSF.

Ghaghoo currently has two TSFs, with a third under construction. Internal inspections on the dams are carried out daily, with structural stability inspections being made on a weekly basis. An outsourced consultancy firm conducts external quarterly inspections.

Safety is our top priority. We maintain facilities that are safe and adhere to best practice design and management standards because we believe that we hold a duty of care towards our people, our communities and the environment that surrounds our mine. We, therefore, ensure that the strictest management plans are put in place. It is our priority that complete stability and conformity to the established system are maintained at all times.
PACs around Letšeng have elected community representatives who communicate with the CSI department to create a sustainable and effective link between the mine and the PACs. The community representatives sit on the CSIR sub-committee of the Board that meets quarterly. The feedback we receive from these meetings informs decisions regarding the way in which we work with our PACs. They include discussions on employment of PAC members and the effectiveness of current CSI projects, as well as future projects that may be pursued.

Minimising our social impact

Recognising that mining operations often have an impact on the surrounding population, both positive and negative, we undertake extensive investigations into our possible impacts before and during mining and seek to identify ways of continuing our positive impact in these communities even during the mine closure process.

Our approach

We undertake social and environmental impact assessments in line with international best practice standards including Equator Principles, World Bank and the International Finance Corporation while meeting local requirements. Through this process, we seek to minimise any negative impacts while also identifying positive opportunities and outcomes.

Our progress

Our Ghaghoo mine is located in the Central Kalahari Game Reserve (CKGR) in the Republic of Botswana. The Kalahari has been home to the Basarwa people for thousands of years. Traditionally, the Basarwa lived as groups of hunter-gatherers who followed food and water across the Kalahari.

Recognising this important heritage and seeking to preserve it, from the outset, we have ensured that best practice has been followed with regard to limiting our negative impacts on our host environment from both an environmental and social perspective. The mine was acquired in 2007, and during 2007 and 2008, much energy was devoted to the social and environmental impact assessment. The assessment involved plant and wildlife surveys; soil, water and air quality studies; archaeological surveys; visual and socio-economic impact assessments and an extensive public participation process.

The communities affected by the Ghaghoo diamond mine have, therefore, been closely involved from the inception of the project. From sharing the project plan and mine design to preserving archaeological artefacts, we have sought to treat our neighbours with respect, born from a desire to contribute to their well-being. An example of this approach is the fact that the mine plan was adjusted and infrastructure repositioned to ensure that none of the known graves in the area were affected.
When the project gained momentum in 2011, the change from open pit to underground was shared in another round of public participation meetings. The main concern raised by the Basarwa communities closest to the mine during the SEIA process was access to drinking water. As a result, we now supply water to four PACs.

Both of our mining operations continue to create a lasting legacy in the areas in which they operate through contributions to local economies, the maximisation of local employment, local procurement and the development of sustainable CSI projects.

Our approach
Ensuring mutually beneficial relationships with our PACs is central to our duty of care. Our goal is to go beyond compliance with legal requirements as we strive for excellence and best practice in meeting community needs. We strive to leave a positive legacy in those communities and countries.

We continue to subscribe to and implement rigorous and robust international best practice standards relating to financial, corporate governance and CSI. Both of our operating mines have developed culturally sensitive CSI strategies, in which socio-economic risks, as well as the needs identified in the social and environmental impact assessment and needs assessments, are appropriately addressed. Our CSI strategy focuses primarily on infrastructural development, education, health, small and medium enterprises and regional environmental projects. These strategies are updated annually to reflect PAC needs.

Our progress
This decrease can be attributed to challenging economic conditions during the year, especially in relation to our Ghaghoo mine. In 2016, our Group-wide CSI expenditure amounted to US$0.4 million (2015: US$0.6 million).

This decrease can be attributed to a shift in focus at Ghaghoo from proactive intervention to project maintenance in line with our objective of honouring our commitments to communities while managing the pressures of difficult market conditions.

The CSI expenditure at Letšeng during 2016 amounted to US$0.3 million (2015: US$0.3 million). The majority of this expenditure was allocated to educational initiatives, followed by health programmes, infrastructural development, small and medium enterprises, and other donations to support specific charities and events.

The CSI expenditure at Ghaghoo decreased to US$0.05 million during 2016 (2015: US$0.1 million). Expenditure was focused primarily on educational initiatives.

<table>
<thead>
<tr>
<th>Year</th>
<th>Medical and health project spending</th>
<th>Educational project spending</th>
<th>Infrastructure project spending</th>
<th>Regional environmental initiatives and support</th>
<th>Small and medium enterprise project spending</th>
<th>Donations falling outside above five categories</th>
<th>Other costs associated with CSI</th>
<th>Total</th>
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<td>2012</td>
<td>0.01</td>
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</tr>
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CREATING SUSTAINABLE VALUE FOR OUR COMMUNITIES

Ghaghoo

Water

One of our most significant infrastructural projects has been the provision of water to the PACs residing in the Central Kalahari Game Reserve, which is a major need due to the arid climate. Ghaghoo provides water to Molapo, Metsiamanong, Mothomelo and Gope. The Gope community receives treated water directly from the mining site, and borehole water is used for animal consumption. While the borehole water for the Metsiamanong and Mothomelo communities was of high quality, the water in the borehole at Molapo was too salty for human consumption. The community has therefore been provided with an on-site water treatment plant. Ghaghoo has taken responsibility for maintaining the plant and ensuring that water is in constant supply.

Kaudwane

Ghaghoo adopted the Kaudwane Primary School during 2014. As the sponsoring company, Gem Diamonds has performed ongoing maintenance and repairs to the school over the past three years, including repairs and maintenance to the school’s generator, bathrooms, kitchen and classrooms. Students from the Kaudwane Primary School also attend a mine tour annually at our Ghaghoo mine. The initiative aims to educate students in the mining industry, which is a part of their classroom curriculum, supplying a first-hand experience of a mining site and the mining process.

Lephephe

In Botswana, Agriculture is an important subject in the school curriculum. At the Lephephe Primary School, the subject is brought to life as learners integrate their classroom-based lessons with hands-on experience, learning how to prepare, plant, care for and harvest fruit and vegetables in the school’s vegetable garden. The produce grown is either used in the school’s kitchen, where students are fed two meals a day, or sold to the local community. The funds are reinvested into the garden or spent on the school’s feeding programme. Through the money raised, the school has been able to expand the garden and make improvements, such as reinforcing the bottom of the garden to keep pests out.

Botha-Bothe

Our Botha-Bothe vegetable production project was initiated in 2015 following a needs analysis and extensive engagement with the community. The objective was to improve the food security and nutrition of these vulnerable communities and to provide families with a sustainable source of income. The project has assisted smallholder farmers in the Botha-Bothe community by providing six greenhouses and assisting in the ploughing and planting of 32 hectares of land in the Botha-Bothe community. Farmers received comprehensive support, including training and assistance in identifying markets for their products and linkage with market requirements. In this way, farmers have been assisted in moving from subsistence farming to commercial farming.

The produce from the project is sold to the surrounding communities as well as to the Letšeng mine. The income generated by the project covers its running costs. In addition, the participating farmers receive support from the project with regard to the farming of their land, which they farm for their own income. During 2016, the greenhouses and fields continued to yield quality produce. However, severe weather conditions resulted in significant damage to crops and adversely affected the profitability of the project. We will continue to support farmers in the year to come to assist them in recovering from the difficulties faced during the year.

“...agriculture classes are. In fact, I think they prefer it to their classroom work.”

Mr Tshepo Mbamibbi, agriculture teacher
Dairy farm
In the Mokhotlong district, in the highlands of Lesotho, much of the community is largely dependent on livestock as the major driving force for community livelihood.

Following an in-depth community needs analysis that was undertaken in Mokhotlong and Botha-Bothe, a dairy project was identified as the most sustainable means of contributing positively to the socio-economic development of these communities. The Liphamola Dairy Farmers Association (LDFA) in Mokhotlong was identified as the beneficiary of the project. The LDFA was established in 2011 and has over 210 members across Mokhotlong. A management committee has been established to oversee the project and consists of the representatives of the farmers, Letšeng Diamonds as the financier, the Ministry of Agriculture and Food Security and Lesotho National Dairy Board.

Once completed, the project will consist of two components, a farm where cows will be reared and the milk processing plant, both of which are currently under construction. Work on the infrastructure needed to support the project began in 2016.

Construction at the dairy farm.

In total, 30 Brown Swiss cows will be purchased and reared in Mokhotlong, 15 of which will be purchased in 2017 and the remaining 15 to be purchased in 2018. Brown Swiss cows were selected because they are adaptable to any climate conditions.

The processing of milk will include pasteurisation to increase the shelf life of the milk and thereafter the milk will be packaged. Individual farmers will also have an opportunity to sell milk to the farm, which will result in benefit being distributed to the larger community in Mokhotlong. The farm will also employ eight full-time staff members from the community.

A biogas system will be installed as the waste management plan for the farm. All the waste that will include cow dung, human waste, milking parlour, etc will be treated to produce methane gas that will be used to heat water at the farm. The residue will be used as manure in the fields.

The rearing and management of calves will be part of the training involved in this project. Furthermore, artificial insemination will be performed as part of the project. In this way, calves, which will be highly adaptable to the local conditions, will be sold at reasonable prices to community members, rather than having to import them from South Africa.

“Feeding is the highest operational cost of this project. A crop-sharing arrangement has been made with local farmers whereby their land is utilised to plant crops to be used as feed. Farmers then receive a percentage of the crops as payment for the use of their land, supplying further benefit to the community.

We believe that this project will produce viable socio-economic growth, meeting community needs and uplifting people for many years to come.”

Ariel Mosaase, a member of the Liphamola Dairy Farmers Association.

Ariel Mosaase, a member of the Liphamola Dairy Farmers Association.
Ghaghoo’s comprehensive needs analysis was completed in 2016. This will help us in assessing the specific needs of our PACs, as well as direct our efforts in the most effective and sustainable way in meeting these needs.

Gem Diamonds Limited invested US$0.04 million on CSI during 2016 (2015: US$0.2 million) on various initiatives in South Africa and Lesotho, with the majority of the contribution going towards the Sentebale foundation, Team Aband the Kalahari Cycle Challenge, City Champions and the Adopt-A-School initiative. Furthermore, Gem Diamonds Technical Services supported Community Led Animal Welfare (CLAW) and the Maria Kloppers Orphanage during the year.

For more information on our CSI initiatives, please see the case studies on pages 57 and 58.

Providing a framework for communities to benefit themselves
We strive to build the local economies in the areas in which we operate through both localisation of our workforce as well as local procurement. 100% of our operations have undergone impact assessments at nearby communities. These communities are engaged with directly and benefit from our development programmes.

Our approach
By employing members of our PACs or by engaging local businesses in our supply chain, we can make a significant positive contribution to our communities. These practices assist us in maintaining our social licence to operate through job creation and skills development.

<table>
<thead>
<tr>
<th>% spread of categories</th>
<th>Group-wide</th>
<th>Letšeng</th>
<th>Ghaghoo</th>
<th>GDL</th>
<th>GDTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical and health</td>
<td>18%</td>
<td>21%</td>
<td>9%</td>
<td>0%</td>
<td>0%</td>
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<tr>
<td>Education</td>
<td>22%</td>
<td>27%</td>
<td>9%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>15%</td>
<td>18%</td>
<td>7%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Small and medium enterprises</td>
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<tr>
<td>Regional environmental initiatives</td>
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<td>0%</td>
<td>0%</td>
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</tr>
<tr>
<td>Donations</td>
<td>13%</td>
<td>5%</td>
<td>0%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Other costs</td>
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<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Our progress
Local employment
Localisation of our workforce is a priority across the Group. Where our operations are able to match available skills in the PAC with on-site requirements, local recruitment takes place.

In 2016, 97% of the Letšeng workforce comprised Basotho nationals compared with 97% in 2015. At Ghaghoo, 97% of the workforce was made up of Botswana citizens in 2016 compared with 98% in 2015 (2015: US$152.1 million) as a result of a Group-wide focus on cost reduction.

Local procurement
During 2016, Group in-country procurement totalled US$141.2 million (2015: US$152.1 million) as a result of a Group-wide focus on cost reduction.

Total in-country procurement at Letšeng decreased from US$124.7 million to US$121.6 million in 2016. PAC local procurement at Letšeng decreased to US$1.1 million from US$4.6 million in 2015. The procurement from regional communities decreased to US$24.9 million from US$33.7 million in 2015.

Due to the remoteness of our Ghaghoo operation, the majority of procurement takes place at a national level, rather than on a PAC or regional level. During 2016, procurement expenditure on a national level decreased to US$13.5 million from US$23.7 million.

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.
Environmental
Managing water supply and quality 64
Managing carbon emissions and waste 67
Dealing with environmental and weather concerns at mining sites 68
Ensuring electricity supply and minimising energy usage 68
Setting up and maintaining a mine closure plan, including rehabilitation and revitalisation of mining sites and surrounds 69
Environmental

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

Our progress
>
Zero major environmental incidents for the eighth consecutive year.
>
No fines for environmental transgressions or non-compliance with host country legislation for the seventh consecutive year.
>
Zero significant environmental incidents for the third consecutive year.
>
>
US$0.8 million spent on environmental training, specialist consultants, research and development, green purchases and other matters associated with environmental protection during 2016 (2015: US$1.5 million).
>
Positive results achieved through the implementation of our bioremediation pilot project.

Our challenges
Ongoing water management across the Group. At Letšeng, managing the nitrates in the water remains a primary challenge. Despite Ghaghoo being placed on care and maintenance, water management at the mine remains a priority in order to protect both the environment and the infrastructure investment at the mine. Waste management at both mines remains an ongoing challenge due to their remote location and the lack of appropriate waste disposal facilities within these host countries.

Looking ahead
During 2017, we will ensure continued compliance with the operation-specific social and environmental management plans (SEMPs) and aim to develop and implement initiatives focusing on water management, waste management and maintaining and improving environmental standards at both mines, even during the care and maintenance phase that Ghaghoo is entering.
We strive to minimise our impact through the creation of an environmentally aware corporate culture, where every individual in each of our operations has a sound understanding of the value of our natural systems and how our collective well-being is inextricably linked to them.

**Our approach to environmental responsibility**

Minimising the environmental impacts of our operations remains a business imperative. Beyond our ethical responsibility as a good corporate citizen, from a commercial perspective, the lower consumption of resources decreases our operating costs and improves efficiency. Reducing our overall impact also helps us build trust with our stakeholders, including governments, communities and customers.

Gem Diamonds’ approach to environmental responsibility takes into account our impact on living and non-living natural systems, including land, air, water, fauna and flora. We manage our environmental inputs, such as energy and water, as well as our outputs, such as emissions, effluents and waste. We also proactively monitor biodiversity, transport, and operational impacts, and strive to minimise these impacts.

Monitoring forms an important part of the management of our environmental impact, verifying the effectiveness of our mitigation strategies and ensuring that appropriate corrective actions are taken immediately when problems are identified. Across the Group, a total of 470 environmental monitoring samples were analysed during 2016. These samples included 251 environmental water samples (2015: 347), 130 air quality samples (2015: 162), 52 drinking water samples (2015: 80) and 37 noise and dust samples (2015: 40).

To safeguard the natural environments that we operate in, Gem Diamonds invests in various protection measures. In 2016, the Group invested a total of US$0.8 million (2015: US$1.5 million) in environmental training, specialist consultation, research and development, green purchases, and other environmental protection measures.

The Group reassessed its rehabilitation liability during 2016, which resulted in an increased liability of US$16.6 million, up from US$12.5 million in 2015. The increase can be attributed to an updated assessment of the rehabilitation costs that would be involved at the Ghaghoo mine.

For the eighth consecutive year, we recorded zero major environmental incidents during 2016. This was also the seventh year in a row that we incurred no fines for environmental transgressions or non-compliance.

During 2016, zero major or significant environmental incidents (2015: zero) were reported for the operations. There were 481 minor environmental incidents reported during 2016, compared with 289 incidents reported during 2015. This increase can be attributed to improved reporting of environmental incidents at Letšeng and environmental awareness training at Ghaghoo.
Managing water supply and quality

Increasing pressure, competition and even conflict over water resources is becoming common around the world. Water is a resource that we cannot do without, it sustains human and economic development. As such, caring for our water sources and monitoring our water usage are crucial practices in both a commercial and moral respect.

Our approach

We monitor the total volume of water withdrawn by source to understand the overall scale of potential impacts and risks associated with our operations’ water use and reliance. Monitoring total water use can also help quantify the level of risk posed by disruptions in water supplies.

Water footprint

Water consumption and conservation

Our approach to water management

Fresh water is one of the most important, and increasingly scarce, commodities on earth. As water stewards we aim to understand the risks we face from water scarcity and pollution and undertake to ensure that water is managed sustainably. Management of our water liability forces us to understand our water uses, the risks associated with water use and the impacts within the catchments in which we operate. As such, caring for our water sources and monitoring our water usage are crucial practices in both a commercial and moral respect. Protecting our water sources helps us maintain our social licence to operate in the communities where we mine.

Our water footprint studies provide an integrated understanding of our water abstraction and water use. A water footprint can be defined as a measure of freshwater appropriation underlying a certain product, including fresh surface water, groundwater incorporated in the product or lost during the manufacturing of the product.

Managing ground and surface water

Letšeng

Letšeng has developed an integrated water management plan to protect groundwater and surface water resources. The tributaries of the Khubelu River and one of the tributaries of the Matsoku River drain the Letšeng Diamond Mine lease area. Both these rivers flow into the Senqu River, which feeds into the Lesotho Highlands Water Scheme. Safeguarding the quality of water entering the tributaries is, therefore, of the highest priority for both the future of the operation and the communities that rely on a stable supply of water.

Water consumption at Letšeng increased marginally by 6.4% in 2016 to 5 828 488m³ (2015: 5 462 770m³). During the year, consumption of natural surface water increased by 12.7%. Natural surface water is drawn from the Mothusi Dam, a raw water dam that collects storm water runoff from across the site. In line with the Group-wide focus on recycling and reusing natural resources, Letšeng increased the percentage of water recycled in 2016 to 72% in comparison to 65% in 2015.
FINDING EFFECTIVE, ENVIRONMENTALLY FRIENDLY WAYS TO CONSERVE OUR WATER SOURCES

Water is undoubtedly one of our most valuable and most constrained resources on earth. Despite earth’s abundance of water, precious little of this resource is safe for human consumption. Safeguarding water sources is, therefore, a key concern for us at Gem Diamonds, in line with our duty of care.

In line with our objective of conserving water sources, at our Letšeng mine, remediating water contaminated with nitrates is a key priority in our water management strategy. Over the years, a number of methods have been examined. One such method was the construction of an engineered wetland in the Qaqa Valley. The wetland construction commenced in late 2012 to test the hypothesis of the capacity of wetlands to treat elevated nitrates effectively. Unfortunately, due to the smaller and harder vegetation indigenous to the mountainous areas surrounding our Letšeng mine, the plants were unable to absorb and use the nitrates present in the water at the rate necessary for remediation to occur at this point. We anticipate that results will improve as the wetland continues to establish itself over a longer period. The wetland has, however, served as an environmental offset area, having been restored after historical artisanal mining destroyed the area. Environmental offsetting is an intervention that seeks to counterbalance an adverse impact on one location by intervening at another location to deliver an environmental benefit.

Other methods of denitrification were subsequently explored. One such method, similar to the use of the wetland but different in application, is that of fertigation. Fertigation involves the use of wastewater supplied to plants through an irrigation system. Denitrification occurs when soil bacteria use nitrates for their respiration in the place of oxygen in the air. This process occurs most rapidly in warm, wet soils. This denitrification has the positive benefit of lowering the nitrate concentration in the water returned to the system. However, due to the colder weather experienced at our Letšeng mine, the denitrification process may be affected. Trials to determine the effectiveness of this method are ongoing.

One of our more promising denitrification trials is our bioremediation plant. In June 2015, a team from the University of the Free State conducted field testing at Letšeng to analyse the viability of such a project. Bioremediation is a strategy that uses naturally occurring organisms to break down pollutants such as nitrates into less toxic substances. Species in the bacterial genus Pseudomonas present high potential for bioremediation. During testing, the team discovered a dominance of Pseudomonas species in the water – this meant that naturally occurring bacteria could be used, rather than introducing an alien species, which may endanger the ecosystem in the long run.

A bioremediation pilot plant was subsequently set up. Although many challenges were initially faced, including a large amount of sediment in the water impacting the flow of water through the system, once these issues were dealt with, we began to collect data to monitor the plant’s effectiveness. This method of remediation is especially appealing due to its environmentally friendly nature. Not only does it create less waste than more expensive methods, such as reverse osmosis, but it is also more cost efficient and is not labour intensive. This exciting project could be extended to other mines facing more serious nitrate or other contaminant issues than those at Letšeng, as well as other industries that face similar issues.

To date, the bioremediation plant has supplied very promising results, with 90% to 99% of pollutants (nitrates) removed from the water. Large-scale application of this project is currently being explored to ascertain its viability in treating contaminated water leaving the mine site.
At Letšeng, our surface water monitoring programme revealed an upward trend of nitrates in Letšeng’s process water. Following investigations, we concluded that this increase is the result of the emulsion-based explosive (ammonium nitrate), generating a residue during inefficient blasting. Our efforts to minimise the point source of the contaminant included revising the blasting practices and materials used to improve combustion.

We are experiencing seepage from the Patiseng TSF and the Qaqa waste rock dump. The seepage flows into the Patiseng and Qaqa River systems respectively. In both instances an upward trend of nitrates is noted in the effluent. In the Patiseng tributary, a return water system has been constructed to capture the Patiseng TSF.

In 2014, in response to the upward trend in the nitrate levels, Letšeng commissioned a nitrate management study to find and implement solutions to the problem of nitrate-infused water leaving the lease area. The study was extensive, and the solutions put in place have been far-reaching in combating this problem. An official nitrate task team, which works in collaboration with the Lesotho Government, was also established. The nitrate management project began with a nitrate audit conducted to improve blasting procedures and management, as well as reducing the levels of nitrates produced at the source. To reduce the nitrate level in the water entering Qaqa, the Group is currently investigating innovative solutions.

For an update on our innovative nitrate management plan, please see the case study on page 65.

Ghaghoo

The unique, underground nature of the Ghaghoo mine presents a number of challenges. One of the major issues the mine faces is the volume of groundwater discovered during underground tunnelling activities.

In early 2015, a study on the responsible management of the groundwater was finalised with several options presented, including the use of evaporation ponds, forced evaporation, constructed wetlands, water treatment for domestic consumption and use, water treatment for agricultural irrigation, game watering and finally, aquifer re-injection.

In determining the feasibility of these options, it was necessary to consider a number of factors such as financial viability, environmental care and sustainability, and efficiency. While water is a scarce commodity, the water obtained from underground is generally not suitable for use without significant treatment, which is extremely costly. Thus consumption, either by humans or game, was not a viable solution. Treatment for agricultural irrigation was less extensive and therefore considerably cheaper, however, transporting the treated water would be expensive due to the remote location of the mine.

Minimising the environmental damage was also a major factor in our study. While game watering was reviewed as an option, the construction of a watering hole would severely alter the present desert-like environment and could have an effect on wildlife migratory patterns, as well as the natural ecological balance of the area of the Central Kalahari Game Reserve in which the mine is located. Wetland construction has the potential for natural water treatment, yet would again be an alteration of the natural environment. One option investigated was controlled evaporation of the water. However, the significant environmental impacts, as well as infrastructural costs, resulted in this option being disregarded.

After extensive consideration, aquifer re-injection was deemed to be a viable option. Re-injection of groundwater has several major advantages. First, manipulation of head gradients would allow us to have a measure of control over the hydrological flow, thus helping to manage the water on a long-term basis. Secondly, groundwater re-injection is environmentally sustainable and restorative, therefore providing an environmentally friendly aid in the aquifer’s natural decontamination process. And finally, the project presents a financially acceptable option. Operational costs are minimal, and initial infrastructural setup is comparatively feasible. Furthermore, we believe that aquifer re-injection is the most responsible course of action in an environment that experiences water scarcity.

We have been granted government approval for the pilot project, which has commenced in support of the feasibility study for full scale aquifer re-injection.

Ghaghoo draws its water from the Ntane aquifer. A reverse osmosis plant, located within the mining compound, is used to treat the water and remove the naturally high levels of dissolved solids for the water to be fit for human consumption. We have been monitoring the groundwater flow since early 2012 to gain an improved understanding of the baseline conditions and verify the contaminant transport models. Operational effects on the aquifer are insignificant due to the depth of the water source and the absence of other water users.

Water consumption at Ghaghoo is only groundwater and consumption remained stable in 2016 at 2,863,497 m$^3$ (2015: 2,695,743 m$^3$).

The percentage of water recycled at Ghaghoo remained at 42% (2015: 42%).
Managing carbon emissions and waste
The negative effects of carbon emissions, arising from increased industrial development around the world, present a long-term risk to global climate stability and we recognise the need to apply every effort in combating this.

In addition, managing waste remains a priority for the Group. Careful waste management can lower operational costs and reduce the risk of regulatory action for non-compliance with environmental regulation, as well as protect our social licence to operate. In contrast, unmanaged waste discharge can have a significant impact on land use and water sources in the communities surrounding our operations. This, in turn, can negatively affect the quality of our relationships with our communities, other water users and the public at large, as well as lead to legal action.

Greenhouse gas (GHG) emissions
Our approach to emission management
We make it a point to monitor and measure our carbon footprint, using our ever-increasing understanding to develop and implement initiatives to mitigate our impact in this regard.

We carefully manage our Scope 1 emissions, that is, direct GHG emissions that occur from sources that are owned or controlled by the Group, for example, stationary and mobile combustion. Scope 2 emissions consist of GHG emissions from the generation of purchased electricity. We focus on reducing these emissions by enhancing efficiencies across our operations. We manage Scope 3 emissions that are most material to our organisation such as emissions resulting from employee and contractor transportation.

Our progress
In 2016, the total carbon footprint for the Group was 184 765tCO₂e (compared to 146 499tCO₂e in 2015), primarily driven by electricity consumption and mobile and stationary fuel combustion. This figure includes the direct GHG emissions (Scope 1), energy indirect GHG (Scope 2) emissions, and material Scope 3 emissions, and was calculated with boundaries clearly defined by the GHG Protocol Corporate Accounting and Reporting Standard.

The total Group footprint signifies an increase of 26% from 2015. This observed increase is the result of a significant increase in diesel usage at Letšeng (an increase of 32% in diesel usage for mobile combustion and 70% for stationary combustion). The combined increase of 32% for LPG and 25% increase in explosives further attributed to this increase.

Electricity consumption accounted for 68 306tCO₂e (37%) of the carbon footprint, down from 68 885tCO₂e in 2015. The combined emissions from mobile and stationary combustion accounted for 83 974tCO₂e (45%) of the total footprint, compared to 63 914tCO₂e (43%) in 2015. The increase year on year has resulted from an increase in mining activity and generator use at Letšeng, due to power supply disruptions and disruptions caused by inclement weather.

The Group also tracks the tonnes of CO₂ emitted per employee and per carat recovered (from total Scope 1 and 2 emissions). The ratio of 240tCO₂e in 2015 per employee has increased to 347tCO₂e per employee in 2016. The increases were directly related to an overall increase in the carbon footprint and a 24% decrease in permanent employee numbers (down to 446 from 589). The ratio of 0.66tCO₂e/carat in 2015 increased to 1.04tCO₂e per carat in 2016. This change can be attributed to an increase in the total carbon footprint and a decrease of 25% in the number of carats recovered during the year.

As a Group, we recognise that understanding our environmental impact and reducing our level of GHG emissions involves more than simply assessing our carbon footprint.

Effluent and waste
Gem Diamonds’ operations produce various types of waste, including domestic and general waste, small volumes of hazardous waste, medical waste and mineral waste. The on-site accommodation facilities and offices generate domestic and general waste. 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.

Ghaghoo implemented a waste separation at source initiative and assisted the Lephephe community with waste management, where possible.

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

Volumes of mineral waste generated increased at Letšeng during 2016, in line with the mine plan. 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.

Volumes of mineral waste decreased at Ghaghoo during 2016, due to reduction in mining activity.

Waste generated by our non-mining operations remains limited to small quantities of domestic waste.
Dealing with weather concerns at mining sites

Both of our mining operations operate in severe weather conditions – extreme heat and extreme cold. We need to adapt our operations to remain resilient under these circumstances.

Our approach

We have implemented a number of protocols to deal with the weather conditions. Reactionary measures have also been key given the unpredictability of the environment.

In addition to these challenges, we need to take into account the potential risks that climate change could pose to our operations. Impacts include flooding or inadequate water supplies, which could disturb mining, transport to and from our operations, as well as our rehabilitation efforts. Climate risks could also impact food security, water scarcity and prevalence of disease, which would affect our employees and our relationships with the communities in which we operate.

Our progress

At our Letšeng mine, we have installed generators to assist during energy interruptions and keep a two-week supply of diesel for the generators on the mine. We also ensure that enough food, that is, a two-week supply is kept on hand at all times. Our medical teams have been equipped to deal with extreme weather conditions. At Letšeng, in particular, the medical team has had extensive training in high altitude rescues and providing medical treatment in extreme conditions.

Our water management systems at both mines also cater for excess or too little water due to extreme weather conditions. Our dam and storage facilities are managed in such a way that there is enough capacity to handle a sudden influx of water without compromising the safety of the structures. We have also instituted water saving campaigns at both mines to preserve water to ensure that water is treated as a precious resource at all times, not only during times of drought.

Ensuring consistent electricity supply and minimising energy usage

Current global energy usage trends, particularly environmentally inefficient fossil fuels, are not sustainable. At Gem Diamonds, monitoring and managing our energy usage is a priority.

Our approach

Understanding our consumption patterns enables us to identify opportunities to exercise energy-efficient initiatives. We believe that by continually searching for opportunities to reduce our consumption in new and innovative ways, we are protecting our long-term viability.

Our progress

In 2016, total energy consumption was 1 397 540 gigajoules (GJ) as compared with 1 119 586 GJ used in 2015. Energy efficiencies related to mining, load and haul 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 intensity is measured by energy used in GJ per carat recovered. The Group-wide energy intensity was recorded as 9.3 GJ/carat in 2016 (2015: 5.6 GJ). The increase in energy intensity correlates with the increase in CO₂ emissions per carat as a result of increased energy consumption and decreased carat production.
Letšeng saw a 25% increase in total energy consumption during 2016. The operation reported a minor 1% decrease in grid supplied electricity consumption due to supply interruptions.

Letšeng is currently developing an ISO 50001 Energy Management System. ISO 50001 provides organisations with a structured framework to manage energy.

The standard addresses:
> energy use and consumption;
> measurement, documentation, and reporting of energy use and consumption;
> design and procurement practices for energy-using equipment, systems, and processes; and
> all variables affecting energy performance that can be monitored and influenced by the organisation.

At Ghaghoo, the implementation of energy-efficiency initiatives remains a priority. Solar geysers were installed for all ablution facilities, and micro-chipped LED lighting is used where possible. In addition, the processing plant, which became operational in the second half of 2014, incorporates several energy-efficient technologies to ensure reduced energy consumption over the life of the mine. During 2016, the mine recorded a decrease in energy consumption of 9%.

**Setting up and maintaining a mine closure plan, including rehabilitation of mining sites and surrounds**

Every mine has a finite life span, and we understand that the complete rehabilitation of our mine land will be expected of us in the future. As such, all of our projects' lifecycles are focused on the eventual restoration of the land we use.

**Our approach**

Our operations have integrated rehabilitation plans in place to ensure that we meet our closure objectives as efficiently as possible. With these plans, we can better manage the environmental impact of our operations, as well as identify more cost-effective and environmentally friendly rehabilitation strategies. Plans are refined on an annual basis, and in 2016 we made further progress in integrating progressive rehabilitation programmes into the Letšeng mine plan.

**Our progress**

At Letšeng, extensive rehabilitation trials continued during 2016. These included trials on slope management and restoration, with aims of rehabilitating slope vegetation and minimising the risk of erosion. The trials utilised waste rock and tailing reserves, allowing for minimal topsoil requirements. The trial also included studies on vegetation rehabilitation and restoration of natural ecosystems. Vegetation restoration studies were also conducted on mining operation areas with the aim of researching veld rehabilitation options.

Ghaghoo commissioned a detailed update of its rehabilitation and closure plan, as well as the associated costing during 2015.

In 2016, 6 174ha of land were under our management. Of this, 6.8ha were newly disturbed by mining operations that occurred during the year, bringing total disturbed land to 565ha.

Both of our mining operations are located in proximity to protected conservation areas. It is, therefore, important that we strive to minimise the impact that we have on biodiversity as part of our aim of protecting and revitalising our mining sites and surrounds.
Environmental continued

Our biodiversity strategy is based on the commitment to adopt best practices to mitigate adverse impacts, enhance positive impacts and safeguard the biodiversity of the natural environments in which we operate. 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 conservational priority.

Failure to adequately manage our impacts may result in damage to the natural environment in which we operate, delays in obtaining planning permission, the loss of our social licence to operate and reputational damage. By monitoring and reporting on the potential impact of our operations on areas of high biodiversity, Gem Diamonds can identify and understand certain risks associated with biodiversity.

The location of the Ghaghoo Diamond Mine is environmentally significant. It lies in the Central Kalahari Game Reserve, the second largest game reserve in the world which covers an area of approximately 52,800km². The biodiversity initiatives identified during the environmental impact assessment process are rigorously implemented to manage and mitigate any potential impact on the sensitive biodiversity of the area.

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. Our Letšeng Biodiversity Management Plan (BMP) was approved by the relevant authorities in 2013, as part of our SEMP. This plan was undertaken in compliance with the International Finance Corporation Environmental, Health and Safety Guidelines, the Equator Principles and relevant host country legislation. The 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.

Our biodiversity offset programme was initiated at Letšeng during 2012 with the construction of the Qaqa artificial wetland. Our partnership with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) continues to grow in strength.

The Ghaghoo tree at Ghaghoo.

The Ghaghoo mine lease area contains various Red Data List species, which 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.
Planning Ahead to Mitigate Our Long-term Environmental Impacts

Mining is a temporary activity, with the life of a mine lasting anywhere between a few years to a few decades. During the time that a mine is in operation, however, it generates environmental impacts that should be remediated to demonstrate responsible stewardship of natural resources. This remediation is a costly undertaking, and once a mine is no longer generating income, it is difficult, if not impossible, to raise the capital required to carry out this activity.

Planning for mine closure is therefore an essential part of mining responsibly and in most cases is required by law. At Gem Diamonds, we pursue best practice in mine closure planning, going far beyond what is required of us by host country legislation as we believe that this forms part of our responsibility to our host countries and the communities that live in proximity to our mines.

Every year we quantify the rehabilitation and restoration costs should there be a sudden and unforeseen closure of a mine. Adequate financial provision for this is recognised in the Group’s statement of financial position. In addition, concurrent rehabilitation is pursued at both our operations to ensure that environmental damage is continuously mitigated and not left to end of life of mine.

At Letšeng, a series of trials to examine different rehabilitation applications began in 2012. The mine, which is located in the extreme highlands of Lesotho and experiences extreme weather conditions, faces a unique challenge in that guidance on successful rehabilitation is scarce. The trials are therefore necessary to test the closure criteria, which form the basis of the quantification of the mine’s rehabilitation and closure costs. 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.

The location of our Ghaghoo mine is also unique and has required a constant focus on learning and development. During 2015, a detailed update of the mine’s rehabilitation and closure plan was commissioned, as well as the associated costing, which resulted in the Group reassessing our rehabilitation liability.

For both operations, the closure plans are constantly reviewed and updated based on research performed at the mines as well as industry best practice.
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<td>Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation</td>
<td>Attracting and retaining qualified people</td>
<td>Employees</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>G4-LA3</td>
<td>Return to work and retention rates after parental leave, by gender</td>
<td>Attracting and retaining qualified people Working with communities to understand and meet their needs</td>
<td>Employees/Social</td>
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</tr>
<tr>
<td>Occupational health and safety</td>
<td>G4-LA5</td>
<td>Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advised on occupational health and safety programmes</td>
<td>Ensuring our employees remain healthy</td>
<td>Employees</td>
<td>47</td>
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<td></td>
<td>G4-LA6</td>
<td>Rates of injury, occupational disease, lost days, absenteeism, and work-related fatalities</td>
<td>Ensuring our employees remain healthy</td>
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<td>Indicators</td>
<td>Material matters</td>
<td>Section</td>
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<td><strong>Labour practices and decent work (continued)</strong></td>
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<td>Training and education</td>
<td>G4-LA9</td>
<td>Average hours of training per year per employee by gender and by employee category</td>
<td>Providing skills development opportunities for employees</td>
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<tr>
<td></td>
<td>G4-LA11</td>
<td>Percentage of employees receiving regular performance and career development reviews, by gender and employee category</td>
<td>Providing skills development opportunities for employees</td>
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<tr>
<td>Diversity</td>
<td>G4-LA12</td>
<td>Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity</td>
<td>Attracting and retaining qualified people</td>
<td>Employees</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td></td>
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<td>Providing skills development opportunities for employees</td>
<td>Employees</td>
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<td>Equal pay for women and men</td>
<td>G4-LA13 MM4</td>
<td>Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operations Number of strikes and lock-outs exceeding one week’s duration by country</td>
<td>Attracting and retaining qualified people</td>
<td>Employees</td>
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<tr>
<td></td>
<td></td>
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<td>Engaging with employees and elected representatives</td>
<td>Employees</td>
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</tr>
<tr>
<td>Human rights investments</td>
<td>G4-HR2</td>
<td>Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained</td>
<td>Protecting human rights</td>
<td>Governance and ethics</td>
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<tr>
<td></td>
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<td>Providing skills development opportunities for employees</td>
<td>Governance and ethics</td>
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<td>Non-discrimination</td>
<td>G4-HR3</td>
<td>Total number of incidents of discrimination and corrective actions taken</td>
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<td>Child labour</td>
<td>G4-HRS</td>
<td>Operations and suppliers identified as having significant risk of child labour and measures taken to contribute to the effective abolition of child labour</td>
<td>Protecting human rights</td>
<td>Governance and ethics</td>
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### SPECIFIC STANDARD DISCLOSURES

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<th>Page</th>
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<td></td>
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<td><strong>Human rights</strong></td>
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<td><strong>Forced or compulsory labour</strong></td>
<td>G4-HR6</td>
<td>Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour and measures to contribute to the elimination of all forms of forced or compulsory labour Total number of incidents of violations involving rights of indigenous people to work Free of forced or compulsory labour</td>
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<td>G4-HR8</td>
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<td>Governance and ethics</td>
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<td><strong>Indigenous rights</strong></td>
<td>MMS</td>
<td>Total number of operations taking place in or adjacent to indigenous people's territories, and number and percentage of operations or sights where there are formal agreements with indigenous people's communities</td>
<td>Protecting human rights</td>
<td>Governance and ethics</td>
<td>33</td>
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<td></td>
<td></td>
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<td>Safeguarding our communities</td>
<td>Social</td>
<td>53</td>
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<tr>
<td><strong>Local communities</strong></td>
<td>G4-SO1</td>
<td>Percentage of operations with implemented local community engagement, impact assessments and development programmes</td>
<td>Safeguarding our communities</td>
<td>Social</td>
<td>53</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td>Providing a framework for communities to benefit themselves</td>
<td>Social</td>
<td>59</td>
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<td>Governance and ethics</td>
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</tr>
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<td></td>
<td>Minimising our social impact</td>
<td>Social</td>
<td>55</td>
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<td></td>
<td></td>
<td></td>
<td>Safeguarding our communities</td>
<td></td>
<td>53</td>
</tr>
<tr>
<td></td>
<td>G4-SO2</td>
<td>Operations with significant actual and potential negative impacts on local communities</td>
<td>Minimising our social impact</td>
<td>Social</td>
<td>55</td>
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<td></td>
<td></td>
<td>Safeguarding our communities</td>
<td></td>
<td>53</td>
</tr>
<tr>
<td></td>
<td>MM6</td>
<td>Number and description of significant disputes relating to land use, customary rights of local communities and indigenous people</td>
<td>Minimising our social impacts</td>
<td>Social</td>
<td>52</td>
</tr>
<tr>
<td></td>
<td>MM9</td>
<td>Sites where resettlement took place, the number of households resettled in each, and how their livelihoods were affected in the process</td>
<td>Protecting human rights</td>
<td>Governance and ethics</td>
<td>33</td>
</tr>
<tr>
<td>Aspects</td>
<td>GRI reference</td>
<td>Indicators</td>
<td>Material matters</td>
<td>Section</td>
<td>Page</td>
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<tr>
<td><strong>Social (continued)</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Human rights (continued)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anti-corruption</td>
<td>G4-SO3</td>
<td>Total number and percentage of operations assessed for risks related to corruption and the significant risks identified</td>
<td>Prioritising business integrity</td>
<td>Governance and ethics</td>
<td>33</td>
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<tr>
<td></td>
<td>G4-SO4</td>
<td>Communications and training on anti-corruption policies and procedures</td>
<td>Prioritising business integrity</td>
<td>Governance and ethics</td>
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<td></td>
<td>G4-SO5</td>
<td>Confirmed incidents of corruption and actions taken</td>
<td>Prioritising business integrity</td>
<td>Governance and ethics</td>
<td>33</td>
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<tr>
<td><strong>Compliance</strong></td>
<td>G4-SO8</td>
<td>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations</td>
<td>Prioritising business integrity</td>
<td>Governance and ethics</td>
<td>33</td>
</tr>
<tr>
<td>Marketing and communications</td>
<td>G4-PR6</td>
<td>Sale of banned or disputed products</td>
<td>Prioritising business integrity</td>
<td>Governance and ethics</td>
<td>33</td>
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<tr>
<td></td>
<td>G4-PR7</td>
<td>Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotions, and sponsorship, by type and outcomes</td>
<td>Prioritising business integrity</td>
<td>Governance and ethics</td>
<td>33</td>
</tr>
<tr>
<td><strong>Customer privacy</strong></td>
<td>G4-PR8</td>
<td>Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data</td>
<td>Prioritising business integrity</td>
<td>Governance and ethics</td>
<td>33</td>
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<tr>
<td><strong>Product compliance</strong></td>
<td>G4-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>
<td>Ensuring corporate governance is compliant with industry best practices</td>
<td>Governance and ethics</td>
<td>36</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td>Prioritising business integrity</td>
<td>Governance and ethics</td>
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</table>
## APPENDICES

### Appendix A: Waste generation and disposal method

<table>
<thead>
<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>Letšeng</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 incinerated using an on-site, EU emissions standards-compliant incinerator.</td>
<td>Letšeng continues to operate in compliance with its operation-specific integrated waste management plan.</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 the provisions of the Basel Convention for recycling. Oily rags, and any additional used oil, are 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></td>
</tr>
<tr>
<td></td>
<td>Healthcare 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 Lephephe.</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>Yes</td>
<td>Used oils are collected and recycled by a licensed service provider.</td>
<td>During 2016, the operation continued with transboundary movement of waste in order to responsibly dispose of the waste at a licensed facility. Botswana does not currently have licensed hazardous waste disposal sites and therefore the waste was moved to South Africa for disposal. This was done in compliance with the Basel Convention.</td>
</tr>
<tr>
<td></td>
<td>Healthcare 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>
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<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. It was 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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### Appendix B: Waste generated by year and category

<table>
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<tr>
<th>Waste generated per category</th>
<th>Year</th>
<th>General and industrial waste (kg)</th>
<th>Hazardous waste disposed (kg)</th>
<th>Total volume of waste incinerated (kg)</th>
<th>Total volume of waste recycled (kg)</th>
<th>Total volume of waste reused</th>
<th>Total volume of waste composted</th>
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<td>Letšeng</td>
<td>2012</td>
<td>93,521</td>
<td>1,191</td>
<td>388</td>
<td>15</td>
<td>1,269</td>
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<td>1,215</td>
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<td>147</td>
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<td>2014</td>
<td>1,238</td>
<td>204</td>
<td>147</td>
<td>0</td>
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<td>2015</td>
<td>89,845</td>
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<td>47,029</td>
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<td>1,034</td>
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<td>2016</td>
<td>100,969</td>
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<td>350</td>
<td>330</td>
<td>808</td>
<td>11,550</td>
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<td>Ghagho</td>
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<td>1,500</td>
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### Appendix C: Benefit descriptions at specific operations

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<th>Belgium</th>
<th>Lesotho</th>
<th>Botswana</th>
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<td>External healthcare/medical aid</td>
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<td>Workmen’s compensation/similar</td>
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* Provided
– Not provided
### Abbreviations and definitions

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<th>Abbreviation</th>
<th>Definition</th>
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<td>Aids</td>
<td>Acquired immunodeficiency syndrome</td>
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<td>AIFR</td>
<td>All injury frequency rate</td>
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<td>Basotho</td>
<td>Lesotho nationals</td>
</tr>
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<td>BBC</td>
<td>Behaviour-based Care</td>
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<tr>
<td>GDL</td>
<td>Gem Diamonds Limited</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CLO</td>
<td>Community Liaison Officer</td>
</tr>
<tr>
<td>CO₂ₑ</td>
<td>Carbon dioxide equivalent</td>
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<td>CSI</td>
<td>Corporate social investment</td>
</tr>
<tr>
<td>CSRI</td>
<td>Corporate Social Responsible Investment</td>
</tr>
<tr>
<td>EHS</td>
<td>Environmental, Health and Safety</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>
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<td>Gigajoules</td>
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<td>GRI</td>
<td>Global Reporting Initiative</td>
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<td>ha</td>
<td>Hectare</td>
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<tr>
<td>HIV</td>
<td>Human immunodeficiency virus</td>
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<tr>
<td>HSE</td>
<td>Health, safety and environment</td>
</tr>
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<td>HSSE</td>
<td>Health, safety, social and environment</td>
</tr>
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<td>IFC</td>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>ISO</td>
<td>International Organisation for Standardisation</td>
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<tr>
<td>kg</td>
<td>Kilogram</td>
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<td>LTI</td>
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<tr>
<td>LTIFR</td>
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<td>m³</td>
<td>Cubic metre</td>
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<td>OHSAS</td>
<td>Occupational Health and Safety Assessment Specification</td>
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<td>Project affected community</td>
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<td>RWIFR</td>
<td>Restricted work injury frequency rate</td>
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<td>Direct greenhouse gas emissions</td>
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<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>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>TSF</td>
<td>Tailings Storage Facility</td>
</tr>
</tbody>
</table>
## Abbreviations and definitions continued

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$</td>
<td>United States dollar</td>
</tr>
<tr>
<td>WF</td>
<td>Water footprint</td>
</tr>
<tr>
<td>WFA</td>
<td>Water footprint analysis</td>
</tr>
</tbody>
</table>

### Formulas

<table>
<thead>
<tr>
<th>Formula</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIFR</td>
<td>All injuries x 200 000/Total man hours worked</td>
</tr>
<tr>
<td>LTIFR</td>
<td>Lost time injuries x 200 000/Total man hours worked</td>
</tr>
<tr>
<td>RWIFR</td>
<td>Restricted work injuries x 200 000/Total man hours worked</td>
</tr>
<tr>
<td>Severity rate</td>
<td>Shifts lost x 200 000/Total man hours worked</td>
</tr>
</tbody>
</table>

### Environmental incidents

<table>
<thead>
<tr>
<th>Type/Severity of Environmental Incidents</th>
<th>Description of Environmental Incident</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Major</strong></td>
<td>High-impact incident</td>
</tr>
<tr>
<td></td>
<td>Major issues with potentially serious consequences and long-term environmental impacts, for example, a breach of the tailings dam wall. A legal non-compliance whereby a significant fine is issued by a competent authority or a licence/permit is suspended or withdrawn.</td>
</tr>
<tr>
<td><strong>Significant</strong></td>
<td>Medium-impact incident</td>
</tr>
<tr>
<td></td>
<td>Issues of a significant nature with a medium-term effect, for example, leaching of contaminants into a water resource; or an issue of a continuous nature with a limited, but significant impact, such as discharge of process water into a surface water catchment. A legal non-compliance whereby a written warning is issued by a competent authority.</td>
</tr>
<tr>
<td><strong>Minor</strong></td>
<td>Low-impact incident</td>
</tr>
<tr>
<td></td>
<td>Minor, non-recurring incidents, such as a contained fuel spill; incidents with no significant environmental impact and/or technical matters, including late submission of a legislated report. A verbal warning by a competent authority.</td>
</tr>
</tbody>
</table>
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