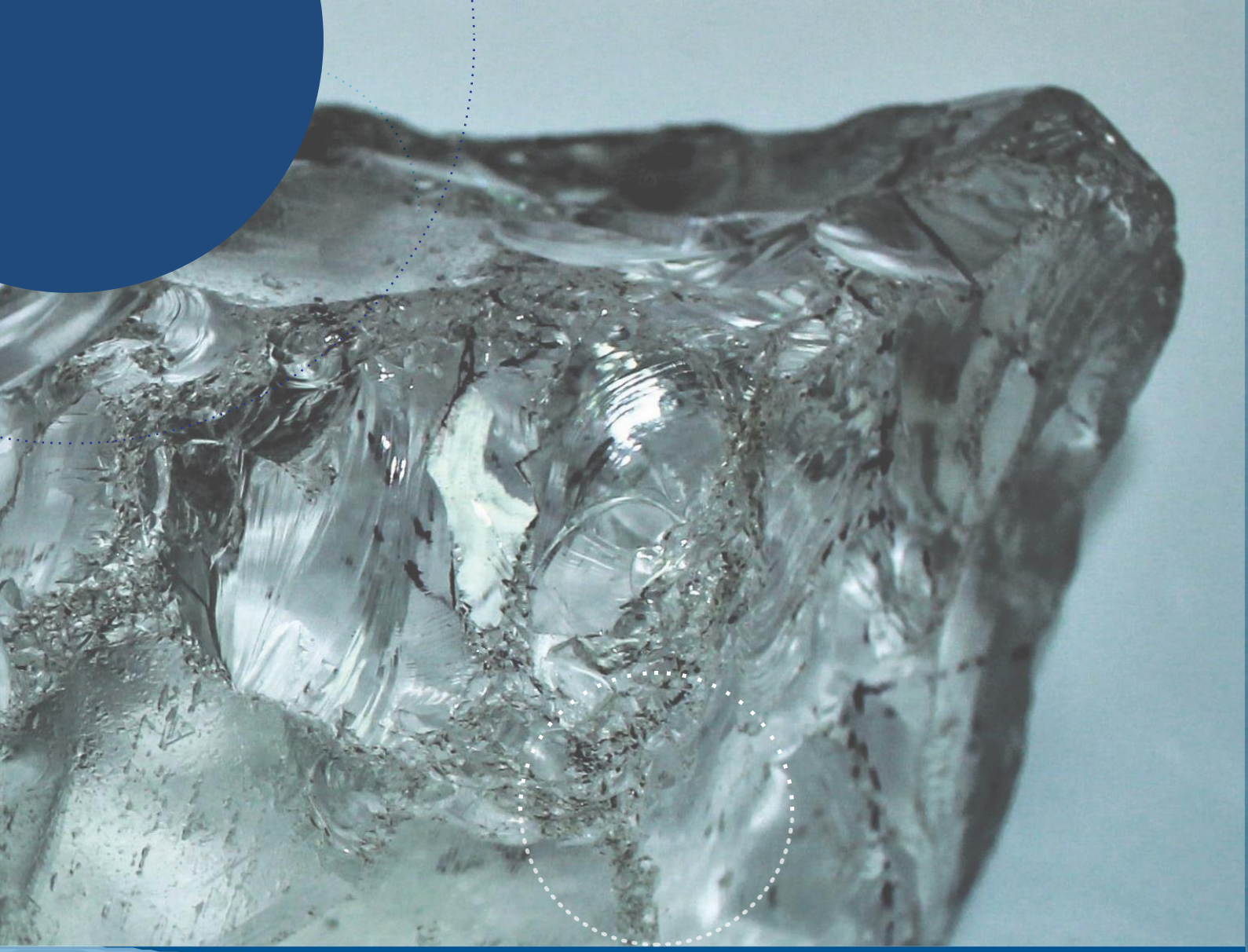
state
diamond
trader
REPUBLIC OF SOUTH AFRICA

STRATEGIC PLAN
2021/2022 to 2025/2026





RP36/2021
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ND MASTER
SHAPE "BRILLIANT" DIAMOND CUTS
ARQUISE LLIANT CUT
HEART BRILLIANT CUT
TRILLION CUT
CUSHION BRILLIANT CUT
STATE DIAMOND TRADER
00779
DIAMOND MASTER
SIX STAGES OF THE ROUND BRILLIANT
1 ROUGH
2 PREPARED
3 ROUNDED
4 CROSS CUT

Executive Authority Statement



I am particularly pleased to present to the Parliament of South Africa, as required by the legislation, this five-year Strategic Plan: 2021/2022 – 2025/2026 (SP) prepared under the leadership of the newly appointed Board of State Diamond Trader (SDT). I am grateful to the previous Board that steadfastly steered the organisation through a near impossible environment presented by COVID-19 pandemic with its attendant economic devastations. The new Board is faced with no less challenges.

The new Board was appointed in terms of the Diamonds Act,56 of 1986 as amended (**the Act**) which requires that the Board consists of not more than 15 members drawn from the diamond industry (producers, beneficiators and jewellers), the Department of Mineral Resources and Energy (DMRE), the South African Police Service, National Treasury, investors or lenders of capital and the Chief Executive Officers of State Diamond Trader and South African Diamond and Precious Metals and Diamond Regulator (SAPMDR). In its composition, the Board boasts engineers, lawyers, chartered accountants, economists, and administrators, and is therefore well poised to deliver on State Diamond Trader's mandate.

The State Diamond Trader's Plan is informed by the values and founding provisions of the Constitution, Diamonds Act,56 of 1986 as amended, the Strategic objectives of the DMR&E, and the priorities of the Sixth Administration. The strategic Plan will in turn inform the State Diamond Trader's Annual Performance Plan. Both the Strategic Plan and Annual Performance Plan are aligned to the MTSF.

Notwithstanding the difficult COVID-19 pandemic environment the whole world faces, which environment complicates further, an already challenging industry, I am confident that this Board will deliver on the overall mandate of the institution.

Approved by:

Mr Samson Gwede Mantashe (MP)

Minister of Mineral Resources and Energy

January 2021

Signature

Accounting Authority Statement



It is my distinct honour and privilege to lead the Board of a very important State institution, the State Diamond Trader (SDT) and to present to the Minister of Mineral Resources and Energy, Honourable, Samson Gwede Mantashe, MP, this Strategic Plan (SP) for the five-year-term, 2021/2022 to 2025/2026. The current Board was appointed during the third quarter of the financial year 2020/202, for a three-year term, being 1st November, 2020 to 30 October 2023. On behalf of the Board, I thank the Minister for the confidence he has shown by appointing members of this Board. The Board is grateful to the previous Board, led by Mr. Mervyn Carstens, for leaving behind a capable workforce and looks forward to providing leadership to and cooperating with management to meet the institution's goals.

The Board membership is drawn from a diverse group of stakeholders in the diamond industry as dictated by the Diamonds Act, 56 of 1986 as amended (**the Act**). In line with Government's goal to strengthen the governance of State entities, the Minister's choice of the members of the Board reflects a good balance of continuity, qualifications, experience, age, race and gender. In the appointment of the Board, the Minister also ensured a good balance between continuity and freshness. At least seven (7) members of the Board are from the previous Board.

The State Diamond Trader is a state-owned entity established under Section 14 of the Act. It is classified as a Schedule 3b entity of the Public Finance Management Act (PFMA). Section 17 (1) of the Act enjoins the Board to ensure that the functions of State Diamond Trader are performed and that in so doing the objects of the institution are achieved. During 2021/22 the Board focus will be on capacitating and ensuring stability through COVID-19 pandemic and the planned office relocation.

Admittedly, the diamond industry presents a unique and challenging environment even in normal times. The Board realises that this will be even more so during this time unusual presented by the COVID-19 epidemic. The Board is however determined to weather the storm and to fully embrace the digital opportunities presented by the Fourth Industrial Revolution (4 IR) to meet the institution's performance targets.

Ms Maletlatsa Monica Ledingwane

Chairperson: State Diamond Trader (SDT)

January 2021

Signature

Accounting Officer Statement



The State Diamond Trader was established in 2007 through section 14 of the Diamond Act 56 of 1986 to operate in the diamond industry to support and facilitate growth in the local diamond industry beneficiation. The following is summaries of issues affecting the State Diamond Trader:

- The Act provides for the State Diamond Trader to purchase 10% of the representative sample by value and carats.
- The State Diamond Trader has to purchase from the producers and sell equitably o SMMEs and other clients.
- The entity exists and endeavours to support the local industry in a best possible way even though it operates on a volatile market.
- The State Diamond Trader operates as commercial and developmental entity.

Operational Performance:

The Diamond Act Regulations provides for the State Diamond Trader's 10% representation sample of value and carats. The State Diamond Trader makes a lean margin from sales raging between 3%-5%. At the same time, as a price taker, if a consensus regarding pricing is not agreed upon with the producer, the State Diamond Trader declines the parcels in order to manage inventory. This provision operationalises what research shows in terms of guarded limits to supply as it has direct impact on what the State Diamond Trader can supply to the market which does not match the demand. Due to limited reserves, the entity is unable to make long term financial revenue commitment, hence the increase in financial revenue and credit facilities are critical for the sustainable existence of this entity:

Purchasing:

Inspection of diamonds from all compliant South African Diamond producing producers for the purpose of selection and purchasing up to10% of the ROM.

Production:

Concerns with sorting, valuations and pricing of rough diamonds Production assigned a value to each of the parcels. Preparing diamond sales.



Client Relations:

Relate to State Diamond Trader clients and potential clients maintain records, database, compliance to legislation and policies, client's development, and public participation.

Sales:

Closely related to client relations but sales process in line with legislation. The entity employs the methodology of direct sales to its customers. All sales are done in line with State Diamond Trader transformational and commercial imperatives.

Financial Performance

The entity does not receive funding from the fiscus and in 2019/2020 the entity did not have the revolving credit facility as per prior years, it has been operating on its reserves which are affected by the unstable market. In 2017/2018, the entity had a net surplus of R7,8 million while in 2018/2019 the entity made a loss of R3 million. In 2019/2020 the situation worsened and the entity made a loss of R16,5 million. This situation created a sustainability and going concern for the State Diamond Trader. One of the important issues was the volatile diamondmarkets and the risk of depleted financial resources became a real possibility. This strategy seeks to improve the financial viability of the entity.

Due to limited reserves, the entity is unable to make long term financial commitments, hence the increase in financial revenue and credit facilities are critical for the existence and future of this entity.

Market Situation

The diamond market was faced with several challenges in the last financial years. The price of rough diamonds increased whilst the price for polished diamonds decreased, this led to an imbalance in prices. The South African production levels began to decline at the same time the introduction of synthetic diamonds is a real threat to the market research for the State Diamond Trader. During the 2019/2020 financial year there was a huge decline in diamond industry. Over and above that, there was now an outbreak of COVID-19 which has international lockdown. The next few months are most important for the survival of the entity and focusing on new areas for future development.



Other supporting services of the entity:

- Human Resources
- Legal Services
- Governance and Compliance services
- ICT Services
- Marketing and Communications

A review of the current business model will create a clearer picture. This will create an intervention including the diversification of operations, such as the trade on polished diamonds. The pursue of the South African producers who are not compliant with legislation and as well as facilitating purchasing of rough diamonds from other countries should the environment permits subject to profitability for both the State Diamond Trader and its clients.

Alternatively, funding streams will be identified, and there will be a focus on selling to both beneficiation parties and dealers. The State Diamond Trader will explore the possibility of the Minister reviewing regulations, particularly, around buying and selling in the market and explore shared services with other entities on beneficiation, research and development.

In Conclusion

A review of the State Diamond Trader business model will create opportunities to increase revenue streams, creating a more positive picture. Interventions includes the diversification of operations, such as the trade on polished diamonds. Alternative, funding streams willbe identified and there will be a focus on selling to both beneficiation parties and dealers. The State Diamond Trader will approach the Minister to explore the possibility of reviewing regulations particularly buying and selling in the industry. The State Diamond Trader will explore shared services with other likeminded entities to improve its effectiveness.

Mr SM Mnguni

Chief Executive Officer

State Diamond Trader

_____

Signature



OFFICIAL SIGN-OFF

It is hereby certified that this Strategic Plan:

- Was developed by the Management of the State Diamond Trader under the guidance of the Board.
- Takes into account all the relevant policies, legislation and other mandate guiding the entity for which the Department of Mineral Resources and Energy is responsible, and
- Accurately reflects the impact and outcomes which the State Diamond Trader will endeavour to achieve over the period of 2021/2022 to 2025/2026

Ms N. Mncwango

Chief Financial Officer _____

Mr C.C Van Der Ross

Operations Manager _____

Ms N Sibeko

Company Secretary/LO _____

Mr S.M Mnguni

Chief Executive Officer _____

Ms MM Ledingwane

Chairperson of the Board _____

Approved by:

Mr Samson Gwede Mantashe (MP)

Minister of Mineral Resources and Energy

January 2021

_____

Signature

LIST OF ACRONYMS

ACRONYM	MEANING
AG	Auditor-General
APP	Annual Performance Plan
B-BBS-EEC	Broad-Based Black-Economic Empowerment Charter
B-BBEE	Broad-based Black-Economic Empowerment
CEO	Chief Executive Officer
DMRE	Department of Mineral Resources and Energy
EDP	Enterprise Development Programme
HDSA	Historically Disadvantage South Africans
IDC	Industrial Development Corporation
MoU	Memorandum of Understanding
MTSF	Medium Term Strategic Framework
MQA	Mining Qualification Authority
NDP	National Development Plan
PFMA	Public Finance Management Act
PESTELE	Political, Economic, Social, Technology, Environmental, Legal and Ethical
ROM	Run of Mine
R&D	Research and Development
SADC	Southern African Development Community
SMME	Small, Medium and Micro Enterprises
SADPMR	South African Diamond and Precious Metals Regulator
SWOT	Strength, Weakness, Opportunities and Threats
SDT	State Diamond Trader
SA	South Africa
SDE	State Owned Enterprise
TID	Technical, Indicator, Description
WSP	Workplace Skills Plan



PART A:
Our Mandate

PART A: OUR MANDATE

1. About us and Constitutional Mandate

- **Who we are**

A State – owned entity established in 2007 in terms of section 14 of the Diamond Act 56 of 1986 to operate in the diamond industry to support and facilitate growth in local diamond beneficiation.

The SDT is categorized as a schedule 3B entity in terms of the Public Finance Management ACT 1 of 1999 (PFMA)

- **Our Mandate is to**:

Buy and sell rough diamonds for local beneficiation

promote equitable access to and beneficiation of the country's diamond resources;

Grow SA diamond cutting and polishing industry by increasing HDSA for beneficiation;

Address distortion created by excluding previously disadvantages groups from economic participation (transform diamond industry);

Purchase up to 10% of the run of mine from SA producers;

Sell to registered customers through an application and approved process

2. Institutional policies and strategies governing the five -year planning period

2.1 Mineral Beneficiation

The State Diamond trader is committed to promote diamond local beneficiation through legislation and its internal policies.

The Diamond Act provides for the State Diamond Trader to support and facilitate growth in local diamond beneficiation. This will be done through acquisition of 10% ROM from legitimate diamond producers and sell to its clients in an equitable way. The Diamond Amendment Act 1986

(Act No 56 of 1986) was amended through the Diamond Amendment Act 2005. These amendments were to increase access to rough diamonds for jewellery manufacturing in South Africa, maintain security of supply of rough diamond, promote beneficiation in South Africa, thus creating jobs and increase participation throughout the diamond value chain.



2.2 Mining Charter

The Mining Charter of 2018 introduces new targets and measuring criteria aimed at accelerating the transformation progress of amongst others, the diamond industry and alignment with certain measures in the Broad Based Black Economic Empowerment Codes of good practice.

(B-BBEE-Code)

BBBSEEC for South Africa as a Mining Charter are meant to improve regulatory and policy certainly and subsequently investor perception.



PART B:
Strategic Focus



PART B: STRATEGIC FOCUS

1. Vision

To be a catalyst for transformation and growth of the local diamond beneficiation industry.

2. Mission

- Ensure acquisition of and equitable access to rough diamonds, with a particular focus on Historically Disadvantaged South Africans.
- Promote the growth of the diamond beneficiation industry through relevant interventions.
- Establish and maintain a transformed client base of local diamond beneficiators.
- Forge Local and International partnership that increases competitiveness.

3. Values

- Respect for the rights of our Stakeholders and Promotion of a caring attitude.
- Promotion of diversity and creation of an empowering working environment.
- Commitment to Mandate-its promotion, defense, and execution.
- Agility-Anticipation, proactive problem solving and resourcefulness.
- Efficiency-Professionalism and Excellence.
- Innovation-Continuous generating new ideas and innovative thinking.
- Promotion of ethical behavior, trust and confidence.

4. Situational Analysis

4.1 External situational Analysis (PESTELE)			
FACTOR	**ANALYSIS**	**THREATS**	**OPPORTUNITIES**
POLITICAL	Delays in policy review impacting the delays in the amendments to the Diamonds Act	Policy inconsistencies stifle growth	Intense lobbying and stakeholder management
	Inconsistencies between the two points above and the speed at which policy inconsistencies for a conducive growth environment are receiving attention		
ECONOMIC	Lenders of capital have taken a risk-averse stance to funding the industry	Barrier to entry	To provide strategic financial support and management to ensure sustainability of the entity.
	Rand/dollar volatility affecting price volatility of diamonds and the SDT's value of inventory	Fluctuating value of inventory which may result in either losses or in difficulties to liquidate	Exploration of a dollar account
SOCIAL	High unemployment	Illegal mining and community unrest	Opportunities for availability of the youth to be attracting to the industry
TECHNOLOGY	Inadequate research and developments strengths	Available technology accessible as imports. It is costly in purchase price and maintenance.	Investments in R&D Collaborations with R&D institutes
		Industry lags behind for competitiveness and busines processes for production (beneficiation)	

ENVIROMENTAL	Carbon emissions for transportation of diamonds.	Global warming	None identified
LEGAL	Heavy Regulation of industry compared to other diamond centres	Lack of growth	Intense lobbying for review of the Act and policy considerations for a growth enabling environment
	80/20 Rule stifles growth and affects SDT sales of Run of Mine diamonds available	Poor inventory management	
ETHICAL	Poor perception of government agencies in relation to corruption	Poor perception of the entity	Reputation & Responsibility management
	Compliance with the Kimberley Process Certification Scheme	None Identified	N/A
	Growing demand for sustainable development considerations	None identified	N/A

5. Internal situational Analysis (SWOT)

STRENGTHS *(Internal-Thinks the entity is doing well)*	WEAKNESSES *(Internal-Think the entity lack, need to improve)*
Working within legislation, provide entity to purchase rough diamonds from Producers. Ability to bring Stakeholders together. Sound relationship between the board and management. Low staff turnover (institutional memory). Technically skilled staff especially on diamond sourcing and valuation. Existing Policies, Standard operating. procedures and governance documents and practices. Purchases agreement with producers. Sound financial discipline. Sound relationships with clients and other stakeholders.	Lack of funding for the entity also affects: - Inadequate human resources - Lack of tools for technical purpose like Machinery and equipment - Inadequate systems and resources for technology, research and development Inadequate records management and appropriate storage area Complex and lengthy decision making process by the DMRE Sustanability of the current Business model Fully dependent on levels of producer productions

OPPORTUNITIES *(External-What is it that the entity wants to achieve)*	THREATS *(External-what are other obstacles the entity might be facing?)*
To source suitable rough diamonds from other diamond producing countries Opportunity to collaborate with other entities or stakeholders on issues of mutual interest like - Mintek and CSIR on research and development - Training and Development including EDP (MQA, Tertiary institutions and NYDA etc.) - Marketing South African diamonds both locally and internationally (Proudly SA, Brand SA, Producers, clients and other State entities) - Enterprise hub with DMRE, SADPMR and clients To establish a SADC diamond trading Hub in SA To host a South Africa Diamond Show - Converting Non-compliant producers to be compliant - Creation of online trading platform for polished diamonds - Increase compliant producers - Stronger stakeholder Management	Lack of funding Delays in amending of the legislation. Substitution of rough diamonds by synthetics and/or lab grown diamonds. Covid-19 and closure of markets Further reduction in production Pricing Illegal diamond producers Decline in beneficiation Global market decline Non-compliant Producers Volatile Market conditions

6. ALIGNMENT OT GOVERNMENT OUTCOMES

Alignment to the National Development Plan, Government 7 priorities and the Department of Mineral Resources and Energy (DMRE) Objectives.

The National Development Plan (NDP) aims to eliminate poverty and reduce inequality by 2030. The creation of decent employment by growing an inclusive economy is one of the mechanisms through which the NDP seeks to achieve its objectives.

The South African government has adopted Seven (7) priorities to drive the NDP within the next 10 years which will focus on tackling poverty, inequality and unemployment, economic growth, and address hunger.

The Department of Mineral Resources and Energy, as part of this role in implementing three (3) NDP projects. The department has a strategic objective of increasing investment in minerals and mining sector and transformed minerals sector. The State Diamond Trader as a State-owned entity of the DMRE, has to ensure that its strategic objectives and key activities are geared towards achieving the strategic objectives of the DMRE, and ultimately of the NDP. To realise this, the strategic outcomes of the State Diamond Trader have been aligned to expedite the NDP' imperatives for economic transformation through inclusive economic growth and building a capable and developmental State.

(a) Alignment with the following 3 National Development Plan (NDP) outcomes

The entity aligns itself to the following National Development Plan (Outcomes)

Outcome 4	**- Decent employment through inclusive growth**
Outcome 5	**- A skilled and capable workforce to support an inclusive growth path.**
Outcome 12	**- An efficient, effective and development oriented public service and empowered, fair and inclusive citizenship, Brand SA, Producers clients and other State entities)** **- Enterprise hub with DMRE, SADPMR and clients** **- To host a South Africa Diamond Show**

(b) **Alignment with the 2019-2024 Medium Term Strategic Framework (MTSF)**

The entity aligns itself to the following Government 4 (four) priorities

Priority 1	- A capable, ethical and developmental state
Priority 2	- Economic transformation and job creation
Priority 3	- Education, Skills and Health
Priority 7	- A better Africa and world

(c) **Alignment to DMRE 2020-2025 Strategic Plan**

DMRE Strategic Objectives aligned to by the entity

Strategic Objectives	- Increased investment in the minerals and mining sector
Strategic Objectives	- Transformed minerals sector

(d) **State Diamond Trader**

NO	OUTCOMES	OUTCOME INDICATOR
1	A transformed and inclusive diamond beneficiation industry that ensures an increased black ownership and participation in the sector.	To grow and transform the diamond industry
2	A capable workforce and developmental industry	Contribute to training and skills development
3	A knowledge-based and innovative organization.	Collaborate in promoting research and innovation for sustainable development of the diamond beneficiation industry.
4	Improved corporate performance, accountability and transparency.	Promote good corporate governance and improve internal processes and procedures.
5	A financially viable and sustainable entity.	To provide strategic financial support and management for the sustainability of the entity.

(e) SUMMARY: ALIGNMENT TO NDP, GOVERNMENT PRIORITIES AND DMRE OUTCOMES

NDP OUTCOMES	GOVERNMENT PRIORITIES	DMRE PRIORITIES	OUTCOMES	OUTCOME INDICATOR
Outcome 4 Decent employment through inclusive economic growth	**Priority 1** A capable, ethical and Developmental State	**Transformed minerals sector**	**A transformed and inclusive diamond beneficiation industry that ensures an increased black ownership and participation in the sector**	**To grow and transform the diamond industry**
Outcome 5 A skilled and capable workforce to support an inclusive growth path	**Priority 2** Economic Transformation and Job creation	Increase investment in the minerals and mining sector	A capable workforce and developmental industry	Contribute to training and skills development
Outcome 12 An efficient, effective and development oriented public service and an empowered, fair and inclusive citizen-ship	**Priority 3** Education, Skills and Health		A knowledge based and innovative organization.	**Collaborate in promoting and investing in research and innovation for sustainable development of the diamond beneficiation industry**
	Priority 7 A better Africa and world		**Improved corporate performance, accountability and transparency.**	**Promote good corporate governance and improve internal processes and procedures**
			A financially viable and sustainable entity	To provide strategic financial support and management for the sustainability of the entity.



7. Operational Environment

1.1 Operating Environment

Purchasing rough diamonds locally and from outside countries

The Government of the Republic of South Africa created the State Diamond Trader as a vehicle to address market failures and the decline in the local diamond beneficiation sector. The objective of the entity's legislative mandate is to provide equitable access to the resource thereby promoting local beneficiation of the country's diamonds. The legislation, *inter alia*, enables the State Diamond Trader to purchase up to 10% of the total Run of Mine production from all local diamond producers in the country as well as to source rough diamonds from other diamond producing countries to support a sustainable local diamond beneficiation industry.

1.2 The status of local supply

Challenges confronting beneficiation of the resource locally include, a volatile exchange rate, erratic supply of the resource and the growing threat of lab grown diamonds. An analysis of the country's production in the last few years shows that only about 15% by carats of diamonds mined in South Africa are preferred by the State Diamond Trader's clients for local beneficiation. Despite on-going development of small new diamond projects over the last decade, there's been no significant diamond mine discoveries in South Africa. The State Diamond Trader has observed a significant drop in production levels from mainstream producers and the emergent of COVID-19 in January 2020 has worsen the situation in terms of production and selling.

Against this background, State Diamond Trader's revised Strategic Plan and annual performance plan is geared towards addressing the anticipated challenges with the view to stabilise the industry in the long-term. In addition, policy certainty in the mining industry including government's commitment to attract investment will contribute positively to the industry's sustainability. Accordingly, the State Diamond Trader is strategically positioned to grow the local diamond Industry.



1.3 Global Influence

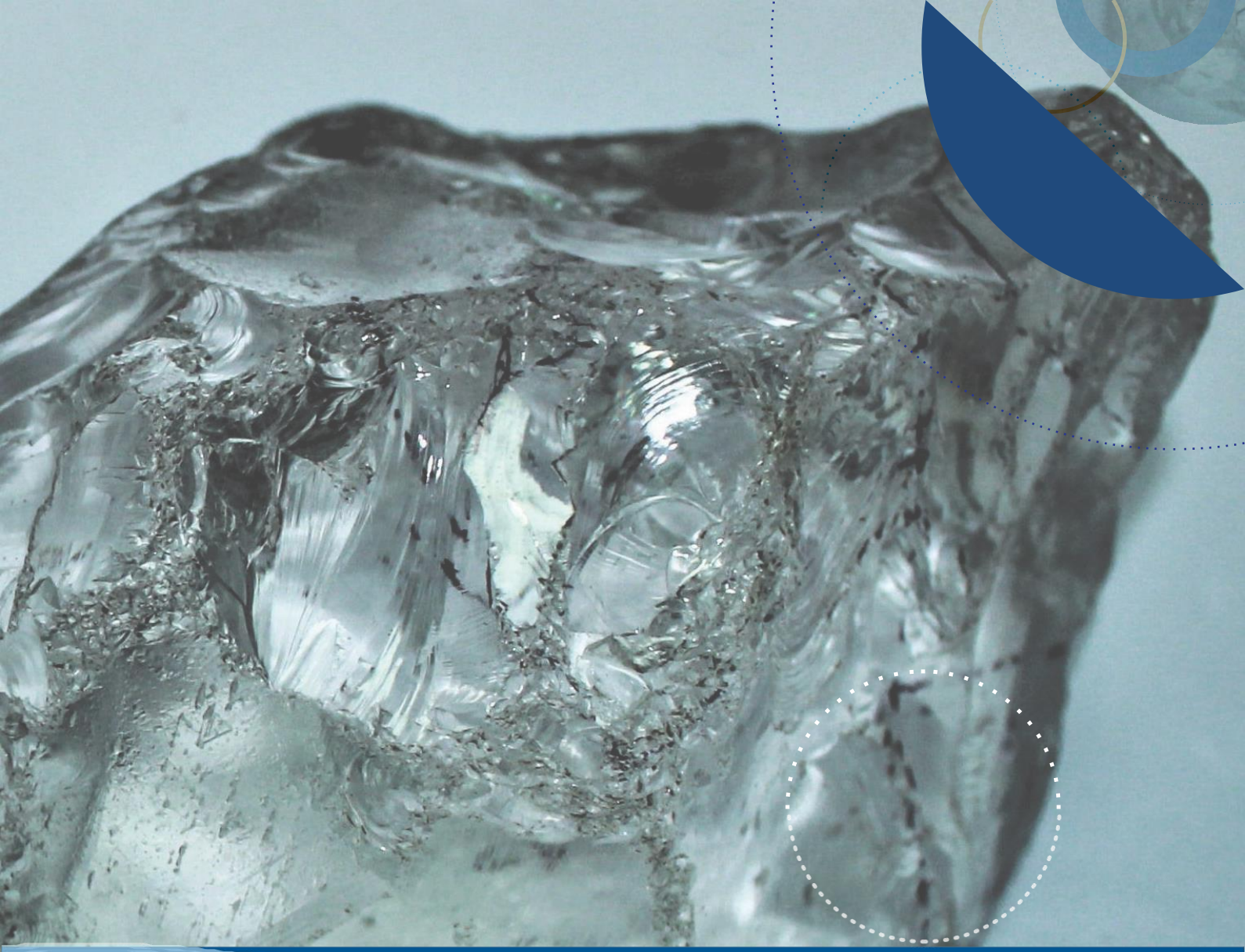
The State Diamond Trader continues to feel the pressure that the market is imposing to the diamond industry at large. The COVID-19 pandemic has led to minimal to no activity in major trading centers and has crippled the rough markets. August 2020, began on a positive foot, with increased demand for rough diamonds after promising March to July 2020 sales. The impact of the pandemic on the industry and on this Annual Performance Plan cannot bequantified at this stage, however; the entity will plan accordingly in terms of risk mitigationand will endeavor to report any alarming threats to the attainment of targets set herein to the Executive Authority as necessary during the year.

In the meantime, as of March 2020, the entity noted that prices of rough diamonds at Tenders declined on average by 18% due to the pandemic and subsequent economic crisis. In mid-March, the Rapaport price list declined by 10-15% which sent shock waves in the industryresulting in resistance towards this decrease. The State Diamond Trader declined to purchase most of the larger producers' productions, which in turn, had a depressing impact on its revenue in the last quarter of the year, however; it continued to exploit the benefits of its agreements with diamond producers in a hope to strengthen some trading activities.

Market Intelligence

Global rough diamonds continued to be strong throughout November and December 2020, a significant short fall were announced particularly in larger and better quality goods. The State Diamond Trader continued to experience good trading during the third quarter of 2020/2021 financial year with the sentiment to be achieved in the last quarter.

In the meantime, the operational environment is positive however, it is critical to ensure that the State Diamond Trader maintains its ability and acquire additional diamonds to pursue its mandate.



PART C:
Measuring Our Performance

PART C: MEASURING OUR PERFORMANCE

1. Impact Statement

Impact Statement	Stimulate and forge stronger relationship with all stakeholders in the diamond space to intensify a transformed and suitable diamond industry

2. Balance Scorecard



3. **Measuring our outcomes**

Outcomes	Outcome Indicator	Baseline	Five Year Target	Responsible
A transformed and inclusive diamond beneficiation industry that ensures an increased black ownership and participation in the sector	To grow and transform the diamond industry	4.1% of diamonds purchased by value in 2020/2021	4.5% quantity of rough diamonds purchased by value in relation to inspected	Operations
		R63,000,000 of diamond sold to HDSA in 2020/2021	Increase number of diamonds sold to HDSA by value to R 348,114,769	Operations
		141,175 carats supplied in 2020/2021	Increased quantity of rough diamonds supplied to clients by volume versus client's requirements to 780,081 carats	Operations

Outcomes	Outcome Indictor	Baseline	Five Year Target	Responsible
A capable workforce and development industry	Contribute to training and skills development	WSP Compliance Report	Enhanced skills development	Administration
		8 employees trained	8 employees trained per annum	Administration
		2 employees granted bursaries	2 employees granted bursaries per annum	Administration
		Benchmarking exercise report	Salary and organisational structure benchmarking exercise conducted	Administration

Outcomes	Outcome Indicator	Baseline	Five Year Target	Responsible
A knowledge-based and innovative organization	Collaborate in promoting research and innovation for sustainable development of the diamond beneficiation industry	2 producers added per annum	Increase the number of compliant	Operations



Outcomes	Outcome Indicator	Baseline	Five Year Target	Responsible
Improved corporate performance, accountability and transparency	Promote good corporate governance and improve internal processes and procedures.	Existing Marketing and Communications strategy	Annually review of the integrated Marketing and Communication Strategy	Operations
		Existing Corporate Governance Manual	A reviewed Corporate Governance Manual	Governance
		Existing delegation register	Strengthened internal controls and accountability through delegation of authority	Governance
		PFMA compliance checklist submitted	Compliance with the PFMA compliance checklist	Governance
		Existing Fraud and Prevention Policy and Plan	Annual review of Fraud and Prevention Policy and Plan	Governance

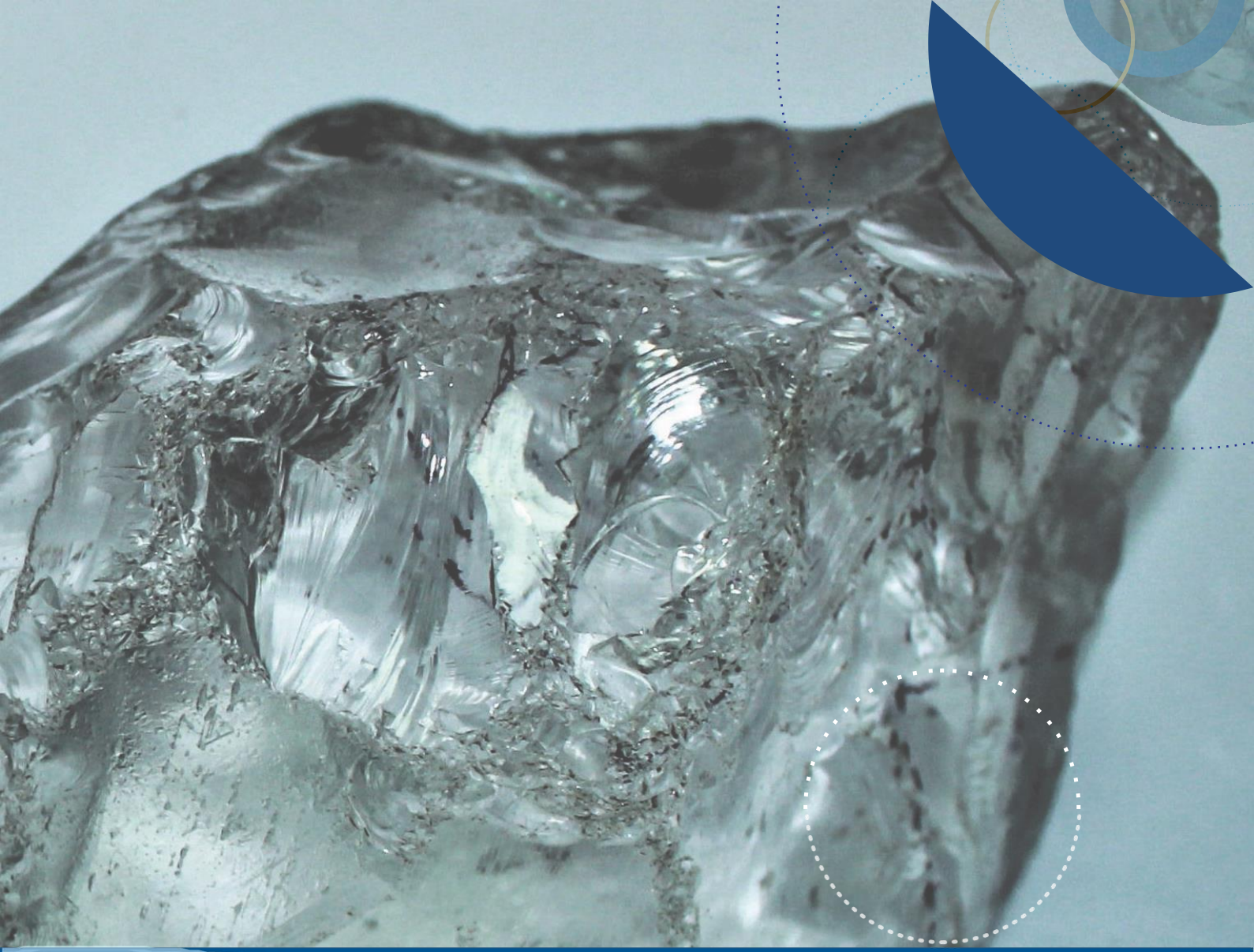
Outcomes	Outcome Indicator	Baseline	Five Year Target	Responsible
A financially viable and sustainable entity. A financially viable and sustainable entity.	To provide strategic financial support and management to ensure sustainability of the entity.	New Measure	To obtain credit facility or grant funding with favourable terms.	Administration
		Audit Report	Annual monitoring and improve financial discipline and effective management of resources	Administration
		Existing 3year risk based internal audit management report	Percentage implementation of Risk management Plan	Administration
		Existing ICT Strategy	Annual Review ICT Strategy	Administration

4. KEY RISKS AND MITIGATION

NO	STRATEGIC OUT-COMES	Key Risks	Risk Mitigations
1.	A transformed and inclusive diamond beneficiation industry that ensuresan increased black ownership and participation in the sector.	- Compromised financial sustainability - Lack of (inadequate) sustainability pricing of supply of rough diamonds for localbeneficiation	- To facilitate establishment of government fund for new entrance by other state entities - To review the Business case of the State Diamond Trader - Engage foreign producers for suitable rough diamonds - To facilitate accessing credit/funding model
2.	A capable work-force and develop-mental industry	- Loss of institutional memory - Inability to translate Enterprise Development projectto real business	- To revise the Enterprise Development Project - To continue developing internal staff via, bursaries, WSP and other training - To develop a succession plan - To revise and benchmark the existing organisational structure



3.	A knowledge-based and innovative organisation.	- Inadequate capacity to effectively fulfil the State Diamond Trader mandate - To be a non-relevant and uncompetitive entity	- To collaborate in promoting research and innovation - To develop a tools and equipment maintenance plan - To acquire relevant machinery
4.	Improved corporate performance, accountability, and transparency.	- Non-compliance with legislation and regulations - The APP, Strategy and government not aligning - Board and compliance committees not appointed	- To ensure that the Board, Board committees and compliance committees are in place - Ensure annual review and alignment of the strategy with DMRE - To ensure compliance register is complied with
5.	A financially viable and sustainable entity.	- The reduction of revenue for the State Diamond Trader - Inadequate cost containment measures - Key economic recession - Inadequate audit opinion	- To ensure business plan is approved - To develop and economic igniting strategy - To maximise cost containment measures - To ensure audit action plan approved and implemented according - To ensure consequence management



PART D:
Shareholders Compact



SHAREHOLDER PERFORMANCE AGREEMENT

(SHAREHOLDER COMPACT)

Entered into by and between

STATE DIAMOND TRADER (SDT)

HEREIN REPRESENTED BY

MS MM LEDINGWANE

(in his capacity as the Accounting

Officer) And

THE GOVERNMENT OF THE REPUBLIC OF SOUTH AFRICA

HEREIN REPRESENTED BY

THE MINISTER OF MINERAL RESOURCES AND ENERGY

INDEX

SHAREHOLDER COMPACT

NO CLAUSE HEADINGS

1. INTRODUCTION

2. INTERPRETATION

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SHAREHOLDER PERFORMANCE AGREEMENT

("SHAREHOLDER COMPACT")

AGREED PRINCIPLES

1. INTRODUCTION

1.1 In terms of regulation 29 of the Treasury Regulations issued in terms of the Public Finance Management Act No 1 of 1999, as amended by Act 29 of 1999 ("PFMA"), the accounting authority for a public entity listed in Schedule 3B, must, in consultation with its executive authority, annually conclude a Shareholder Compact.

1.2 The State Diamond Trader (SDT) is an entity established in terms of section 14 of the Diamonds Act 56 of 1986 as Amended ('the Act) and is classified as a national government business in terms of Schedule 3B of PFMA.

1.3 The Shareholder Compact documents the mandated key performance measures and indicators to be attained by the SDT as agreed between the accounting authority the executive authority.

2. INTERPRETATION

In this Shareholder Compact, unless otherwise indicated or contrary to the context, the words and phrases set out below shall have the meanings ascribed to them as follows:

2.1 **'accounting authority'** means the Board State Diamond Trader.

2.2 '**Diamonds Act'** means The Diamonds Act 56 of 1986 as amended.

2.3 **"Executive Authority"** means the Minister of Mineral Resources and Energy

2.4 **'SDT'** means State Diamond Trader

2.5 '**SOE'** means State Owned Enterprise.

2.6 **'Party'** means either the **Executive Authority** or **the Accounting Authority** and **parties** means both.

2.7 **'Shareholder Compact'** means this agreement together with all appendices attached hereto;

2.8 **'PFMA'** means the Public Finance Management Act No 1 of 1999 read with Treasury Regulations;

3. NATURE OF THE SHAREHOLDER COMPACT

3.1 The Shareholder Compact is designed solely to regulate the relationship between the Accounting Authority and the Executive Authority.

3.2 This Agreement is not intended to Interfere in any way with the principles of corporate governance, law principles; and the normal relationship between the executive authority and the accounting authority.

3.3. It is hereby recorded that the agreed principles, although subject to review annually, sets out principles that are applicable beyond a period of one year. In the event that they are amended, the parties shall take into account the strategic plan and actions already commenced on the basis of such principles.

4. PERIOD

4.1 This Shareholder Compact is effective for the period 1 April 2021 to 31 March 2022.

5. MANDATE OF SDT

5.1 The mandate of SDT is set out in the Diamonds Act 1986, as amended.

6. BUDGET AND CORPORATE PLAN

6.1 In accordance with Section 52 (a) and (b) of the PFMA, the Accounting Authority shall submit to the Executive Authority at least one month before the start of the Financial year –

6.1.1 A projection of revenue, expenditure and borrowings for that financial year in the prescribed format; and

6.1.2 A corporate plan in the prescribed format covering the affairs of the State Diamond Trader for the following five (5) years.

6.2 The SDT undertakes to ensure that it's Corporate Plan and its goals and objectives are aligned with the strategic direction and intent of the Executive Authority.

6.3 The Annual Performance Plan as set out in "**Annexure 1**" hereto shall be the measure for monitoring of performance by the Executive Authority.

7. OBJECTIVES FOR THE YEAR 2021- 2022 – KEY PERFORMANCE TARGETS

7.1 In pursuance of the State Diamond Trader's corporate plan and strategies, the SDT's key objectives for a year must be agreed upon on an annual basis.

7.2 The parties agree to renegotiate the key performance indicators and targets if they are not achievable and/or are unlikely to be achieved as set out in the Annual Performance Plan and/or there is a reasonable likelihood that they would not be achieved.

7.3 The State Diamond Trader's performance shall be evaluated against the achievements of its performance targets on a quarterly basis through performance reports submitted to the Executive Authority and through the audited and approved financial results become available.



8. GOVERNANCE

8.1 This Agreement is based on the PFMA and Treasury Regulations, the Protocol for Corporate Governance in the Public Sector (2007), and the Corporate Governance prescripts in South Africa. The SDT subscribes to the principles of good corporate governance and reassess its systems of governance on anongoing basis.

8.2 The Accounting Authority undertakes to maintain an effective system of governance and the highest standards of ethics.

8.3 The Accounting Authority shall adhere to and encourage good governance practices and the highest ethical behaviour.

9. ROLE AND RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY

9.1 The Accounting Authority is mandated to control, supervise, manage and run the business in accordance with the SDT mandate in terms of the Act, the PFMA, the strategic intent, corporate plan and corporate governance principles. The accounting authority shall exercise fiduciary duties and skill at all times to pursue the objectives and targets as set out in the Corporate Plan.

9.2 **The Accounting Authority -**

9.2.1 commits itself to the achievement of the vision, mission, objectives, and the strategic intent of the State Diamond Trader and to always act in the best interests of SDT;

9.2.2 accepts its responsibility to direct and guide the business in a proper manner in keeping with good governance practices, the PFMA, the Diamonds Act, this Shareholder Compact, and

9.2.3 recognizes the importance of speedy decision-making, and shall use its best endeavours to prevent undue delays with regards to critical decisions;

9.2.4 Undertakes to deliver on the targets agreed to in this Agreement.

10. UNDERTAKINGS BY THE SHAREHOLDER

The Executive Authority undertakes, for the duration of this Agreement:

10.1 Not to introduce new or additional requirements during the validity of this Agreement other than through a process of consultation with accounting authority. Reasonable notice shall be given in writing before the introduction of any new or additional requirements. In addition, the parties shall, in such an event, amend the key performance indicators and targets, failing which, no new requirements or targets may be introduced;

10.2 not to impede or in any way restrict the discretion of the Board regarding matters falling within its authority, as provided for in this Agreement;

10.3 Not to delay critical decisions; Undertakes to deliver on the targets agreed to in this Agreement.

11. UNDERTAKINGS BY THE SHAREHOLDER

The Executive Authority undertakes, for the duration of this Agreement:

11.1 Not to introduce new or additional requirements during the validity of this Agreement other than through a process of consultation with accounting authority. Reasonable notice shall be given in writing before the introduction of any new or additional requirements. In addition, the parties shall, in such an event, amend the key performance indicators and targets, failing which, no new requirements or targets may be introduced;

11.2 Undertakes to deliver on the targets agreed to in this Agreement.

11.3 not to impede or in any way restrict the discretion of the Board regarding matters



falling within its authority, as provided for in this Agreement;

11.4 Not to delay critical decisions;

11.5 Not to delay the proper constitution of the Board and to fill vacancies that may arise promptly from time to time.

11.6 Not to cause the Accounting Authority or any of its individual members to perform any actions that may result in a breach any legal duty;

11.7 To support and to give guidance to the Accounting Authority where necessary.

11.8 to provide financial support to the State Diamond Trader more particularly where this is required for the achievement of the targets agreed to in this Agreement;

11.9 To facilitate and support the initiatives of the State Diamond Trader in pursuance of funding for the purposes of achieving the objectives of this Agreement and the mandate of the State Diamond Trader in general.

11.10 To support initiatives of the Accounting as necessary from time to time.

12. OBLIGATION OF THE ACCOUNTING AUTHORITY TO ACCOUNT

12.1 The Accounting Authority has an obligation to account in detail to the Executive Authority on the SDT's performance, viability and impact of the State Diamond Trader on the market on a quarterly and annual basis.

12.2 The Accounting Authority shall notify the Executive Authority of urgent material events in which the SDT is involved.

13. NOTICES AND DOMICILIA

For the purpose of this agreement the parties' respective addresses shall be:

13.1 Executive Authority at:

The Ministry of Mineral Resources and Energy,
Trevenna Campus,
Pretoria
For attention: Chief of Staff, Ministry of Mineral Resources and Energy

13.2 225 Main Street, Johannesburg, 2001

Tel: +27 11 334 2691 Fax: +27 11 334 1540
Email: nobuhles@Statediamondtrader.gov.za
For attention: The Chairperson: SDT



14. VARIATION

No addition to or variation, consensual cancellation or novation of this agreement and waiver of any right arising from this Agreement or its breach or termination shall be of any force or effect unless reduces to writing and signedby both the parties or their duly authorized representatives.

15. KEY PERFORMANCE MEASURES AND INDICATORS

The key performance measures and indicators as contemplated are detailed in the Annual Performance Plan attached hereto as "Annexure 1". It is hereby recorded that these shall be submitted to the Shareholder at least one month before 1 April 2021.



STATE DIAMOND TRADER

Annual Performance Plan for

2021/2022

Accounting Authority Statement



It is my distinct honour and privilege on behalf of the Board of State Diamond Trader to present to the Minister of Mineral Resources and Energy, Honourable, Samson Gwede Mantashe, MP, this Annual Performance Plan (APP)for 2021/2022. The current Board was appointed during the third quarter of the financial year 2020/202, for a three-year term, being 1st November, 2020 to 30 October 2023. On behalf of the Board, I thank the Minister for the confidence he has shown by appointing members of this Board. The previous Board accepted the entity's strategy in 2018 and managed to forward to the Minister all their APP with distinct, hence we continue on the same pace.

The Board membership is drawn from a diverse group of stakeholders in the diamond industry as dictated by the Diamonds Act, 56 of 1986 as amended (**the Act**)**.** In line with Government's goal to strengthen the governance of State entities, the Minister's choice of the members of the Board reflects a good balance of continuity, qualifications, experience, age, race and gender.

The State Diamond Trader is a state-owned entity established under Section 14 of the Act. It is classified as a Schedule 3b entity of the Public Finance Management Act (PFMA). Section 17 (1) of the Act enjoins the Board to ensure that the functions of State Diamond Trader are performed and that in so doing the objects of the institution are achieved. During 2021/22 the Board focus will be on capacitating and ensuring stability through COVID-19 pandemic and the planned office relocation.

Admittedly, the diamond industry presents a unique and challenging environment even in normal times. The Board realises that this will be even more so during this time unusual presented by the COVID-19 epidemic. The Board is however determined to weather the storm and to fully embrace the digital opportunities presented by the Fourth Industrial Revolution (4 IR) to meet the institution's performance targets, starting with this APP for 2021/2022.

Ms Maletlatsa Monica Ledingwane

Chairperson: State Diamond Trader (SDT)

January 2021

Signature

Accounting Officer Statement



The Annual Performance Plan depicts the specific activities for the 2021/2022 financial year which the State Diamond Trader respond to the Strategic Plan (long term plan) as described in **Part C (point section 3)** above. The annual Plan is realized through the internal structures and operations as interventions to responding to the entity's strategic plan.

The following issues on the entire Annual Performance Plan should be read together with the strategic plan as indicated above.

Operations

The core function of the State Diamond Trader is around the buying and selling of rough diamonds from the producers. Normally there are 10 inspections done for each producer per financial year, the entity then evaluates and make decision on how to procure based onthe needs of the licensed clients and it is also determined by the price agreement with the producer. For the 2021/2022 financial year, the entity is expecting to increase the percentage from 2% rough diamonds sold to 4,5% of the inspected rough diamond. This should increase the carats purchased to over 148. This will also increase the allocation to HDSA to over R65 Million Rands.

Human Resource

As part of the key strategic area for the State Diamond Trader, it is important to ensure that the entity build, motivate and increase performance of staff. This will also be done through training and development which will assist in the succession plan.

FINANCIAL

The supporting area for the entity which ensures that all the finances are being properly managed. It is also important that the growth as indicated above is maintained with proper administrative systems. The Budget for Revenue is R722 million for 2021/22 financial year and gross margin are budgeted at 3.5%. The operational expenditure will increase by an average of 4%.



This practice is crucial for both internal and external Stakeholders that the State Diamond Trader operates within its mandate and comply with all the legislative and regulations. The risk management of the entity is within the governance area, it ensures that annual issues like fraud and prevention plan and policies are in place.

Marketing and Communication

Plays a crucial role in ensuring that the business of State Diamond Trader is visible to public through different communication channels.

In conclusion

The Annual Performance Plan is geared up to ensure that the entity's five-year strategic objectives are achieved.

Mr SM Mnguni
Chief Executive Officer
State Diamond Trader

_____
Signature

OFFICIAL SIGN-OFF

It is hereby certified that this Strategic Plan:

- This Annual Performance Plan was developed by the Management of the State Diamond Trader under the guidance of the Board
- Takes into account all the relevant policies, legislation and other mandate guiding the entity for which the Department of Mineral Resources and Energy is responsible, and
- Accurately reflects the impact and outcomes which the State Diamond Trader will endeavour to achieve over the period of 2021/2022 to 2025/2026

Ms N. Mncwango

Chief Financial Officer _____

Mr C.C Van Der Ross

Operations Manager _____

Ms N Sibeko

Company Secretary/LO _____

Mr S.M Mnguni

Chief Executive Officer _____

Ms MM Ledingwane

Chairperson of the Board _____

Approved by:

Mr Samson Gwede Mantashe (MP)

Minister of Mineral Resources and Energy

January 2021

_____

Signature

Annexure 1: Annual Performance Plan (2021/2022)

OUTCOME	OUTCOME INDICATOR	ANNUAL TARGET	BASELINE	QUARTERLY TARGETS			
				Q1	Q2	Q3	Q4
1. A transformed and inclusive diamond beneficiation industry that ensures an increased black ownership and participation in the sector.	To grow and transform the diamond industry	To purchased 4.5% of rough diamonds inspected by value	2% as at 2020/2021	Purchased 4.5% by value of rough diamonds inspected	Purchased 4.5% by value of rough diamonds inspected	Purchased 4.5% by value of rough diamonds inspected	Purchased4.5% by value of rough diamonds inspected
		Rough diamonds to the value of R65,000,000 sold to HDSA	Rough diamonds to the value of R63,000,000 sold to HDSA in 2020/2021	Rough diamonds to the value of R10,000,000 sold to HDSA	Rough diamonds to the value of R15,000,000 sold to HDSA	Rough diamonds to the value of R30,000,000 sold to HDSA	Rough diamonds to the value of R10,000,000 sold to HDSA
		To supply 148,234 carats of rough diamonds to clients	Supplied 141,175 carats of rough diamonds as at 2020/2021	Supply 20,000 carats of rough diamonds to clients	Supply 50,000 carats of rough diamonds to clients	Supply 60,000 carats of rough diamonds to clients	Supply 18,234 carats of rough diamonds to clients
2. A capable workforce and developmental industry.	Contribute to training and skills development	WSP compliance report submitted to SETA	WSP Compliance Report	Submission of the WSP compliance report	Advise staff	Applied in terms of training program	Applied in terms of training program
		Training of 8 employees	8 employees trained	Finalising the WSP plan	Acquisition of service providers	4	4
		2 employees granted bursaries	2 employees	1	2	0	0
3. A knowledge-based and innovative organization.	Collaborate in promoting and investing in research and innovation for sustainable development of the diamond beneficiation industry.	2 producers added	New measure	-	1 producer added	-	1 producer added

OUTCOME	OUTCOME INDICATOR	ANNUAL TARGET	BASELINE	QUARTERLY TARGETS			
4. Improved corporate performance, accountability and transparency.	Promote good corporative governance and improveinternal processes and procedures.	Benchmarking exercise conducted	Benchmarking exercise report	To finalise Bid Specification	Advertised and make recommendations	Benchmarking exercise report submitted for approval	Make provision for future budget
		Review of the integrated marketing and communications strategy	Existing Marketing and Communications Strategy	To review the marketing and communications strategy	Approved Review of the marketing and communications strategy	Training local stakeholders on the strategy	Implement some aspects of the strategy
		To revise the Corporate Governance Manual	Existing Corporate Governance Manual	Submit to Manco for recommendationsto Board	Approved Corporate Governance Manual	Awareness Information and Implementation	Implementation
		To revise and strengthen the delegation register	Existing delegation register	Identify weakness in internal controls	Submit to Manco for recommendation to the Board	Revised delegation register.	Implementation of the new document and training of Staff.
		To submit 4 Quarterly PFMA checklist to Audit and Risk Committee	PFMA compliance checklist submitted	PFMA compliance checklist submitted	PFMA compliance checklist submitted	PFMA compliance checklist submitted	PFMA compliance checklist submitted
		To review the Fraud and Prevention Policy and Plan	Existing Fraud and Prevention Policy and Plan	Reviewing of the Fraud and Prevention Policy and Plan	Submit to Manco for adoption	Submit to Board for approval	Training of staff and publish it on the entity's website



OUTCOME	OUTCOME INDICATOR	ANNUAL TARGET	BASELINE	QUARTERLY TARGETS			
5.A financially viable and sustainable entity.	To provide strategic financial support and management to ensure sustainability of the entity.	Access to credit facility	New measure	Approved business case	Application for credit facility	Approved Credit facility	-
		Unqualified Audit opinion (Clean Audit)	Audit Report	Address Audit findings and ensure compliance with laws and regulations	Address Audit findings and ensure compliance with laws and regulations	Address Audit findings and ensure compliance with laws and regulations	Unqualified Audit opinion (Clean audit)
		100% Implementation of an annual risk basedon internal audit management plan	Existing 3-year risk based internal audit management	10%	20 %	30%	40%
		Approved ICT Strategy	Existing ICT Strategy	To review the ICT Strategy	Submit the reviewed ICT Strategy to Manco for adoption	Approved ICT Strategy by the Board	Training of staff members



PART E:
Technical Indicator Description

TECHNICAL INDICATOR DESCRIPTION

FOR PERFORMANCE INDICATORS: 2021/2022

TECHNICAL INDICATOR DESCRIPTION *FOR PERFORMANCE INDICATORS: 2021/2022*	
Indicator title	Percentage of the quantity of rough diamonds purchased by value in relation to inspected To purchase 4.5% of rough diamonds inspected by value
Short definition	State Diamond Trader can purchase up to 10% of the rough diamonds it inspects from compliant producers. The indicator refers to the percentage of the value purchased by State Diamond Trader in relation to the value inspected in US dollars
Source/ collection of data	The 100% production offered by the producer to the State Diamond Trader and the Government Diamond Valuator's verification letter. These are then populated within the Purchase Log. The 100% production details provided by the producer, Government Diamond Valuator verification letters, and the value that State Diamond Trader purchased
Method of calculation or assessment	The method of calculation will be the percentage of was purchased in relation to what was inspected. Calculations using the UD Dollar value. The method of calculation is the purchased value, divided by the 100% value, as a percentage. The value calculated is in US Dollar.
Assumptions	The make-up of the diamonds inspected is was clients demand and that there is always an agreement regarding price and that market conditions remains favourable
Disaggregation of beneficiaries (where applicable)	N/A
Reporting Cycle	Annually
Desired performance	State Diamond Trader would have purchased 4.5% by value of rough diamonds inspected
Indicator Responsibility	Operations Manager

TECHNICAL INDICATOR DESCRIPTION *FOR PERFORMANCE INDICATORS: 2021/2022*	
Indicator title	Increase of diamonds sold to HDSA by value Rough diamonds to the value of R65,000,00 sold to HDSA
Short definition	To increase the amount of diamonds sold to HDSA clients by value. HDSA clients are companies that are 100% black owned. To sell rough diamonds to HDSA clients by value, HDSA clients are companies that are 100% black owned
Source/ collection of data	Existing Financial System
Method of calculation or assessment	Sales revenue to HDSA in 2020 /2021 – Sales revenue to HDSA in 2021/2022 / Sales to HDSA in 2020/2021as a percentage. Which will either indicate an increase or decrease in Sales to HDSA
Assumptions	Assumption being made is that the market will be stable volatile
Disaggregation of beneficiaries (where applicable)	HDSA clients
Reporting Cycle	Annually
Desired performance	R65,000,000 sold to HDSA
Indicator Responsibility	Operations Manager

TECHNICAL INDICATOR DESCRIPTION *FOR PERFORMANCE INDICATORS: 2021/2022*	
Indicator title	Increase amount of rough diamonds supplied to clients versus client's requirement To supply 148, 234 carats of rough diamonds to clients
Short definition	To increase the number of compliant producers within the borders of South Africa that will enable the State Diamond Trader to access more rough diamonds To provide clients with access to rough diamonds by carats/value
Source/ collection of data	Existing Financial System Baseline for client's requirement 2020/2021. Existing Financial System Baseline for the carats/quantity supplied client's in 2020/2021
Method of calculation or assessment	The carats/quantity of rough diamonds supplied to clients
Assumptions	Market will be volatile and there can be changes to clients demand.
Disaggregation of beneficiaries (where applicable)	Compliant SDT clients
Reporting Cycle	Quarterly
Desired performance	Clients supplied with 148,234 carats
Indicator Responsibility	Operations Manager

TECHNICAL INDICATOR DESCRIPTION *FOR PERFORMANCE INDICATORS: 2021/2022*	
Indicator title	Increase the number of compliant producers
Short definition	To increase the number of compliant producers within the borders of South Africa that will enable the State Diamond Trader to access more rough diamonds
Source/ collection of data	The South African Diamond and Precious Metals Regulator and Department of Mineral Resources and Energy and Market Intelligence.
Method of calculation or assessment	Monthly and Quarterly reports of the Purchasing department
Assumptions	All data is accessible and that producers are submitting and complying with all mining regulations
Disaggregation of beneficiaries (where applicable)	Producers
Reporting Cycle	Quarterly
Desired performance	Two compliant producers added
Indicator Responsibility	Operations Manager

TECHNICAL INDICATOR DESCRIPTION *FOR PERFORMANCE INDICATORS: 2021/2022*	
Indicator title	Enhanced skills development
Short definition	Means submitted Work Skills Plan/Annual Training Report to the Mining Qualification Authority by 31 April 2021
Source/ collection of data	Submitted Work Skills Plan/Annual Training Report
Method of calculation or assessment	One (1) Work Skill Plan/Annual/Training Report
Assumptions	Online submission to MQA was done without error's and submission confirmation letter received
Disaggregation of beneficiaries (where applicable)	Approved SDT Employees
Reporting Cycle	Financial year end - 31 March 2022
Desired performance	Submitted Work Skill Plan/Annual/Training Report
Indicator Responsibility	HR Manager

TECHNICAL INDICATOR DESCRIPTION *FOR PERFORMANCE INDICATORS: 2021/2022*	
Indicator title	Number of Employees trained in line with WSP
Short definition	Means a number of trained employees during 2021 – 2022 financial year as per the submitted Work Skills Plan/Annual Training Report
Source/ collection of data	Attendance registers and certificates
Method of calculation or assessment	Number – eight (8) employees trained during the 2021 – 2022 financial year
Assumptions	Financial status of the entity allows spending on skills development
Disaggregation of beneficiaries (where applicable)	8 State Diamond Trader employees
Reporting Cycle	Financial year end - 31 March 2022
Desired performance	Eight (8) employees trained by 31 March 2022
Indicator Responsibility	HR Manager

TECHNICAL INDICATOR DESCRIPTION *FOR PERFORMANCE INDICATORS: 2021/2022*	
Indicator title	Number of Employees granted bursaries
Short definition	Means a number of employees granted bursaries during the 2021 – 2022 financial year
Source/ collection of data	Bursary contracts signed by the entity and employees awarded bursaries
Method of calculation or assessment	Number – Two (2) employees awarded bursaries
Assumptions	Financial status of the entity allows spending on bursaries and applicants met all the requirements of the Bursary Policy
Disaggregation of beneficiaries (where applicable)	State Diamond Trader approved employees
Reporting Cycle	Financial year end - 31 March 2022
Desired performance	Two (2) employees awarded bursaries by 31 March 2022
Indicator Responsibility	HR Manager

TECHNICAL INDICATOR DESCRIPTION *FOR PERFORMANCE INDICATORS: 2021/2022*	
Indicator title	Salary and organisational structure benchmarking exercise conducted
Short definition	Means an SDT salary and organisational structure benchmarking exercise was conducted by an external service provider who shall produce a report with the Paterson Job Grading salary structure with relevant salary bands linked to the SDT structure/organogram. The report shall be approved by the Board during the 2021 – 2022 financial year
Source/ collection of data	Board approved Benchmarking Exercise Report
Method of calculation or assessment	One (1) Board approved Benchmarking Exercise Report
Assumptions	Funds are available to procure the services of the external provider who will conduct the exercise, produce the report to be approved by the Board and implemented
Disaggregation of beneficiaries (where applicable)	None
Reporting Cycle	Financial year end - 31 March 2022
Desired performance	Approved five salaries and SDT structure Benchmarking Exercise Report
Indicator Responsibility	HR Manager



TECHNICAL INDICATOR DESCRIPTION *FOR PERFORMANCE INDICATORS: 2021/2022*	
Indicator title	A reviewed Corporate Governance
Short definition	The State Diamond Trader must review its Corporate Governance Manual annually to ensure that it is aligned with best practice and is up to date
Source/ collection of data	Board Minutes
Method of calculation or assessment	1 by 31 March 2022
Assumptions	The assumption is that the Executive Authority will appoint a Board by 1 April 2020 to restore stability in the entity and enable the re-view and approval process
Disaggregation of beneficiaries (where applicable)	N/A
Reporting Cycle	Once Annually by 31 March 2022
Desired performance	A revised and Board approved Corporate Governance Manual
Indicator Responsibility	Company Secretary/Legal Officer

TECHNICAL INDICATOR DESCRIPTION *FOR PERFORMANCE INDICATORS: 2021/2022*	
Indicator title	Strengthened internal controls and accountability through delegation of authority
Short definition	The State Diamond Trader requires a review and comprehensive set of delegated powers of authority
Source/ collection of data	Board Minutes
Method of calculation or assessment	1 by 31 March 2022
Assumptions	N/A
Disaggregation of beneficiaries (where applicable)	N/A
Reporting Cycle	Annually by 31 March 2022
Desired performance	Reviewed and Board approved Delegated Powers of Authority
Indicator Responsibility	Company Secretary/Legal Officer



TECHNICAL INDICATOR DESCRIPTION *FOR PERFORMANCE INDICATORS: 2021/2020*	
Indicator title	A reviewed integrated marketing and communications strategy
Short definition	The State Diamond Trader must review the integrated Marketing and Communications Strategy to ensure that it is aligned with best practice and is up to date with trends within the marketing field.
Source/ collection of data	Approved integrated Marketing and Communications strategy by the Board
Method of calculation or assessment	Approved integrated Revised Marketing and Communications strategy
Assumptions	Revised Marketing and Communications strategy to improve awareness of the mandate of the entity
Disaggregation of beneficiaries (where applicable)	N/A
Reporting Cycle	Annually
Desired performance	Revised integrated Marketing and Communications strategy
Indicator Responsibility	Marketing Officer

TECHNICAL INDICATOR DESCRIPTION *FOR PERFORMANCE INDICATORS: 2021/2022*	
Indicator title	Compliance with National and international regulatory framework and appliance standards
Short definition	The State Diamond Trader needs to review its Fraud Policy to strengthen internal controls
Source/ collection of data	Board Minutes
Method of calculation or assessment	1 by 31 March 2022
Assumptions	The assumption is that the Executive Authority will appoint a Board by 1 April 2020 to restore stability in the entity and enable the review and approval process
Disaggregation of beneficiaries (where applicable)	N/A
Reporting Cycle	Annually by 31 March 2022
Desired performance	A revised and approved Fraud Policy
Indicator Responsibility	Company Secretary/Legal Officer



TECHNICAL INDICATOR DESCRIPTION *FOR PERFORMANCE INDICATORS: 2021/2022*	
Indicator title	100% implementation of Risk management plan
Short definition	Implementation of Risk Mitigating planned activities in the approved Risk Register
Source/ collection of data	Risk Register Reports
Method of calculation or assessment	Risk Register
Assumptions	A Risk Register will be approved by 1 April 2021
Disaggregation of beneficiaries (where applicable)	N/A
Reporting Cycle	Quarterly
Desired performance	100% implementation
Indicator Responsibility	Company Secretary/Legal Officer

TECHNICAL INDICATOR DESCRIPTION *FOR PERFORMANCE INDICATORS: 2021/2022*	
Indicator title	Compliance with the PFMA compliance checklist
Short definition	To implement the PFMA compliance
Source/ collection of data	PFMA Compliance checklist
Method of calculation or assessment	PFMA compliance submitted to Audit and Risk Committee for noting
Assumptions	All Audit and Risk Committee meetings will be held quarterly
Disaggregation of beneficiaries (where applicable)	N/A
Reporting Cycle	Quarterly
Desired performance	4 PFMA compliance checklist registers submitted
Indicator Responsibility	Company Secretary/Legal Officer



TECHNICAL INDICATOR DESCRIPTION *FOR PERFORMANCE INDICATORS: 2021/2022*	
Indicator title	To obtain credit facility with favourable terms
Short definition	Entity to have access to credit facility to purchase rough diamonds
Source/ collection of data	Access to credit facility will ensure financial sustainability of the entity. Annual Financial Statements
Method of calculation or assessment	Annual Financial Statements
Assumptions	The entity will meet all the requirements to qualify for the credit facility
Disaggregation of beneficiaries (where applicable)	N/A
Reporting Cycle	Financial year end - 31 March 2022
Desired performance	Access to credit facility
Indicator Responsibility	Chief Financial Officer

TECHNICAL INDICATOR DESCRIPTION *FOR PERFORMANCE INDICATORS: 2021/2022*	
Indicator title	Unqualified Audit opinion (Clean Audit)
Short definition	The entity will not have material findings in the management report
Source/ collection of data	Audited Annual Financial Statements
Method of calculation or assessment	Audit report
Assumptions	Compliance with laws and regulations
Disaggregation of beneficiaries (where applicable)	N/A
Reporting Cycle	Financial year end - 31 March 2022
Desired performance	Unqualified Audit opinion (Clean audit)
Indicator Responsibility	Chief Financial Officer



TECHNICAL INDICATOR DESCRIPTION *FOR PERFORMANCE INDICATORS: 2021/2022*	
Indicator title	Review ICT Strategy
Short definition	To improve the ICT Strategy to assist the organisation to work efficiently.
Source/ collection of data	Strategic plan
Method of calculation or assessment	N/A
Assumptions	N/A
	N/A
Reporting Cycle	Financial year end - 31 March 2022
Desired performance	Approved ICT Strategy
Indicator Responsibility	Chief Financial Officer



PART F:
Budget Allocation

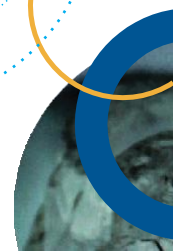


STATE DIAMOND TRADER FIVE YEAR BUDGET

SUMMARY OF STATEMENT OF COMPREHENSIVE INCOME

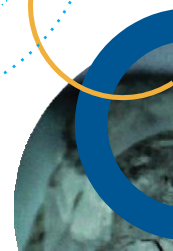
	2021/22	2022/23	2023/24	2024/25	2025/26
Sales	722 844 000	737 748 000	753 500 128	768 570 128	784 697 508
Less Cost of Sales	699 000 000	713 430 000	727 276 860	741 842 239	756 699 928
Gross Profit	**23 844 000**	**24 318 000**	**26 223 268**	**26 727 889**	**27 997 580**
Less Operating costs	**23 088 735**	**24 613 956**	**25 826 354**	**27 099 371**	**28 436 040**
Salaries	14 938 465	16 491 173	17 297 431	18 144 003	19 032 903
Leases	1 077 360	1 131 228	1 187 789	1 247 179	1 309 538
Computer and other IT	780 000	819 000	859 950	902 948	948 095
Travel	600 000	720 000	756 000	793 800	833 490
General Expenses	3 676 966	3 335 814	3 502 605	3 677 735	3 861 622
Professional Fees	2 015 944	2 116 741	2 222 578	2 333 707	2 450 392
EBIT	**755 265**	**(295 956)**	**396 915**	**(371 483)**	**(438 460)**
Finance Income	720 000	834 578	842 862	853 786	859 573
Finance Expense	(850 000)	(262 500)	(875 625)	(289 406)	(303 877)
(Net Loss)/Net Profit	**625 265**	**276 122**	**364 151**	**192 897**	**117 237**

DIAMOND PURCHASES AND SALES OF THE STATE DIAMOND TRADER					
	FY2021/2022	FY2022/23	FY2023/2024	FY2024/2025	FY2025/2026
Value of Diamonds Inspected from Producers (USD)	970 000 000	989 400 000	1 009 188 000	1 029 371 760	1 049 959 195
Value of Diamonds Purchased in USD	43 650 000	44 550 000	45 413 460	46 321 729	47 248 164
% of Annual Production Purchased	4,5%	4,5%	4,5%	4,5%	4,5%
Forecast Exchange Rate					
Value of Diamonds Purchased in ZAR	698 400 000	712 800 000	726 615 360	741 147 664	755 970 624
Average Rand/USD Rate	16,00	16,00	16,00	16,00	16,00
Sales in ZAR	722 844 000	737 748 000	753 500 128	768 570 128	784 697 508
Cost of Diamonds Sold	698 400 000	712 800 000	726 615 360	741 147 664	755 970 624



ANNUAL OVERHEADS OF THE STATE DIAMOND TRADER FOR 5 YEAR PERIOD					
	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
Compensation of employees					
Salaries	**14 938 465**	**16 491 173**	**17 297 431**	**18 144 003**	**19 032 903**
Leases					
Office Rent	1 077 360	1 131 228	1 187 789	1 247 179	1 309 538
Sub-total - Lease Expenses	**1 077 360**	**1 131 228**	**1 187 789**	**1 247 179**	**1 309 538**
Other Expenses					
General Office Expenses	597 713	627 598	658 978	691 927	726 523
Relocation costs	500 000	-	-	-	-
Water and electricity	240 000	252 000	264 600	277 830	291 722
Communication: Telephone	80 000	84 000	88 200	92 610	97 241
Security Services	476 909	500 754	525 792	552 081	579 685
Diamond Insurance expense (Inventory)	180 000	189 000	198 450	208 373	218 791
Insurance expense	60 072	63 076	66 230	69 541	73 018
Training and Development	150 000	157 500	165 375	173 644	182 326
Bursaries	100 000	105 000	110 250	115 763	121 551
Consulting Fees	100 000	105 000	110 250	115 763	121 551
Marketing & Advertising expenses	272 000	285 600	299 880	314 874	330 618
Conferences, meetings and exhibitions	240 000	252 000	264 600	277 830	291 722
Board Fees	630 272	661 786	694 875	729 619	766 100
Subscription	50 000	52 500	55 125	57 881	60 775
Sub-total - Other Expenses	**3 676 966**	**3 335 814**	**3 502 605**	**3 677 735**	**3 861 622**
Computer and other IT Expenses				-	
ICT Services	780 000	819 000	859 950	902 948	948 095
Sub-total - Computer and Other IT Expenses	**780 000**	**819 000**	**859 950**	**902 948**	**948 095**
Travel expenses				-	
Foreign Travel expenses	200 000	300 000	315 000	330 750	347 288
Local Travel expenses	400 000	420 000	441 000	463 050	486 203
Sub-total - Travel Expenses	**600 000**	**720 000**	**756 000**	**793 800**	**833 490**
Professional Fees					
Audit fees - Statutory	1 115 197	1 170 957	1 229 505	1 290 980	1 355 529
Internal Auditors (Outsourced)	455 546	478 324	502 240	527 352	553 719
Legal services	420 000	441 000	463 050	486 203	510 513
Independent Diamond Valuator (IDV) fees	25 200	26 460	27 783	29 172	30 631
Sub-total Professional Fees	**2 015 944**	**2 116 741**	**2 222 578**	**2 333 707**	**2 450 392**
					-
TOTAL OVERHEADS	**23 088 735**	**24 613 956**	**25 826 354**	**27 099 371**	**28 436 040**

CASH FLOW PROJECTIONS OF THE STATE DIAMOND TRADER FOR 5 YEAR PERIOD					
Cash Flows	**FY 2021/22**	**FY 2022/23**	**FY 2023/24**	**FY 2024/25**	**FY 2025/26**
Opening balance : Cash and cash equivalents	**24 000 000**	**27 819 265**	**28 095 387**	**28 459 538**	**28 652 436**
Cash receipts from customers	722 844 000	737 748 000	753 500 128	768 570 128	784 697 508
Cash payments for diamond purchases	(699 000 000)	(713 430 000)	(727 276 860)	(741 842 239)	(756 699 928)
Net cash received from operati ons	**23 844 000**	**24 318 000**	**26 223 268**	**26 727 889**	**27 997 580**
Less payments to suppliers and employees	**(23 088 735)**	**(24 613 956)**	**(25 826 354)**	**(27 099 371)**	**(28 436 040)**
Salaries	14 938 465	16 491 173	17 297 431	18 144 003	19 032 903
Leases	1 077 360	1 131 228	1 187 789	1 247 179	1 309 538
Computer and other IT expenditure	780 000	819 000	859 950	902 948	948 095
Travel	600 000	720 000	756 000	793 800	833 490
General Expenses	3 676 966	3 335 814	3 502 605	3 677 735	3 861 622
Professional Fees	2 015 944	2 116 741	2 222 578	2 333 707	2 450 392
Interest Income	720 000	834 578	842 862	853 786	859 573
Interest Expense	(850 000)	(262 500)	(875 625)	(289 406)	(303 877)
Working capital (Current Inventory to be realised in coming years)	4 200 000				
Capital Expenditure	(1 006 000)	-	-	-	-
Closing balance: Cash and cash equivalents	**27 819 265**	**28 095 387**	**28 459 538**	**28 652 436**	**28 769 672**





BUDGETED FIXED ASSETS PURCHASES OF THE STATE DIAMOND TRADER FOR 5 YEAR PERIOD					
	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
Computer equipment and Software	306 000				
Furniture and Fittings	100 000				
Security equipment and Diamond Machinery	600 000				
Total	**1 006 000**	**0**	**0**	**0**	**0**



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