



state
diamond
trader

REPUBLIC OF SOUTH AFRICA

CORPORATE PLAN

2026-27



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ENTITY INFORMATION

Nature of the business	The State Diamond Trader is an organ of the Diamonds Act (Act No. 56 of 1986) as amended. Its main business is to promote equitable access to, and local beneficiation of, the Republic's diamonds.
Business address	OR Tambo International Airport Special Economic Zone (ORTIA SEZ PRECINCT 1), 38 Bonaero Drive, ACSA Precinct, Bonaero Park, 1619
Telephone	011 334 2691
Email	infosdt@statediamondtrader.gov.za
Website	www.statediamondtrader.gov.za
X	@SDT_RSA
Facebook	State Diamond Trader
Instagram	state-diamond-trader
YouTube	statediamondtrader
LinkedIn	State Diamond Trader
Shareholder	Government of the Republic of South Africa, Represented by the Minister of Mineral and Petroleum Resources
External auditor	Auditor-General of South Africa

ACRONYMS AND ABBREVIATIONS

The Act	Diamonds Act (Act No. 56 of 1986) as amended
AGSA	Auditor-General of South Africa
BEE	Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DMPR	Department of Mineral and Petroleum Resources
dtic	Department of Trade, Industry and Competition
EDP	Enterprise Development Programme
FVLCD	Fair Value Less Cost of Disposal
HDSA	Historically Disadvantaged South Africans
HR	Human Resources
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IDC	Industrial Development Corporation
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standards
PAA	Public Audit Act (Act No. 25 of 2004) as amended
PFMA	Public Finance Management Act (Act No. 1 of 1999) as amended
R	Rand(s)
ROM	Run of Mine
SADPMR	South African Diamonds and Precious Metals Regulator
SARS	South African Revenue Services
SDT	State Diamond Trader
SOE	State-Owned Entity
USD	United States Dollar
VAT	Value-Added Tax
VIU	Value in Use
WSP	Workplace Skills Development Plan

STATEMENT BY THE CHAIRPERSON

OF THE BOARD

Under the leadership and guidance of the Honourable Minister of Mineral and Petroleum Resources, Mr. Gwede Mantashe, the Board of the State Diamond Trader (SDT) was appointed with effect from 20 September 2024. At the time of drafting this Corporate Plan, the Board is approximately fifteen months into its three-year term. The Corporate Plan for the 2026/27 financial year is building on the foundations laid in our first year and sharpening the strategic choices required to secure the long-term sustainability of the SDT.

In developing this Corporate Plan, the Board and executive management convened a strategic workshop to reflect on progress made and to confront the realities of the operating environment. The themes that emerged confirmed that the challenges first identified remain firmly in place. Market volatility shifts in global supply and demand, unstable diamond prices, and ongoing uncertainty regarding the future of De Beers as our major supplier continue to exert pressure on the SDT's ability to fulfil its mandate in terms of the Act (Diamonds Act 56 of 1986 as amended) namely to promote equitable access to rough diamonds and to support local beneficiation. These conditions are largely external to the entity, yet they have a direct bearing on our performance.

In response, the Board has shifted from diagnosis to deliberate, measurable action. During the 2024/25 period, the SDT successfully hosted its first-ever diamond show in Cape Town in February 2024. This event created a dedicated platform for South African diamond beneficiators to engage with producers, investors and international buyers, while showcasing the capabilities of our local cutting and polishing industry. At the same time, the entity has advanced initiatives to broaden its sourcing base by progressing arrangements to procure diamonds from Botswana as a strategic response to low domestic supply. These interventions are early but important steps towards building greater resilience into our business model.

As the Board moves deeper into its term, our primary objective remains to steer the SDT through these headwinds and to entrench a sustainable operating platform. The Board has approved the review of the entity business model. The review of the business models seeks to ensure financial sustainability of the entity, explore new sources of revenue and how best to execute the mandate of the State Diamond Trader ensuring a balance between generating financial sustainability and its developmental role.

We remain committed to robust engagement with our key stakeholders, including our shareholder, local diamond producers, beneficiators, financiers and investors, foreign diamond-producing jurisdictions, scholars, academia and other relevant institutions. Platforms such as the Cape Town Diamond Show, together with cross-border collaboration on diamond supply, are integral to deepening these relationships and co-creating solutions to the challenges facing the diamond sector.

Furthermore, the Board remains steadfast in its commitment to advancing South Africa's vision of expanding local diamond beneficiation, revitalising economic growth and, in so doing, contributing to job creation and the reduction of poverty in our communities. The steps we are taking to stabilise supply, strengthen market access for local beneficiators and enhance the competitiveness of the South African diamond industry are central to this broader national agenda.

It is against this backdrop that I am pleased to present this Corporate Plan for the 2026/27 financial year, which sets out the strategic initiatives and activities the State Diamond Trader will undertake to fulfil its mandate in a challenging yet opportunity-rich environment.



Mr. Abbey Chikane
Chairperson of the Board

STATEMENT BY THE CHIEF EXECUTIVE OFFICER

It is a pleasure to present the State Diamond Trader's (SDT) Corporate Plan for the 2026/27 financial year. Despite the continued downturn in the diamond markets, the entity remains optimistic, hence the endeavour to source rough diamonds from other diamond producing countries still forms part of the entity's critical strategic intervention with the aim of enhancing revenue and increase supply of rough diamonds to the Historically Disadvantaged South Africans (HDSA) client segment.

Amidst the turbulent diamond markets the entity remains committed in facilitating transformative growth in the diamond industry and organisational sustainability. This will be achieved through facilitation of access to international markets and consistent allocation of rough diamonds to HDSA amongst other initiatives. The entity conducted a stakeholder satisfaction survey to improve how we execute our mandate to both internal and external stakeholders. An implementation plan will be put in place to address the shortcomings of the entity from the survey.

Based on the findings from Research and Development (R&D) conducted by the entity in the previous financial year, the rough diamond beneficiation industry has decreased drastically, therefore the entity will continue with its Enterprise Development Programme in partnership with other training and development institutions.

Mitigation measures to address identified risks such as decreased diamond product, lack of consistent supply of rough diamond to the entity's clients, funding, and human resources constraints will be expedited during the current financial year.

The entity has also adopted a conservative budget plan to align with the projected slow recovery of the diamond markets, however the projected revenue from diamonds bought from other diamond producing countries is set to have a positive impact on the entity's bottom line.

Furthermore, the SDT's organisational structure was reviewed and 3 (three) additional positions were approved by the Board to ensure efficient business administration and sustainability.

With the support of the Board, Management and the SDT's staff, the entity will continue to strive in fulfilling its mandate and promote the growth of the country's beneficiation industry through partnerships with the relevant stakeholders.



Ms. Nosiphiwo Mzamo
Chief Executive Officer

OFFICIAL SIGN-OFF

It is hereby certified that this Corporate Plan has been developed by the Management of the State Diamond Trader and approved by the Board. It takes into account all the relevant policies, legislation and mandates guiding the entity, for which the Department of Mineral and Petroleum Resources is responsible and accurately reflects the annual performance targets which the State Diamond Trader undertakes to achieve in the 2026/27 financial year.



Ms. Somikazi Madolo
Chief Financial Officer



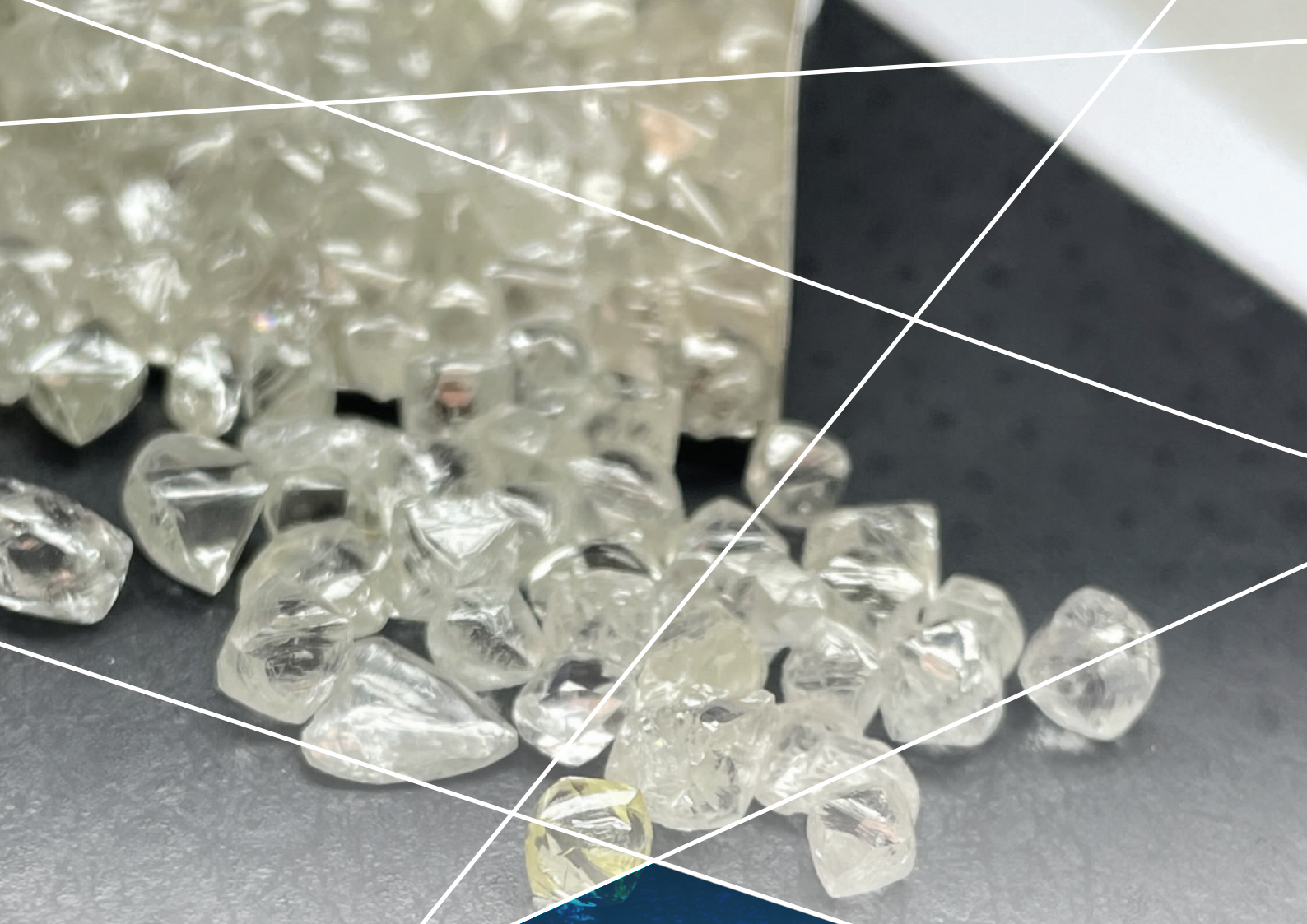
Mr. Conrad van der Ross
Operations Manager



Mr. Sihle Mhlangu
Company Secretary



Ms. Nosiphiwo Mzamo
Chief Executive Officer



PART A

OUR MANDATE

ABOUT US AND MANDATE

Who We Are

The State Diamond Trader (SDT) is a state-owned entity, established in 2007 in terms of Section 14 of the Diamonds Act (Act No. 56 of 1986) as amended, to operate in the diamond industry and to support and facilitate growth in local diamond beneficiation. The SDT is categorised as a Schedule 3B entity in terms of the Public Finance Management Act (Act No. 1 of 1999) (PFMA) as amended.

Mandate

The mandate of the State Diamond Trader is to buy and sell rough diamonds and to promote equitable access to and beneficiation of the country's diamond resources. The entity aims to grow South Africa's diamond-cutting and polishing industry by enabling and increasing the participation of HDSAs in the diamond beneficiation industry. The entity is empowered by Section 59B of the Diamonds Act, as amended, to purchase up to 10% of the run-of- mine (ROM) production from all diamond producers in South Africa. It sells to beneficiation licence holders who are registered customers.

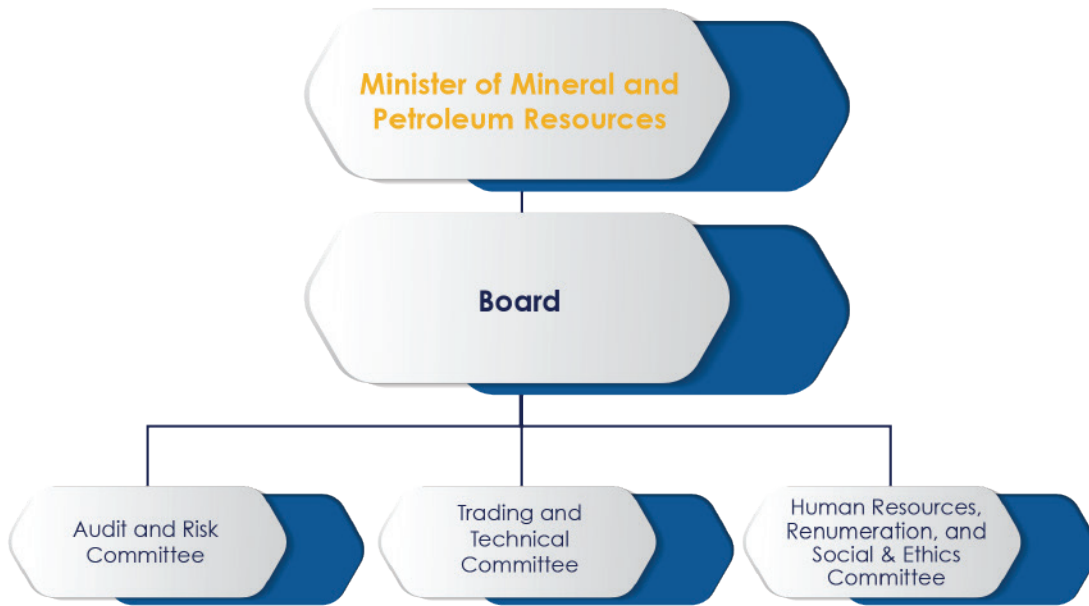


GOVERNANCE

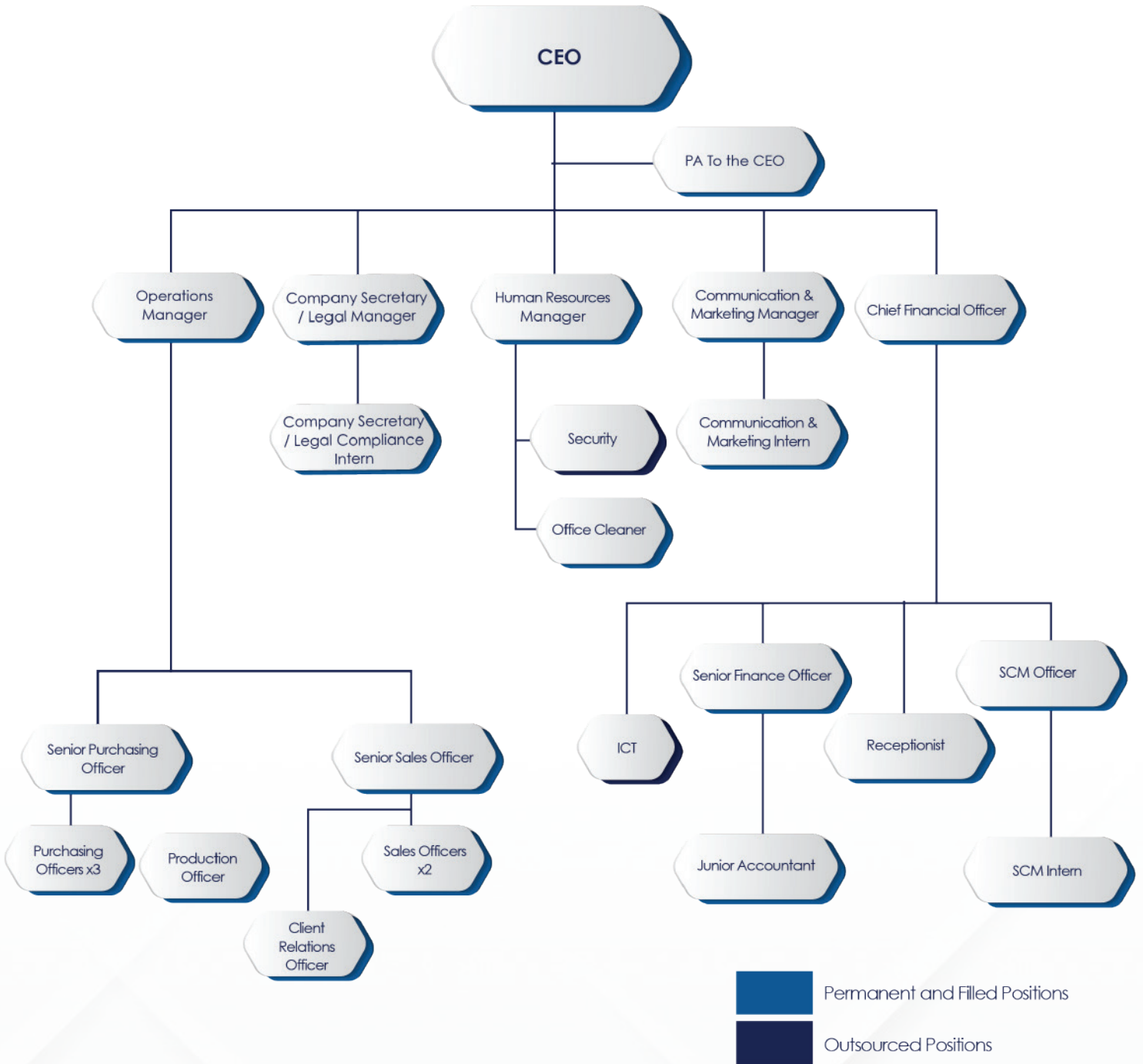
The Minister of Mineral and Petroleum Resources serves as the Executive Authority of the State Diamond Trader, with the Board acting as the Accounting Authority. The Board has appointed a Chief Executive Officer responsible for the daily operations of the business. The State Diamond Trader's mandate is realised through two key outcomes:

- First outcome: Economically feasible, transformed beneficiation of diamonds.
- Second outcome: Organisational sustainability.

Figure 1: SDT Reporting Structure

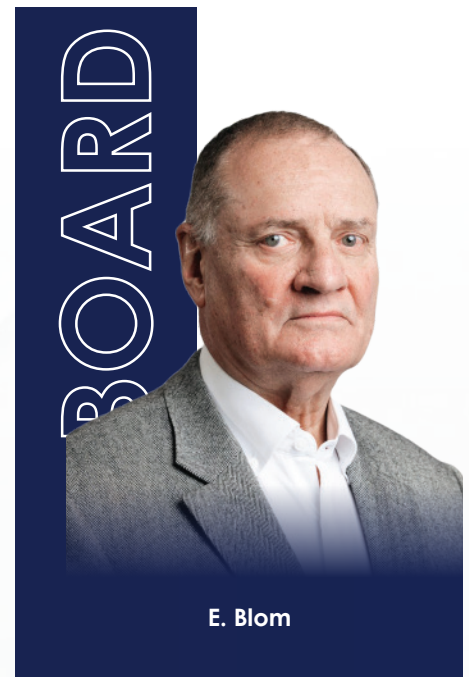


ORGANISATIONAL STRUCTURE



The Board

The Board of the State Diamond Trader is appointed by the Minister of Minerals and Petroleum Resources ("the Minister") in terms of Section 17(2) of the Diamonds Act (Act No. 56 of 1986) as amended. The Minister appointed the Board for three (3) years with effect from 20 September 2024. Before appointing the members of the Board, the Minister is required by the Act to appoint an independent selection panel in line with the requisite knowledge and understanding of issues concerning the diamond industry. The panel provides a recommendation to the Minister on suitable members to be appointed to the Board. The ultimate authority to appoint and constitute the State Diamond Trader Board rests with the Minister. Board membership is drawn from a diverse group of stakeholders from different sectors including the diamond industry as dictated by Section 17(3) of the Act. In this past financial year, Ms. Adele Rossouw resigned from the Board and Dr Aalia Cassim was appointed as a representative of the National Treasury. The current Board collectively reflects a good balance of continuity, qualifications, experience, age, race and gender as fully detailed below:



BOARD



H. Diatle

BOARD



M. Sanane

BOARD



A. Cassim

BOARD



J. Böning

BOARD



J. Hugo

BOARD



N.C. Mzamo

BOARD



N.C. Khosa

Executive Management

The Executive Management Team is responsible for ensuring the implementation and execution of the State Diamond Trader's Corporate Plan.



Ms. Nosiphiwo Mzamo

Chief Executive Officer

Area of Expertise

Geological Science, Research and Development Management, Human Resource Management and Leadership Management



Ms. Somikazi Madolo

Chief Financial Officer

Area of Expertise:

Accountancy and Auditing



Mr. Conrad van der Ross

Operations Manager

Area of Expertise:

Diamond Industry and Technical Diamond Skills



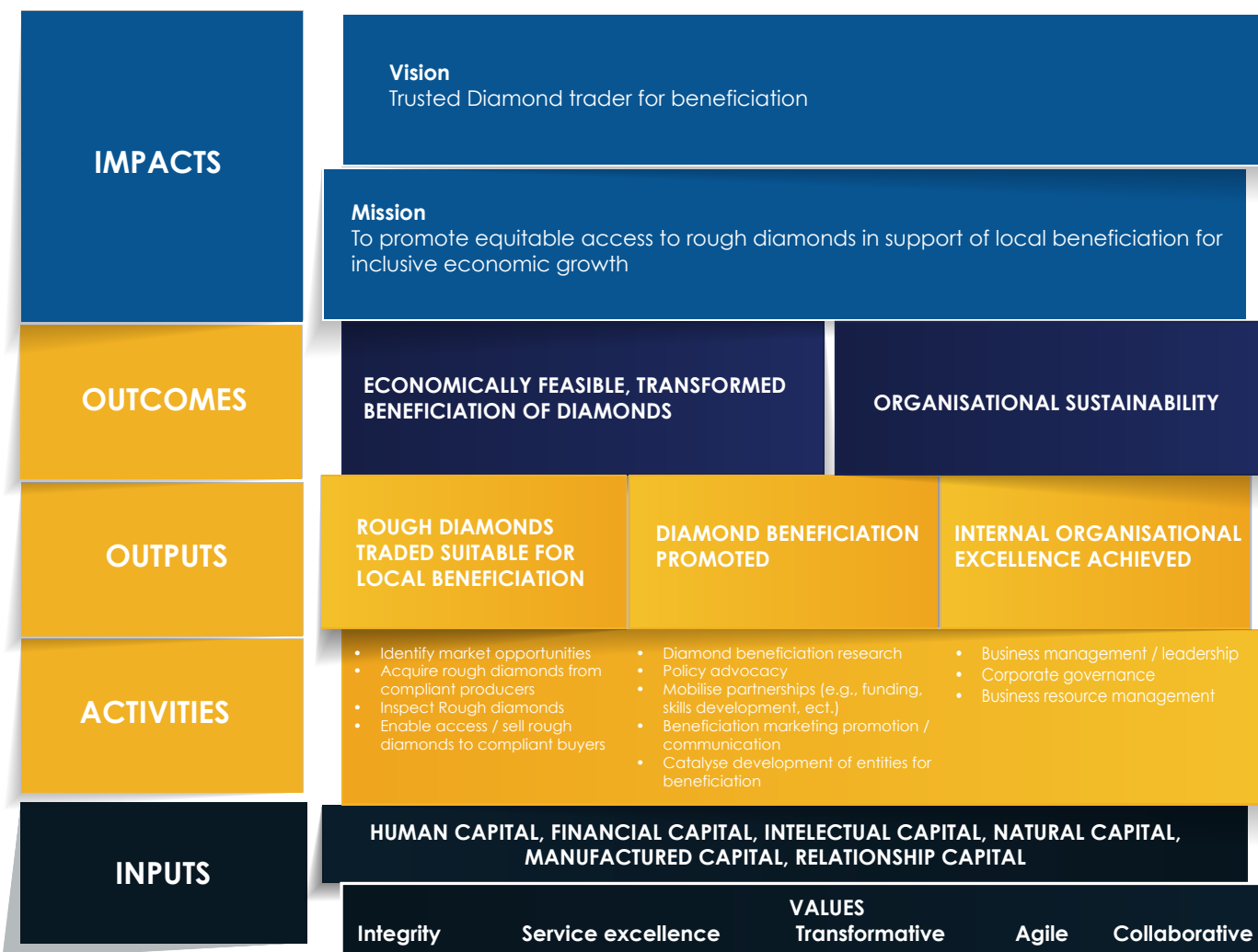
Mr. Sihle Mhlangu

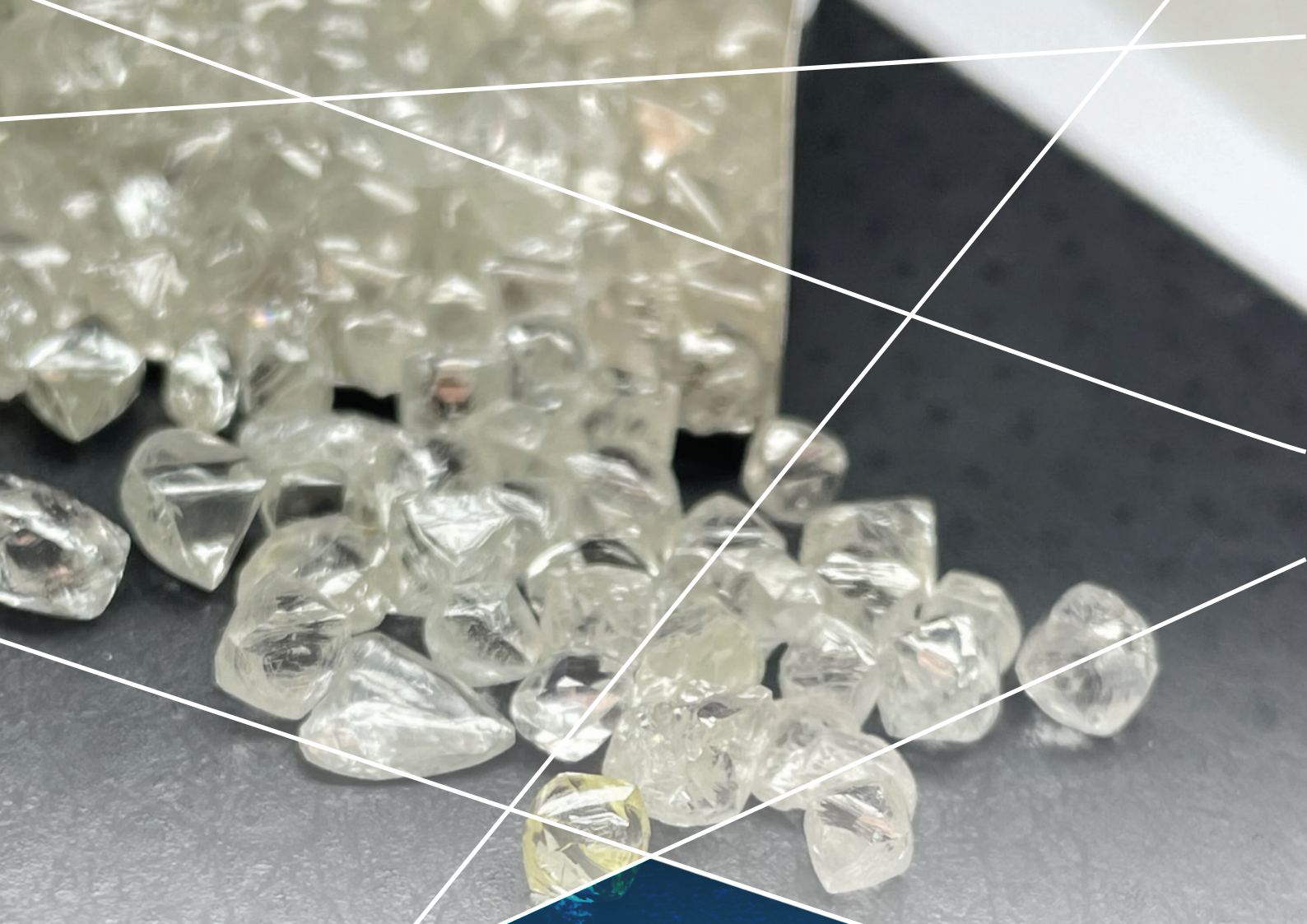
Company Secretary/Legal Manager

Area of Expertise:

Legal, Compliance and Governance

Strategic Framework





PART B

STRATEGIC FOCUS

The Diamond Market

The natural diamond industry in 2025 continued to navigate a period of structural adjustment and uneven recovery. Following the extended inventory, both producers, traders and manufacturers remain cautious in their approach. Major industry participants noted that rough diamond trading conditions at the start of 2025 remained pressured, with persistent higher-than-normal midstream inventories and soft downstream demand, particularly in China and parts of Asia. These conditions have continued to constrain rough sales and dampen polished demand, despite some seasonal improvements in markets like the United States.

A key force currently reshaping the diamond landscape is the lab-grown diamond (LGD) segment. The global market for lab-grown diamonds continues to expand, with industry forecasts estimating significant year-over-year growth and strong long-term prospects. Driven by affordability, sustainability narratives, and global inflationary pressures, many consumers prefer LGDs, challenging natural diamond pricing, mine viability, and overall demand. The lab-grown market was projected to be a multibillion-dollar market by the end of 2025. This dynamic affects the competitive positioning of natural diamonds, especially for smaller size stones where lab alternatives dominate retail demand. However, the industry is rallying together to ensure that there is a robust marketing campaign for natural diamonds to drive demand.

The industry's challenges are multifaceted and interconnected. A major uncertainty is the future ownership of De Beers, long regarded as the sector's leader. The potential sale or restructuring of the company carries far-reaching implications for the global diamond trade. The right buyer, one with a deep understanding of the diamond business, is essential to ensure market recovery and long-term profitability. Government ownership alone may not provide the strategic direction needed, leaving the industry's trajectory uncertain.

Another persistent weakness is the lack of sustained global marketing for natural diamonds. Unlike previous decades, coordinated industry-wide investment in consumer education and emotional storytelling has diminished, reducing the sector's ability to differentiate natural diamonds from lab-grown alternatives. Without renewed marketing focus, the industry risks further erosion of relevance among future generations of consumers.

Global Economic Challenges

The global economy is navigating a period of moderate growth and elevated uncertainty with direct implications for demand in luxury sectors such as diamonds. At the end of 2025, global GDP stood at 3.0% and according to the International Monetary Fund's (IMF) forecasts, it is expected to grow to only 3.1% in 2026. This reflects continued resilience, but slower momentum compared with pre-pandemic trends. Inflation is expected to decline overall, having reached 4.2% in 2025 and projected to reach 3.6% in 2026, though this varies between regions. Despite this moderation, growth remains above recession levels, supported in part by weaker currencies and some fiscal expansions, even as tariff related policy uncertainty dampens activity.

Major advanced economies face notable slowdowns. The United States, a critical driver of polished diamond demand, is forecast to grow more slowly than in previous years, with heightened policy uncertainty, trade barriers, and elevated import costs weighing on consumer confidence and spending. Higher tariff rates and bilateral trade tensions have contributed to subdued trade volumes and increased production costs across the diamond value chain, reducing investment and complicating global supply chains. The Organisation for Economic Co-operation and Development (OECD) highlights that bilateral tariff increases between the United States and key trading partners are contributing to slower trade growth and heightened inflation pressures, which can reduce discretionary spending in luxury markets.

Geopolitical Considerations

Geopolitical developments continue to exert a profound influence on the global diamond industry. One of the most significant is the evolving trade policy landscape, particularly the imposition of steep tariffs by the United States of America on Indian cut and polished diamond exports. India is the world's largest diamond cutting and polishing hub, processing roughly 90% of the global supply, making it especially vulnerable to changes in United States trade policy. The United States implemented a reciprocal tariff structure culminating in an effective 50% duty on Indian imports, which industry analysts say could cut Indian polished diamond revenues by up to 28–30% in FY2026 as buyers shift away from higher-cost supplies. These tariffs have disrupted traditional trade flows to the U.S. and are driving manufacturers to seek alternative markets and supply chain strategies. Global conflicts and geopolitical instabilities such as those linked to the Russia–Ukraine war and tensions in the Middle East driven by Israel, also contribute to market uncertainty and elevated risk premiums. Trade disruptions in critical shipping lanes can extend transit times and raise freight costs for global diamond shipments, while heightened geopolitical risk can dampen investor confidence and as a result cause disruptions in the supply chain.

Effect of Climate Change on Economic Growth in Southern Africa

Southern Africa is increasingly exposed to severe and unpredictable weather patterns driven by climate change, with growing consequences for economic stability and growth. Extreme weather events such as floods and droughts are now occurring at a significantly higher frequency than in previous decades. Events that historically occurred roughly once every ten years are now happening nearly three times per decade. This escalation in climate volatility is already reshaping risk conditions for infrastructure, production, and investment across the region. At the same time, other parts of the region experienced severe drought conditions.

This alternating pattern of flood and drought has emerged as a defining feature of the current climate cycle, placing sustained pressure on water systems, food security, and productive economic activity. These disruptions impose additional repair costs on already constrained public finances and increase delays and inefficiencies across supply chains. Conversely, prolonged drought and water scarcity are raising operating costs for mining companies, as water-intensive processes such as ore processing, dust suppression, and equipment cooling become more difficult to sustain, directly affecting production levels and profitability. For resource-dependent economies such as South Africa and its neighbours, managing climate risk is becoming a central economic priority. Strengthening infrastructure resilience, improving water management, and integrating climate risk into operational planning will be critical to mitigating further economic and sector-specific losses.

Local Economic Concerns

South Africa's economic performance in 2025 was characterised by slow but improving momentum. Growth remained constrained, with the economy expanding by just 0.8% in the second quarter, and full-year GDP growth tracking close to 1.0–1.2%, broadly in line with IMF expectations. This underperformance persisted despite a more supportive global environment, where world output growth was revised upwards to 3.2% for 2025. Domestically, improved electricity availability, easing inflation, and a strong agricultural season provided critical support, while the rand strengthened by approximately 8% against the US dollar, helping to contain imported inflation. Interest rates also began to ease meaningfully, with the South African Reserve Bank (SARB) delivering 100 basis points of cuts during 2025, improving financial conditions for households and businesses.

The outlook for 2026 is cautiously more optimistic. The SARB forecasts GDP growth of 1.4%, up from an estimated 1.2% in 2025, reflecting firmer underlying momentum driven by energy stability, logistics improvements, and a more credible policy environment. SARB is expected to cut rates by a further 50 basis points in 2026, extending the easing cycle. The transition from 2025 to 2026 signals a move from economic stabilisation toward gradual recovery. While growth remains well below the $\pm 5\%$ level economists associate with sustainable job creation, improving macroeconomic fundamentals, stronger equity market performance (with the JSE All Share Index up 35% year-to-date), and a stable currency around R17/US\$ provide a more constructive platform. The challenge for 2026 will be converting these gains into durable, broad-based growth through continued reform execution, infrastructure delivery, and policy consistency.

Industry Reaction to Global and Local Economic Pressures

The industry's response reflects broader economic concerns: slow domestic growth and softer global demand for luxury goods have dampened both production and sales returns. South African producers, alongside peers in Botswana and Namibia, have been responding to weaker demand, built-up inventories, and lower prices by adjusting production strategies. A key strategic move has been South Africa's participation in a global marketing initiative in which diamond producers agree to contribute a small percentage of sales revenue to boost the profile of natural diamonds. At the corporate level, De Beers – one of the world's most influential diamond operators – pulled back production in early 2025, and has taken bold steps such as selling down existing rough diamond stockpiles at lower price points to stimulate sales.

South African Diamond Industry Outlook into 2026

Looking into 2026, the South African diamond sector's recovery and growth trajectory will largely depend on three factors:

1. Global demand stabilisation: A more stable or rebounding global economy – especially in key luxury markets like the US, EU, and China – could support price recovery and sales growth.
2. Accessing new markets: With all the instability amongst traditional markets, it is imperative to seek and access new markets to supplement lacklustre growth in traditional markets.
3. Marketing positioning strategies: Industry initiatives to better differentiate natural diamonds through branding, traceability, and value communication will be critical in defending market share.

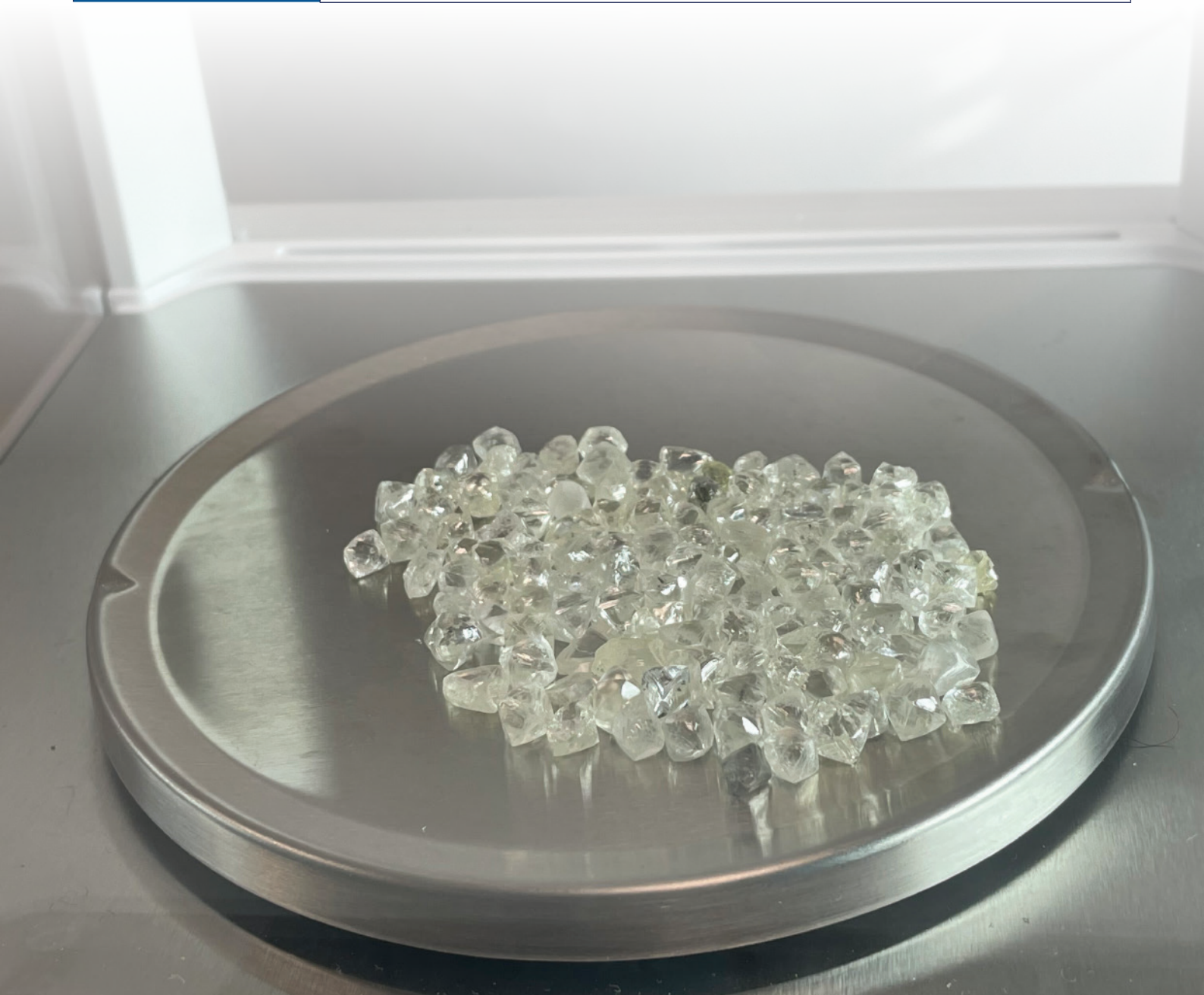
If these conditions can be met, South African producers may slowly stabilise or increase production and improve revenues. This in turn will have a positive impact on the beneficiation sector of the industry. However, failing to adapt to structural changes in consumer preferences could lead to further pressure on volumes and pricing into 2026 and beyond.

STEEPLED ANALYSIS

(EXTERNAL SITUATIONAL ANALYSIS)

Variable	Considerations for SDT
SOCIAL	<ul style="list-style-type: none"> Challenges relating to the combination of poverty and inequality High levels of crime, vandalism, illegal mining practices and unrest Growing need for empowerment of vulnerable groups, especially women and youth Changes in consumer preference and/or attitudes (such as lab diamonds) Low levels of skills, education, or expertise
TECHNOLOGICAL	<ul style="list-style-type: none"> Wide availability of digital devices High cost of technology Future technologies (such as AI, digital platforms, big data) Advances in diamond related technology (such as traceability, diamond finger printing, cutting, polishing, sorting, valuing, and synthetic detection) Synthetic diamond technology Block chain technology Leveraging strategic technology partnerships High levels of cyber crime New way of work Drive for digitisation
ECONOMIC	<ul style="list-style-type: none"> Fluctuating rand/US\$ exchange rate impacting on competitiveness of South African rough diamonds Potential of BRICS currency in diamond trading Trading in local currency Economic downturn in global diamond markets Mining closures resulting in illegal mining and community unrest Low South African economic growth Decrease in diamond production Decreased investment and/or lending Escalating cost of electricity Growing demand for sustainable development considerations High unemployment Policy uncertainty The decline in direct foreign investment in the mining sector The lack of development of new mining pipelines Uncertainty relating to the proposed sale of De Beers, given its significance as a supplier Increasing demand for lab grown diamonds High global inflation and/or high interest rates Declining diamond industry Fluctuating rough diamond prices Fluctuating polished diamonds demand Failing public infrastructure Buyers' inability to access funding Inconsistent supply of rough diamonds Inadequate access to market for buyers VAT legislation administration Import and export levies Changes in global economic trading tariffs Geopolitics
ENVIRONMENTAL	<ul style="list-style-type: none"> Environmental sustainability concerns for responsible diamond mining (such as climate change and pollution) Growing need for compliance to environmental regulations Energy transition to renewable energy

Variable	Considerations for SDT
POLITICAL	<ul style="list-style-type: none"> • Changing political priorities and policy uncertainties • Need to address vulnerable and excluded groups • Geopolitical tension (such as war, G7 restrictions, USA tariffs) • Emergence of BRICS+ • Perceived political instability of the GNU • International relations instability • Threatened UN structures (such as ICJ) • Sanctions
LEGAL	<ul style="list-style-type: none"> • Government regulations impacting on SDT operations • Delays in Diamond Act amendments • Growing need for legislative compliance • International trade agreements legal frameworks impacting on SDT operations
ETHICAL	<ul style="list-style-type: none"> • Illegitimate practices (such as fraud, corruption and money laundering) • Compliance with Kimberley Process Certification • Inadequate consequence management for unethical conduct • Illegal diamond trading
DEMOGRAPHIC	<ul style="list-style-type: none"> • Youth moving into employment • Rapid urbanisation • District development model • Generational perceptions regarding natural diamonds



SWOT ANALYSIS

(INTERNAL SITUATIONAL ANALYSIS)

Strengths (Areas to build on)	Weaknesses (Areas to be developed)
<p>Rough diamonds traded suitable for local beneficiation</p> <ul style="list-style-type: none"> Identifying market opportunities Acquiring rough diamonds from compliant producers Inspecting rough diamonds <p>Diamond beneficiation promotion</p> <ul style="list-style-type: none"> Beneficiation marketing promotion and/or communication <p>Business management and/or leadership</p> <ul style="list-style-type: none"> Strategic positioning Business performance management Stakeholder relations management Corporate communication and/or branding <p>Corporate governance</p> <ul style="list-style-type: none"> Compliance management Audit, risk and assurance management Governance structures <p>Resource management</p> <ul style="list-style-type: none"> Financial management 	<p>Rough diamonds traded suitable for local beneficiation</p> <ul style="list-style-type: none"> Enabling access and/or selling rough diamonds to compliant buyers <p>Diamond beneficiation promoted</p> <ul style="list-style-type: none"> Diamond beneficiation research Policy advocacy Mobilise partnerships Catalyse development of entities for beneficiation <p>Business management and/or leadership</p> <ul style="list-style-type: none"> Organisation culture development <p>Corporate governance</p> <ul style="list-style-type: none"> Ethics, disclosure, transparency <p>Resource management</p> <ul style="list-style-type: none"> Human capital management Technology management Information and/or knowledge management
Opportunities (In Priority Order)	Threats (In Priority Order)
<ul style="list-style-type: none"> International trade agreements legal frameworks impacting on SDT operations Compliance with Kimberley Process Certification Advances in diamond related technology Emergence of BRICS+ New way of work Growing demand for sustainable development considerations Growing need for empowerment of vulnerable groups, especially women and youth 	<ul style="list-style-type: none"> Decrease in diamond production Economic downturn in global diamond markets Inconsistent supply of rough diamonds Buyers' inability to access funding Delays in Diamond Act amendments Fluctuating rough diamond prices Fluctuating rand/US\$ exchange rate impacting on competitiveness of South African rough diamonds Changes in consumer preference and/or attitudes (lab diamonds) VAT legislation

IMPACT STATEMENT

Sustainable diamond beneficiation for inclusive economic growth

STRATEGIC OBJECTIVES AND PERFORMANCE INDICATORS

The entity has based its strategic focus on two outcomes:

Outcome 1: Economically feasible, transformed beneficiation of diamonds

The purpose of Outcome 1 is to ensure that the activities of the entity are linked to its core mandate as provided for in the Diamonds Act which is to ensure that there is equitable access to rough diamonds for beneficiation and to transform the diamond industry by making it inclusive. The key outputs are to ensure that there are rough diamonds traded, suitable for local beneficiation, and promoted

Outcome	Outputs	Output Indicators	Annual Targets						
			Audited/Actual Performance			Estimated Performance	MTEF Period		
			2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Economically feasible, transformed beneficiation of diamonds	Rough diamonds traded suitable for local beneficiation	1.1 Percentage of rough diamonds purchased, inspected	5.8%	4%	5%	6%	4%	6%	6%
		1.2 Number of producers bought from	13	15	18	20	25	25	25
		1.3 Percentage of development support initiatives to HDSA clients implemented versus planned	-	-	-	-	70%	75%	80%
		1.4 Number of carats of rough diamonds supplied by the SDT to beneficiators	-	-	-	-	133 000	139 000	146 000
	Diamond beneficiation promoted	1.5 Number of industry research reports provided	-	-	-	2	2	2	2
		1.6 Percentage access to market initiatives implemented versus planned	-	-	-	80%	80%	80%	80%
		1.7 Percentage of Enterprise Development Programme milestones achieved as per approved annual plan	-*	80%	100%	80%	80%	80%	80%

-* The target is new and has no baseline

Outcome 2: Organisational sustainability

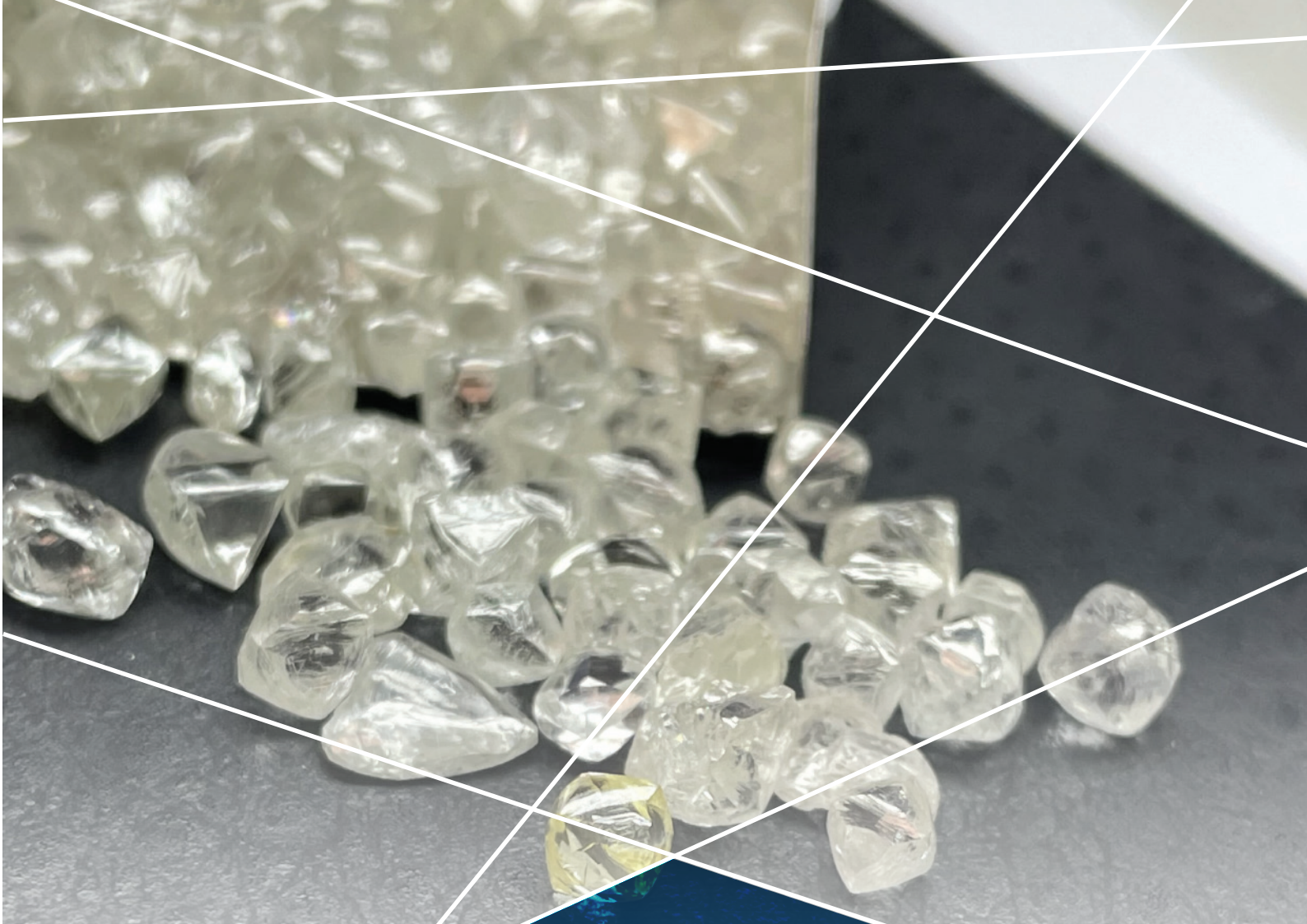
Outcome 2 aims to ensure the entity's sustainability by developing various business units that are critical to the functioning of the State Diamond Trader.

The key measures that will drive organisational sustainability are achieving business leadership excellence, growing human capital excellence, financial management, and improved technology and information knowledge management, which will be tracked through the monitoring of key output indicators.

Outcome	Outputs	Output Indicators	Annual Targets						
			Audited/Actual Performance			Estimated Performance	MTEF Period		
			2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Organisational sustainability	Business management / leadership excellence achieved	2.1 Audit opinion	-	-	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
		2.2 Percentage of the implementation of the annual Combined Audit Action Plan	100%	73%	80%	80%	90%	95%	95%
		2.3 Percentage of corporate communication plan implemented versus planned	-	100%	100%	80%	85%	90%	95%
		2.4 Percentage of organisation culture / staff satisfaction improvement initiatives implemented versus planned	-	-	-	80%	80%	80%	80%
		2.5 Percentage of stakeholder satisfaction improvement initiatives implemented versus planned	-	-	-	New baseline	50%	75%	80%
	Corporate governance excellence achieved	2.6 Percentage of the risk maturity improvements implemented versus planned	-	-	-	New baseline	75%	80%	80%
		2.7 Percentage Board improvement initiatives implemented versus planned	-	-	-	New baseline	80%	80%	80%
	Human capital management excellence achieved	2.8 Percentage of approved positions filled	-	-	90%	90%	90%	90%	90%
		2.9 Percentage implementation of WSP	-	-	80%	80%	80%	80%	80%

Outcome	Outputs	Output Indicators	Annual Targets						
			Audited/Actual Performance			Estimated Performance	MTEF Period		
			2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Financial management excellence achieved	2.10 Ratio of working capital	-	≥5:1	≥5:1	≥2:1	≥2:1	≥2:1	≥2:1	
	2.11 Percentage variance on operational budget spent	-	-	≤5%	≤5%	≤5%	≤5%	≤5%	
Technology management excellence achieved	2.12 Percentage of digital transformation plan implemented versus planned	-	-	50%	60%	70%	80%	80%	
Information / knowledge management	2.13 Percentage knowledge management improvement initiatives implemented versus planned	-	-	70%	75%	80%	85%	85%	





PART C

FINANCIAL PLAN

FINANCIAL PLAN: FY2026/27 to FY2030/31

Projected Statement of Profit or Loss

	Statement of Profit or Loss									
	Actual	Actual	Forecast	Budget						
	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31		
Revenue - Foreign Purchases	-	-	-	284 990 192	313 489 211	344 838 132	379 321 945	417 254 140		
Revenue - Local	631 455 104	334 478 623	339 318 371	321 024 000	353 126 400	388 439 040	427 282 944	470 011 238		
Total Revenue	631 455 104	334 478 623	339 318 371	606 014 192	666 615 611	733 277 172	806 604 889	887 265 378		
Cost of Sales - Foreign Purchases	-	-	-	(273 590 584)	(300 949 643)	(331 044 607)	(364 149 067)	(400 563 974)		
Cost of Sales - Local	(621 449 729)	(322 713 589)	(326 014 477)	(307 200 000)	(337 920 000)	(371 712 000)	(408 883 200)	(449 771 520)		
Total Cost of Sales	(621 449 729)	(322 713 589)	(326 014 477)	(580 790 584)	(638 869 643)	(702 756 607)	(773 032 267)	(850 335 494)		
Gross Profit (Foreign Purchases)	-	-	-	11 399 608	12 539 568	13 793 525	15 172 878	16 690 166		
Gross Profit (Local)	10 005 375	11 765 034	13 303 894	13 824 000	15 206 400	16 727 040	18 399 744	20 239 718		
Gross Profit (Total)	10 005 375	11 765 034	13 303 894	25 223 608	27 745 968	30 520 565	33 572 622	36 929 884		
GP Margin %	2%	4%	4%	4%	4%	4%	4%	4%		
Other Income	360 267	1 251 995	527 708	1 267 054	787 907	791 846	795 806	799 785		
Total Operating Costs	(27 461 101)	(37 022 569)	(33 770 552)	(38 181 452)	(38 876 148)	(40 431 194)	(42 048 442)	(43 730 379)		
Salaries	17 287 507	16 893 273	20 451 125	22 375 464	23 270 483	24 201 302	25 169 354	26 176 128		
Leases	143 279	116 145	212 494	225 244	234 253	243 623	253 368	263 503		
Computer and other IT costs	926 493	930 357	972 071	962 350	1 053 598	1 095 742	1 139 572	1 185 155		
Travel	3 585 401	5 352 086	3 871 107	3 150 000	3 276 000	3 407 040	3 543 322	3 685 054		
Project costs/Consulting Fees	224 385	1 126 491	1 400 082	4 449 234	3 671 696	3 818 564	3 971 306	4 130 159		
Marketing - Exhibitions and Shows	1 757 115	6 584 126	1 619 031	2 076 417	2 180 238	2 267 447	2 358 145	2 452 471		
Other operating costs	1 465 746	3 588 972	2 684 166	2 170 688	2 279 223	2 370 391	2 465 207	2 563 815		
Professional Fees	2 071 175	2 431 119	2 560 475	2 772 055	2 910 657	3 027 084	3 148 167	3 274 094		
EBITDA	(17 095 459)	(24 005 540)	(19 938 951)	(11 690 790)	(10 342 273)	(9 118 783)	(7 680 014)	(6 000 711)		
D&A	(1 472 972)	(1 409 934)	(1 466 331)	(1 524 985)	(1 585 984)	(1 649 423)	(1 715 400)	(1 723 401)		
EBIT	(18 568 431)	(25 415 474)	(21 405 282)	(13 215 775)	(11 928 257)	(10 768 206)	(9 395 415)	(7 724 112)		
Interest Income	9 233 054	9 032 820	6 464 988	7 111 487	7 822 635	8 604 899	9 465 389	10 411 928		
Finance Cost - Lease	(1 017 654)	(1 003 846)	(931 315)	(838 184)	(670 547)	(536 437)	(429 150)	(343 320)		
EBT	(10 353 031)	(17 386 500)	(15 871 609)	(6 942 471)	(4 776 168)	(2 699 744)	(359 176)	2 344 496		
Net Profit(Loss)	(10 353 031)	(17 386 500)	(15 871 609)	(6 942 471)	(4 776 168)	(2 699 744)	(359 176)	2 344 496		

FINANCIAL PLAN: FY2026/27 to FY2030/31

Projected Statement of Financial Position

Statement of Financial Position						
	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031
	8 442 506	9 286 756	11 793 425	12 029 294	12 510 466	13 010 884
NON CURRENT ASSETS						
PP&E	8 442 506	9 286 756	11 793 425	12 029 294	12 510 466	13 010 884
Total Non Current Assets	8 442 506	9 286 756	11 793 425	12 029 294	12 510 466	13 010 884
CURRENT ASSETS						
Inventory		717 119	819 723	858 977	939 679	1 036 741
Trade receivables	33 254 317	34 102 049	22 035 729	11 089 929	1 312 881	390 499
Cash and equivalents	89 797 668	81 753 640	89 929 004	98 921 905	108 814 095	112 275 030
Total Current Assets	123 051 985	116 572 808	112 784 456	110 870 811	111 066 655	113 702 270
Total Assets	131 494 491	125 859 564	124 577 882	122 900 105	123 577 121	126 713 154
EQUITY AND LIABILITIES						
Equity	113 243 282	104 685 122	104 095 274	102 540 235	103 492 950	107 081 733
LIABILITIES						
NON CURRENT LIABILITIES						
Lease liabilities	10 237 686	10 538 981	8 705 779	7 323 060	5 656 676	3 669 240
Total Non Current Liabilities	10 237 686	10 538 981	8 705 779	7 323 060	5 656 676	3 669 240
CURRENT LIABILITIES						
Trade Payable	7 293 586	8 022 944	8 825 238	9 707 762	10 678 539	11 746 392
Lease liabilities	719 938	912 517	1 132 590	1 382 718	1 666 383	1 987 435
Incentive bonus provision	-	1 700 000	1 819 000	1 946 330	2 082 573	2 228 353
Total Current Liabilities	8 013 523	10 635 461	11 776 828	13 036 810	14 427 495	15 962 181
Total Liabilities	18 251 209	21 174 442	20 482 607	20 359 870	20 084 171	19 631 421
Total Liabilities & Equity	131 494 491	125 859 564	124 577 881	122 900 105	123 577 121	126 713 154

FINANCIAL PLAN: FY2026/27 to FY2030/31

Projected Statement of Cash Flows

Cash Flow Statement					
	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031
Cash flows from operations					
Cash generated from operations	(14 536 849)	971 900	1 656 790	2 479 177	(3 974 597)
Interest received	9 313 594	9 406 730	9 688 932	9 979 599	10 278 987
Interest paid - Lease	(838 184)	(670 547)	(536 437)	(429 150)	(343 320)
Net cash from operating activities	(6 061 439)	9 708 083	10 809 284	12 029 626	5 961 071
Cash flows from investing activities					
Additions to property, plant and equipment	(850 000)	(150 000)	(150 000)	(150 000)	(150 000)
Net cash flows from investing activities	(850 000)	(150 000)	(150 000)	(150 000)	(150 000)
Cash flows from financing activities					
Revolving Credit Facility Drawn					
Revolving Credit Facility Repaid					
Repayment of lease liabilities	(1 132 589)	(1 382 719)	(1 666 384)	(1 987 436)	(2 350 136)
Net cash flows from financing activities	(1 132 589)	(1 382 719)	(1 666 384)	(1 987 436)	(2 350 136)
Net increase/(decrease) in cash and cash equivalents	(8 044 028)	8 175 364	8 992 900	9 892 190	3 460 935
Cash and cash equivalents at beginning of the period	89 797 668	81 753 640	89 929 004	98 921 905	108 814 095
Cash and cash equivalents at end of the period	87 015 457	89 929 004	98 921 905	108 814 095	112 275 030
Net Income / (loss) before taxation	(6 942 471)	(4 776 168)	(2 699 744)	(359 176)	2 344 496
Adjusted for:					
- depreciation	1 716 525	1 718 241	1 719 959	1 721 679	1 723 401
- non cash item - operating lease (straight lining)					
- interest expense - Lease	838 184	670 547	536 437	429 150	343 320
- interest received	(9 313 594)	(9 406 730)	(9 688 932)	(9 979 599)	(10 278 987)
- prior month adjustments					
- other income					
Adjusted net loss before taxation	(13 701 357)	(11 794 110)	(10 132 279)	(8 187 946)	(5 867 770)
Changes in working capital:					
- decrease/(increase) in trade and other receivables	(847 732)	12 066 320	10 945 800	9 777 048	922 382
- decrease/(increase) in inventory	(717 119)	(102 604)	(39 255)	(80 701)	(97 062)
- (decrease)/increase in trade and other payables	729 359	802 294	882 524	970 776	1 067 854
	(835 492)	12 766 010	11 789 069	10 667 123	1 893 174
Cash generated from operations	(14 536 849)	971 900	1 656 790	2 479 177	(3 974 597)

FINANCIAL PLAN: FY2026/27 to FY2030/31

Projected Capital Expenditure

PROJECTED CAPITAL EXPENDITURE OF THE STATE DIAMOND TRADER FOR A FIVE YEAR PERIOD						
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Computer Equipment	103 946	150 000				
Furniture and Fittings		150 000	150 000	150 000	150 000	150 000
Building Improvements						
Diamond Equipment and Machinery	15 120	550 000				
Total	119 066	850 000	150 000	150 000	150 000	150 000

Budget Assumptions

PROJECTED STATEMENT OF PROFIT OR LOSS CHANGES: FY2026/27 % FY2025/26 COMPARISON			
Budgeted Items	FORECAST FY2025/26	BUDGET FY2026/27	% Change
	R'M	R'M	
Revenue - Foreign Purchases	0	284.99	N/A
Revenue - Local	339.32	321	-5%
Total Revenue	339.32	606.01	+80%
Cost of Sales - Foreign Purchases	0	(273.59)	0
Cost of Sales - Local	(326.01)	(307.20)	N/A
Total Cost of Sales	(326.01)	(580.79)	+78%
Gross Profit - Foreign Purchases		11.40	N/A
Gross Profit Local	13.30	13.82	+4%
Total Gross Profit	13.30	25.22	+90%
Other Income	0.53	1.27	+140%
Total Operating Costs	33.77	38.18	+13%
Salaries	20.45	22.38	+9%
Leases	0.21	0.23	+6%
Computer and other IT costs	0.97	0.96	(1%)
Travel	3.87	3.15	(19%)
Project costs/Consulting Fees	1.4	4.5	+218%
Marketing - Exhibitions and Shows	1.61	2.1	+28%
Other operating costs	2.68	2.17	-19%
Professional Fees	2.56	2.77	+8%
EBITDA	-21.41	-13.22	-38%
Depreciation	1.47	1.57	+4%
Interest Income	6.46	7.11	+10%
Finance Costs	(0.93)	(0.84)	-10%
Net Profit (Loss)	-15,87	-6,94	-56%

FINANCIAL PLAN: FY2026/27 to FY2030/31

REVENUE (FOREIGN PURCHASES)

- Revenue (Foreign Purchases) initiates in FY2026/27 at R284.9 M, following the commencement of diamond purchases from Botswana. This category grows significantly, reaching R417 M by FY2030/31, reflecting the scaling up of foreign sourcing to address local supply gaps.
- State Diamond Trader was able to conclude on its first purchase from ODC in December 2025. Two parcels of rough diamonds were purchased to the value of R17M, and these was sold to one client.
- The entity has also received written confirmation from clients in relation to their demand for ODC goods.
- The demand from clients exceeds the initial indication from ODC, and therefore, State Diamond Trader's strategy is to look at Namibia as the second foreign country.
- Although State Diamond Trader is currently buying from ODC through auctions, it is expected to become a strategic partner and therefore will get direct allocation at more favourable pricing.
- It is estimated that State Diamond Trader will be able to acquire and sell two parcels per cycle at an estimated value of R40M per cycle.

LOCAL REVENUE: -5% Decrease

- The two largest producers (De Beers and Petra) have indicated that estimated production levels for 2026 will be like 2025 levels, with possibilities of slight increases.
- There is strong demand from clients for rough diamonds, albeit it being in selective sizes, the assumption is that the demand in rough diamonds weighing less than 4ct will improve in 2026 as demand improved in the latter part of 2025.
- The increased demand on the rough diamonds weighing less than 4ct forecasted for 2026/2027 is premised on the fact that although the market will be cautious, manufacturers will look to restock after the December improvement in retail sales.
- US consumer spending surged in December as the holiday shopping season continued. Revenue improved 1.2% compared to November and 3.5% year on year. Jewellery sales rose 6% year on year and increased 2% from the previous month.
- The liquidation of Ekapa mines and Belton Park being on care and maintenance have a huge impact on SDT local sales hence the decrease.
- SADPMR has implemented a new strategy for the verification of fair market determination and came into effect in March 2026.

COST OF SALES: FOREIGN PURCHASES

- Cost of sales reflect purchase and importation costs for Botswana rough diamonds, including logistics, levies, duties, foreign exchange differences and compliance.

COST OF SALES: LOCAL - 6% Decrease

- Cost of Sales has decreased by 6%, considering some producers are entering liquidation, therefore there are less goods that SDT will have access to.

GROSS PROFIT: +90 % Increase

Assumption: Foreign purchases was not budgeted for in 2025/2026.

Gross Margin increase is attributed to acquiring more rough diamonds from ODC with a GM% of 4% for foreign and 4,5% for local acquisitions.

FINANCIAL PLAN: FY2026/27 to FY2030/31

OTHER OPERATING INCOME: +140% Increase

Assumption: Anticipated MQA funding for Interns and Trainees will be received during FY2026/27.

TOTAL OPERATING COSTS: +13% Increase

Assumption: Growth supports expansion into African markets, with investment in personnel, systems, and marketing.

SALARIES: 9% Increase

Assumption:

The budgeted increase in salary costs is due to the following:

- Annual Cost of living adjustment of 4%.
- Filling in two positions for the Operations Department that have been vacant for the past two years.
- Three new positions that were approved by the Board in 2025.
- Contingency for organisational structure review.

LEASE - SERVICE FEES: +6% Increase

Lease Service Fees represent service fees to be paid to GIDZ. The capital portion of the lease payments is treated as a reduction of the lease liability and is reflected in the cash flow in accordance with IFRS 16. This capital portion does not affect the Statement of Profit or Loss. Interest portion in the lease payments is included in the Statement of Profit or Loss, presented after EBITDA.

ICT COSTS: -1% Decrease

ICT costs relate to expenses to be incurred for outsourced ICT services, and these are projected to decrease by 1% in FY2026/27 due to future insourcing of ICT personnel during FY2026/27. It is expected that overtime ICT outsourced costs will decrease as the in-house resources will handle some of the tasks that were handled by the ICT service provider.

TRAVEL COSTS: -19% Decrease

Travel costs relate to local and international travel for inspections and sourcing of rough diamonds locally and internationally, exhibitions, and industry events. International travel includes anticipated travel costs to other countries for buying rough diamonds. Outer Years: Steady annual increases with expanding operations.

PROJECT COSTS AND CONSULTING FEES: +218% Increase

Assumption:

These strategic projects are designed to enhance the entity's operational efficiency and facilitate its ongoing transformation. The Business Model Review represents a one-time expense that will be incurred solely in the current financial year. Additionally, as the entity will be procuring diamonds internationally, specialised software is required to replace the existing manual system. These two factors are contributing to the increase in overall project costs. Furthermore, an application has been submitted to the MQA to secure funding for the Enterprise Development Project.

Project Costs/Consulting Fees Description	Amount
HR Projects	R150 000
Enterprise Development Project	R940 000
Compliance and Legal Strategic Projects	R609 234
Business Model Review	R1 000 000
Valuation Software	R1 500 000
Financial Systems Enhancements: Caseware, SAGE and Tax Consultants	R250 000
Total	R4 449 234

FINANCIAL PLAN: FY2026/27 to FY2030/31

MARKETING: +28% Increase

Assumption: The increase is primarily due to expenses related to the Hong Kong show. Client contributions toward the purchase of the exhibition stand for the Hong Kong show are accounted for as both income and expenditure, resulting in offsetting entries. Marketing budget comprises of Mining Indaba, Publications (Annual Report and Corporate Plan), other branding and marketing activities to promote diamond beneficiation.

OTHER OPERATING COSTS: -19% Decrease

Assumption: Higher office running costs in relation to Water and Electricity, Repairs and Maintenance, insurance, training, and bursaries. Increase in line with inflation and changing business needs. Other operating expenses include the following:

Description	Amount
General Office Expenses	R300 844
Water and Electricity	R350 440
Security Services	R450 000
Office Supplies	R82 860
Bursaries	R500 000
Training and Development	R150 000
Insurance	R336 544
Total	R2 170 688

PROFESSIONAL FEES: +8% Increase

Assumption: Statutory Fees: Audit and Board Fees. Increase in line with inflation. AGSA did not increase fees in FY2024/25 audit, it is assumed that the increase will be effected in FY2026/27. Professional Fees include the following:

Description	Amount
Board Fees	R970 455
AGSA	R1 102 500
Internal Audit	R699 100
TOTAL	R2 772 055

EBITDA: 38% Improvement

Assumption: Improved due to increased revenue and gross profit.

DEPRECIATION: +4% Increase

Assumption: Low increase. Stable, with minor additions to fixed assets.

INTEREST INCOME: +10% Increase

Assumption: 10% increase in returns from cash investments, despite drawdowns

FINANCE COSTS: -10% Decrease

Assumption: Finance costs are expected to decrease by 10% in line with the decrease in lease liability.

NET PROFIT: +56 % improvement in net profit due to revenue increases

PROJECTED STATEMENT OF FINANCIAL POSITION

Working Capital Changes: FY2025/26: FY2026/27

Inventory increases to R717 Thousand in FY 2025/26 to R819 Thousand in FY 2026/27, due to the foreign purchases.

FINANCIAL PLAN: FY2026/27 to FY2030/31

Trade Receivables: Slight increase in trade receivables from R33 M in FY2025/26 to R34 M in FY2026/27, reflecting expected higher advance payments to producers.

Cash & Equivalents: Decrease from R89 M to R82 M, mainly due to increased working capital requirements.

Trade Payables: Increase from R7.3 M to R8 M due to expected increase in prepayments from clients.

The movement in working capital components between FY2025/26 and FY2026/27 is directly linked to SDT's operational strategy, particularly the Botswana Project's effect on receivables and payables cycles. Despite a decrease in cash reserves, liquidity is supported through efficient inventory turnover and alignment of advance payments. The strategy remains focused on maintaining a short working capital cycle, though external factors may temporarily extend this period. The anticipated increase in Trade Receivables and Payables primarily relates to longer cycles for the Botswana Project, driven by extended transit, customs, and compliance requirements. Cash conversion cycle is expected to be from 15-30 days.

Projected Statement of Cash Flow

During the financial year 2026/27, it is anticipated that SDT's cash and cash equivalents will total R89 M. The cash reserves will experience a fluctuation in the outer financial years. The strategy of maintaining cash reserves for the SDT will guarantee a stable financial position, which will enable the organisation to manage unexpected expenses and downturns in the diamond industry with flexibility.

Operating Activities: (R14,5 M)

- Cash generated from operations is anticipated to be negative in FY2026/27 mainly driven by an adjusted net loss and working capital changes. Overall, the cash flow reflects a net outflow from operations, reflecting both the investment in working capital and the negative net profit.
- Interest received: R9,3 M: Higher interest income, due to cash balances at the start of the year, offset some operational cash outflows.
- Interest paid (lease): R838 Thousand: Lease interest expenses matched income statement figures and are included after EBITDA per IFRS16.

Investing Activities

Additions to property, plant, and equipment: R850,000

- Reflects continued investment in fixed assets, consistent with the increase in non-current assets on the Statement of Financial Position. This reflects a controlled outflow, reflecting planned capital expenditure (capex).

Financing Activities

- Repayment of lease liabilities: R1,132 M. This relates to the capital portion of the lease liability which is accounted for as a reduction in the lease liability. This reduction in non-current and current lease liabilities aligns with the balance sheet movement.
- No new debt or credit facilities will be drawn or repaid.

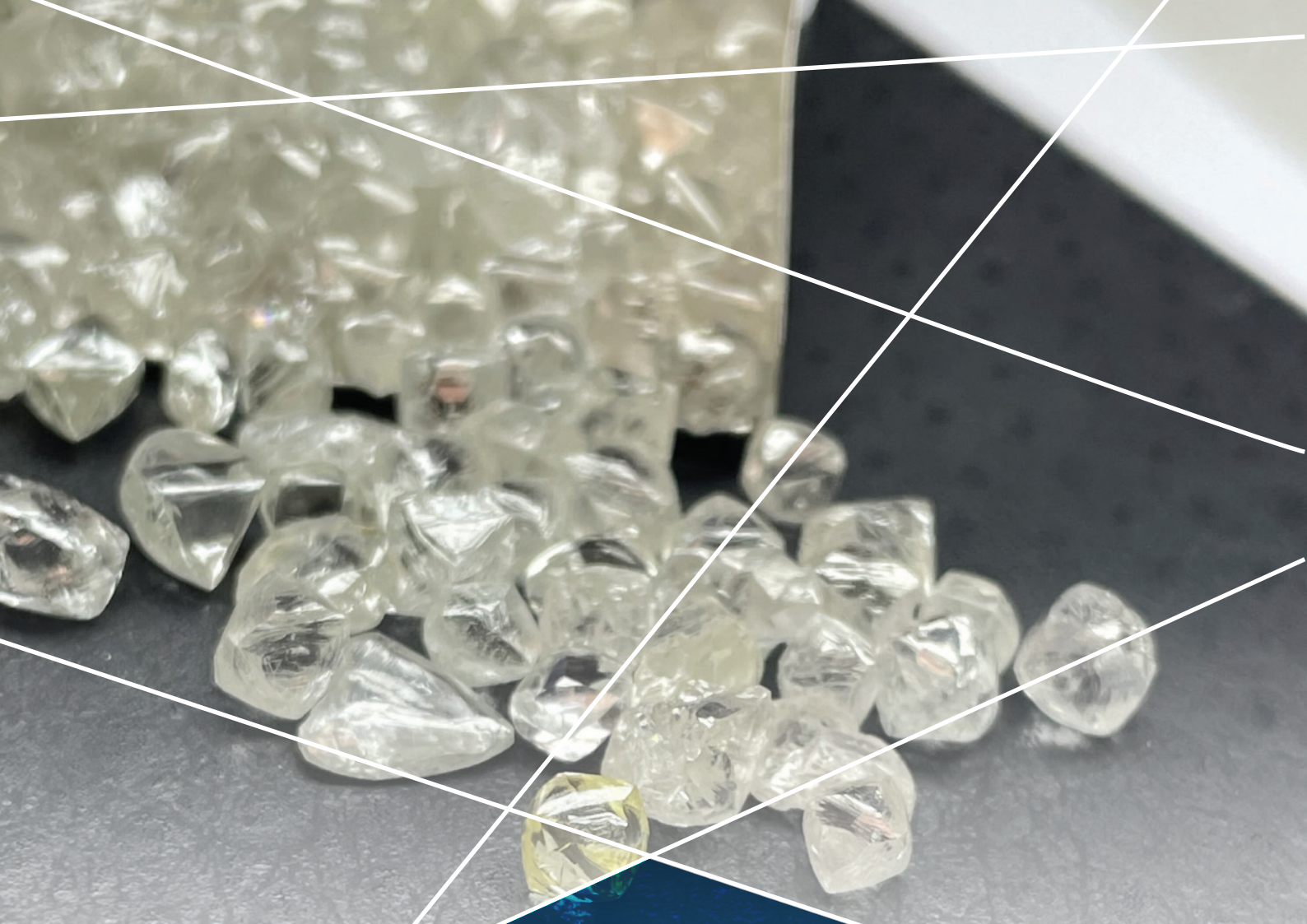
Net Change in Cash

Net increase (decrease) in cash: (R8 M)

- Cash and cash equivalents are anticipated to decrease from R89,7 M at the beginning of the year to R81,7 M at year-end.
- This is a direct result of the operational losses, working capital investment, and capital expenditure.

Projected Capital Expenditure

- **FY2026/27: R850K, reflecting once-off investment in diamond equipment (R550K) and IT/furniture (R150K each) to support ramp-up of operations.**



PART D

SHAREHOLDER COMPACT

SHAREHOLDER COMPACT

SHAREHOLDER PERFORMANCE AGREEMENT

("SHAREHOLDER COMPACT")

between

STATE DIAMOND TRADER (SDT)

herein represented by:

Abbey Chikane

(in his capacity as the Chairperson of the Accounting Authority)

and

THE GOVERNMENT OF THE REPUBLIC OF THE SOUTH AFRICA

herein represented by:

The Minister of Mineral and Petroleum Resources
MR. SAMSON GWEDE MANTASHE (MP)

Mr. Abbey Chikane
Accounting Authority

Mr. Samson Gwede Mantashe
Minister of Mineral Resources and Petroleum



Signature

Signature

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 (Act No. 1 of 1999), as amended by Act No. 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 (Act No. 56 of 1986) as Amended ('the Act') and is classified as a national government business in terms of Schedule 3B of the 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 and 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 of the State Diamond Trader.
- 2.2 '**Diamonds Act**' means the Diamond Act (Act No. 56 of 1986) as amended.
- 2.3 '**Executive Authority**' means the Minister of Mineral Resources and Petroleum.
- 2.4 '**SDT**' means the 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 (Act No. 1 of 1999) as amended and 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 Compact is not intended to interfere in any way with the principles of corporate governance, law principles, or the normal relationship between the Executive Authority and the Accounting Authority.

It is hereby recorded that the agreed principles set out, although subject to review annually, are 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 2024 to 31 March 2026.

5 Mandate of the SDT

5.1 The mandate of the SDT is set out in the Diamonds Act (Act No. 56 of 1986), as amended.

6 Budget and Corporate Plan

6.1 In accordance with sections 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 three (3) years.

6.2 The SDT undertakes to ensure that its 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 that follows in this document shall be the measure for monitoring of performance by the Executive Authority.

7 Objectives for the Year 2025/26 – 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 achievement of its performance targets on a quarterly basis through performance reports submitted to the Executive Authority and through the audited and approved financial results as they become available.

8 Governance

8.1 This Shareholder Compact 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 reassesses its systems of governance on an ongoing 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, the Corporate Plan and corporate governance principles. The Accounting Authority shall exercise its 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 to the achievement of the vision, mission, objectives, and strategic intent of the State Diamond Trader and to acting, at all times, in the best interests of the 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, and this Shareholder Compact;
 - 9.2.3 recognises the importance of speedy decision-making, and shall use its best endeavours to prevent undue delays with regards to critical decisions; and
 - 9.2.4 undertakes to deliver on the targets agreed to in this Compact.

10 Undertakings by the Shareholder

The Executive Authority undertakes, for the duration of this Compact –

- 10.1 not to introduce new or additional requirements during the validity of this Compact other than through a process of consultation with the 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 Compact;
- 10.3 not to delay critical decisions, including the proper constitution of the Board and the prompt filling of vacancies that may arise from time to time;
- 10.4 not to cause the Accounting Authority or any of its individual members to perform any actions that may result in a breach of any legal duty;
- 10.5 to support and give guidance to the Accounting Authority where necessary;
- 10.6 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 Compact;
- 10.7 to facilitate and support the initiatives of the State Diamond Trader in pursuance of funding for the purposes of achieving the objectives of this Compact and the mandate of the State Diamond Trader in general; and
- 10.8 to support the initiatives of the Accounting Authority as necessary from time to time.

11 Notices and Domicilia

For the purposes of this Shareholder Compact the parties' respective addresses shall be:

11.1 Executive Authority at:

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

11.2 The State Diamond Trader at: ACSA Precinct

Corner Bonaero Drive and Elgin Road Kempton Park, 1619

Tel: +27 11 334 2691

Fax: +27 11 334 1540

Email: nosiphwom@statediamondtrader.gov.za

For attention: The Chief Executive Officer: State Diamond Trader

12 Variation

No addition to or variation, consensual cancellation or novation of this Shareholder Compact, or waiver of any right arising from this Shareholder Compact or its breach or termination shall be of any force or effect unless reduced to writing and signed by both the parties and their duly authorised representatives.

13 Key Performance Measures and Indicators

The key performance measures and indicators as contemplated are detailed in the Annual Performance Plan that follows. It is hereby recorded that these shall be submitted to the Shareholder at least one month before 1 April 2026.

14 Annual Performance Plan

Outcome	Outputs	Output Indicators	Baseline	Annual Target	Q1	Q2	Q3	Q4
Economically feasible; transformed beneficiation of diamonds	Rough diamonds traded suitable for local beneficiation	1.1 Percentage of rough diamonds purchased, inspected	6%	4%	4%	4%	4%	4%
		1.2 Number of producers bought from	20	25	-	-	-	-
		1.3 Percentage of development support initiatives to HDSA clients implemented versus planned	-	70%	10%	30%	50%	70%
		1.4 Number of carats of rough diamonds supplied by the SDT to beneficiators	-	133 000	42,402.14	36,589.58	5,249.15	48,759.10
	Diamond beneficiation promoted	1.5 Number of industry research reports provided	2	2	-	1	-	1
		1.6 Percentage access to market initiatives implemented versus planned	80%	80%	20%	40%	60%	80%
		1.7 Percentage of Enterprise Development Programme milestones achieved as per approved annual plan.	80%	80%	20%	40%	60%	80%

Outcome	Outputs	Output Indicators	Baseline	Annual Target	Q1	Q2	Q3	Q4
Organisational sustainability	Business management / leadership excellence achieved	2.1 Audit opinion	Unqualified	Unqualified	-	-	-	Unqualified
		2.2 Percentage of the implementation of the annual Combined Audit Action Plan	80%	90%	30%	50%	70%	90%
		2.3 Percentage of corporate communication plan implemented versus planned	80%	85%	20%	40%	60%	85%
		2.4 Percentage of organisation culture / staff satisfaction improvement initiatives implemented versus planned	80%	80%	10%	30%	50%	80%
		2.5 Percentage of stakeholder satisfaction improvement initiatives implemented versus planned	New baseline	50%	10%	20%	30%	50%

-* The target is new and no baseline

Outcome	Outputs	Output Indicators	Baseline	Annual Target	Q1	Q2	Q3	Q4
	Corporate governance excellence achieved	2.6 Percentage of the risk maturity improvements implemented versus planned	New baseline	75%	10%	40%	60%	75%
		2.7 Percentage Board improvement initiatives implemented versus planned	New baseline	80%	10%	40%	60%	80%
	Human capital management excellence achieved	2.8 Percentage of approved positions filled	90%	90%	-	-	-	90%
		2.9 Percentage implementation of WSP	80%	80%	10%	40%	60%	80%
	Financial management excellence achieved	2.10 Ratio of working capital	≥2:1	≥2:1	≥2:1	≥2:1	≥2:1	≥2:1
		2.11 Percentage variance on operational budget spent	≤5%	≤5%	≤5%	≤5%	≤5%	≤5%
	Technology management excellence achieved	2.12 Percentage of digital transformation plan implemented	60%	70%	10%	30%	50%	70%
	Information / knowledge management	2.13 Percentage knowledge management improvement initiatives implemented versus planned	75%	80%	10%	40%	60%	80%

15 Technical Indicators

Indicator Title 1.1	Percentage of rough diamonds purchased, inspected
Definition	The indicator tracks the percentage of rough diamonds purchased in relation to the value of rough diamonds inspected in US Dollars.
Source of Data	Purchase Certificated Log and Integrated Trading Report
Method of Calculation/ Assessment	The US Dollar value of purchased rough diamonds divided by the US Dollar value of rough diamonds inspected times 100
Means of Verification	Purchase Certificate Log
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Non-cumulative
Reporting Cycle	Quarterly and annually

Indicator Title 1.1	Percentage of rough diamonds purchased, inspected
Desired Performance	To purchase 6% or more by the value of rough diamonds inspected
Indicator Responsibility	Operations Manager

Indicator Title 1.2	Number of producers bought from
Definition	This indicator tracks the number of producers utilised to source diamonds
Source of Data	Purchasing Log and Integrated Trading Report
Method of Calculation/ Assessment	Number of producers utilised to source diamonds
Means of Verification	Purchasing Log and Integrated Trading Report
Assumptions	That the price of producers are fair market value
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Non-cumulative
Reporting Cycle	Annually and quarterly
Desired Performance	To purchase from 20 or more producers in FY2026/27
Indicator Responsibility	Operations Manager

Indicator Title 1.3	Percentage of development support initiatives to HDSA clients implemented versus planned
Definition	This indicator tracks the percentage of the development support initiatives to HDSA clients initiatives implemented versus planned in the approved Implementation Plan. It is a performance metric that assesses the improvement in supporting HDSA clients.
Source of Data	Plan to support initiatives to HDSA clients for the FY2026/27 which is approved by the Chief Executive Officer.
Method of Calculation/ Assessment	Number of initiatives implemented divided by the number of planned initiatives times 100

Indicator Title 1.3	Percentage of development support initiatives to HDSA clients implemented versus planned
Means of Verification	Quarterly and Annual Report on the initiatives implemented versus planned on the approved Plan to support initiatives to HDSA clients.
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Cumulative
Reporting Cycle	Quarterly and annually
Desired Performance	70% or more of the initiatives implemented versus planned for in the approved Plan to support initiatives to HDSA clients
Indicator Responsibility	Operations Manager

Indicator Title 1.4	Number of carats of rough diamonds supplied by the SDT to beneficiaries
Definition	This indicator tracks the number of carats of rough diamonds supplied to beneficiaries
Source of Data	The sales analysis report from financial system (Pastel) and the quarterly and annual Integrated Trading Report
Method of Calculation/ Assessment	Number of carats of rough diamonds supplied to SDT beneficiaries
Means of Verification	Sales Invoices and Sales Analysis report from Pastel
Assumptions	Market conditions impacting the industry remain constant and do not deteriorate adversely
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Non-cumulative
Reporting Cycle	Quarterly and annually
Desired Performance	133 000 carats supplied to beneficiaries
Indicator Responsibility	Operations Manager

Indicator Title 1.5	Number of industry research reports provided
Definition	This indicator tracks the number of the industry research reports produced in the financial year
Source of Data	Research reports
Method of Calculation/ Assessment	Number of the industry research reports produced
Means of Verification	Research reports submitted to the CEO
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Non-cumulative
Reporting Cycle	Quarterly and annually
Desired Performance	2 industry research reports produced
Indicator Responsibility	Operations Manager

Indicator Title 1.6	Percentage access to market initiatives implemented versus planned
Definition	This indicator tracks access to market initiatives that are implemented versus planned as set out in the Access to Market Strategy/Annual Plan which is approved by the CEO, with implementation evidenced through progress reports
Source of Data	Access to Market Plan
Method of Calculation/ Assessment	Number of market initiatives planned for the financial year and implemented divided by the total number of market initiatives planned for the financial year times 100
Means of Verification	Access to Market Plan and Quarterly Progress Reports
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A

Indicator Title 1.6	Percentage access to market initiatives implemented versus planned
Calculation Type	Cumulative
Reporting Cycle	Quarterly and annually
Desired Performance	80% more of the activities planned for FY2026/27 implemented
Indicator Responsibility	Marketing and Communication Manager

Indicator Title 1.7	Percentage of Enterprise Development Programme milestones achieved as per approved annual plan
Definition	This indicator tracks the implementation of the EDP Annual Plan
Source of Data	EDP Plan and Quarterly Report
Method of Calculation/ Assessment	Number of EDP activities implemented for FY2026/27 divided by the number of EDP activities planned for FY2026/27 times 100
Means of Verification	EDP Plan and Quarterly Progress Report
Assumptions	<ul style="list-style-type: none"> <input type="checkbox"/> Administration and Orientation <input type="checkbox"/> Training on: <ul style="list-style-type: none"> <input type="checkbox"/> Business Overview; <input type="checkbox"/> The market; <input type="checkbox"/> Product and services; <input type="checkbox"/> Pitching; and <input type="checkbox"/> Presentations <input type="checkbox"/> Business Mentorships <input type="checkbox"/> Learning on Financial Management <input type="checkbox"/> Systems and processes <input type="checkbox"/> Business Mentorship <input type="checkbox"/> Investor Pitch <input type="checkbox"/> Networking Opportunity <input type="checkbox"/> Continuous guidance on Legal and Regulatory <input type="checkbox"/> Additional Mentorship
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Cumulative
Reporting Cycle	Quarterly and annually
Desired Performance	80% or more of planned activities in the EDP for FY2026/27
Indicator Responsibility	Operations Manager

Indicator Title 2.1	Audit opinion
Definition	This measure confirms that the Annual Financial Statements and annual performance reports of the SDT are free of material errors and omissions (financially unqualified audit opinion) and there are no material findings on the entity's performance objectives or compliance with laws and regulations
Source of Data	FY2026/27 AGSA Audit Report and Management Report
Method of Calculation/ Assessment	One Unqualified Audit Report
Means of Verification	FY2026/27 AGSA Audit Report and Management Report
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Non-cumulative
Reporting Cycle	Annually
Desired Performance	Unqualified Audit Report
Indicator Responsibility	Chief Financial Officer

Indicator Title 2.2	Percentage of the implementation of the annual Combined Audit Action Plan
Definition	This indicator monitors the level of completion or progress in executing the recommended actions or measures outlined in the Combined Internal and External Audit Action Plan for the 2026/27 financial year. The Audit Action Plan indicates measures put in place by management to address audit findings raised by both internal and external auditors, which will be deemed fully implemented once validated by Internal Audit during the follow-up.
Source of Data	Combined Internal and External Audit Reports – FY2026/27
Method of Calculation/ Assessment	Number of deliverables implemented divided by the total number of deliverables times 100
Means of verification	Quarterly and Annual Combined Audit Action Plan
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A

Indicator Title 2.2	Percentage of the implementation of the annual Combined Audit Action Plan
Spatial Transformation (where applicable)	N/A
Calculation Type	Cumulative
Reporting Cycle	Quarterly and annually
Desired Performance	90% implementation of the deliverables for the financial year
Indicator Responsibility	Chief Financial Officer

Indicator Title 2.3	Percentage of corporate communication plan implemented versus planned
Definition	This indicator is used to track the percentage which the corporate communication plan which is approved by the CEO is implemented versus planned
Source of Data	Corporate Communication Plan
Method of Calculation/ Assessment	Number of Corporate Communication Plans implemented divided by the total number of deliverables times 100
Means of Verification	Annual Corporate Communication Plan and Progress Reports
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Cumulative
Reporting Cycle	Annual
Desired Performance	85%
Indicator Responsibility	Marketing and Communications Manager

Indicator Title 2.4	Percentage of organisation culture / staff satisfaction improvement initiatives implemented versus planned
Definition	This indicator tracks the percentage of organisation culture / staff satisfaction improvement initiatives implemented versus planned in the approved Culture Survey Implementation Plan. It is a performance metric that assesses the culture temperature of the entity quantifying the extent to which planned initiatives actions have been executed compared to those outlined in the Culture Survey Implementation Plan.
Source of Data	Culture Survey Implementation Plan for the F Y2026/27 which is approved by the Chief Executive Officer.
Method of Calculation/ Assessment	Number of initiatives implemented divided by the number of planned initiatives times 100
Means of Verification	Quarterly and Annual Report on the initiatives implemented versus planned on the approved Culture Survey Implementation Plan
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Cumulative
Reporting Cycle	Quarterly and annually
Desired Performance	80% or more of the initiatives implemented versus planned for in the approved Culture Survey Implementation Plan
Indicator Responsibility	Human Resource Manager

Indicator Title 2.5	Percentage of stakeholder satisfaction improvement initiatives implemented versus planned
Definition	This indicator tracks the percentage of stakeholder satisfaction improvement initiatives implemented versus planned in the approved Stakeholder Satisfaction Implementation Plan. It is a performance metric that assesses the stakeholder satisfaction temperature of the entity quantifying the extent to which planned initiatives actions have been executed compared to those outlined in the Stakeholder Satisfaction Implementation Plan.
Source of Data	Stakeholder Satisfaction Implementation Plan for the FY2026/27 which is approved by the Chief Executive Officer.
Method of Calculation/ Assessment	Number of initiatives implemented divided by the number of planned initiatives times 100
Means of Verification	Quarterly and Annual Report on the initiatives implemented versus planned on the approved Stakeholder Satisfaction Implementation Plan
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Cumulative
Reporting Cycle	Quarterly and annually

Indicator Title 2.5	Percentage of stakeholder satisfaction improvement initiatives implemented versus planned
Desired Performance	50% or more of the initiatives implemented versus planned for in the approved Stakeholder Satisfaction Implementation Plan
Indicator Responsibility	Marketing and Communication Manager

Indicator Title 2.6	Percentage of the risk maturity improvements implemented versus planned
Definition	This indicator tracks the percentage of the risk maturity improvement initiatives implemented versus planned in the approved Risk Maturity Implementation Plan. It is a performance metric that assesses the improvement on the level of maturity in the risk management process.
Source of Data	Risk Maturity Implementation Plan for the FY2026/27 which is approved by the Chief Executive Officer.
Method of Calculation/ Assessment	Number of initiatives implemented divided by the number of planned initiatives times 100
Means of Verification	Quarterly and Annual Report on the initiatives implemented versus planned on the approved Risk Maturity Implementation Plan
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Cumulative
Reporting Cycle	Quarterly and annually
Desired Performance	75% or more of the initiatives implemented versus planned for in the approved Risk Maturity Implementation Plan
Indicator Responsibility	Company Secretary / Legal Manager

Indicator Title 2.7	Percentage Board improvement initiatives implemented versus planned
Definition	This indicator tracks the percentage of board improvement initiatives implemented versus planned in the approved Board Improvements Implementation Plan, which is derived from the Annual Board Evaluation Report with implementation reflected through completed actions endorsed by the Board. It is a performance metric that assesses improvements in governance processes of the board.
Source of Data	Board Improvements Implementation Plan for the FY2026/27 approved by the Board
Method of Calculation/ Assessment	Number of initiatives implemented divided by the number of planned initiatives times 100
Means of Verification	Quarterly and Annual Report on the initiatives implemented versus planned on the approved Board Improvements Implementation Plan
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A

Indicator Title 2.7	Percentage Board improvement initiatives implemented versus planned
Spatial Transformation (where applicable)	N/A
Calculation Type	Cumulative
Reporting Cycle	Quarterly and annually
Desired Performance	80% or more of the initiatives implemented versus planned for in the approved Board Improvements Implementation Plan
Indicator Responsibility	Company Secretary / Legal Manager

Indicator Title 2.8	Percentage of approved positions filled
Definition	This indicator tracks the percentage of approved positions to be filled for FY2026/27 on the active organogram. The target is filling 80% of the approved positions at the end of the 2026/27 financial year.
Source of Data	Board approved organogram and active positions to be filled in the FY2026/27 Annual Recruitment Plan.
Method of Calculation/ Assessment	The number of active positions filled at the end of the year divided by the total number of approved active positions times 100
Means of Verification	Board approved organogram, approved positions to be filled in FY2026/27 and the Annual Recruitment Plan and Annual Recruitment Report
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Non-cumulative
Reporting Cycle	Annual
Desired Performance	The target is to fill 90% of the active positions
Indicator Responsibility	Human Resources Manager

Indicator Title 2.9	Percentage implementation of WSP
Definition	This indicator tracks the progress of the implementation of the WSP for FY2026/27
Source of Data	Approved WSP and Training Report 2026/27
Method of Calculation/ Assessment	Total number of activities implemented divided by the number of activities planned times 100
Means of Verification	Approved WSP and Training Report 2026/27
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Cumulative
Reporting Cycle	Quarterly and annually
Desired Performance	80% or more of the WSP implemented
Indicator Responsibility	Human Resources Manager

Indicator Title 2.10	Ratio of working capital
Definition	This indicator tracks the working capital ratio (current ratio) which measures the entity's ability to meet its short-term obligations. A working capital ratio above 1 indicates that the company has enough liquidity to cover its short-term obligations. A ratio below 1 indicates that the entity may have difficulty meeting its short-term obligations.
Source of Data	SAGE Trial Balance and Financial Statements
Method of Calculation/ Assessment	<p>Current ratio = Current assets divided by current liability expressed as a ratio</p> <ul style="list-style-type: none"> <input type="checkbox"/> Current assets include cash and short-term deposits, inventory, accounts receivable and other current assets. <input type="checkbox"/> Current liabilities include accounts payable, VAT liability, current portion of long-term liabilities and other current liabilities.
Means of Verification	SAGE Trial Balance and Financial Statements
Assumptions	The market will be favourable and there will be adequate cash reserves
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Ratio
Reporting Cycle	Quarterly and annually

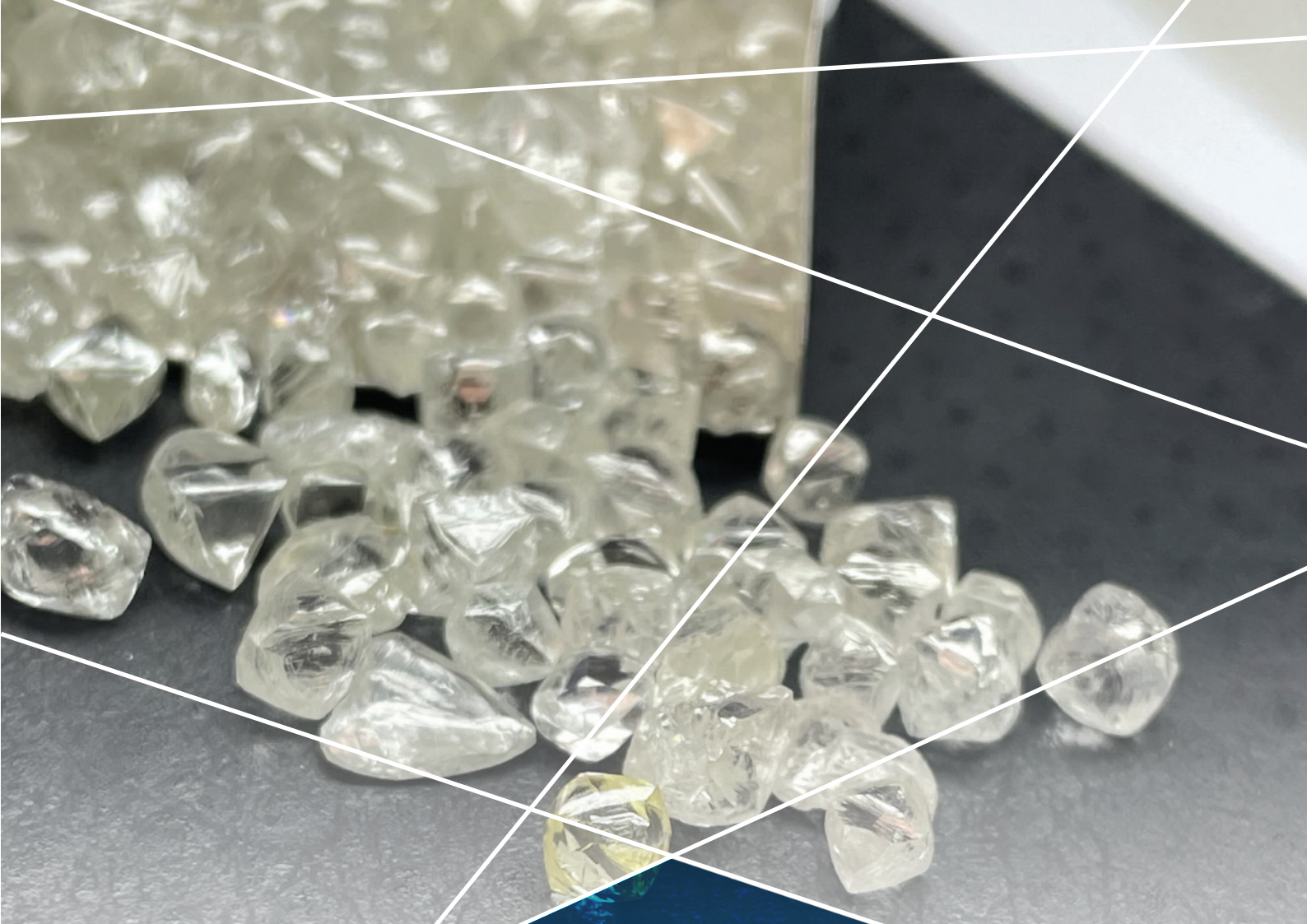
Indicator Title 2.10	Ratio of working capital
Desired Performance	Current ratio should be equal to or greater than $\geq 2:1$
Indicator Responsibility	Chief Financial Officer

Indicator Title 2.11	Percentage variance on operational budget spent
Definition	This indicator tracks the variance between operating expenditure and budgeted operating expenditure to reveal over-expenditure
Source of Data	Trial Balance, Quarterly Financial Reports and Annual Financial Statements
Method of Calculation/ Assessment	Actual operating expenditure minus budgeted operating expenditure divided by budgeted operating expenditure times 100
Means of Verification	Trial balance
Assumptions	SDT's performance is predominantly dependent on diamond market conditions. The assumption is that diamond market conditions will be favourable.
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Non-cumulative
Reporting Cycle	Quarterly and annually
Desired Performance	Not more than 5% expenditure variance on the operating expenditure
Indicator Responsibility	Chief Financial Officer

Indicator Title 2.12	Percentage of digital transformation plan implemented
Definition	This is a plan that outlines how the entity will leverage digital technologies to improve its operations, processes, and overall business performance. The plan involves adopting and integrating digital technologies into various aspects of the organisation to drive innovation, enhance customer experience and increase efficiencies.
Source of Data	Digital Transformation Plan and Quarterly Reports
Method of Calculation/ Assessment	Number of digital transformation activities planned for the financial year and implemented divided by the total number of digital transformation activities planned for the financial year times 100
Means of Verification	Digital Transformation Plan and Quarterly Reports
Assumptions	N/A

Indicator Title 2.12	Percentage of digital transformation plan implemented
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Cumulative
Reporting Cycle	Quarterly and annually
Desired Performance	70% or more of the activities planned for FY2026/27 implemented
Indicator Responsibility	Chief Financial Officer

Indicator Title 2.13	Percentage knowledge management improvement initiatives implemented versus planned
Definition	This indicator tracks the implementation of the planned initiatives to improve knowledge management
Source of Data	Knowledge Management Plan for FY2026/27 Quarterly Reports
Method of Calculation/ Assessment	The number of activities implemented divided by the total number of activities planned for the financial year times 100
Means of Verification	Knowledge Management Plan for FY2026/27 Quarterly Reports
Assumptions	N/A
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Cumulative
Reporting Cycle	Annually and quarterly
Desired Performance	80% or more planned initiatives for FY2026/27 implemented
Indicator Responsibility	Marketing and Communications Manager



PART E

ANNEXURES

ANNEXURE A: MATERIALITY AND SIGNIFICANCE FRAMEWORK

Legislative Requirements

Section 54(2) of the Public Finance Management Act (Act No. 1 of 1999) (PFMA) states that before a public entity concludes any of the following transactions, the accounting authority for a public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars to its executive authority for approval of the transaction:

- participation in a significant partnership, trust, unincorporated joint venture or similar arrangements [section 54(2)(b)];
- acquisition or disposal of a significant shareholding in a company [section 54(2)(c)];
- acquisition or disposal of a significant asset [section 54(2)(d)];
- commencement or cessation of a significant business activity [section 54(2)(e)]; and
- a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement [section 54(2)(f)].

Section 55(2)(b) of the PFMA states that the Annual Report and Financial Statements of a public entity must include particulars of any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that has occurred during the financial year.

The State Diamond Trader reports the following, on a quarterly basis to National Treasury through its Quarterly Financial reports:

- Irregular expenditure incurred; and
- Fruitless and wasteful expenditure incurred.

Treasury Regulation 28.3.1 states that "for purposes of material (section 55(2) of the Act [PFMA]) and significant (section 54(2) of the Act [PFMA]), the accounting authority must develop and agree a framework of acceptable levels of materiality and significance with the relevant executive authority."

International Accounting Standard 1 (IAS1) defines materiality as follows: Information is material if its omission or misstatement of items could, individually or collectively, influence the economic decisions that users make based on the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

Factors Considered in Developing the Framework

□ Nature of the Business

The nature of State Diamond Trader's activity is to buy and sell rough diamonds. The Materiality and Significance Framework (the framework) should consider the impact thereof. The objectives of the State Diamond Trader are to promote equitable access to and beneficiation of the country's diamond resources. The main aim of the State Diamond Trader is to address distortions in the diamond industry and correct historical market failures to develop and grow South Africa's diamond cutting and polishing industry.

In the development of the framework, the State Diamond Trader should be guided by its accountability and the sensitivity of its accounts, activities and functions regarding its regulatory duties.

The State Diamond Trader is driven by its financial position in buying and selling rough diamonds. This allows the State Diamond Trader to meet its mandate.

□ Non-financial materiality

Non-financial materiality is derived from legislation that requires the State Diamond Trader to report certain incidents or alternately legislation that requires disclosure in the Annual Report.

The following qualitative factors have been considered:

- All losses in respect of criminal conduct;
- Any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial period;
- Any criminal or disciplinary steps taken as a consequence of such losses;
- Any losses recovered or written off;
- Changes in key personnel and departure of key executives;
- Application of new or changes in existing accounting policy; and
- Unusual transactions that are not of a repetitive nature and that can be disclosed purely due to the nature thereof and which will affect the decision making of the user of the Financial Statements.

□ **Financial Materiality**

The materiality amount was calculated following the guidelines issued in National Treasury's Practice Note. A percentage range of 0.5% to 1% of Revenue, as per the guideline, was considered. The Board chose a percentage of 0.5% of the Revenue in line with the previous financial year. Consequently, the materiality figure is determined as follows:

Revenue for the financial year 2025/2026= R339 318 370.50

Materiality Factor: $(R339\,318\,370.50 * 0.5\%) = R1\,696\,591.85$

ANNEXURE B: STRATEGIC RISK AND GOVERNANCE

The Board of Directors is ultimately accountable for overseeing risk governance to ensure the organisation's strategic objectives are achieved, in line with the King IV Report on Corporate Governance. While the Board retains this responsibility, the Audit and Risk Committee (ARC) is tasked with providing oversight of the risk management function.

As part of its mandate, the ARC assesses and monitors the organisation's risk appetite, ensuring that the nature and extent of risks taken align with its strategic objectives. The responsibility for implementing risk management processes, however, lies with executive management, who ensure that risks are identified, evaluated, and managed effectively.

Strategic Risks and Proposed Mitigation Actions for FY2026/27 has (number) strategic risks identified during the corporate plan's development. These risks were evaluated in collaboration with executive management, ARC and the Board. It is important to note that due to the rapidly evolving industry, regulatory changes, and technological advancements, additional risks may arise. When such risks are identified, they are monitored and, where necessary, incorporated into the Risk Register to maintain robust risk management practices.

Risk Rating Methodology

Key Risks To Implementation of the Strategy

RISK	POTENTIAL IMPACT	MITIGATION
1. Price disparity.	<ol style="list-style-type: none"> 1. Unaffordability for beneficiaries to acquire rough diamonds. 2. Threat to sustainability of SDT business. 	<ol style="list-style-type: none"> 1. Price analysis per producer 2. Relationship with producers to negotiate prices 3. Diamond evaluator as per legislation to evaluate price offerings from the producers
2. Sustainability of beneficiaries	<ol style="list-style-type: none"> 1. Threat to SDT sustainability 	<ol style="list-style-type: none"> 1. Ongoing stakeholders' engagement and assistance to the beneficiaries were feasible.
3. Decline production levels.	<ol style="list-style-type: none"> 1. Inability of SDT to supply rough diamonds for beneficiation resulting in loss of revenue. 2. Threat to sustainability of the business of SDT due to loss of revenue 	<ol style="list-style-type: none"> 1. Pilot project for buying diamonds from Botswana 2. Investigation to purchase from other foreign jurisdictions 3. Engagement with key stakeholders to ensure that there is fund for exploration of diamonds
4. Limited capacity.	<ol style="list-style-type: none"> 1. Inability to meet deadlines/ fulfil contracts 2. Threat to growth and sustainability of business 3. Overextension and staff burnouts 4. Weakened relationships 	<ol style="list-style-type: none"> 1. Structure reviews 2. Performance management policy implementation and enforcement 3. Salary benchmarking exercise 4. Culture surveys 5. Skills plans
5. Limited access to funding to support SDT growth.	<ol style="list-style-type: none"> 1. Threat to growth and sustainability of the business. 2. Limited opportunity for diamond beneficiation. 3. Inability to achieve mandate goals and objectives. 	<ol style="list-style-type: none"> 1. Engagement with financial institutions on provision of credit facility 2. Application for revolving credit facility from Industrial Development Corporation (IDC) 3. Credit facilities 4. Selling Pre-finance model

ANNEXURE C: FRAUD PREVENTION PLAN AND POLICY

THE FRAUD POLICY STATEMENT

The State Diamond Trader recognises the importance of protecting the entity, its employees, its revenue, expenditure and assets, and the public funds and assets with which it has been entrusted, from any attempt by any person to gain financial or other benefits in an unlawful, dishonest, or unethical manner.

In carrying out its functions, the State Diamond Trader prescribes to a culture of integrity, openness, and fairness. The State Diamond Trader declares a policy of zero tolerance toward fraud, corruption, maladministration, and any other acts of dishonesty. It is the policy of the entity that corruption and fraud will not be tolerated and that all allegations of corruption and fraud will be investigated. Appropriate action will be taken against all perpetrators, both internally and externally, followed by the recovery of any losses that the entity might have incurred.

To ensure that we always conduct our business honestly and transparently, we are committed to the following:

- We have a zero-tolerance approach to fraud and corruption.
- We do not accept/pay facilitation fees or kickbacks.
- We keep proper records of dealings with third parties.
- We conduct due diligence on service providers.
- We ensure awareness of our stance on fraud and corruption.
- We protect those who disclose fraud and corruption.
- We take action against those who engage in fraud and corruption.
- We will initiate criminal prosecution by reporting the matter to SAPS or any other relevant enforcement agency.

1 PURPOSE

1.1 The State Diamond Trader has adopted a Code of Ethics articulating acceptable values and ethical conduct to which all persons associated with the entity are required to adhere. Nevertheless, the State Diamond Trader acknowledges that in today's business environment, fraud and corruption are prevalent, and all business organisations are susceptible to the risk of fraud. In this regard, the purpose of the Fraud Prevention Policy and Plan is to articulate policy and to set out a plan in terms of which management shall deal with instances of fraud in the State Diamond Trader's environment.

1.2 The Plan is premised on the organisation's core ethical values driving the business of the State Diamond Trader, the development of its systems, policies, and procedures, interactions with clients, the public, and other stakeholders, including decision-making by individual managers representing the organisation and is an update on the existing Fraud Prevention Plan.

1.3 The policy, guidelines, and procedures set out in this document are important because they will help the entity ensure that:

- Business is conducted professionally and with integrity;
- Risk-mitigating measures with regard to fraud and corruption are in place;
- The entity is in compliance with national and international anti-fraud and corruption legislation;
- Guidance on the processes that must be followed when investigating fraud and corruption is provided;
- Guidance to all our stakeholders on how to prevent and report fraud and corruption is provided;
- Ensure timely reporting of fraud and corruption to the authorities as required by law; and adequately protect those who report fraud and corruption

2 BACKGROUND

- 2.1 The Public Finance Management Act, No 1 of 1999, and Treasury Regulations, 2005 require the Board to adopt a risk management strategy that must include a formal Fraud Prevention Plan and to submit the Fraud Prevention Plan together with the Corporate Plan to the Executive Authority annually.
- 2.2 The Prevention and Combating of Corrupt Activities Act, No 12 of 2004 (PCCSA) strengthens the measures against corruption and has created specific offenses related thereto.
- 2.3 The Protected Disclosures Act, No 26 of 2000 makes provisions for procedures in terms of which employees may disclose information regarding unlawful or irregular conduct by their employers or fellow employees. The Act accords protection to employees for disclosures made in good faith, under defined circumstances and encourages organisations to adopt internal whistleblowing mechanisms.
- 2.4 The Policy is rooted on the six (6) elements of Anti-Fraud Program:
- Code of Ethics
 - Fraud Prevention Policies mentioned below under the framework
 - Communication and Training
 - Fraud Risk Assessment
 - Controls Monitoring Process
 - Fraud Response Plan described below under Fraud Risk Management

3 DEFINITIONS AND CONCEPTS

Term	Definition
Fraud	Means the unlawful and intentional making of a misrepresentation, which causes actual and or potential prejudice to another. Fraud is also intended to include all aspects of economic crime and acts of dishonesty. Any conduct or behavior of which a dishonest representation and/or appropriation forms an element.
Entity	Means the State Diamond Trader.
Employees	Means employee as defined in section 200A of the Relations Act 66 of 1995.
Employers	Means the State Diamond Trader.

4 LEGISLATIVE POLICY AND FRAMEWORK

- 4.1 Constitution of the Republic of South Africa (Act No 106 of 1996).
- 4.2 Public Finance Management (Act, No 1 of 1999).
- 4.3 Prevention and Combating of Corrupt Activities (Act, No 12 of 2004).
- 4.4 Protected Disclosures (Act, No 26 of 2000).
- 4.5 SDT's Corporate Governance Manual
- 4.6 Basic Conditions of Employment (Act, 75 of 1997).
- 4.7 Companies Act, 2008 (Act. No. 71 of 2008) ("Companies Act")
- 4.8 Electronic Communications and Transmissions (Act No. 25 of 2002)
- 4.9 Financial Advisory and Intermediary Services (Act, 37 of 2002 ("FAIS"))
- 4.10 Financial Intelligence Centre (Act, 38 of 2001) ("FICA")
- 4.11 Diamonds Amendment Act, 2005
- 4.12 Diamonds Second Amendment Act, 2005
- 4.13 Diamond Export Levy (Administration) Act, 2007

- 4.14 King IV Corporate Governance Principles
- 4.15 Mineral and Petroleum Resources Development Act (MPRDA), 2002
- 4.16 OECD Anti-Bribery Convention
- 4.17 Kimberley Process Certification (under 4.14)
- 4.18 General Data Protection Regulations [GDPR]
- 4.19 Whistle-Blowing Policy
- 4.20 Diamonds Act 56, 1986
- 4.21 Broad-Based Black Economic Empowerment (B-BBEE) Act, 2003
- 4.22 Protected Disclosures Amendment Act 5 of 2017
- 4.23 Foreign Corrupt Practices (Act 1977 (FCPA)
- 4.24 Promotion of Access to Information Act (Act No. 2 of 2000),
- 4.25 Labor Relations (Act No.66 of 1995)
- 4.26 Promotion of Equality and Prevention of Unfair Discrimination (Act No. 4 of 2000)
- 4.27 Protection of Personal Information (Act, No 4 of 2013).

4.28 Other documents include but are not limited to the following:

- Code of Ethics and Conduct.
- Delegations of Authority
- Sexual Harassment Policy and Procedure.
- Grievance Procedure
- Procurement Policies and Procedures.
- Disciplinary Policy and procedure Sexual Harassment Policy.
- Code of Conduct

5 SCOPE AND APPLICABILITY OF THE POLICY

The Policy applies to all officials and/or Board members, Stakeholders, Contractors, vendors/suppliers and any other party conducting business with the State Diamond Trader.

6 ROLES AND RESPONSIBILITY

6.1 The State Diamond Trader requires that all role players do the following:

- Have a positive, appropriate attitude towards compliance with laws, rules, and regulations.
- Be aware of common indicators/symptoms of fraudulent and/or corrupt activities or any other wrongful acts.
- Be aware of the risks and exposures inherent in their area of responsibility, such as the handling and use of public funds, whether they are involved with cash or payment systems, receipts, or dealing with clients, consultants, vendors, contractors, members of the public, outside agencies, and/or any other parties with a business relationship with the Diamond Trader.
- Report fraudulent and/or corrupt activities.
- Act in accordance with the State Diamond Trader's: standing orders and financial regulations Policies and procedures, and Code of Conduct and Ethics

6.2 FRAUD RISK MANAGEMENT OVERSIGHT

(a) Accounting Authority

The Accounting Authority takes an interest in fraud risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect the entity against significant fraud risks.

(b) Audit and Risk Committee

The Audit and Risk Committee is an independent committee responsible for oversight of the entity's control, governance and risk management. The responsibilities of the Audit and Risk Committee with regard to fraud risk management are formally defined in its charter. The Audit Committee provides an independent and objective view of the SDT's fraud risk management effectiveness.

The Audit and Risk Management Committee is appointed by the Accounting Authority to assist them to discharge their responsibilities for fraud and risk management. The Committee's role is to review the fraud and risk management progress of the entity, the effectiveness of fraud and risk management activities, the key fraud and risks facing the entity, and the responses to address these key fraud risks

6.3 FRAUD RISK MANAGEMENT IMPLEMENTERS

(a) Accounting Officer

The Accounting Officer is accountable for the entity's overall governance of fraud risk. By setting the tone at the top, the Accounting Officer promotes accountability, integrity and other factors that will create a positive control environment.

(b) Management

Management is responsible for executing their responsibilities outlined in the fraud risk management strategy and for integrating risk management into the operational routines.

(c) Other Officials

Other officials are responsible for integrating fraud risk management into their day-to-day activities. They must ensure that their delegated risk management responsibilities are executed and continuously report on progress.

6.4 FRAUD RISK MANAGEMENT SUPPORT

(a) Legal Manager

The Company Secretary / Legal Manager is a custodian of the Fraud Prevention Strategy. The primary responsibility of this role is to bring expertise in Risk Identification, Risk Mitigation, ensuring Regulatory Compliance and Risk Reporting, providing detailed reports to the Board and stakeholders

(b) Risk Champion

The Risk Champion's responsibility involves intervening in instances where the fraud risk management efforts are being hampered, for example, by the lack of co-operation by Management and other officials and/or the lack of skills and expertise in the entity.

6.5 FRAUD RISK MANAGEMENT ASSURANCE PROVIDERS

(a) Internal Audit

The role of the Internal Auditing in fraud risk management is to provide an independent, objective assurance on the effectiveness of the entity system of fraud risk management. Internal Auditing must evaluate the effectiveness of the entire system of fraud risk management and provide recommendations for improvement where necessary.

(b) External Audit

The role of external audit is to assess assurance providers of fraud risk management services and the status of implementation of commitments and recommendations pertaining to fraud risk management practices in the SDT.

7 FRAUD CONTROL STRATEGIES

The State Diamond Trader's approach to fraud risk management is focused on three (3) areas namely:

7.1 Structural Strategies

Structural Strategies represent the actions to be undertaken to address fraud and corruption at the level of the organisation's governance structure as follows:

7.1.1. Good Corporate Governance

Good Corporate Governance is critical to promote an organisational culture of ethical and integrity to prevent fraud and corporate crime by influencing employees' conduct and standards. The Board and Management shall strive to promote an organisational culture of good corporate governance and high ethical standards. The following corporate governance structures are in place at the State Diamond Trader:

- 7.1.1.1. The Audit and Risk Committee has oversight responsibility for the State Diamond Trader's systems of internal control and reports to the Board.
- 7.1.1.2. An independent Internal Audit function conducts reviews and tests the effectiveness of the systems of internal control, providing assurance, and reports to the Audit & Risk Committee.
- 7.1.1.3. The State Diamond Trader has written Delegations of Authority and documented financial control systems.

7.1.2. Assessment of Fraud Risk

Under the guidance of Internal Audit, the State Diamond Trader will conduct annual fraud risk assessments to identify potential fraud risk exposures to the entity. The process will ensure that appropriate actions are taken to address identified risk exposures and to mitigate them.

7.1.3. Creating Awareness

- 7.1.3.1. It is the responsibility of the Chief Executive Officer to ensure that all Board members and employees are made aware of the Fraud Prevention Policy and Plan. The Chief Executive Officer shall further communicate the Fraud Prevention Policy and Plan to other stakeholders and upload it on the State Diamond Trader website.
- 7.1.3.2. Employee awareness workshops shall be undertaken annually to assist in the prevention, detection and reporting of fraud and corruption by raising the level of awareness of employees as to how fraud and corruption manifests in the workplace.

7.2 Operational Strategies

7.2.1. Internal Control

Internal controls are the first line of defense against fraud and corruption. While internal controls may not fully protect the State Diamond Trader against fraud and corruption, they are an essential element in the overall strategy of the entity. All areas of operations shall ensure internal controls for inter alia,

- 7.2.1.1. Physical control of State Diamond Trader assets.
- 7.2.1.2. Authorisation controls.
- 7.2.1.3. Supervisory controls (day-to-day staff management).
- 7.2.1.4. Data analysis.
- 7.2.1.5. Monthly, quarterly and annual financial statements, and
- 7.2.1.6. Monthly bank reconciliations.

7.3 Prevention Strategies

A combination of initiatives shall be put in place for fraud and corruption prevention with the State Diamond Trader environment. These include but are not limited to

7.3.1. Pre-employment Screening

The State Diamond Trader shall undertake pre-employment screening procedures for all potential employees regardless of level, including employees acting in specific positions, seconded employees and temporary and contractual employees.

7.3.2. Recruitment Procedures

All recruitment shall be undertaken in accordance with the State Diamond Trader's Recruitment Policy.

7.3.3. Disclosure of Interests

All employees shall annually declare financial interests in the prescribed form in accordance with the Code of Ethics.

7.4 Detection Strategies

Fraud detection may occur through:

- 7.4.1. Vigilance of employees, including senior management.
- 7.4.2. The Internal Audit Function.
- 7.4.3. Ad hoc management reviews.
- 7.4.4. Anonymous Reports made in line with the Code of Ethics.
- 7.4.5. The application of detection techniques.
- 7.4.6. Segregation of duties; and
- 7.4.7. External Audit.

7.5 Response Strategies

All allegations of fraud or corruption shall be investigated in line with the requirements of the PFMA read with the Treasury Regulations, the State Diamond Trader's Disciplinary Policy & Procedure and/or the Code of ethics of the entity. Investigations of suspected acts of fraud or corruption must have due regard to process and must respect the legal rights of those allegedly involved

7.6 Collective responsibilities of all role players:

The State Diamond Trader requires that all role players do the following:

- Have a positive, appropriate attitude towards compliance with laws, rules and regulations.
- Be aware of common indicators/symptoms of fraudulent and/or corrupt activities or any other wrongful acts.
- Be aware of the risks and exposures inherent in their area of responsibility.
- Act with propriety in the use of the State Diamond Trader's resources and in the handling and use of public funds whether they are involved with cash or payment systems, receipts or dealing with clients, consultants, vendors, contractors, members of the public, outside agencies and/or any other parties with a business relationship with the Diamond Trader. Report fraudulent and/or corrupt activities.

- Act in accordance with the State Diamond Trader's
- Standing orders and financial regulations
- Policies and procedures Code of Conduct and Ethics.

7.7 Maintenance Strategies

7.7.1. Review Cycle

This Policy & Plan shall be reviewed every three years to ensure its effectiveness and relevance.

- 7.7.2. Standard Operating Procedure set out the process for reporting an alleged fraud. The procedure for reporting a fraud matter is detailed in the Standard Operating Procedure.

7.8 Confidentiality

- 7.8.1. All information relating to fraud, which is reported and investigated, shall enjoy the status of a privilege, it shall be treated as privilege information.

- 7.8.2. The progression of the investigation shall be handled in a confidential manner and shall not be discussed with any person other than those with a legitimate right to such information. The latter is done in order to avoid damaging the reputation and or integrity of suspected persons, who at the end of the investigation may be found to be innocent of the alleged wrongful conduct, as well as the safety and security of the informant who has supplied the State Diamond Trader with the allegations.

- 7.8.3. No person is authorised to supply any information concerning allegations or incidents of fraud to the media without the express permission of the authorised person within the State Diamond Trader.

7.9 Protection of Informant

- 7.9.1. No person shall suffer any penalty or retribution for reporting in good faith any suspected or actual incidents or fraud.

- 7.9.2. Employees and the public shall be discouraged for making allegations, which are false, misleading and/or made with malicious intention. Where such allegations are discovered, the person who made such allegation shall be subjected to disciplinary action.

7.10 Application of prevention controls and detection mechanism

- 7.10.1. In respect of all reported incidents or fraud, the Chief Executive Officer shall immediately review and where possible improve the effectiveness of the controls, which have been breached in order to prevent similar irregularities from taking place in future.

7.11 Fraud Prevention Committee

- 7.11.1. In order to ensure smooth implementation of the State Diamond Trader Fraud and Prevention Policy and Plan, a Fraud Prevention Committee must be established which is composed of the following:

- Chief Executive Officer-Chairperson
- Company Secretary/Legal Manager- Secretariat
- Chief Financial Officer
- HR Manager
- Operations Manager and
- A representative from internal Audit

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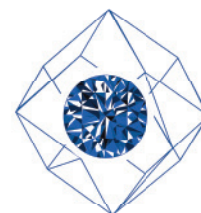
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