

CORPORATE PLAN 2024-25

The Catalyst for the Transformation and Growth of the Local Diamond Beneficiation Industry



state
diamond
trader

REPUBLIC OF SOUTH AFRICA



RP390/2023
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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
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Website	www.statediamondtrader.gov.za
X	@SDT_RSA
Facebook	State Diamond Trader
Instagram	state-diamond-trader
YouTube	statediamondtrader
Shareholder	Government of the Republic of South Africa, Represented by the Minister of Mineral Resources and Energy
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
CSI	Corporate Social Investment
CSIR	Council for Scientific and Industrial Research
DMRE	Department of Mineral Resources and Energy
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
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretation Committee
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
SA	South Africa(n)
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 CHIEF EXECUTIVE OFFICER



I am pleased to present the Corporate Plan of the State Diamond Trader for the 2024/25 reporting period, supporting the acceleration of the delivery of our mandate, as outlined in the Diamonds Act (Act No. 56 of 1986) as amended.

This Corporate Plan is rooted in strategic objectives that aim to foster growth within the diamond trade industry, ensure equitable access, and promote the sustainability of the entity.

During the 2023/24 financial year, the industry faced challenges stemming from an escalation in the inflation rate and sluggish economic growth in key polished diamond markets. While this trend is anticipated to persist into the 2024/25 financial year, we remain optimistic about a potential upturn in the industry towards the end of the financial year.

Given the challenging market conditions, our trading targets, particularly in purchasing, sales, and profit margins, have been adjusted downward compared to the previous financial year. Despite these adjustments, our financial position remains robust, with the entity holding over R125 million in cash and cash equivalents. To address the lower-than-expected profit margins, the entity is committed to implementing cost-effective measures.

A significant concern for the entity is the diminishing supply of suitable rough diamonds to service our clients, due to disruptions in the supply chain from major suppliers. Consequently, a key priority is to expand the supply of rough diamonds by sourcing from foreign jurisdictions to overcome the challenges related to both volume and quality of rough diamonds for our clients.

I extend my gratitude to the Department of Mineral Resources and Energy and the Management team for their unwavering support and collaboration, which have been instrumental in fulfilling the mandate of the entity. Together, we are committed to navigating these challenges and positioning the State Diamond Trader for continued success in the dynamic diamond trade landscape.

A handwritten signature in black ink, appearing to read 'Nosiphiwo Mzamo'.

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. It takes into account all the relevant policies, legislation and mandates guiding the entity, for which the Department of Mineral Resources and Energy is responsible, and accurately reflects the annual performance targets which the State Diamond Trader undertakes to achieve in the 2024/25 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 CONSTITUTIONAL 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).

Constitutional 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 Historically Disadvantaged South Africans (HDSA) 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.

Vision



Heartbeat of diamond beneficiation

Mission



To catalyse the South African Diamond beneficiation industry in support of inclusive socio-economic participation

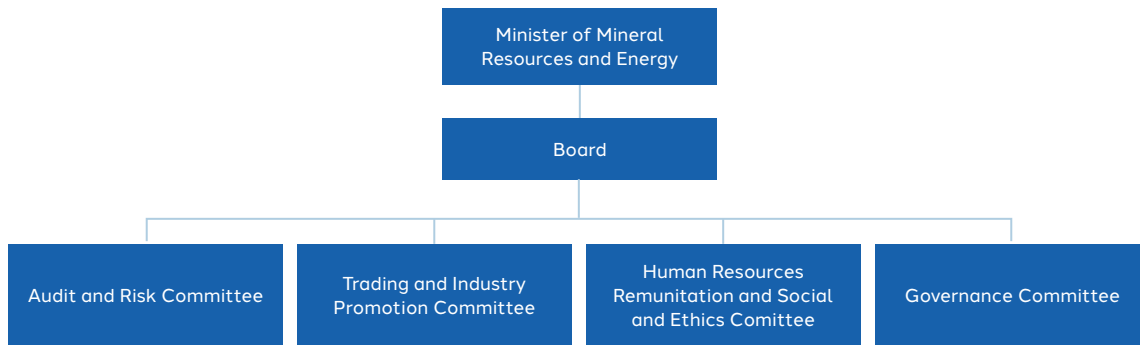
Values



- Integrity
- Service Excellence
- Transformation
- Agility
- Collaboration

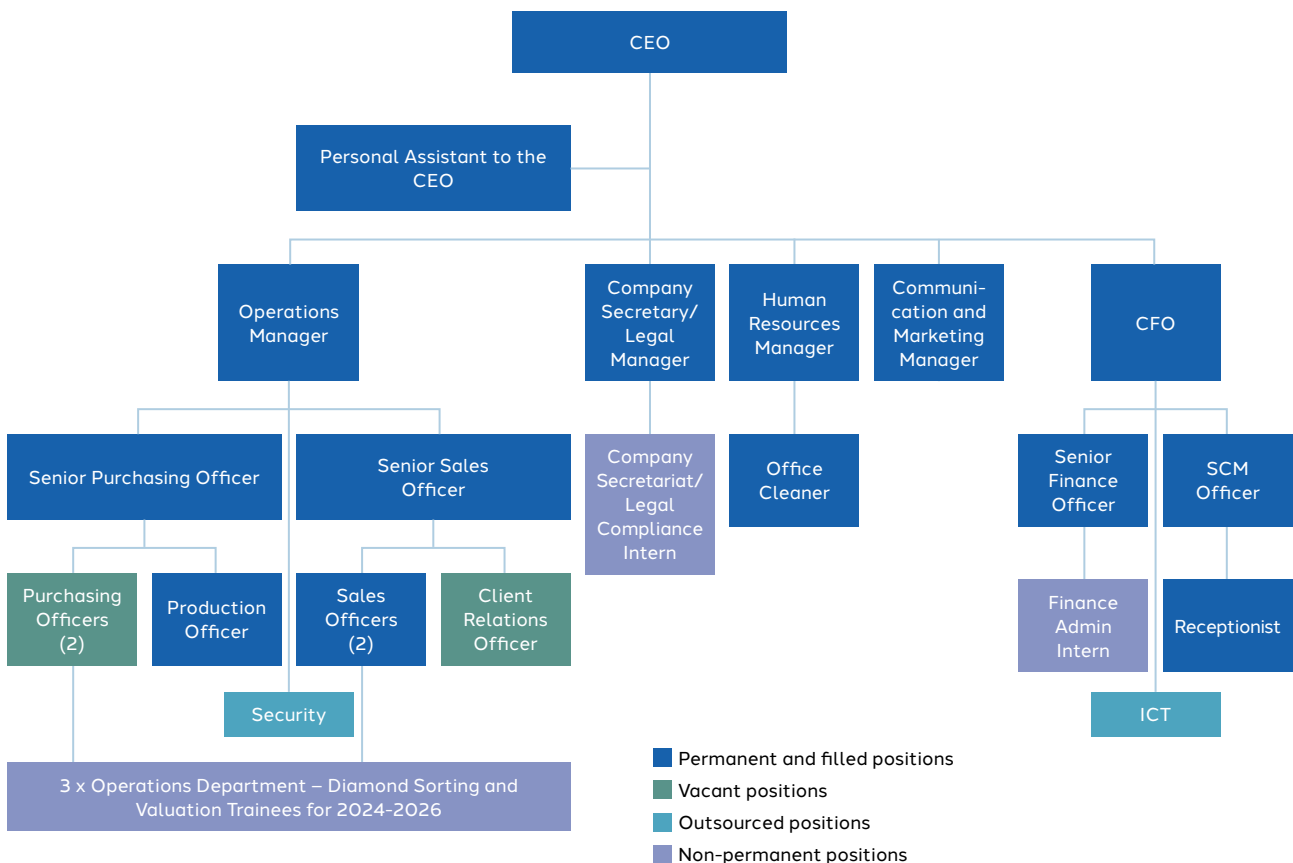
GOVERNANCE STRUCTURE

The Minister of Mineral Resources and Energy serves as the Executive Authority of the State Diamond Trader, with the Board acting as the Accounting Authority. The Minister has appointed a Chief Executive Officer responsible for the daily operations of the business.



ORGANISATIONAL STRUCTURE

The State Diamond Trader’s mandate is realised through two key strategic outcomes: the first centres on achieving organisational sustainability, and the second focuses on growing and fostering transformation in the diamond beneficiation industry. These strategic outcomes are implemented by the CEO supported by the SDT staff compliment outline on the below organisational structure.



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

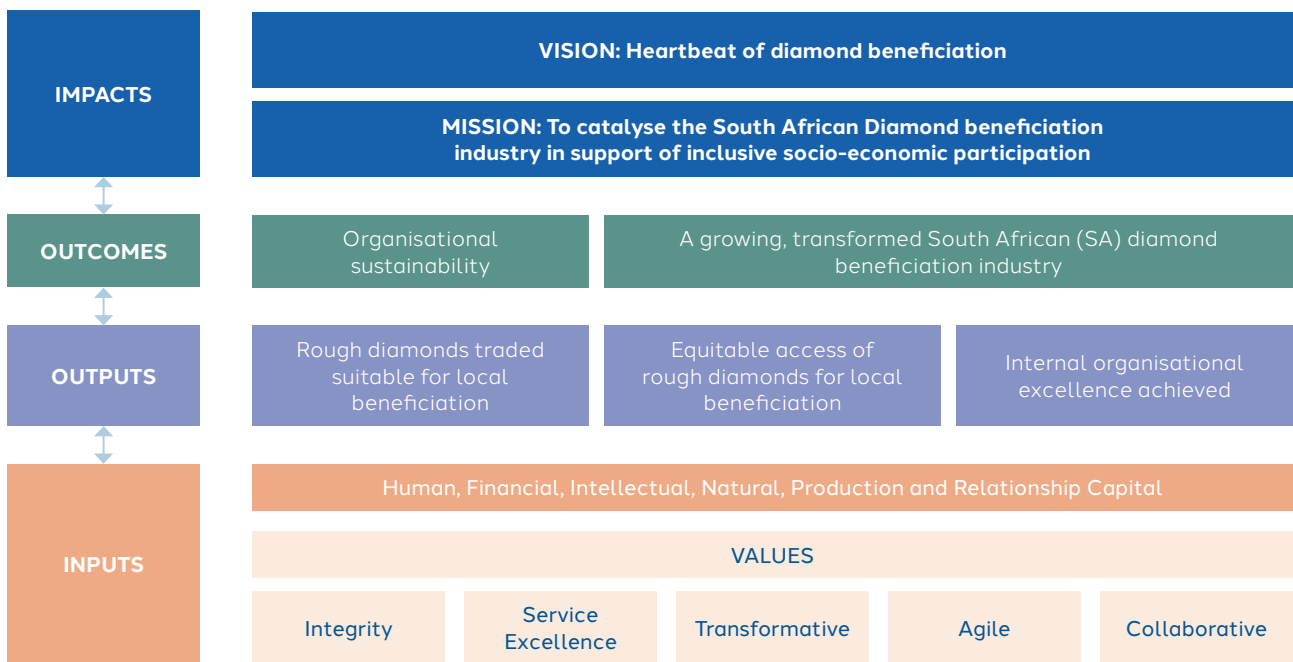


Mr Sihle Mhlangu
Company Secretary/Legal Manager

Area of Expertise:

Legal, Compliance and Governance

Strategic Framework





PART B

STRATEGIC FOCUS



SITUATIONAL ANALYSIS

The Diamond Market

In the 2023/24 fiscal year, the diamond industry faced challenges due to adverse market conditions, a trend that is expected to continue into the 2024/25 fiscal year with a potential upturn anticipated towards year end.

Global Challenges

The global landscape poses intricate challenges for the diamond industry. The fluctuating Rand/dollar exchange rate directly impacts the competitiveness of South African rough diamonds. Additionally, an oversupply of polished inventory diminishes the need for manufacturing rough diamonds, while a growing preference for laboratory-grown diamonds adds complexity. Political tensions, including anticipated sanctions on Russian goods, may escalate compliance costs for trading in affected countries.

Local Concerns

A major concern for the entity is the diminishing supply of suitable rough diamonds that can be cut and polished, due to disruptions from key suppliers, leading to lower production levels and impacting purchased quantities. To address this, the priority is to expand the supply chain by sourcing rough diamonds from foreign jurisdictions. However, projected lower sales pose a challenge, resulting in reduced profit margins.

To counteract this, the entity is looking at sourcing diamonds based on client's needs and increasing volumes. It is also looking at building partnerships and fostering collaborations with funding entities to develop funding vehicles for HDSAs.

Financial Impact

The challenging market conditions severely affect the entity's cash flow, necessitating a reduction in financial stress through reliance on pre-financed sales. This strategy aims to reduce inventory, freeing up capital. Reduced profit margins impact purchase quantities, leading the entity to seek funds from the capital market to meet client demand for suitable stock from both local and foreign sources. The entity also plans to assist clients by linking them to financial institutions to address limitations in their purchasing power. Additionally, the entity aims to explore new markets by facilitating client participation in foreign exhibitions.

Capacity Constraints

Human capital constraints are affecting the efficiency of implementing the strategic objectives of the entity and have contributed to stifling the growth of the entity. To address human capital constraints the entity will be implementing the recommendations of its organisational structure review.

SWOT Analysis

STRENGTHS (AREAS TO BUILD ON)

Rough diamonds traded suitable for local beneficiation

- Purchases agreement with producers
- Effective promotion of the diamond beneficiation industry
- Acquiring rough diamonds from compliant producers
- Selling rough diamonds to compliant buyers

Business management/leadership

- Effective corporate communication/branding
- Effective business performance management
- Sound corporate governance
- Strong stakeholder relations management
- Expanded global footprint

Resource management

- Sound financial management practices
- Technically skilled staff, especially on the diamond sourcing and valuation

WEAKNESSES (AREAS TO BE DEVELOPED)

Rough diamonds traded suitable for local beneficiation/ Equitable access to rough diamonds for local beneficiation

- Legislated to acquire 10% ROM productions from producers impacting access to suitable diamonds for beneficiation
- Approximately 80% by volume not suitable rough diamonds to promote access for beneficiation
- Expanded client base, challenge in supply clients requirements
- Limited finance to expand in being a catalyse in the development of enterprises for beneficiation

Business management/leadership

- Lack of funding for the entity impacting growth
- Sustainability of the current business model

Resource management

- Inadequate human resources(capacity)
- Inadequate optimisation of technology
- Inadequate information/knowledge management

OPPORTUNITIES (IN PRIORITY ORDER)

- Advances in diamond-related technology
- Growing need for empowerment of vulnerable groups, especially women and youth
- International trade agreement legal frameworks impacting on SDT operations
- Growing need for legislative compliance amongst non compliant producers
- Growing demand for sustainable development considerations
- Need to address vulnerable and excluded groups
- Leveraging strategic technology partnerships
- Future technologies
- Drive for digitisation

THREATS (IN PRIORITY ORDER)

- Diamond mining production declining
- Economic downturn in global diamond markets
- Delays in Diamond Act amendments
- Government regulations impacting on SDT operations
- Inconsistent supply of rough diamonds
- Rand/dollar exchange rate impacting on competitiveness of SA rough diamonds
- Low levels of research and development within the industry
- Cost of technology
- Fluctuating rough diamond prices
- Increasing demand for laboratory-grown diamonds
- Implementation of parallel certification processes based on segregation of rough diamonds (G7 initiative)

STRATEGIC OBJECTIVES AND PERFORMANCE INDICATORS

The entity has based its strategic focus on two outcomes:

- **Outcome 1:** Organisational sustainability
- **Outcome 2:** A growing, transformed SA diamond beneficiation industry

Outcome 1: Organisational Sustainability

The purpose of Outcome 1 is to ensure that the entity is sustainable through the development of various business units that are critical to the functioning of the State Diamond Trader.

The key measures that will drive organisational sustainability are achievement of 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			
			2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	
Organisational sustainability	Business management/ leadership excellence achieved	1.1 Percentage of Annual Combined Audit Action Plan deliverables implemented	-	-	100%	100%	100%	100%	100%	100%
		1.2 Percentage of Corporate Communication Plan implemented versus planned	-	-	-	100%	100%	100%	100%	100%
		1.3 Number of culture/staff satisfaction surveys conducted	-	-	-	New indicator	One culture/staff satisfaction survey conducted	-	-	-

Outcome	Outputs	Output Indicators	Annual Targets						
			Audited/Actual Performance		Estimated Performance		MTEF Period		
			2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Organisational sustainability	Business management/ leadership excellence achieved	1.4 Percentage of risk mitigation actions implemented, applicable to the financial year, versus planned on the Strategic Register	-	-	-	New indicator	70%	75%	80%
		1.5 Unqualified audit opinion	-	-	-	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion
	Human capital management excellence achieved	1.6 Percentage of active positions filled	-	-	-	New indicator	80%	80%	80%
		1.7 Percentage implementation of the Workplace Skills Plan (WSP)	-	-	-	New indicator	80%	80%	80%
	Financial management excellence achieved	1.8 Ratio of working capital	-	-	-	Greater than or equal to 5:1	Greater than or equal to 5:1	Greater than or equal to 5:1	Greater than or equal to 5:1
		1.9 Percentage variance of over-expenditure on the operating budget	-	-	-	New indicator	Variance of over-expenditure should not exceed 10%	Variance of over-expenditure should not exceed 10%	Variance of over-expenditure should not exceed 10%
	Technology management excellence achieved	1.10 Percentage of Digital Transformation Plan implemented versus planned	-	-	-	New indicator	50%	60%	80%
		1.11 Percentage of knowledge management improvement initiatives implemented versus planned	-	-	-	New indicator	70%	70%	70%

Outcome 2: A Growing, Transformed South African Diamond Beneficiation Industry

The purpose of Outcome 2 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 an opportunity to purchase 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 that there is equitable access to rough diamonds for local beneficiation.

Outcome	Outputs	Output Indicators	Annual Targets						
			Audited/Actual Performance			Estimated Performance		MTEF Period	
			2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
A growing, transformed SA diamond beneficiation industry	Rough diamonds traded suitable for local beneficiation	2.1 Number of exhibitions/events participated in or hosted, locally and internationally	-	-	-	5	7	7	7
		2.2 Percentage of purchased rough diamonds inspected			5.8%	4%	5%	6%	7%
		2.3 Number of producers utilised to source diamonds	-	-	13	15	18	20	25
	Equitable access to rough diamonds for local beneficiation	2.4 Percentage increase in carats sold to Historically Disadvantaged South Africans (HDSA)	-	-	31%	6%	10%	15%	20%
		2.5 Percentage performance on Enterprise Development Programme (EDP) Annual Plan	-	-	-	100%	100%	100%	-



PART C

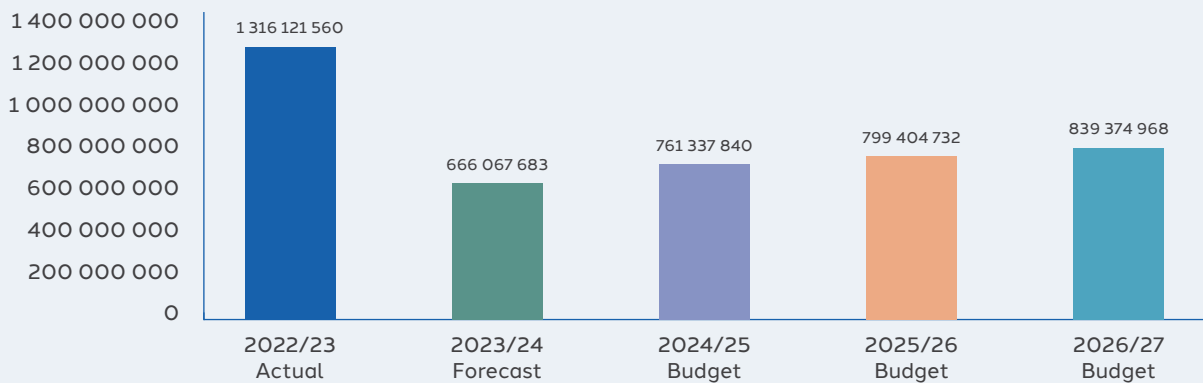
FINANCIAL PLAN

FINANCIAL PLAN FOR THE PERIOD

Projected Statement of Comprehensive Income

	Audited Results	Baseline	MTEF		
	2022/23	2023/24	2024/25	2025/26	2026/27
Sales	1 316 121 560	666 067 683	761 337 840	799 404 732	839 374 968
Less: Cost of sales	1 255 224 007	656 952 267	723 270 948	759 434 495	797 406 220
Gross profit	60 897 553	9 115 416	38 066 892	39 970 237	41 968 748
Other income	124 783	3 563 954	2 164 192	2 326 506	2 477 729
Revenue	61 022 336	12 679 370	40 231 084	42 296 743	44 446 478
Less operating costs	27 165 405	32 430 639	44 676 436	41 368 864	43 804 905
Salaries	14 255 928	16 805 401	22 520 999	24 097 469	25 784 292
Leases	1 400 000	1 706 567	1 778 330	1 893 922	1 988 618
Computer and other IT costs	863 804	921 058	1 253 113	1 334 565	1 421 312
Travel	2 931 137	3 968 583	4 391 173	4 478 997	4 568 577
Project costs	880 522	1 523 000	4 463 000	892 600	937 230
Marketing - Exhibitions and shows	2 896 442	1 773 957	4 085 000	2 177 250	2 286 113
Other operating costs	2 525 435	3 610 282	3 782 378	3 971 496	4 170 071
Professional fees	1 412 137	2 121 791	2 402 443	2 522 565	2 648 693
EBITDA	33 856 931	(19 751 268)	(4 445 352)	927 879	641 573
Depreciation	(1 468 943)	(1 594 601)	(1 947 101)	(3 101 385)	(3 631 897)
Finance income	6 309 740	9 490 476	9 785 896	9 786 875	9 884 744
Less: Finance costs	(1 045 419)	(1 018 748)	(961 963)	(890 184)	(800 553)
Net Profit/(Loss)	37 652 309	(12 874 142)	2 431 480	6 723 185	6 093 866

Revenue



Revenue for 2024/25 is projected to increase to R761 million from the low base achieved in 2023/24, as the diamond market is anticipated to gradually recover from the downturn it experienced during 2023. During the financial years 2025/26 and 2026/27, revenue growth will be maintained at 5% each year. The revenue increases are indicative of SDT's business performance which will continuously improve over the MTEF period. These increases also demonstrate a positive revenue growth trend that is critical to the SDT's long-term success and sustainability.

Gross Profit Margin Percentage

The gross profit margin is expected to increase from R9 million in FY2023/24 to R38 million in 2024/25. The gross profit margin percentage will remain at 5% during the MTEF period. The estimated 5% gross profit margin is primarily driven by rough diamond market dynamics relating to diamond pricing constraints, and supply and demand dynamics.

Operating Expenditure

The projected operating expenditures for 2024/25 will increase by 38%, from R32 million in FY2023/24 to R45 million. The expenditure increase can be attributed to strategic initiatives that were deferred from 2023/24 to 2024/25 due to the subdued market conditions in the diamond industry.

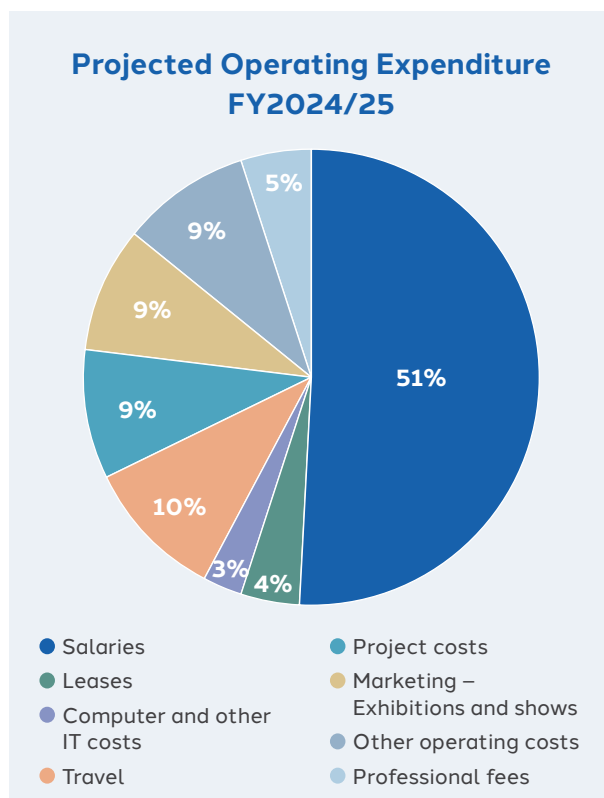
Included in projected operating costs is expenditure amounting to R4 million and marketing cost that are ringfenced for strategic projects that will ultimately benefit SDT in the long term. These projects will assist the entity in reaching its strategic goals and objectives. The following strategic projects are included in the 2024/25 budget:

- **CSIR-SDT Beneficiation Technology Research Project:** SDT has partnered with the CSIR to conduct a market study to develop local technologies to increase the beneficiation of smaller grain sized rough diamonds. Currently, in South Africa, it is deemed uneconomical to beneficiate three grain size diamonds.
- **E-Valuer:** The entity is in the process of procuring an e-Valuer diamond pricing system. The technology will enable the entity to access accurate, real-time data-driven diamond market valuations. This technology reports the prices of rough diamonds on the market, based solely on data from recent sales.
- **Client Vetting System:** This system will enable the vetting of potential and existing clients for compliance with FICA requirements. The system will assist the entity in conducting due diligence on SDT clients to mitigate FICA-related risks.

- **Hong Kong and the South African Diamond Show:** The primary objective of these shows is to facilitate market entry for SDT clients into the domestic, regional, and international markets. The South African Mineral Beneficiation Strategy of South Africa identifies the lack of access to markets as one of the primary impediments to increasing mineral beneficiation in South Africa hence it is imperative for the SDT to invest in the diamond shows.
- **Digitisation Project:** Included in the budget are costs that have been ringfenced for digitisation expenses to advance the entity's technology. This allocation will enable SDT to enhance its technological capabilities and stay ahead in the digital landscape. By ringfencing these costs, the entity demonstrates its strategic commitment to leveraging technology for growth and innovation.

Salaries will increase to R22.5 million and are projected to contribute to 51% of total operating expenses, increasing to 59% in FY2025/26 and 60% in FY2026/27. The increase in salaries is mainly attributed to a cost-of-living adjustment of 7% and budgeted new vacancies based on the organisational structure review exercise that SDT is currently conducting.

The graph below indicates the percentage contribution of each operational expenditure category to the total operating expenditure of R45 million that has been budgeted for 2024/25.



Projected Statement of Financial Position

	Audited Results	Baseline	MTEF		
	2022/23	2023/24	2024/25	2025/26	2026/27
Assets					
Non-current assets	11 769 163	10 630 675	12 980 675	15 506 925	18 159 487
Property, plant and equipment	11 769 163	10 630 675	12 980 675	15 506 925	18 159 487
Current assets	136 436 479	151 942 610	137 918 293	155 524 562	165 581 001
Inventory	15 463 975	3 981 856	5 981 856	10 981 856	8 624 856
Trade and other receivables	7 434 888	26 837 643	6 837 643	8 837 643	13 837 643
Cash and cash equivalents	113 537 616	121 123 111	125 098 794	135 705 063	143 118 502
Total Assets	148 205 642	162 573 285	150 898 968	171 031 487	183 740 488
Equity and Liabilities					
Equity	132 836 097	124 411 523	133 737 207	155 999 839	171 282 234
Retained (loss)/income	132 836 097	124 411 523	133 737 207	155 999 839	171 282 234
Non-current liabilities	11 002 860	10 529 510	9 529 510	8 958 169	8 386 602
Lease liability	11 002 860	10 529 510	9 529 510	8 958 169	8 386 602
Current liabilities	4 366 685	27 632 252	7 632 252	6 073 478	4 071 651
Trade and other payables	3 854 466	27 060 911	7 060 911	5 560 911	3 560 911
Lease liability	512 219	571 340	571 340	512 567	510 740
Total Equity and Liabilities	148 205 642	162 573 285	150 898 968	171 031 487	183 740 488

Projected total assets are expected to increase to R151 million in 2024/25, followed by increases to R171 million in 2025/26 and R183 million in 2026/27. The projected cash reserves of R125 million for FY2024/25 in the projected balance sheet indicate the company's solid liquidity position.

Projected Cash Flow Statement

Cash Flows	2022/23	2023/24	2024/25	2025/26	2026/27
Opening Balance:					
Cash and Cash Equivalents	100 976 692	113 537 616	121 123 111	125 098 794	135 705 063
Cash receipts from customers	1 316 121 560	611 242 691	761 337 840	799 404 732	839 374 968
Cash payments for diamond purchases	(1 255 224 007)	(584 506 841)	(723 270 948)	(759 434 495)	(797 406 220)
Net cash received from operations	60 897 553	26 735 850	38 066 892	39 970 237	41 968 748
Other income	124 783	3 563 954	2 164 192	2 326 506	2 477 729
Total cash receipts	61 022 336	30 299 804	40 231 084	42 296 743	44 446 478
Less payments to suppliers and employees	(27 165 405)	(32 430 639)	(44 676 436)	(41 162 300)	(47 096 564)
Salaries	14 255 928	16 805 401	22 520 999	24 210 074	26 025 829
Leases	1 400 000	1 706 567	1 778 330	1 902 813	2 036 010
Computer and other IT costs	863 804	921 058	1 253 113	874 770	918 508
Travel	2 931 137	3 968 583	4 391 173	4 610 732	4 841 269
Consulting fees	880 522	1 523 000	4 463 000	892 600	4 170 071
Marketing: Exhibitions and shows	2 896 442	1 773 957	4 085 000	2 177 250	2 286 113
Other operating costs	2 525 435	3 610 282	3 782 378	3 971 496	4 170 071
Professional fees	1 412 137	2 121 791	2 402 443	2 522 565	2 648 693
Cash Flow from Financing Activities					
Interest					
Interest income	6 309 740	9 490 476	9 785 896	9 786 875	9 884 744
Interest expense	(1 045 419)	(1 018 748)	(961 963)	(890 184)	(800 553)
Capital expenditure	(138 675)	(350 000)	(2 350 000)	(2 526 250)	(2 652 563)
Non-cash flow items/Cash flow adjustments	(26 421 653)	1 594 601	1 947 101	3 101 385	3 631 897
Closing Balance:					
Cash and Cash Equivalents	113 537 616	121 123 111	125 098 794	135 705 063	143 118 502

SDT's cash and cash equivalents are projected to amount to R125 million during FY2024/25. The cash reserves will grow steadily during 2025/26 and 2026/27. The strategy of maintaining cash reserves for the SDT will ensure a stable financial position which will allow flexibility in managing unexpected expenses. This approach will also contribute to the effective long-term financial health and stability of the SDT.

Projected Capital Expenditure

	2022/23	2023/24	2024/25	2025/26	2026/27
Computer equipment	68 747	350 000	600 000	645 000	677 250
Furniture and fittings	69 928	-	1 000 000	1 075 000	1 128 750
Security equipment and diamond machinery	-	0	250 000	268 750	282 188
Leasehold improvements	-	100 000	500 000	537 500	564 375
Total	138 675	450 000	2 350 000	2 526 250	2 652 563

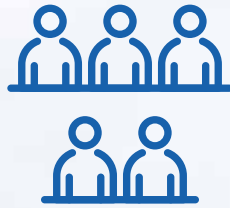
Projected capital expenditure for FY2024/25 is expected to amount to R2.3 million which includes costs for office furniture, boardroom technology solutions, and computer equipment. These costs are aimed at creating a conducive and modern working environment that fosters productivity, collaboration, and innovation among SDT employees.

Borrowing Plan

The SDT is not projecting any borrowings during the MTEF period.

Dividends Policy

This is not applicable to the SDT.



PART D

SHAREHOLDERS COMPACT

SHAREHOLDERS COMPACT

**SHAREHOLDER PERFORMANCE AGREEMENT (“SHAREHOLDER COMPACT”)
between**

STATE DIAMMOND TRADER (SDT)

herein represented by:

MS NOSIPHIWO MZAMO
(in her capacity as the Accounting Officer)

and

THE GOVERNMENT OF THE REPUBLIC OF THE SOUTH AFRICA

herein represented by:

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

Ms Nosiphiwo Mzamo

Accounting Officer



Signature

February 2024

Mr Samson Gwede Mantashe

Minister of Mineral Resources and Energy

Signature

February 2024

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 Energy.
- 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.
- 3.3 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 2025.

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 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 2024/25 – 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 Resources and Energy,
Trevenna Campus,
Pretoria
For attention: Chief of Staff, Ministry of Mineral Resources and Energy.

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: nosiphiwom@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 2024.

14 Annual Performance Plan

No	Strategic Output	Output	Output Indicators	Annual Target	Q1	Q2	Q3	Q4
1.1	Organisational sustainability	Business management/ leadership excellence achieved	Percentage of Annual Combined Audit Action Plan deliverables implemented	100%	20%	40%	60%	100%
1.2			Percentage of Corporate Communication Plan implemented versus planned	100%	20%	40%	60%	100%
1.3			Number of culture/staff satisfaction surveys conducted	One culture/ staff satisfaction survey conducted	-	-	-	One culture/ staff satisfaction survey conducted
1.4			Percentage of risk mitigation actions implemented, applicable in the financial year, versus planned on the Strategic Register	70%	-	-	-	70%
1.5			Unqualified audit opinion	Unqualified audit opinion	-	Unqualified audit opinion	-	-

No	Strategic Output	Output	Output Indicators	Annual Target	Q1	Q2	Q3	Q4
1.6	Organisational sustainability	Human capital management excellence achieved	Percentage of active positions filled	80%	-	-	-	80%
1.7			Percentage implementation of the Workplace Skills Plan (WSP)	80%	-	20%	40%	80%
1.8		Financial management excellence achieved	Ratio of working capital	Greater than or equal to 5:1	Greater than or equal to 5:1	Greater than or equal to 5:1	Greater than or equal to 5:1	Greater than or equal to 5:1
1.9			Percentage variance of overexpenditure of the operating budget	Variance of over-expenditure should not exceed 10%	Variance of over-expenditure should not exceed 10%	Variance of over-expenditure should not exceed 10%	Variance of over-expenditure should not exceed 10%	Variance of over-expenditure should not exceed 10%
1.10		Technology management excellence achieved	Percentage of Digital Transformation Plan implemented versus planned	50%	10%	20%	30%	50%
1.11		Information/knowledge management	Percentage of knowledge management improvement initiatives implemented versus planned	70%	10%	30%	40%	70%
2.1	A growing, transformed SA diamond beneficiation industry	Rough Diamonds traded suitable for local beneficiation	Number of exhibitions/ events participated in or hosted, locally and internationally	7	2	2	2	1
2.2			Percentage of purchased rough diamonds inspected	5%	5%	5%	5%	5%
2.3			Number of producers utilised to source diamonds	18	-	-	-	18
2.4		Equitable access to rough diamonds for local beneficiation	Percentage increase in carats sold to Historically Disadvantaged South Africans (HDSA)	10%	10%	10%	10%	10%
2.5			Percentage performance on Enterprise Development Programme (EDP) Annual Plan	100%	20%	40%	60%	100%

15 Technical Indicators

1.1 Indicator title	Percentage of Annual Combined Audit Action Plan deliverables implemented
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 2023/24 financial year. The Audit Action Plan indicates measures put in place by management to address audit findings raised by both internal and external auditors.
Source of data	Combined Internal and External Audit Reports – FY2023/24
Method of calculation or assessment	Number of action plans 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
Spatial transformation (where applicable)	N/A
Calculation type	Cumulative
Reporting cycle	Quarterly and annually
Desired performance	100% implementation of the deliverables for the financial year
Indicator responsibility	Chief Financial Officer

1.2 Indicator title	Percentage of Corporate Communication Plan implemented versus planned
Definition	This indicator monitors the progress of implementation of the Corporate Communication Plan activities for the financial year 2024/25
Source of data	Corporate Communication Plan FY2024/25 together with the Annual and Quarterly Corporate Communication Plan reports
Method of calculation or assessment	Total number of activities implemented divided by the total number of planned activities, multiplied by 100
Means of verification	Quarterly and Annual Corporate Communication Activity Plan reports
Assumptions	N/A
Disaggregation of beneficiaries (where applicable)	N/A
Spatial transformation (where applicable)	N/A
Calculation type	Cumulative
Reporting cycle	Quarterly and annual
Desired performance	100% implementation of the planned activities of the Corporate Communication Plan implemented for the financial year 2024/25
Indicator responsibility	Marketing and Communications Manager

1.3 Indicator title	Number of culture/staff satisfaction surveys conducted
Definition	This indicator title tracks the number of culture/staff satisfaction surveys to be conducted in the financial year 2024/25.
Source of data	Culture survey report
Method of calculation or assessment	Number of culture/staff satisfaction surveys conducted
Means of verification	Culture survey report
Assumptions	N/A
Disaggregation of beneficiaries (where applicable)	N/A
Spatial transformation (where applicable)	NA
Calculation type	Non-cumulative
Reporting cycle	Quarterly and annually
Desired performance	One culture/staff satisfaction survey conducted
Indicator responsibility	Human Resources Manager

1.4 Indicator title	Percentage of risk mitigation actions implemented, applicable in the financial year, versus planned on the Strategic Risk Register
Definition	This indicator tracks the percentage of risk mitigation actions implemented versus planned in the approved Strategic Risk Register. It is a performance metric that assesses the effectiveness of risk management by quantifying the extent to which planned risk mitigation actions have been executed compared to those outlined in the Strategic Risk Register.
Source of data	Strategic Risk Register for FY2024/25
Method of calculation or assessment	Number of actual mitigation actions implemented divided by the number of planned mitigation actions, times 100
Means of verification	Quarterly and Annual Report on the mitigation actions implemented versus planned for in the Strategic Risk Register for FY2024/25, that is submitted to the CEO
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 risk mitigation actions implemented versus planned for in the approved Strategic Risk Register
Indicator responsibility	Company Secretary

1.5 Indicator title	Unqualified 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	FY2024/25 AGSA Audit Report and Management Report
Method of calculation or assessment	One unqualified Audit Report
Means of verification	FY2024/25 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	Quarterly and annually
Desired performance	Unqualified Audit Report
Indicator responsibility	Chief Financial Officer

1.6 Indicator title	Percentage of active positions filled
Definition	This indicator tracks the percentage of approved positions to be filled for FY2024/25 on the active organogram. The target is filling 80% of the approved positions at the end of 2024/25 financial year.
Source of data	Board approved organogram and active positions to be filled in the FY2024/25 Annual Recruitment Plan
Method of calculation or 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 FY2024/25 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 80% of the active positions
Indicator responsibility	Human Resources Manager

1.7 Indicator title	Percentage implementation of the Workplace Skills Plan (WSP)
Definition	This indicator tracks the progress of the implementation of the WSP for FY2024/25.
Source of data	Approved WSP and Training Report 2024/25
Method of calculation or assessment	Total number of activities implemented divided by the number of activities planned, times 100
Means of verification	Approved WSP and Training Report 2024/25
Assumptions	N/A
Disaggregation of beneficiaries (where applicable)	N/A
Spatial transformation (where applicable)	NA
Calculation type	Cumulative
Reporting cycle	Quarterly and annually
Desired performance	80% or more of the WSP implemented
Indicator responsibility	Human Resources Manager

1.8 Indicator title	Working capital ratio
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 or assessment	<ul style="list-style-type: none"> Current ratio = Current assets divided by current liability expressed as a ratio Current assets include cash and short-term deposits, inventory, accounts receivable and other current assets 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
Desired performance	Current ratio should be equal to or greater than five
Indicator responsibility	Chief Financial Officer

1.9 Indicator title	Percentage variance of over-expenditure of the operating budget
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 or assessment	(Actual operating expenditure - Budgeted operating expenditure)divided by Budgeted operating expenditure, times 100
Means of verification	Trial balance, Quarterly Financial Reports and Annual Financial Statements
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	Cumulative
Reporting cycle	Quarterly and annually
Desired performance	Not more than 10% expenditure variance on the operating expenditure
Indicator responsibility	Chief Financial Officer

1.10 Indicator title	Percentage of Digital Transformation Plan implemented versus planned
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 or 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
Disaggregation of beneficiaries (where applicable)	N/A
Spatial transformation (where applicable)	N/A
Calculation type	Cumulative
Reporting cycle	Quarterly and annually
Desired performance	50% or more of the activities planned for FY2024/25 implemented
Indicator responsibility	Chief Financial Officer

1.11 Indicator title	Percentage of 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 FY2024/25, Quarterly Reports
Method of calculation or 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 FY2024/25, Quarterly Reports
Assumptions	N/A
Disaggregation of beneficiaries (where applicable)	N/A
Spatial transformation (where applicable)	N/A
Calculation type	Cumulative
Reporting cycle	Annual and quarterly
Desired performance	70% or more planned initiatives for FY2024/25 implemented
Indicator responsibility	Marketing and Communications Manager

2.1 Indicator title	Number of exhibitions/events participated in or hosted, locally and internationally
Definition	This indicator tracks the number of exhibitions/events participated in or hosted. The objective is to increase visibility of the entity's brand to create access for the entity.
Source of data	Corporate Communications Plan and Quarterly Reports
Method of calculation or assessment	Number of events participated in or hosted, locally and internationally
Means of verification	Corporate Communications Plan and Quarterly Reports
Assumptions	N/A
Disaggregation of beneficiaries (where applicable)	N/A
Spatial transformation (where applicable)	N/A
Calculation type	Non-cumulative
Reporting cycle	Annually and quarterly
Desired performance	Seven or more exhibitions/events participated in or hosted, both locally and internationally
Indicator responsibility	Marketing and Communications Manager

2.2 Indicator title	Percentage of purchased rough diamonds inspected
Definition	The indicator tracks the percentage of the value 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 or assessment	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
Desired performance	To purchase 5% or more by value of rough diamonds inspected
Indicator responsibility	Operations Manager

2.3 Indicator title	Number of producers utilised to source diamonds
Definition	This indicator tracks the number of producers utilised to source diamonds.
Source of data	Purchasing Log and Integrated Trading Report
Method of calculation or assessment	Number of producers utilised to source diamonds
Means of verification	Purchasing Log and the Integrated Trading Report
Assumptions	N/A
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 18 or more producers in FY2024/25
Indicator responsibility	Operations Manager

2.4 Indicator title	Percentage increase in carats sold to Historically Disadvantaged South Africans (HDSA)
Definition	This indicator tracks the percentage of carats sold to 100% black-owned companies in the Equitable Access and Growth and Transformation segments.
Source of data	Client Application Documents (verify HDSA status), HDSA identified in the Equitable Access and Growth and Transformation segments, Financial System (Pastel) Sales Analysis Report, Integrated Trading Report
Method of calculation or assessment	Volume of carats sold to HDSA clients in FY2024/25 subtracted from the volume of carats sold to HDSA clients in FY2023/24 divided by the volume of carats sold in FY2023/24 times 100
Means of verification	Client Application Documents (verify HDSA status), Financial System (Pastel) Sales Analysis, Integrated Trading Reports
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	To increase the percentage supplied to HDSA clients by 10% or more carats sold in FY2024/25 when compared to carats sold HDSA clients in FY2023/24
Indicator responsibility	Operations Manager

2.5 Indicator title	Percentage performance on Enterprise Development Programme (EDP) Annual Plan
Definition	This indicator tracks the implementation of the EDP Annual Plan.
Source of data	EDP Plan and Quarterly Report
Method of calculation or assessment	Number of EDP activities implemented for FY2024/25 divided by the number of EDP activities planned for FY2024/25, times 100
Means of verification	EDP Plan and Quarterly Report
Assumptions	That participants complete the following: <ol style="list-style-type: none"> 1. A business management course. 2. A two-week rough evaluation course. 3. Successfully placed at a cutting and polishing factory for further training.
Disaggregation of beneficiaries (where applicable)	N/A
Spatial transformation (where applicable)	N/A
Calculation type	Cumulative
Reporting cycle	Quarterly and annually
Desired performance	100% or more of planned activities in the EDP for FY2024/25
Indicator responsibility	Operations Manager



PARTIE

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 2022/23
= R 1 316 121 560
- Materiality Factor: (R1 316 121 560 * 0.5%)
= R 6 580 608

ANNEXURE B: STRATEGIC RISK

The Board of the State Diamond Trader has overall accountability for ensuring effective risk management. The Risk Register is reviewed and updated quarterly to ensure that adequate mitigation is achieved. The overall oversight role is exercised through the Audit and Risk Committee, with all other Board Committees limited to issues appropriate to their function.

Because the State Diamond Trader has been without a Board since October 2023, the Risk Register has been reviewed by Executive Management to ensure that risks are up to date and are managed efficiently to reduce and eliminate consequences should the risks be realised.

Risk Rating Methodology

The Risk Assessment Procedure is as follows:

1. The risk is identified.
2. The risk is assessed in terms of a matrix of likelihood and impact.

Step 1: Assess the Risk Impact

- Negligible
- Low impact
- Moderate impact
- High impact
- Very high impact

Step 2: Assess the Probability

- Very low probability
- Low probability
- Medium probability
- High probability

3. In the score matrix, if the score is above the score that is acceptable, an internal control or mitigation is implemented to reduce the risk to an acceptable matrix score.

Step 3: Calculate the Overall Rating

Risk Rating x Probability = Overall Rating

- Rating 1–4 Acceptable
- Rating 5–9 Adequate
- Rating 10–16 Tolerable
- Rating 17–25 Unacceptable

Rating 1–4 Acceptable	Low Risk
Rating 5–9 Adequate	Medium Risk
Rating 10–16 Tolerable	High Risk
Rating 17–25 Unacceptable	High Risk

Strategic Risk Register

Strategic Goal	Key Risk	Rating	Current Controls	Residual Rating	Mitigation
Organisational sustainability	Unfavourable market conditions (impact on cash flow)	25		25	Formulate trading strategy
	Human capacity constraints	25	<ol style="list-style-type: none"> 1. Structural review 2. Remuneration Policy revised 3. Three trainees appointed 	18	<ol style="list-style-type: none"> 1. Implement structural review subject to budget 2. Succession planning 3. Review the Retention Strategy
	Lack of technology optimisation	20	<ol style="list-style-type: none"> 1. ICT Gap Analysis conducted 2. Appointed outsourced ICT service provider 3. Enhanced ICT Policies 	16	Implement the ICT gap analysis recommendations
	Cyber Security Risk	17	Enhanced the Firewall Policy	10	Implement recommendations from the ICT gap analysis (Vulnerability and Penetration testing)

Strategic Goal	Key Risk	Rating	Current Controls	Residual Rating	Mitigation
A growing, transformed SA diamond beneficiation industry	Slow growth pace of transforming the diamond beneficiation industry	25	<ol style="list-style-type: none"> 1. Implementation of Enterprise Development Programme 2. Facilitated access to market platforms 	17	<ol style="list-style-type: none"> 1. Promote and provide access to markets for clients through the number of exhibitions/ events participated in, locally and internationally 2. Ensure there is a sufficient supply of rough diamonds available for clients by purchasing a certain percentage of inspected rough diamonds 3. Increase supply by expanding the number of producers from which diamonds are sourced 4. Reserve a specific allocation of diamonds to be sold to HDSA 5. Implement the Enterprise Development Plan to enhance the beneficiation pipeline
	Inadequate funding to support the growth of SDT	25	SDT's ability to generate its own funds	25	<ol style="list-style-type: none"> 1. Apply for State grant from National Treasury 2. Apply for MTEF funding 3. Apply for a bank overdraft 4. Apply for IDC funding 5. Apply for funding from other financial institutions
	Financial inability of HDSA clients to purchase diamonds	25		25	Lobby for funding for SDT clients from IDC and Delgato
	Decline in volume and quality of diamonds being supplied to SDT	25	<ol style="list-style-type: none"> 1. Crafted a strategy on sourcing suitable gem quality diamonds from foreign producers 2. Supplier agreements in place to source preferred diamonds 3. Promoted legislative compliance amongst non-compliant producers 	17	Source diamonds from two foreign jurisdictions
	80/20 rule that applies to the beneficiation licence holders	25	Submitted proposed legislation amendments to reduce the 80/20 rules to a more acceptable rate	20	<ol style="list-style-type: none"> 1. Partner with a research and development entity to develop a roadmap to improve beneficiation technology 2. Engage with SADPMR on the application of the 80/20 rule

ANNEXURE C: FRAUD PREVENTION PLAN AND POLICY

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 core ethical values that drive the business of the State Diamond Trader, which include the development of its systems, policies, and procedures; interactions with clients, the public, and other stakeholders; and decision-making by individual managers representing the organisation. It is an updated version of the existing Fraud Prevention Plan.
- 1.3 The policy, guidelines, and procedures set out in this document are important to help the entity ensure:
 - Business is conducted professionally and with integrity;
 - Risk-mitigation measures regarding fraud and corruption are in place;
 - The entity complies with national and international anti-fraud and corruption legislation;
 - Guidance is provided on the processes that must be followed when investigating fraud and corruption;
 - Guidance is provided to all stakeholders on how to prevent and report fraud and corruption;
 - Timely reporting of fraud and corruption to the authorities, as required by law; and
 - Adequate protection for those who report fraud and corruption.

2 Background

- 2.1 The Public Finance Management Act (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 (Act No. 12 of 2004) strengthens the measures against corruption and has defined specific offenses related thereto.
- 2.3 The Protected Disclosures Act (Act No. 26 of 2000) makes provision 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.

3 Definitions of 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, as well as any conduct or behaviour of which a dishonest representation and/or appropriation forms an element.
Entity	Means the State Diamond Trader
Employee	Means employee as defined in Section 200A of the Labour Relations Act (Act No. 66 of 1995)
Employer	Means the State Diamond Trader

4 Legislative and Policy Framework

- 4.1 Constitution of the Republic of South Africa (Act No. 106 of 1996)
- 4.2 Public Finance Management Act (Act No. 1 of 1999)
- 4.3 Prevention and Combating of Corrupt Activities Act (Act No. 12 of 2004)
- 4.4 Protected Disclosures Act (Act No. 26 of 2000)
- 4.5 SDT's Corporate Governance Manual
- 4.6 Basic Conditions of Employment Act (Act No. 75 of 1997)
- 4.7 Companies Act (Act No. 71 of 2008)
- 4.8 Electronic Communications and Transmissions Act (Act No. 25 of 2002)
- 4.9 Financial Advisory and Intermediary Services Act (Act No. 37 of 2002) ("FAIS")
- 4.9 Financial Intelligence Centre Act (Act No. 38 of 2001) ("FICA")
- 4.10 Foreign Corrupt Practices Act of 1977 ("FCPA")
- 4.11 Labour Relations Act (Act No. 66 of 1995)
- 4.12 Promotion of Equality and Prevention of Unfair Discrimination Act (Act No. 4 of 2000)
- 4.13 Protection of Personal Information Act (Act No. 4 of 2013)
- 4.14 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 Policy and Procedures
 - Disciplinary Policy and Procedure
 - Sexual Harassment Policy
 - Code of Conduct

5 Scope of 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 Responsibilities

6.1 Requirements

The State Diamond Trader requires that all role players:

- 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; and
- 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 regarding fraud risk management are formally defined in its Charter. The Audit and Risk Committee provides an independent and objective view of the SDT's fraud risk management effectiveness.

The Audit and Risk Committee is appointed by the Accounting Authority to assist in discharging their responsibility 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 risk threats facing the entity, and the responses to address these key risks.

6.3 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 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 must continuously report on progress.

6.4 Risk management support

(a) Chief Risk Officer

The Chief Risk Officer is the custodian of the Fraud Prevention Strategy and the co-ordinator of fraud risk management activities throughout the entity. The primary responsibility of the Chief Risk Officer is to bring to bear his/her specialist expertise to assist the entity to embed risk management and leverage its benefits to enhance performance.

(b) Risk Champion

The Risk Champion's responsibility involves

intervening in instances where 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 Risk management assurance providers

(a) Internal Audit

The role of Internal Auditing in fraud risk management is to provide an independent, objective assurance on the effectiveness of the entity's 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 external auditor (Auditor-General) provides an independent opinion on the effectiveness of fraud risk management.

7 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 benefit 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 towards 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 our business is always conducted 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 third-party service

providers;

- We ensure awareness of our stance on fraud and corruption;
- We protect those who disclose fraud and corruption; and
- We take action against those who engage in fraud and corruption.

8 Fraud Control Strategies

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

8.1 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:

8.1.1 Good corporate governance

Good Corporate Governance is critical to promote an organisational culture of ethical behaviour and integrity to prevent fraud and corporate crime by influencing employees' conduct and behavioural 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:

8.1.1.1 The Audit and Risk Committee has oversight responsibility for the State Diamond Trader's systems of internal control and reports to the Board.

8.1.1.2 An independent Internal Audit function conducts reviews and tests the effectiveness of the systems of internal control, providing assurance, and reports to the Audit and Risk Committee.

8.1.1.3 The State Diamond Trader has written Delegations of Authority and documented financial control systems.

8.1.2 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 mitigate them.

8.1.3 Creating awareness

8.1.3.1 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.

8.1.3.2 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.

8.2 Operational strategies

8.2.1 Internal control

Internal controls are the first line of defence 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:

8.2.1.1 Physical control of State Diamond Trader assets;

8.2.1.2 Authorisation controls;

8.2.1.3 Supervisory controls (day-to-day staff management);

8.2.1.4 Data analysis;

8.2.1.5 Monthly, quarterly and annual financial statements; and

8.2.1.6 Monthly bank reconciliations.

8.3 Prevention strategies

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

8.3.1 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.

8.3.2 Recruitment procedures

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

8.3.3 Disclosure of interests

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

8.4 Detection strategies

8.4.1 Fraud detection may occur through:

- 8.4.1.1 Vigilance of employees, including senior management;
- 8.4.1.2 The internal audit function;
- 8.4.1.3 Ad hoc management reviews;
- 8.4.1.4 Anonymous reports made in line with the Code of Ethics;
- 8.4.1.5 The application of detection techniques;
- 8.4.1.6 Segregation of duties; and
- 8.4.1.7 External Audit.

8.4.2 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 and Procedure, and/or the Code of ethics of the entity.

Investigations of suspected acts of fraud or corruption must have due regard for process and must respect the legal rights of those allegedly involved.

8.5 Collective responsibilities of all role players:

The State Diamond Trader requires that all role players:

- 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; and
- 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, and
 - Code of Conduct and Ethics.

8.6 Maintenance strategies

8.6.1 Annual review

This Policy and Plan shall be reviewed on an annual basis to ensure its effectiveness and relevance.

8.6.2 Standard operating procedure for reporting an alleged fraud matter

The procedure for reporting a fraud matter is set out in a Standard Operating Procedure.

8.7 Confidentiality

8.7.1 Privileged information

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

8.7.2 Reputational damage, safety and security

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 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 to ensure the safety and security of the informant who has supplied the State Diamond Trader with the allegations.

8.7.3 Media disclosure

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.

8.8 Protection of informant

8.8.1 Penalties or retribution

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

8.8.2 False allegations

Employees and the public shall be discouraged from 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.

8.9 Application of prevention controls and detection mechanism

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, to prevent similar irregularities from taking place in the future.

8.10 Fraud Prevention Committee

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 Unit.





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